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BANK AL-MAGHRIB

ANNUAL REPORT
ON THE CONTROL, ACTIVITIES AND RESULTS OF CREDIT INSTITUTIONS

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A WORD FROM THE GOVERNOR

In 2010, the international economic environment slightly improved on the back of the exceptional measures to support the economy and the financial sector, taken in the wake of the financial crisis. At the same time, the national economy recorded sustained growth, though somewhat lower than 2009.

Bank Al-Maghrib continued to use required reserves and banking liquidity management as instruments to meet the financing needs of the economy.

In this context, the banking system remained resilient, as evidenced by its activity, results and prudential indicators.

Thus, the total loans granted by credit institutions increased by 9.3%, after rising 10.7% a year earlier. This deceleration mostly results from the new slowdown in facilities to real estate development, whereas home loans and investment loans continued to record growth rates in double digits.

While the quality of credit portfolios recorded varying trends according to credit institutions, the average rate of nonperforming loans in the banking sector fell from 6 to 5.5% and that of banks, in particular, dropped to 4.8%. However, similarly to last year, credit risk costs weighed on their results, especially in consumer loan companies.

Under these conditions, banks, based on their activity in Morocco, achieved a cumulative net profit of 9.7 billion dirhams, up 5.4%, in response to the good performance of the net banking income (NBI), generated by intermediation activities and services. In contrast, income from market transactions registered strong growth, but lower than the previous year. The increase in the cumulative net profit also reflects a better operating ratio, which fell 1.2 point to 46.3%.

The eight banking groups, which establish their financial statements on a consolidated basis, achieved a cumulative net profit of 10.5 billion dirhams, up 12% after the slight decline in 2009. They benefited from the consolidation of the various businesses areas and the diversification of their activities both nationally and internationally. The good trend in the NBI of these groups was bolstered by a lesser increase of credit risk costs compared to 2009, despite the constitution of additional provisions to cover of risks relating, in particular, to the deterioration of the regional political environment.

On the back of a tight control of weighted risks and the retention of a larger portion of profit than last year, banks' average capital adequacy ratio, on a consolidated basis, increased to 12.7% up from 12% in 2009.

All these elements if it confirms again the resilience of the banking system, should not hide the need for sustaining the efforts in managing the risks facing the rise of certain vulnerabilities.
Indeed, the cyclical downturn facing some economic sectors could lead to rising corporate default risk,

which is likely to weigh on the risk-related cost of credit institutions.

Further more, the solvency of private customers weakened, given the significant rise in defaults for the 2nd year in a row.

Moreover, institutions with long-term fixed-rate exposures that are not adequately monitored could see their NBI weaken, in the event their resources are renewed under less favorable conditions.

These various vulnerabilities underscore the importance of sound governance assigning to credit institutions a well-defined strategy and objectives. This is what we constantly urge the managers of credit institutions to do.

In this respect, the central bank continued to strengthen the monitoring of the sector's areas involving increased risks, and required certain institutions to reinforce the coverage of these risks by a higher level of core capital, provisions and liquid assets.

In the same connection, Bank Al-Maghrib enhanced the regulatory framework governing capital by adopting Basel II advanced approaches. These new prudential requirements aim at better gauging credit, market and operational risks, and further enhancing capital adequacy.

These regulatory changes are likely to better prepare the banking system to the Basel III framework. These are new prudential standards issued by the Basel Committee in December 2010 with the aim to bolster banks' capital in quantity and quality as well as their level of liquidity, in order to make them less vulnerable to specific or macro-economic shocks.

The context highlights, if need be, the necessity for new regulatory and institutional reforms to support the establishment of macro-prudential supervision. With this in mind, we initiated the revision of the central bank's Statutes and the Banking Act, particularly in order to organize the monitoring of systemic risks in a comprehensive view of financial stability and ensure close coordination between financial sector regulatory authorities.

In terms of financial inclusion, strengthening the establishment of banks and the services adaptation helped raise the banking penetration rate to about 50%. Meanwhile, Bank Al-Maghrib urged the banking system to strive for a further increase to reach 66% in the next three years.

The microcredit sector, another key element to the fight against financial exclusion, continued to tick over following the weaknesses seen in 2008. In such context, Bank Al-Maghrib closely monitored the actions undertaken by microcredit associations to make healthier their portfolios and improve their governance and internal control practices as well as their information system. The sector's recovery must necessarily be accompanied by a sound policy for risk management, in line with the social objectives assigned to microcredit institutions.

Furthermore, Bank Al-Maghrib deployed substantial resources to monitor the implementation of recent measures taken to improve credit institutions' transparency toward their customers and reduce costs of banking services. It also penalized all infringements reported.

The project of transforming the Casablanca market into a regional financial hub achieved considerable progress, with the adoption of a law establishing the "Casablanca Finance City" and the granting of tax incentives to institutions operating therein. At the same time, Morocco's major banking institutions continued to develop their network on the African continent.

These achievements, coupled with the ongoing completion of other commitments as part of the "Moroccan Offer", would create favorable conditions to ensure the attractiveness and competitiveness of "Casablanca Finance City".

HIGHLIGHTS OF 2010

March 24 : Bank Al-Maghrib participates in a meeting of the Arab World Initiative (AWI) on "Financing mechanisms of small and medium-size enterprises" and "MENA: regional financing for infrastructures", in Cairo.

April 5 : Meeting of Credit Institutions Committee.

April 12 : Moroccan delegation made up of the representatives of the Finance Ministry, Bank Al-Maghrib, Transferable Securities Board and the Casablanca Stock Market visits Sweden to examine the prospects of cooperation between the financial institutions and authorities of the two countries.

May 6 : Bank Al-Maghrib takes part in the meeting of the Francophone Banking Supervisors Group in Beirut.

May 31 : Bank Al Maghrib participates at a forum on "Microfinance policy in the Arab world 2010" organized in Damascus by the Consultative Group to Assist the Poor (CGAP).

June 11 : Governor of Bank Al-Maghrib and the Board of the Moroccan Bankers Association hold their semi-annual meeting.

June 17 : Bank Al-Maghrib organizes round table on governance in the banking sector, with the participation of the World Bank.

July 5 : Coordinating Committee of Financial Sector Supervisory Bodies convenes.

July 6 : National Board for Credit and Savings convenes.

September 2 : Bank Al-Maghrib takes part in the "Korea-FSB Financial Reform Conference: An Emerging Market Perspective" organized by the Financial Stability Board (FSB) in Seoul, South Korea.

September 13 : Governor of Bank Al-Maghrib and members of the National Federation for Microcredit Associations hold a meeting on "the development prospects of the microcredit sector".

September 20 : Bank Al-Maghrib participates in the 16th International Conference of Banking Supervisors (ICBS) which was organized in Singapore by the Monetary Authority of Singapore jointly with the Basel Committee and discussed the themes "Towards a More Resilient Banking Sector" and "A Stable Financial Environment for Sustained Economic Growth".

September 28 : Bank Al-Maghrib takes part in the Global Economic Symposium (GES) in Istanbul.

October 28 : Governors of Eurosystem and Mediterranean central banks hold their 16th meeting in Paphos at Cyprus, on "The impact of the global financial turmoil on banking sectors and financial stability: Mediterranean region perspective".

December 6 : Credit Institutions Committee meets.

December 14 :
- Governor of Bank Al-Maghrib and the Board of the Moroccan Bankers Association hold their semi-annual meeting.
- Governor of Bank Al-Maghrib meets with the Board of the Professional Association of Finance Companies.

December 30 : Publication in the Official Bulletin of the Royal Decree No 1-10-196 dated Muharram 7, 1432 (December 13, 2010) promulgating Law No 44-10 relating to the status of Casablanca Finance City.

KEY FIGURES OF THE BANKING SYSTEM

1 - Structure of the banking system

- Number of credit institutions and similar bodies : 83

- Banks : 19
- Finance companies : 36
- Offshore banks : 6
- Microcredit associations : 12
- Funds transfer companies : 8
- Other Institutions : 2

- Network:

- In Morocco: 4,787 branches, including 943 branches for Al Barid Bank, i.e. 6,600 inhabitants per branch.
- Abroad: 19 subsidiaries, 75 branches and 57 representative offices.
- Automated teller machines: 4,545.

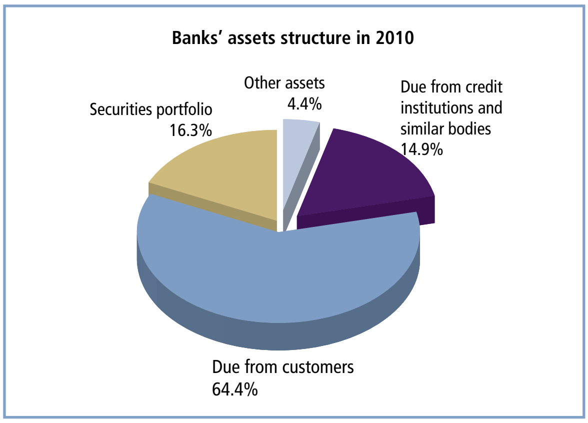
- Staff of credit institutions and similar bodies: approximately 42,000.

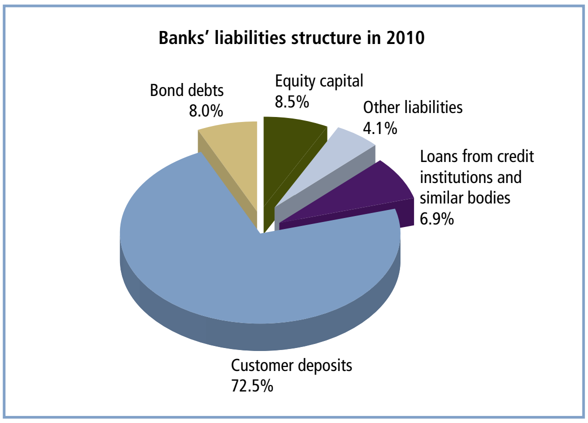
2 - Banks' activity and profitability indicators[1]

(In billion dirhams)

	2008	2009	2010
Balance sheet total	764	828	859
Cash loans (net of provisions)	499	552	601
Customer deposits	572	601	622
Shareholders' equity capital (excluding financial profit for the year)	55	63	73
Net banking income	27.2	30	32.8
Gross operating income	14.6	16.5	17.9
Net income	8.6	9.2	9.7
Average yield of assets	5.11%	5.18%	5.18%
Average cost of liabilities	1.93%	2.05%	1.93%
Average operating ratio	47.8%	47.5%	46.3%
Return on assets (ROA)	1.2%	1.2%	1.2%
Return on equity (ROE)	16.7%	15.2%	14.2%
Non-performing loans Rate (NPL)	6.0%	5.5%	4.8%
NPL coverage ratio	75.3%	74.1%	70.1%

1 Based on their activity in Morocco, excluding Al Barid Bank which benefited from the effective transfer of Barid Al-Maghrib's financial services only in December 2010.

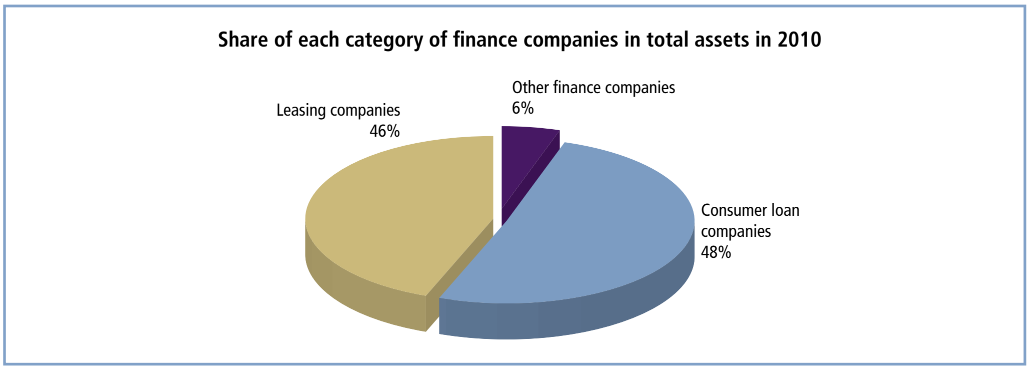




3 - Finance companies' activity and profitability indicators

(In billion dirhams)

	2008	2009	2010
Balance sheet total	74.3	81.2	85
Cash loans (net of provisions)	67.2	73.9	78.6
Net banking income	4.1	4.4	4.6
Gross operating income	2.6	2.8	2.9
Net income	1.5	1.3	1.1
NPL rate	9.1%	9.5%	10.0%
ROA	1.9%	1.6%	1.4%
ROE	22.4%	18.4%	14.0%



4 - Microcredit associations' activity and profitability indicators

(In billion dirhams)

	2008	2009	2010
Balance sheet total	6.9	6.2	5.7
Outstanding loans	5.7	4.8	4.7
NPL rate	5.3%	6.4%	6.2%
Net income	0.03	-0.12	0.03

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

(In billion dirhams)

	2008	2009	2010
Balance sheet total	799	878	930
Cash loans (net of provisions)	498	568	625
Customer deposits	578	621	652
Equity capital - group share	61	69	80
Net banking income	34	38	43
Gross operating income	17.7	20	22
Net income-group share	9.4	9.3	10.5
Average operating ratio	48.0%	47.6%	47.7%
ROA	1.2%	1.1%	1.1%
ROE	15.5%	13.6%	13.1%

PART 1

LEGAL AND REGULATORY ENVIRONMENT AND BANKING SUPERVISION ACTIVITIES

I. LEGAL AND REGULATORY ENVIRONMENT

In a fast changing environment, Bank Al-Maghrib focused attention on strengthening the legal and regulatory framework applicable to credit institutions to bring it in line with international standards.

In this respect, the Bank started reviewing the central bank status and the Banking Act, particularly in order to place the monitoring of systemic risks in a comprehensive vision of financial stability and to establish a close coordination among financial sector regulators.

Moreover, it enhanced the regulatory framework governing equity capital through the adoption of Basel II advanced approaches. These new prudential requirements aim at improving the measurement of credit, market and operational risks.

At the same time, it followed up the reform process undertaken as part of the new "Basel III" framework, and assessed its impact on the Moroccan banking sector. These are new prudential standards, enacted by the Basel Committee in December 2010, aiming at reinforcing the quantity and quality of banks' capital as well as their liquidity level, in order to make them less vulnerable to specific or macro-economic shocks.

Concerning financial inclusion, Bank Al-Maghrib, in coordination with the banking sector, continued its actions to promote bank savings and improve the transparency of banking practices.

1. ADOPTION OF BASEL II ADVANCED APPROACHES

The Basel Committee published, in June 2006, the revised framework entitled "International Convergence of Capital Measurement and Capital Standards" based on three pillars: minimum capital requirements, prudential monitoring process and market discipline. This framework specifies, under the first pillar, that credit institutions are required to observe minimum capital requirements to cover credit, market and operational risks.

For the transposition of Basel II, Bank Al-Maghrib recommended a progressive approach. Thus, after the implementation of this framework, in its standardized approach in 2007, the year 2010 saw the enactment of regulations relating to risk-based capital requirements under the Advanced Measurement Approaches.

This regulatory development required reviewing the circular governing regulatory capital.

1.1 Regulatory capital

The implementation of the International Reporting Standards IFRS[1], as from 2008, by banking groups had

1 International Financial Reporting Standards

an impact on the calculation of their consolidated capital. Within this framework, Bank Al-Maghrib put forth recommendations to specify the treatment methods of this impact.

The new Circular No 7/G/2010 relating to credit Institutions' capital, issued on December 31, 2010, incorporated these recommendations, removed Tier 3 capital and introduced other prudential treatments, converging with the international standards. These treatments concern in particular minority interests, stakes in insurance and reinsurance companies and expected losses.

Box 1: IFRS impact on consolidated capital

In order to offset IFRS impact on the consolidated capital of banking groups, institutions shall apply the adjustments related to the elements below:

- Unrealized gains or losses;
- Shares, investment certificates and hybrid instruments;
- Trading book;
- Fair value option;
- Weighted assets;
- Scope of consolidation.

1.2 - Credit institutions' internal model-based approach to risk capital requirements

The new Circular No 8/G/2010 relating to capital requirements for credit, market and operational risks according to internal model-based approaches, set the framework which banking institutions should observe to be authorized to apply these approaches.

Other Institutions will continue to apply the provisions of Circular No 26/G/2006 relating to the calculation of capital requirements for credit, market and operational risks according to the standardized approach.

Credit institutions must permanently respect, on a consolidated or sub-consolidated and/or individual basis, a minimum capital adequacy ratio of 10%.

1.2.1 Credit risk capital requirements

The circular No 8/G/2010 provides for two approaches to calculate capital requirements for credit risk: "foundation" approach and "advanced" approach. It defines exposure segments, methods of calculating weighted risks and losses, risk mitigation rules as well as qualitative and quantitative minimum requirements.

Credit institutions estimate, under the "Foundation" approach, using their own models, the probability of default (PD). The other risk parameters, namely loss given default (LGD), exposure at default and maturity, are set by Bank Al-Maghrib. When they use the advanced internal rating-based approach, banks should estimate, themselves, the entire set of these parameters.

Credit institutions carry out a classification of their exposures in six groups: sovereign, credit Institutions, corporations, retail customers, shares and other assets which do not correspond to claims.

As regards corporations, the prudential segmenting criteria were reviewed to take account of the change in the economic fabric and to be in line, as far as possible, with the national definition of the SME as adopted by the Ministry of Trade and Industry.

Box 2: New prudential segmentation criteria

Prudential thresholds and criteria on the basis of which corporate portfolio should be segmented into large enterprises, small and medium-sized enterprises and very small enterprises are specified hereafter.

A large enterprise is a corporation the gross turnover of which, or of the interest group to whom it belongs, is higher than 175 million dirhams.

A small and medium-sized enterprise, including individual entrepreneurs, meets one of the two following conditions:

- its gross turnover, or that of the interest group to which it belongs, is higher than 10 million dirhams and lower than or equal to 175 million dirhams;
- its gross turnover, or that of the interest group to which it belongs, is lower than or equal to 10 million dirhams and the total amount of claims that the credit institution holds on it or on the interest group to which it belongs is higher than 2 million dirhams.

A very small enterprise, including individual entrepreneurs, is that which meets the two following conditions:

- its gross turnover, or that of the interest group to which it belongs, is lower than or equal to 10 million dirhams;
- the total amount of claims that the credit institution holds on it or on the interest group to which it belongs is lower than or equal to 2 million dirhams.

When the corporation belongs to an interest group, the segmentation is based on the group's consolidated turnover.

Institutions are required to calculate the unexpected losses and the expected losses. The amount of unexpected losses corresponds to the capital requirements which result from the calculation of the weighted assets according to the prudential rules established by Bank Al-Maghrib. The estimated expected losses must be covered by eligible provisions.

The calculation of weighted credit risks may take account of risk mitigation techniques. The instruments eligible to the application of these techniques consist of security rights as well as of personal guarantees and credit derivatives, subject to the conditions set by Bank Al-Maghrib.

Institutions are required to respect qualitative and quantitative requirements, particularly in the conception and validation of rating tools, documentation, involvement of administrative and management bodies in this process, and the estimation of risk parameters.

1.2.2 Market risk capital requirements

The methods of calculating capital requirements in respect of market risk were brought in line with the internal model-based approach recommended by Basel II Accord, as well as with the new provisions enacted by the Basel Committee in June 2009.

The internal model-based approach measures market risk using the Value at Risk (VAR) mathematical and statistical methods. The latter makes it possible to estimate the maximum potential loss that a portfolio can undergo, over a defined period, following the change in market prices and according to a specific confidence interval.

Following the international financial crisis, the Basel Committee reinforced the framework of measuring market risk by establishing a stressed VaR, which was adopted by Circular No 8/G/2010.

1.2.3 Operational risk capital requirements

The Basel Committee proposed four approaches for the calculation of operational risk capital requirements: the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach (AMA).

The first three approaches were already transposed by Circular No 26/G/2006. As to the AMA, the calculation methods of the related capital requirements are defined by Circular No 8/G/2010. According to this approach, operational risks are assessed according to quantitative and/or qualitative methods.

Within this framework, capital requirements are calculated through a quantitative approach known as the "Loss Distribution Approach" which consists of establishing, for each business line and each type of event, two curves of loss probability distribution, one indicating the frequency and the other the severity. These two curves are then combined to generate an aggregate curve to which an operational VaR is assigned.

In the same way as credit and market risks, the new Circular requires the observance of a set of minimum qualitative and quantitative requirements by credit institutions which intend to use the AMA.

Simultaneously with the adoption of the Circular relating to Basel II advanced approaches, work has been initiated for the development of technical notes aiming at specifying certain provisions of this circular.

1.3 - Establishment of prudential and financial reporting

As part of the project aiming at the adoption of Basel II prudential and IFRS financial reporting standards, in line with the best practices of financial disclosure, Bank Al-Maghrib finalized and communicated to banks models of COREP and FINREP[1] statements adapted to the Moroccan banking environment. At the same time, it held several meetings with banks for the purpose of supporting them in the implementation of this new reporting, which will come into effect in the second half of 2011.

2. THE NEW BASEL III FRAMEWORK

Strengthening the prudential regulation applicable to banks, mostly with regard to capital and liquidity, is in the forefront of the international action plan launched since the outbreak of the financial crisis, particularly under the coordination of the Financial Stability Board and Basel Committee.

In September 2010, the Basel Committee reached an agreement on a new framework commonly called "Basel III". This framework harmonizes the definition of core capital, reviews the minimum capital requirements and establishes, for the first time, quantitative liquidity standards. This framework was approved in November 2010 by the G20 Summit in Seoul, which stressed the need for an involvement of all countries, whatever their level of development is, to achieve a two-fold objective: (i) to make the financial system more solid and more resilient in periods of tension, and (ii) to ensure sustainable economic growth.

2.1 - New capital standards

The new regulations governing capital, resulting from Basel III, relate to a macro-prudential perspective as they seek to reduce systemic risk in the financial sector.

2.1.1 Improvement of capital quality

The Basel III framework should improve the quality of banking institutions' capital in order to reinforce their capacity to absorb the losses resulting from financial and economic tensions.

The new capital requirements give more weight to the core capital (equity, reserves and retained earnings) which constitutes the most solid component of a bank's capital[2].

1 COREP: Common Reporting; FINREP: Financial Reporting

2 Within Basel II framework, at least half of regulatory capital is made up of core capital (called Tier 1) and, for the remainder, other elements of less capacity for losses absorption (Tier 2 and 3). Moreover, half of Tier 1 capital is composed of core capital and, for the remainder, high quality elements but not at the same level as core capital.

Moreover, unlike Basel II, the deductions to be operated on capital, in addition to being extended to other elements, are applicable directly to the component of the core capital. On the other hand, the definition of Tier 1 is re-examined to include the core capital and other eligible financial instruments on the basis of very strict criteria.

2.1.2 Raising the level of capital

Improving the quality of capital will be accompanied by raising its level, as the lessons learnt from the financial crisis showed the need for banks to have an increased amount of capital.

One of the main Basel III provisions is, in fact, to increase the minimum requirements for the core capital component to 4.5%, up from the 2% provided under Basel II. Also, Tier 1 minimum capital ratio is raised from 4% to 6%.

Moreover, banks will be required to regularly have a safety margin known as "conservation buffer", fixed at 2.5% of core capital. This would enable them to continue to have the required capital to support their activity in difficult times. Thus, under normal circumstances, the requirements for the core capital component, on the whole, will be no lower than 7%. Institutions which do not constitute this safety margin would be subjected to limitations in terms of dividend distribution.

To these new requirements will be added a leverage ratio[1] fixed at 3% of the core capital, a measure that would contribute to limiting excessive recourse to debt within the banking system. For the Basel Committee to monitor the change in this new ratio throughout a business cycle and to study its impact on the activity of banks, it was settled to test it for a preliminary period starting in January 2013, before its effective implementation in 2018.

Banks will be required to have sufficient capital beyond the prescribed ratios, taking into account, in particular, their risk profile, their business model and the economic situation.

2.1.3 Macro-prudential dimension

The new Basel III framework is characterized by its macro-prudential dimension, which aims at addressing systemic risks likely to extend to the entire financial system and the economy. It comprises two components: the first has the role of reducing procyclicality while the second consists of taking into account the interconnections and common exposures of financial institutions, particularly those which are of systemic importance.

Regarding to procyclicality, the new framework provides for the constitution, in addition to the conservation buffer fixed at 2.5% of core capital, of a margin described as counter-cyclic which may vary between 0 and 2.5% of such core capital, and will depend on the business cycle development.
At the discretion of each national regulatory authority, this margin should be built up during periods of fast expansion of credit that possibly exacerbate systemic risk conditions.

1 Ratio calculated with reference to non-weighted on- and off-balance sheet exposures.

In this perspective, the Basel Committee and the IASB[1] are working to develop a forward-looking provisioning approach, based on expected losses.

As regards the assessment of systemic risk arising from interconnections and common exposures, a new framework, currently in process of preparation, aims at ensuring that the new capital requirements are calibrated, according to the systemic importance of each financial institution within the system as a whole and not only on the basis of the risk it represents as an individual entity.

The institutions deemed to be systemic should, as a rule, have a higher capacity for losses absorption than the announced standards and would be subject to additional capital requirements. The work undertaken by the Basel Committee and the Financial Stability Board are on the look-out to clearly define a general agreement on fundamentals to the same effect.

Simultaneously, the Basel Committee issued a set of recommendations relating to the management of risks from exposures to complex trading activities and derivatives. It also raised the capital requirements related to securitization exposures and developed new provisions specific to hedge against the risk on central counterparties and to their capital coverage.

2.2 - New liquidity standards

The inappropriate management of liquidity risk constituted another major factor of the financial crisis. Consequently, the Basel Committee issued, for the first time, new prudential requirements that are likely to improve the resilience of banks so they may cope with liquidity shocks.

Two ratios are proposed within this scope. The first is a short-term ratio (30 days) that aims at ensuring that a bank is able to deal with a liquidity shock (unforeseen increase in cash outflows), by mobilizing its liquid assets. The second ratio, called Net Stable Funding Ratio, should be calculated over a one-year-line. Its objective is to reduce the risk of transformation and avoid excessive reliance on the interbank financing (in the short term).

1 International Accounting Standards Board

Box 3: Basel III implementation timetable

	2013	2014	2015	2016	2017	2018	2019
Minimum common equity capital ratio	3,5%	4%	4,5%	4,5%	4,5%	4,5%	4,5% (*)
Conservation buffer				0,625%	1,25%	1,875%	2,5%
Minimum Tier 1 capital	4,5%	5,5%	6,0%	6,0%	6,0%	6,0%	6,0% (*)
Minimum total capital	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0% (*)
Minimum total capital plus conservation buffer	8,0%	8,0%	8,0%	8,625%	9,25%	9,875%	10,5%
Leverage ratio	Test and first reporting					Migration to Pillar 1	3,0%
Liquidity coverage ratio			Introducing the standard				
Net stable funding ratio						Introducing the standard	

(*) Taking account of conservation buffer, the level of minimum common equity capital ratio, Tier 1 and capital adequacy ratio stand at 7%, 8.5% and 10.5%, respectively.

3. ACCOUNTING FRAMEWORK

Since 2008, credit institutions have established their consolidated accounts according to the IFRS issued by the IASB. This evolutionary frame of reference has undergone several amendments in line with the lessons drawn from the financial crisis that Bank Al-Maghrib has followed very closely.

Box 4: Major amendments introduced by IFRS 9

The work of the IASB focused on replacing IAS 39 standard by IFRS 9. This reform was conducted in three phases: The first took place in 2009 and concerned the classification and measurement of financial assets, the second involved the depreciation of those assets, and the third was relating to hedge accounting.

The year 2010 was devoted to the examination of the exposure draft (ED) relating to the second phase of the reform as part of the project for converging IASB and FASB[1]. This work led to the publication of a supplement to the ED[2] 2009/12 "Financial Instruments: Amortized Cost and Impairment".

Both frameworks of reference, IFRS and the U.S. GAAP[3], currently recommend an accounting of credit losses according to a model of incurred losses which require the justification of loss so that financial assets can be impaired. The two regulators, European and American, proposed to adopt a model of expected loss, which envisages a more prospective approach.

IASB also published an exposure draft (ED/2010/13) "Hedge Accounting". The finalization of this project will lead to amendments of IFRS 9 "financial instruments", scheduled for the 2nd half of 2011.

1 Financial Accounting Standard Board

2 Exposure-Draft

3 United States Generally Accepted Accounting Principles

During 2010, the Accounting Studies Service of the Banking Supervision Department examined with credit institutions several issues concerning the methods of publishing certain financial information, the provisioning of loans on a consolidated basis, the scope of consolidation and the operations of future loans securitization.

Also, this service started revising the collection of accounting schemes relating to market transactions, while allowing for the development of new products.

As a permanent member of the National Accounting Board, the central bank took part in the reform projects of the accounting standards applicable to securitization funds and the chart of accounts applicable to UCITS.

4. CREDIT INSTITUTIONS-CUSTOMERS RELATIONSHIP'S FRAMEWORK

In order to promote the development of financial services and enhance the transparency requirements, Bank Al-Maghrib carried on its action towards improving the population's access to these services, in concert with the banking industry.

After having stated a panel of 16 banking services that are meant to be free of charge for their banks' customers, the minimum general clauses standardizing shall be included in the deposit account, as for the denomination of customers' account statements and statement of fees deducted, some additional measures have been taken with a view to develop financial inclusion.

Thus and in order to reduce the use of the fiduciary money and to further increase banking penetration, Bank Al-Maghrib issued a directive on the opening of demand deposit accounts, without cash payment in advance.

Under the terms of this directive, banking institutions are required to open demand deposit accounts, without obliging customers to make prior remittance. The holder of this type of account does not bear any charges or fees, for a minimum six-month period as from the date of the account opening, as long as no turnover account is entered. Once this deadline expires and given that no transaction is recorded on the account, the bank can close it without prior notice.

At the same time, banks agreed to deliver nontransferable check books only to persons who are subject to business tax. This measure is likely to reduce the use of cash for the settlement of transactions and to secure the payments by limiting fraud and many more besides.

Further to this decision, the Ministry of Finance took new steps to give a stimulus to bank savings. In fact, the ceiling of passbook accounts was raised from 300,000 dirhams to 400,000 dirhams, and new tax-exempt products were launched, namely housing saving plan, action saving plan and education saving plan.

In view of the rising fraud cases within the consumer loans sector, Bank Al-Maghrib directed finance companies to reinforce vigilance in the processing of loan files. In this connection, it enacted in 2010, in consultation with the Professional Association of Finance Companies, a directive to come into effect in 2011 which sets minimum measures to be observed by these companies when granting loans and encourages them to establish a framework of exchange, among them, on the fraud detected.

Further, the year 2010 witnessed the effective launch of the framework of mediation within the sector of finance companies, which thus come to supplement the framework adopted by the Moroccan Bankers Association (GPBM).

5. "CASABLANCA FINANCE CITY" PROJECT

In 2010, the project of erecting the Casablanca market into a regional financial hub achieved considerable progress, with the adoption of a law establishing the status "Casablanca Finance City" (CFC), the granting of tax incentives to institutions benefiting from this status and creating the Moroccan Financial Board. This company is responsible for the center's management, institutional promotion and the project steering.

The national or foreign companies likely to benefit from the status "CFC" may be:

- Financial corporations operating in the sectors of banking, insurance and insurance brokerage;
- Assets' management corporations;
- Professional service providers who conduct and manage activities including financial offshoring, information technology services and specialized financial services;
- Corporations operating as regional or international headquarters ensuring the coordination of business lines conducted in one or more countries.

Further more, the completion of the "Moroccan Offer" continued. This offer is composed of the entire set of commitments that should be formalized to ensure the other conditions of "CFC" attractiveness. They relate to the macro-economic framework, "doing business", free movement of persons, training, air connectivity, special licenses and authorizations and the regionalization of capital markets.

II. BANKING SUPERVISION AND FINANCIAL STABILITY ACTIVITIES

In view of certain rising vulnerabilities in the banking sector, Bank Al-Maghrib continued to focus, as part of its supervision mission, on the strengthening of credit institutions' capital and liquidity as well as upgrading the quality of their governance and risk management.

At the same time, drawing lessons from the world financial crisis and considering interconnections of the banking sector with, on the one hand, the other components of the financial sector and, on the other hand, the real sector, Bank Al-Maghrib continued its actions aiming at preserving financial stability and setting up macro-prudential supervision.

1. BANKING SUPERVISION ACTIVITIES

Bank Al-Maghrib is responsible for overseeing credit institutions and similar bodies. As such, it delivers licenses and authorizations necessary for institutions to exercise their activities, ensures their prudential control and penalizes, if need be, any infringement of regulatory, accounting and prudential provisions.

The supervision of the institutions is conducted pursuant to a regulatory and supervisory framework in conformity with international standards and according to a risk-based approach making it possible to define the priorities of prudential control.

This mission is carried out by Bank Al-Maghrib as part of an increasingly strong cooperation framework with other regulatory authorities of the financial sector as well as with foreign counterparts.

1.1 - Licenses and authorizations

During the year 2010, license and authorization applications submitted to the Credit Institutions Committee, composed of Bank Al-Maghrib and the Finance Ministry, primarily concerned the opening of some banks abroad and the exercise of money transfer activity.

Box 5: Criteria for examining banking licenses files

The licensing of banking activities is granted by the Governor of Bank Al-Maghrib. The procedure of assessing license applications is the same for the entire set of applicants, regardless of their nationality.

This procedure consists of assessing the quality of the shareholding and governance of the institution and the group to which it belongs, the competence and good repute of its directors and management, its strategy and business plan, its internal control and risk management systems as well as its projected financial position, including its capital.

To do so, the applicant presents, besides its activity program, human, technical, financial and IT resources, a detailed 3-year business plan, including the financial statements and major expected management and prudential ratios.

This business plan must be coherent with the shareholders' strategy and show the adequacy of financial resources, taking account of the related risks.

Moreover, the project's evaluation takes into account its added value for the banking and financial system in particular and the national economy in general.

Once the licensing file is considered complete, Bank Al-Maghrib gives its reply, after seeking the opinion of the Credit Institution Committee, within a 4-month time limit. Any negative answer is justified.

In 2010, Bank Al-Maghrib granted 4 licenses for:

- The creation of a finance company exclusively devoted to trading alternative products;
- The take-over merger of two banks that are members of a group;
- The extension of the business purpose of a bank;
- The exercise of the activity of money transfer by a new company.

It also gave its preliminary agreement for:

- The creation, by a bank, of a bank subsidiary in Equatorial Guinea;
- The increase, by a bank, of its shareholding in a pan-African banking group to a majority share;
- The acquisition of a stake, jointly by two banks, in the capital of a bank in Mauritania;
- The opening, by two banks, of representative offices, one in France and the other in the United States of America.

It also examined twelve files on the appointment of statutory auditors in credit institutions. It also approved the appointment of thirty five board members and managers in the administrative and management bodies of twelve credit Institutions.

1.2 - Control activities

In line with banking supervision standards, the control conducted by Bank Al-Maghrib is based on two approaches: on the one hand checks on documents that are conducted permanently, and on the other hand carried out periodically on-site inspection during missions conducted within credit institutions and similar bodies.

These two forms of control complement each other. They are ensured by separate teams. However, the function of permanent control increasingly contributes more to on-site inspections for a better awareness of institutions' functioning.

Box 6: Prudential control mechanisms

Permanent control is based on the examination of accounting and prudential statements as well as reports regularly addressed to Bank Al-Maghrib by the institutions and their statutory auditors. These data are supplemented by the information collected at the meetings held with the senior managers of these institutions, particularly those responsible for financial functions, risk management, internal audit and compliance, as well as during the talks held with their statutory auditors.

It also rests on the results of the on-site inspections, as it permanently monitors the progress achieved in the implementation of recommendations made following these investigations.

The entire set of this information is used as a basis for the regular analyzes carried out by the staff of permanent monitoring in order to assess the financial and prudential position of institutions, proceed to their rating according to Bank Al-Maghrib internal rating system called "SANEC" (Support System for Credit Institutions' Rating) and identify the vulnerabilities requiring preventive or corrective action.

This rating system is a key element of the risk-based monitoring approach adopted by the central bank. It helps permanent control to serve as an early warning tool by identifying the precursory signs of degradation in the financial position of an institution and to assess the relevant remedial measures.

Moreover, the objective of on-site inspection is to assess the aspects of institutions' management which cannot be remotely evaluated, ensure the reliability of the information provided to Bank Al-Maghrib and further analyze the risks incurred by credit institution. On-site inspections are of general nature or topic-based.

General investigations relate to the examination of the entire set of activities in the controlled institution. Topic-based investigations deal with a particular aspect of these activities and may cover several institutions at the same time.

As in the previous years, the 2010 on-site inspection program was established taking account of several criteria, including:

- Risk areas within the banking sector, identified by permanent control as requiring on-site investigations,
- Time limits beyond which institutions must be controlled,
- New regulatory standards requiring on-site inspection to ensure their correct implementation.

In 2010, 13 missions were conducted, including 7 general inspections and 6 topic-based. With regard to banks, they focused on systemic counterparty risks, customer relationship and the monitoring of projects for the adoption of advanced Basel II approaches. Other topic-based investigations were carried out among offshore banks, consumer loan companies and funds transfer companies, in order to obtain information about the development of risks associated with their activities.

The control and evaluation of the institutions' solidity, both on documents and on-site, in 2010 focused on the major risk factors and their management policies.

Thus, the inspection of governance practices was at the heart of several control actions. Bank Al-Maghrib recalled some institutions of the need for improving these practices with the main object to establish a sound risk management.

Particular attention was granted to the monitoring of credit portfolio quality, especially claims on important counterparties. In addition to the investigations carried out on the credit risk within the framework of scheduled inspections, quarterly visits to major institutions were conducted by joint teams of permanent control and on-site inspection units, in order to assess the impact of the downturn in some economic sectors. In this respect, Bank Al-Maghrib required the institutions affected to maintain a rigorous credit risk management, make use of Credit Bureau information (Central credit information) so as to assess the solvency of their customers and to cover any of their vulnerable counterparties by providing them with sufficient provisions.

The year 2010 also took place on-site inspection missions at some banks to assess their level of preparation to apply Basel II advanced approaches, concerning credit risk. These investigations led to recommendations for the compliance of internal rating systems and for the improvement of the relevant organizational and technical environment.

Owing to the tightening bank liquidity and increasing transformation risk, permanent control conducted thorough analyzes of the risk profile of major banks. The latter continued reinforcing their framework of asset-liability management, particularly by conducting stress tests pursuant to the new directive issued by Bank Al-Maghrib in this regard. These tests aim at assessing their degree of resilience to possible liquidity shock scenarios. They should be supplemented by liquidity contingency just in case such shock supervened on unexpected crisis. Within this framework, certain institutions were asked to hold an adequate level of liquid available assets and to better back the maturities of their assets and liabilities.

As far as the fight against money laundering and, taking into account the effective launch of the Financial Information Processing Unit (UTRF), permanent monitoring updated its assessment of the compliance of banks' due vigilance systems with the legal and regulatory requirements. At the same time, due vigilance of offshore banks was the subject of a cross-sectional survey carried out on site. Institutions were required to strengthen their procedures and IT systems.

As regards business continuity plans, the bad weather conditions that hit Morocco in November 2010 made it possible to draw lessons and call the attention of some institutions to the dysfunctions detected.

Thanks to the retention of a larger fraction of the generated benefit, regulatory capital of banks was reinforced. Nevertheless, in view of certain increasing vulnerabilities and as part of its proactive prudential policy, Bank Al-Maghrib required some institutions to reinforce their core capital.

Taking into account the weaknesses identified in the sectors of consumer loans and funds transfer, the reinforced investigations and inspections to which they were subjected led to the adoption of measures to consolidate them and enhance the regulatory requirements applicable to them.

With regard to the microcredit sector, the central bank continued to closely monitor the reorganization process conducted by microcredit associations, with a view to improving their portfolio and their risk management and internal control as well as their information system.

As for customers' protection, the Bank deployed significant resources to monitor the implementation of recent measures taken to improve the transparency of credit institutions' practices with regard to their customers and reduce the costs of banking services.

Penalties were imposed on certain institutions which failed to comply with regulations.

1.3 - International cooperation

The recent crisis has shown that co-operation among financial regulators at the international level is essential to the prevention and resolution of financial crisis.

In this context, the development of some Moroccan banks, at the African level, required the reinforcement of co-operation between Bank Al-Maghrib and its counterparts in host countries.

Bank Al-Maghrib also exchanged information with the authorities of the origin countries of the banking groups holding subsidiary companies in Morocco and took part in the college of supervisors of one of these groups.

Box 7: Colleges of supervisors

The colleges of supervisors are multilateral working groups, composed of supervisors of various nationalities, whose fundamental mission is to reinforce, in a collective and permanent manner, the consolidated supervision of an international banking group, through information and data exchanges on the risk profile of international banking groups. Strengthening the role of these colleges was one of the requirements of G20 to improve the oversight of these banking groups.

In October 2010, the Basel Committee issued 8 Good practice principles on supervisory colleges relating to the objectives of these colleges, their structure, information sharing, communication channels, collaborative work, interaction with the banking group concerned, crisis management and macro-prudential monitoring.

These principles aim at strengthening international cooperation in the supervision of international banks, based on an operational framework ensuring a proper functioning of these colleges.

Moreover, the central bank took part in a conference organized by the Financial Stability Board in Seoul on Basel III financial reform. Emerging economies, including Morocco, were invited to express their views on this reform.

Bank Al-Maghrib welcomed delegations of 4 Arab and African central banks within the framework of study visits, to benefit from its experience as regards banking supervision, particularly Basel II and IFRS regulations.

As in the previous years, the Bank also welcomed many delegations and missions from international financial institutions, credit rating agencies and foreign banks for talks and exchange on issues relating to the banking sector and the regulatory and supervisory framework.

Concurrently, it was called upon by certain international financial institutions to share its expertise into other central banks in terms of banking supervision.

Representatives of Bank Al-Maghrib also contributed to two seminars, for the benefit of supervisors of African central banks; one on cross-border control and the other on the work conducted internationally on the monitoring of systemic risks.

1.4 - Concerted dialogue with professional associations

During the year 2010, the central bank held several meetings with banking professional associations for the purpose of examining the implementation of the roadmaps adopted within the framework of its approach of concerted dialogue and exchange on the reforms and issues, either directly or indirectly, concerning the banking sector.

The topics covered with the Moroccan Bankers Association (GPBM), during this year, related in particular to the "Casablanca Finance City" project, the completion of Basel II reform, the new Basel III reform, the reform projects of the banking law and the status of Bank Al-Maghrib, financial inclusion, systems and means of payment, and the Credit Bureau.

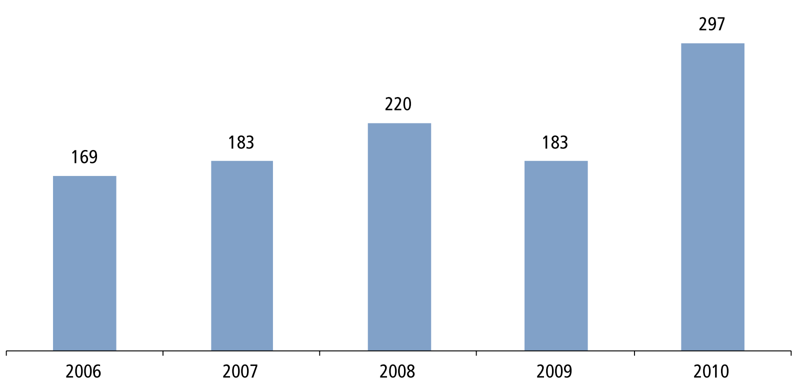
With the Professional Association of Finance Companies (APSF), discussions focused on the restructuring of the consumer loan sector, on the improvement of governance and transparency practices and on the fight against fraud and taxation matters.

The issues examined with the National Federation of Microcredit Associations (FNAM) mainly related to the process of reorganizing this sector, through setting up a solidarity microfinance network pooling 7 associations, the adoption of a code of ethics by the industry and its adherence to the Credit Bureau.

1.5 - Handling complaints and grievances

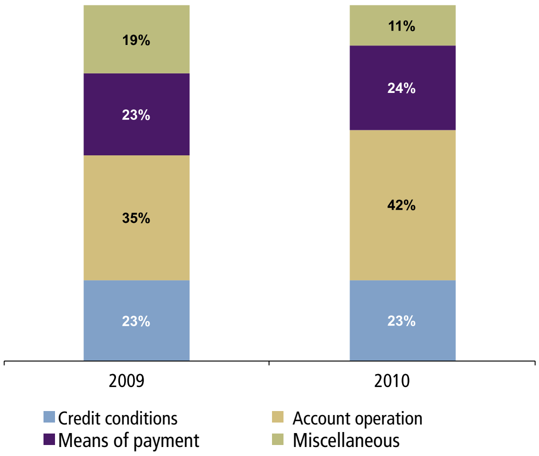
In 2010, the Banking Supervision Department processed 297 complaints from credit institutions' customers, compared to 183 in 2009.

Chart 1: Change in the number of complaints



These complaints essentially related to problems encountered in the operation of bank accounts, which were more frequent this year, as well as to the means of payment and to the banking conditions applied by banks.

Chart 2: Breakdown of complaints by type



2. FINANCIAL STABILITY ACTIVITIES

Drawing lessons from recent international developments, Bank Al-Maghrib continued its actions to preserve financial stability, especially as part of the Coordinating Committee of Financial Sector Supervisory Bodies, established by virtue of Article 81 of the Banking Act. For this purpose, it continued to reinforce its analytical tools and oversee the management of deposit guarantee systems.

2.1 - Coordinating Committee of Financial Sector Supervisory Bodies

In 2010, the Coordinating Committee of Financial Sector Supervisory Bodies particularly worked on the improvement of information exchange and on the examination of governance practices in the financial sector. Within this framework, emphasis was placed on the need to strengthen the presence of independent directors in the boards of banking and financial institutions and to control the holding of multiple offices.

They also covered the setting up of a system for financial crisis management in Morocco. A memorandum of understanding should support this system to define mechanisms of coordination between authorities and the methods of information exchange and decision- making.

Box 8: Change in core financial soundness indicators of banks (in %)

	2008	2009	2010
Capital adequacy			
Solvency ratio	11.2	11.8	12.3
Core equity capital/total risk-weighted assets	9.5	9.2	9.7
Non-performing loans net of provisions/ capital	13.9	12.7	12.2
Assets' quality			
Non-performing loans / total gross loans	6.0	5.5	4.8
Sectoral distribution of loans			
Loans to the primary sector	6.9	6.0	6.1
Loans to the building an public work sector	12.5	14.1	13.3
Loans to the processing industry	15.9	15.8	16.9
Loans to general government and local communes	3.7	4.3	5.0
Loans to the trade sector	6.5	6.6	6.2
Loans to the tourist sector	2.6	3.2	2.9
Households	26.5	27.6	28.1
Loans to other sectors [1]	25.4	22.4	21.5
Earnings and profitability			
Return on assets (ROA)	1.2	1.2	1.2
Return on equity (ROE)	16.7	15.2	14.2
Interest margin/net banking income (NBI)	78.1	76.7	76.3
General operating expenses/NBI	47.8	47.5	46.3
Liquidity			
Liquid assets/total assets	18.6	17.3	12.0
Liquid assets/short-term liabilities	24.7	23.0	16.0
Sensitivity to market risk			
Foreign exchange net open positions/capital	6.5	13.5	10.3

1 Revised figures of 2008 and 2009

At the same time, particular consideration was given to extending the powers of the Commission to monitoring systemic risks and taking measures to limit their effects. This responsibility requires supplementing the analytical framework, available to the central bank, by new tools making it possible to further understand risk transmission channels and the interactions between the financial sector and real economy.

Box 9: Definition of systemic risk

The Financial Stability Board defines systemic risk as "**a risk of disruption of financial services, caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy**." This definition covers all components of the financial system: financial institutions, markets and financial instruments.

The systemic importance is assessed on the basis of three criteria: size, lack of substitutability and interconnection:

- Size: measured against the importance, in the financial system as a whole, of the volume of financial services provided by one or more participants in this system.
- Lack of substitutability: the systemic importance of a single participant in the financial system increases in cases where it is difficult for other participants to provide the same services in the event of its bankruptcy.
- Interconnection: arises through direct and indirect links between the components of the financial system so that individual bankruptcy or malfunction leads to repercussions around the financial system as a whole.

2.2 - Deposit insurance system

The objective of deposit insurance systems is generally twofold: protecting depositors and contributing to financial stability. They constitute a key component of the safety net for a banking system.

Since the spark of international financial depression, the deposit insurance systems have been the subject of increased attention from the international bodies concerned, particularly the Basel Committee and the Financial Stability Board. Thus, in 2010, the Basel Committee, in collaboration with the International Association of Deposit Insurers (IADI), published the methodology of assessing compliance with the 18 core principles for an effective deposit insurance system, issued in June 2009. In December 2010, the Financial Stability Board incorporated these core principles in the compendium of the 12 global principles on the basis of which all countries are evaluated as part of the Financial Sector Assessment Program conducted by the IMF and the World Bank.

Bank Al-Maghrib initiated discussions to align the deposit insurance system in force with these standards. This system, called Fonds Collectif de Garantie des Dépôts (Collective Deposit Guarantee Fund, is established by the Banking Act of 1993. Its major objective is to protect depositors in the event of unavailability of their funds. It is financed by the credit institutions receiving deposits from the public through annual contributions, calculated on the basis of the average eligible deposits by applying a maximum rate of 0.20%.

At the end of the year 2010, the cumulative financial resources of the Collective Deposit Guarantee Fund amounted to 10 billion dirhams, 83% of which come from the annual contributions of members of credit institutions, while the remainder is made up of reserves. The net income of this fiscal year amounted to 260 million dirhams, up 11.6% compared to 2009.

3. BANKING SUPERVISION MEANS AND RESOURCES

The total number of staff working at the Banking Supervision Department reached 84 members, against 82, a year earlier.

The permanent training activities continue to constitute a cornerstone of Bank Al Maghrib's policy for the development of supervisors' competence. It aims to enable them to deepen their technical know-how according to the development of the banking and financial environment, regulatory reforms and supervisory practices.

In addition to local training sessions, which program is determined according to the priorities and needs expressed by supervisors, several staff members benefited from seminars organized abroad by multilateral financial institutions, banking and financial regulatory authorities and central banks. The topics addressed within this framework mainly related to macro-prudential supervision and financial stability, the new reform of financial regulation (Basel III), post-crisis developments in terms of governance and banking risk management as well as Islamic finance.

These activities were supplemented by study visits to certain central banks, concerning topics of particular interest for Bank Al-Maghrib.

Moreover, several staff members of the Banking Supervision Department took part in conferences, seminars, workshops and other meetings at the national, regional and international levels, which brought together representatives of central banks and supervisors so as to exchange information and share experiences.

As part of its policy to support young students, this Department offered in-house training for 22 interns to carry out internships in the banking and financial fields.

PART 2

STRUCTURE, ACTIVITY AND RESULTS OF THE BANKING SYSTEM

I. STRUCTURE OF THE BANKING SYSTEM

Despite a less favorable business cycle, banks continued to diversify their activities and extend their network both nationally and regionally.

1. THE BANKING INDUSTRY DIVERSIFIED ITS BUSINESS LINES

In 2010, the banking sector was strengthened with the license given to a company specialized in alternative finance. At the same time, the restructuring process of the banking group Crédit Populaire du Maroc continued with the merger of the Banque Centrale Populaire and the Banque Populaire de Casablanca. This group[1] henceforth consists, in addition to the Banque Centrale Populaire, of ten regional head offices of the Banque Populaire.

With the permanent migration, toward the processing center of the Centre Monétique Interbancaire (Interbank Electronic Money Center), for all services provided by the interbank company, the latter ceased operations. Also, the number of payment means management companies decreased to two.

The control field of the central bank covers a total of 83 institutions, including 19 banks, 36 finance companies, 12 microcredit associations, 6 offshore banks, 8 funds transfer companies, the Caisse de Dépôt et de Gestion (Deposit and Management Fund) and the Caisse Centrale de Garantie (Central Guarantee Fund).

1 Crédit Populaire du Maroc is considered in this report as a single entity, from a prudential point of view.

Change in the number of credit institutions and similar bodies

	2006	2007	2008	2009	2010
Banks	**16**	**16**	**18**	**19**	**19**
Including					
Majority foreign-owned banks	5	5	7	7	7
Majority public-owned banks	5	5	5	6	6
Finance companies	**36**	**37**	**37**	**36**	**36**
Consumer loan companies	19	20	20	19	19
Leasing companies	7	7	7	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	4	3	3	3	2
Other companies	-	1	1	2	3
Total number of credit institutions	**52**	**53**	**55**	**55**	**55**
Offshore banks	**6**	**6**	**6**	**6**	**6**
Microcredit associations	**13**	**14**	**13**	**12**	**12**
Funds transfer companies			**7**	**9**	**8**
Other institutions	**3**	**3**	**3**	**2**	**2**
Total	**74**	**76**	**84**	**84**	**83**

Shareholding of the banking system remains quite diversified, made up of Moroccan and foreign stakeholders, with a majority of private shareholders. The latter holding almost two thirds of the banking system capital, and mostly consist of foreign banking groups, insurance companies, social welfare bodies and holdings.

At the end of 2010, foreign shareholders had majority interests in 7 banks and 10 finance companies. Moreover, foreign shareholding was significant in 7 other institutions. Public shareholding had majority interests in 6 banks and 5 finance companies, and had significant shares in 4 other institutions.

The banking sector is the chief contributor to the market capitalization, with a share of 32%, at the end of December 2010. Fourteen credit institutions, including six banks, were listed in the stock exchange, unchanged from previous years.

2. BANKS IN 2010 CONTINUED DEVELOPING THEIR BANKING SERVICES, ALONG WITH THE EXTENSION OF THEIR NETWORK

While increasing the number of their branches, banks continued modernizing the services offered to their customers and increasing the number of automated teller machines, bank card issuance and remotely performed operations.

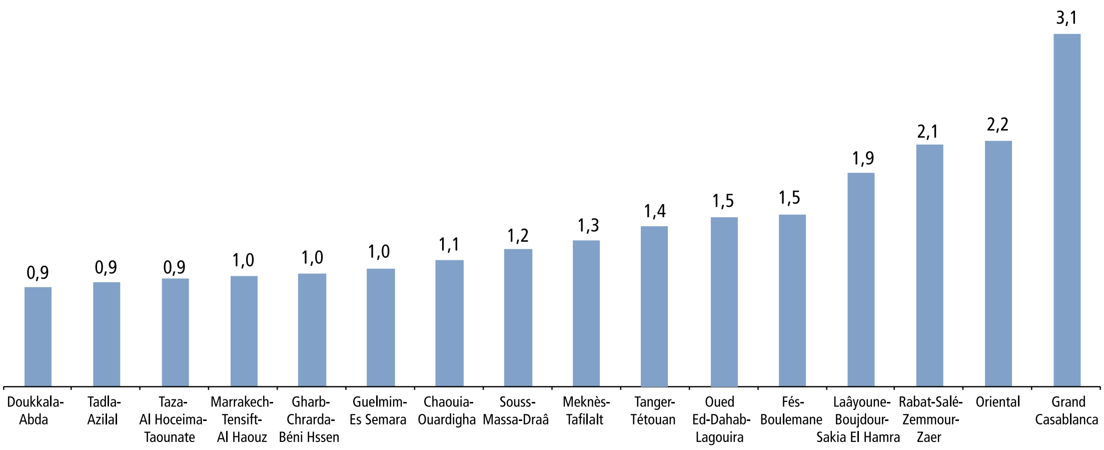
On the back of the continuing efforts to improve banking service penetration, banks opened 306 new branches, compared with 390 and 400 in 2008 and 2009, respectively, bringing total network to 3,844 branches, with 8,200 inhabitants per branch, as against 8.900 last year. Taking account of Al Barid Bank network, which had 943 branches at the end of 2010, the banking density fell from 7,100 to 6,600 inhabitants per branch, or 1.5 branch per 10,000 inhabitants, a rate higher than that of most MENA countries.

Nearly 72% of the new branches were created by three banks, against 64% in the previous year. Four regions concentrated nearly 53% of these institutions (Grand Casablanca, Rabat-Salé-Zemmour-Zaer, the Oriental region and Marrakech-Tensift Al-Haouz).

This expansion is still characterized by a geographical imbalance in the number of branches profiting urban areas, which continue to concentrate almost 87% of the total number.

Therefore, as Chart 3 below shows, the Grand Casablanca region, which has 25% of the banking network, has the highest density with 3 branches per 10,000 inhabitants. Such region concentrated 40% of deposits and 63% of loans distributed by the banking system.

Chart 3: Branch regional distribution by 10,000 inhabitants

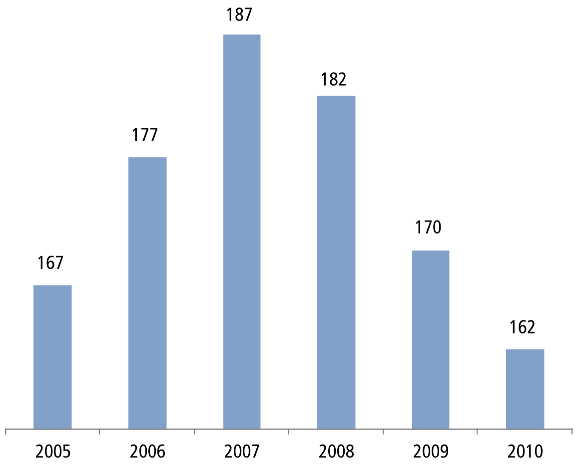


The Oriental region came second for the second year in a row, with 2.2 branches per 10,000 inhabitants. It had 9% of deposits and only 2.3% of loans.

With 14% of deposits and 13% of loans, Rabat-Salé-Zemmour-Zaêr region is in third position with 2.1 branches per 10,000 inhabitants.

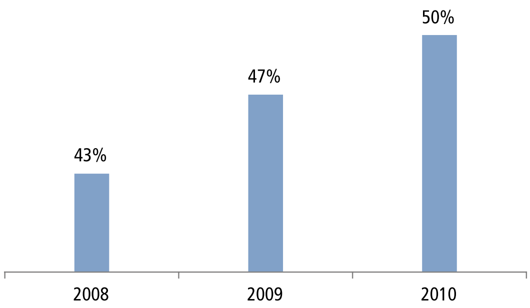
Regions of Doukkala-Abda, Tadla-Azilal and Taza-Al Hoceima-Taounate, which have the lowest density with less than one branch per 10,000 inhabitants, are ranked last.

Chart 4: Change in the average outstanding amount of deposits by branch (in million dirhams)



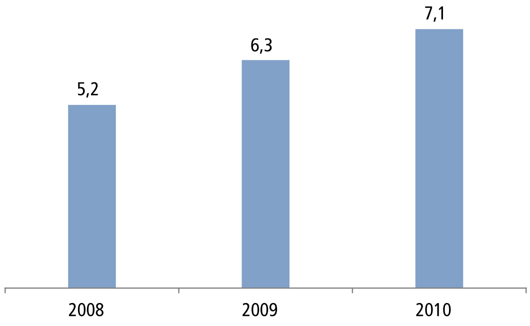
The change in the banking network was accompanied by a decline in the average deposits per branch. It decreased between 2005 and 2010, as shown in Chart 4, down from 167 to 162 million, after reaching 187 million dirhams in 2007[1].

Chart 5: Change in the ratio between total number of bank accounts and total population



At the same time, the total number of accounts opened with banks, relative to total population, amounted to approximately 50%. This trend was supported by the Low Income Banking policy "LIB", as the number of new customers received within this framework reached, at the end of December 2010, more than 840,000.

Chart 6: Change in the number of cards in circulation (in million)



Since they were introduced in Morocco in the early 1980's, banks' cards have registered increasing development, which has accelerated in the last five years. At the end of 2010, their number increased 13.3 percent to 7.1 million, or a bank card per demand account, as against a card for two demand accounts five years ago.

1 Excluding Al Barid Bank

However, the use of cards as a means of payment is still low. They are primarily used as a means for money withdrawal.

The number of payment transactions increased to 10 million, up 24.5%, totaling 6.3 billion dirhams in value, up 24.6%. With regard to withdrawal operations, the number reached 139 million, with a total value of 118 billion dirhams, up 16.6%.

E-commerce transactions also recorded significant growth. Their number increased from 74,446 operations in 2009 to 284,052 in 2010. Their total value rose from 97 to 277 million dirhams.

For its part, the electronic money network was strengthened with the installation of 401 new automated teller machines (ATM), which brought their number to 4,545 units, or nearly one ATM per each bank branch.

3. NOTWITHSTANDING A DIFFICULT INTERNATIONAL ENVIRONMENT, MOROCCAN BANKS CONTINUED TO EXPAND ABROAD

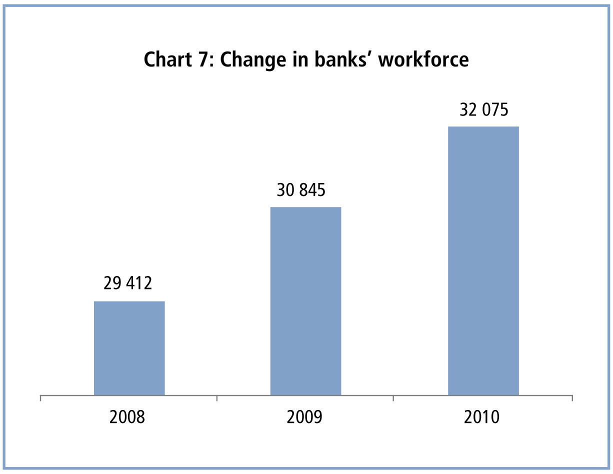
The policy of banks' expansion abroad was not disrupted by the impact of the worsening international economic environment. Some banks seized the opportunities offered to strengthen, in 2010, their holdings in some subsidiaries and to make further acquisitions in some African countries.

In total today, Moroccan banks are settled in about thirty countries, 18 of which are African, across 151 institutions broken down into 19 subsidiaries, 75 branches and 57 representative offices. These subsidiaries and branches have more than 700 outlets.

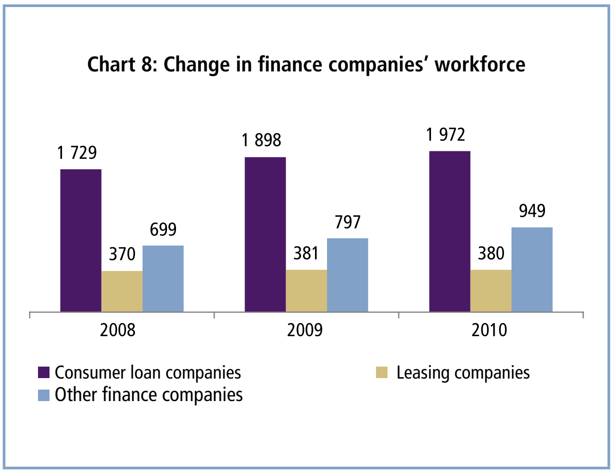
4. BANKING SECTOR WORKFORCE CONTINUED TO INCREASE, BUT AT A SLOWER PACE THAN PREVIOUS YEAR

Credit institutions and similar bodies employed, to the end of 2010, about 42,000 staff members, 76% of which are hired by banks, 14% by microcredit associations and 8% by finance companies.

Banks employed 32,075 people, up 1,230 persons from last year, as against 1,433 one year earlier.



The staff of finance companies reinforced 7.3% to 3,301 agents.



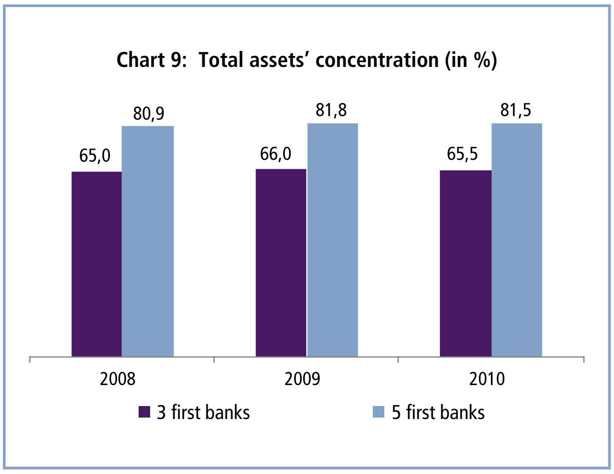
5. CONCENTRATION IN CREDIT ACTIVITY INCREASED

5.1 - Concentration of banking activity on an individual basis

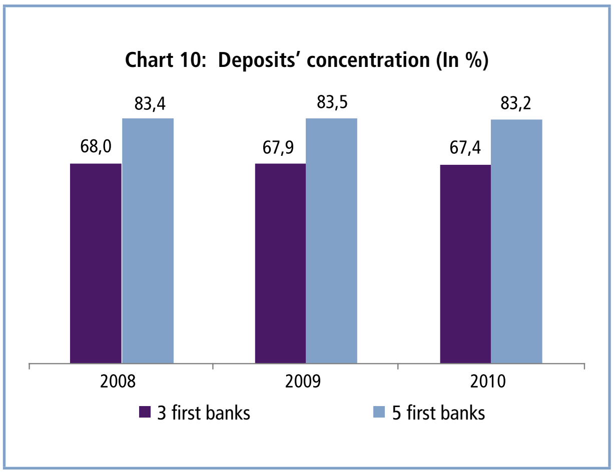
The concentration level[1] slightly dropped in terms of total assets and deposits, while it increased in terms of loans.

1 Excluding Al Barid Bank

On the basis of total assets, the concentration ratio reached 65.5%, for the three first banks, down 0.5 point from 2009. As for the five first banks, this ratio recorded a slight decline to 81.5%.



Concerning deposits collected, the share of the three first banks decreased by 0.5 point to 67.4%, while that of the five first banks slightly declined to 83.2%.



With regard to Credits, the concentration strengthened in 2010. The three first banks' share amounted to 62.7% , up 1.3 points, while the five first banks posted 79.7%, up 0.9 points.

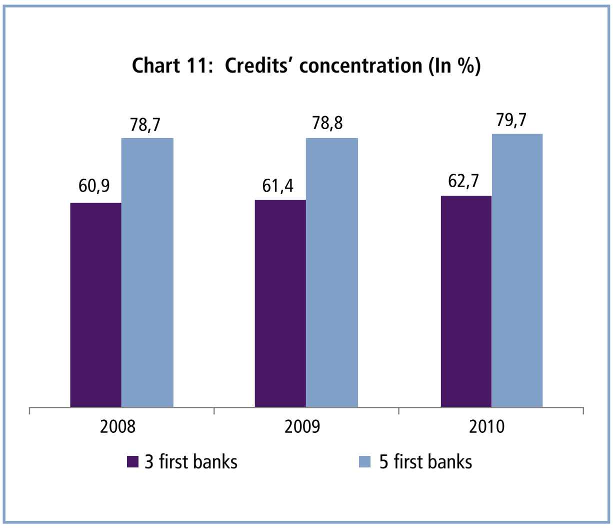
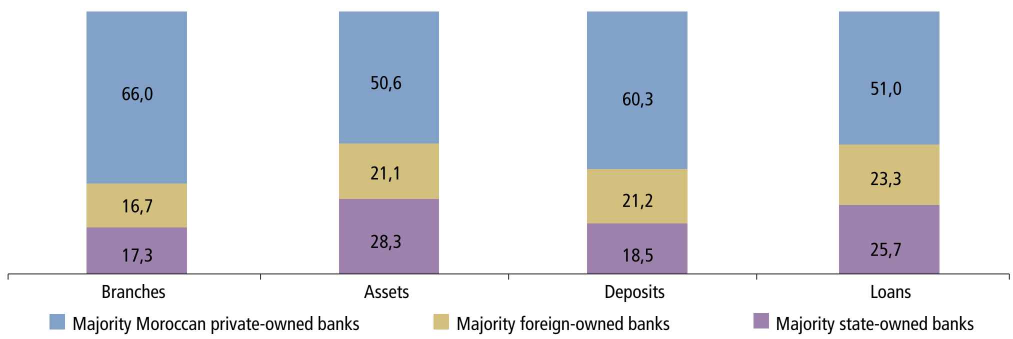


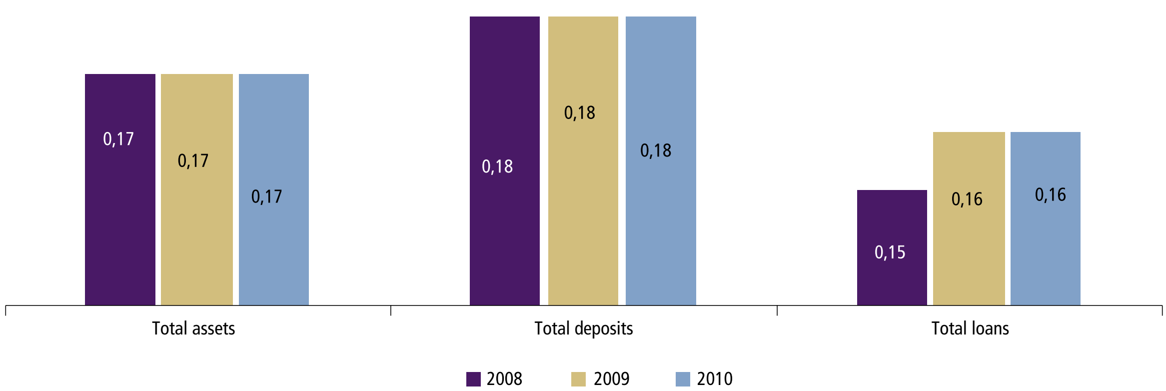
Chart 12: Ownership's concentration (In %)



As shown in Chart 12 above, the majority Moroccan private-owned banks held, to the end of 2010, 66% of branches, 50.6% of assets, 60.3% of deposits and 51% of loans. The majority foreign-owned banks concentrated 16.7% of branches, 21.1% of assets, 21.2% of deposits and 23.3% of loans. The majority state-owned banks held 17.3% of branches, 28.3% of assets, 18.5% of deposits and 25.7% of loans.

The concentration level can also be captured through the Herfindahl-Hirschman index. This indicator, which adds up the banks' squared market shares, falls within a range between 0 and 1. A market is considered of low concentration when the index is below 0.10, moderately concentrated when it is between 0.10 and 0.18, and highly concentrated when it is above 0.18.

Chart 13: Banking concentration according to the Herfindahl-Hirschman Index



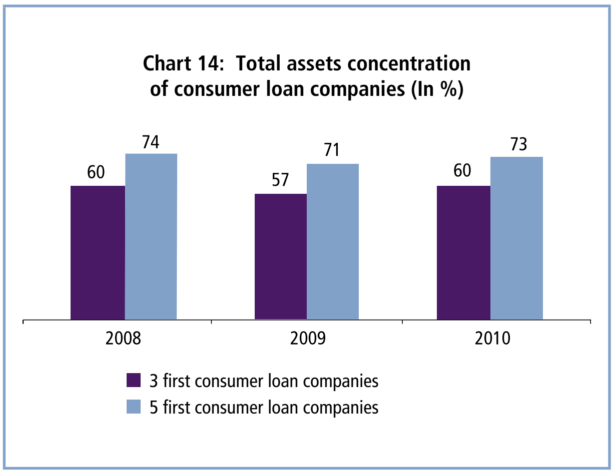
As indicated in Chart 13 above, Herfindahl-Hirshman Index shows that banking concentration is moderate for total assets and loans, but significant for deposits.

5.2 - Concentration of finance companies' activities

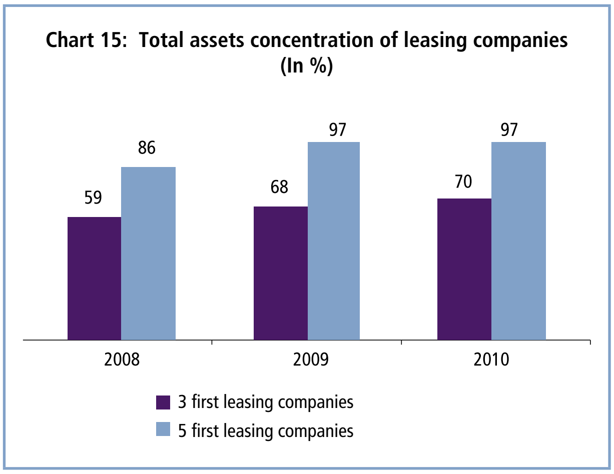
The slowdown in the activity of consumer loan companies, affecting in particular smaller institutions, contributed to increasing the sector's concentration level. With regard to leasing companies, the level of concentration remained broadly unchanged from last year.

The three first consumer loan companies held, to the end of 2010, approximately 60% of total assets of the entire sector. This share increased to 73% for the five first institutions.

The consumer loan companies backed by financial institutions, amounting to 12, held 97% of total assets.



The three first leasing companies concentrated 70% of the sector's total assets. This share reached 97% for the five first companies.



5.3 - Concentration of credit activities on a consolidated basis

Like individual concentration, the concentration's level of credit activities on a consolidated basis increased. Indeed, the share of the three first banking groups grew by 3 points to 62% and that of the five first groups rose at the same rate to 81%.

Change in loans' concentration on a consolidated basis (in %)

	Cash facilities and equipment loans for businesses			Real-estate loans			Consumer loans			Total loans		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
The 3 first banks	60	57	62	64	64	64	66	63	65	62	59	62
The 5 first banks	80	77	81	83	82	81	85	83	84	82	78	81

The concentration per type of credit posted higher concentration in cash facilities and equipment loans for businesses, and lower concentration in real-estate loans. The three first banking groups distributed 62% of cash facilities and equipment loans, 64% of real-estate loans and 65% of consumer loans. The share of the five major groups rose to 81% for cash facilities, equipment and real estate loans and 84% for consumer loans.

II. BANKING ACTIVITY AND RESULTS

In a context marked by a slight economic slowdown at the national level, banks continued to develop their business, but at a lower pace compared to 2009, whereas the results achieved remained broadly satisfactory.

1. BANKING ACTIVITY DECELERATED

In 2010, banking activity changed in a context of liquidity squeeze where banks continued to resort to the liquidity of the Central Bank and private debt market to ensure the financing of the economy. It was spurred, once again, by the momentum in housing and business equipment loans.

As to assets, the fall in the claims on credit institutions and similar bodies and the sharp decline in the portfolio of Treasury bills instigated the slowdown in the banking business. With regard to liabilities, the increase in debt securities issued could not compensate the deceleration of deposits and the drop in interbank loans.

The sections below highlight the development of banking activity based on balance sheets monitoring their operations in Morocco.

1.1 - Banks' assets recorded uneven changes in their components

With a total assets of 859 billion dirhams, banking activity volume rose by 3.7%, as against 8.4% in 2009 and 16.7% in 2008. This trend reflects a return to levels close to those recorded at the beginning of the 2000s. In relation to GDP at current prices, it stood at 112%, against 113% one year earlier.

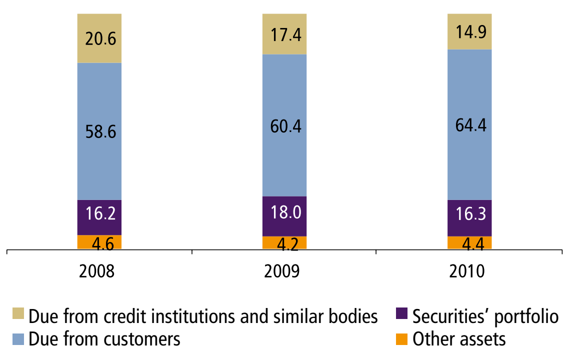
The slowdown in banking activity resulted from the deceleration of the various components of balance sheets, but in differentiated proportions.

Change in banks' assets (business in Morocco) (in million dirhams)

	2008	2009	2010	Change 2009/2010 (In %)
Due from credit institutions and similar bodies	**157 520**	**143 715**	**128 164**	**-10.8**
Due from customers	**447 729**	**500 394**	**553 432**	**10.6**
Securities' portfolio	**124 079**	**148 155**	**140 337**	**-5.3**
Including Treasury bills	72 452	80 684	69 269	-14.1
Fixed assets	**15 256**	**16 204**	**17 654**	**8.9**
Other assets	**19 310**	**19 649**	**19 132**	**-2.6**
Total	**763 894**	**828 117**	**858 719**	**3.7**

The structure of banks' assets shows that the share of customers loans grew by 4 points to 64.4%, at the expense of loans to credit institutions and similar bodies, which decreased by 2.5 points to 14.9% and the share of securities' portfolio, which dropped by 1.7 point to 16.3%.

Chart 16 : Banks' assets structure



1.1.1 - Claims on credit institutions and similar bodies declined again

Claims on credit institutions and similar bodies amounted to 128 billion dirhams, recording a new drop by 10.8%, after that of 8.8% posted the previous year. This trend reflects the decline in deposits at the central bank resulting from the drop in the monetary reserve, the decline in loans to finance companies and for the third consecutive year, the drop in loans to credit institutions abroad.

In order to allow banks to continue ensuring adequate financing of the economy, the Board of Bank Al-Maghrib reduced, in 2010, the monetary reserve requirements rate by two points. Consequently, deposits at the central bank, made up mainly of holdings under the monetary reserves requirements, dropped by 18% to 30 billion dirhams.

Claims on local banks, amounting to 18.7 billion dirhams, increased by 18.8%, against 28% last year. Out of this total, cash loans increased by 21.8% to 9.7 billion, against 25% and securities received under repurchase agreements were maintained at 3.4 billion. As for financial loans, they rose by 28.7% to 5.6 billion, against a drop by 19.5% one year earlier.

Pursuing their downward trend, claims on banks abroad, at about 9 billion dirham, posted a more significant drop by 44% against 9.7%. This trend reflects a rather unstable international environment.

After stagnating in 2009, loans to finance companies dropped by 7.8% to 47.8 billion dirhams, 34.2 billion of which are financial loans and 13.6 billion as cash loans. This change is due to the continued slowdown in the activity of these institutions and their increased recourse to the financial market.

Claims on the other credit institutions[1] amounted to 22.5 billion, declining by 2% against 11.7% increase in 2009. Most of these claims are made up of loans to offshore banks.

1 Other credit institutions include offshore banks, micro-credit associations, Caisse de Dépôt et de Gestion (Deposit and Management Fund) and the Caisse Centrale de Garantie (Central Guarantee Fund).

Overall, loans in dirham, representing three quarters of loans to credit institutions and similar bodies, went down by 7.5%, while loans denominated in foreign currency decreased by a more significant rate of 20%.

1.1.2 - The customers' loans grew steadily thanks to the momentum in housing and corporate equipment loans

Despite the slowdown in its growth rate, loans distribution remained sustained, in 2010, owing to the recovery of cash facilities and the surge in housing and corporate equipment loans.

The disbursement loans' outstanding granted by banks stood at 616 billion dirhams, up 8.5%, as against 9.4% last year, a rate that remained similar to the average recorded before the exceptional periods of 2007 and 2008.

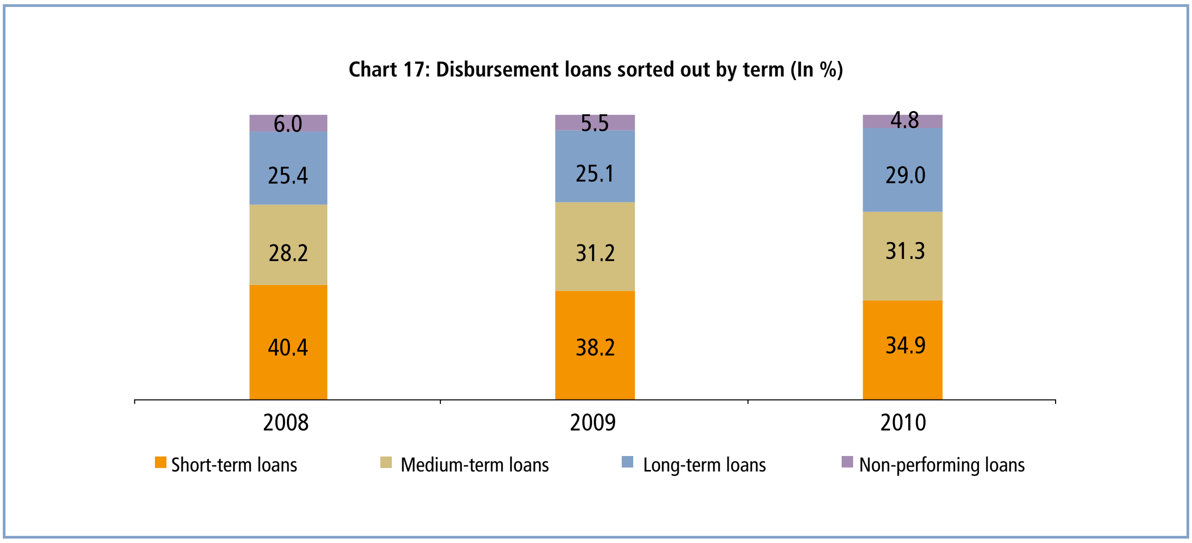
In relation to GDP at current prices, the gross outstanding loans amounted to 81%, up from 78% a year earlier, a rate significantly well above that observed in the MENA region countries.

Box 10: Concept of bank loans according to "monetary statistics" and prudential approach

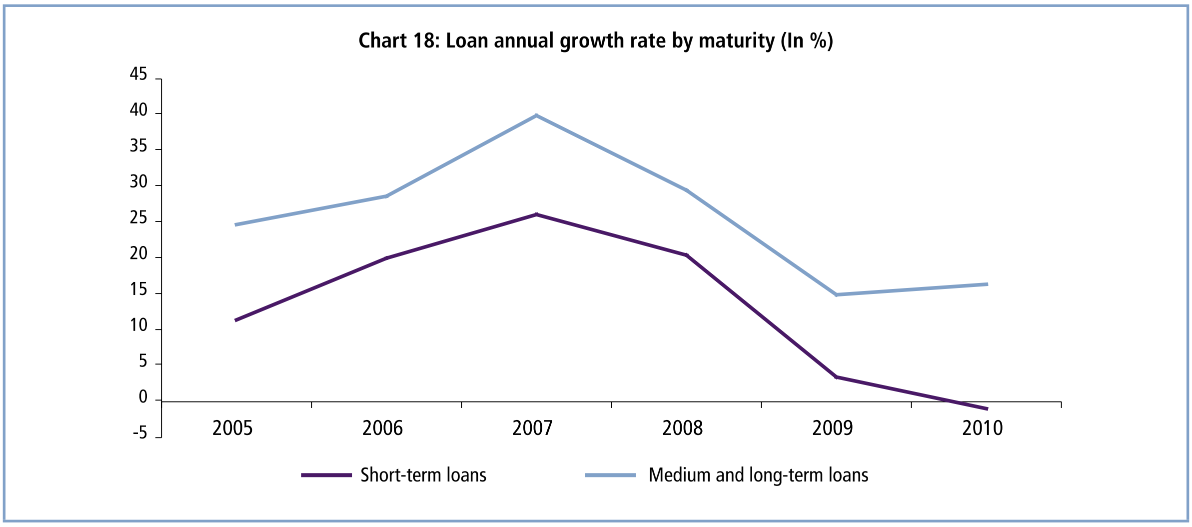
Loan figures, as specified within the framework of the monetary statistics drawn up in accordance with the IMF manual, are different from those calculated from a prudential point of view. The main differences arise especially as the first approach excludes loans to the central administration and to non-residents, other than Moroccans living abroad.

This report, like the previous ones, contains credit figures as determined according to the prudential approach.

The structure of loans by term was characterized by an increase of the share of medium and long term loans at the expense of short-term loans, confirming the ongoing maturities' expansion process, which started in 2005.

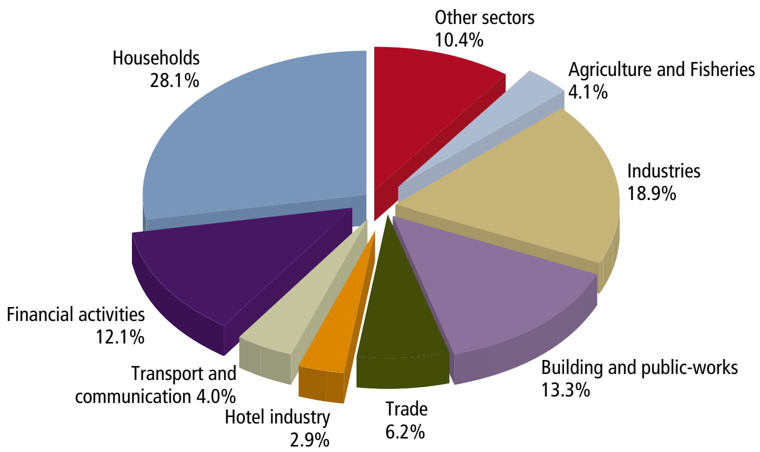


Medium and long term loans, driven by the rapid rise in equipment and property loans, increased by 16% to 371.6 billion dirhams, a rate higher than 14.9% posted in 2009. Their share in total loans went up by 4 points to 60.3%. At the same time, short-term loans, of less than 2 years maturity, have seen their outstanding slightly dropped to 215 billion and their share decreased by 3.3 points to 34.9%.



The sector-based breakdown of disbursement loans highlights a quite diversified portfolio, though with a drop in the share of the building and public-works' sector.

Chart 19: Sectoral breakdown of disbursement loans



The industrial sector received an outstanding amount of 116.5 billion dirhams, up 12%, from 7.3% a year earlier. Its share in total loans rose by 0.6 point to 18.9%. This growth involves differing trends. The activities of the manufacturing industries, attracting more than two-thirds of loans allocated to this sector, recorded a growing outstanding amount of 9.8%. Those under the energy and water sector activities benefited from an outstanding growth of 47%. However, the outstanding loans allocated to the mining sector fell by 16.4%, from one year to another.

In connection with the slowdown of loans to real estate development, the building and public-works' sector disposed of an outstanding loan of 81.8 billion, up only 2.2% and its share in total loans dropped from 14.1 to 13.3%.

Households benefited from a loans' outstanding amount of 173 billion, up 10.4%, compared with 13.9% in the previous year, as their share increased by 0.5 point to 28.1%. This trend was driven by the good performance of housing loans, in spite of the slowdown recorded in consumer loans.

Despite the decline in loans to finance companies, financial activities had an outstanding amount of 74.4 billion dirhams, up 5.1%, as against 3.7% , as a result of the loan increase to other financial companies, primarily under reverse repurchase agreements,.

After increasing by 8.7%, the loans allocated to the trade sector rose by 4.4% to stand at 38.4 billion, its share in total loans having dropped by 0.4 point to 6,2%. However, those granted to the hotel industry decreased by 4.9% to 17.7 billion, or a 2.9% share of total loans.

Box 11: Change in loan granting conditions in 2010

It is clear from the annual survey conducted by Bank Al-Maghrib with banks, in 2010, on loan conditions that those applied to companies have generally tightened. However, this tightening has not affected interest rates. The quarterly report submitted by banks to Bank Al-Maghrib on lending rates shows a decline of 17 basis points in weighted average rate of bank credit, which stood at 6.34%. Companies, in particular, benefited from this drop, as shown by the weighted average rate applied to cash facilities which decreased by 37 basis points to 6.29%. The one applied to equipment loans recorded a slight rise of 6 basis points to 6.32%.

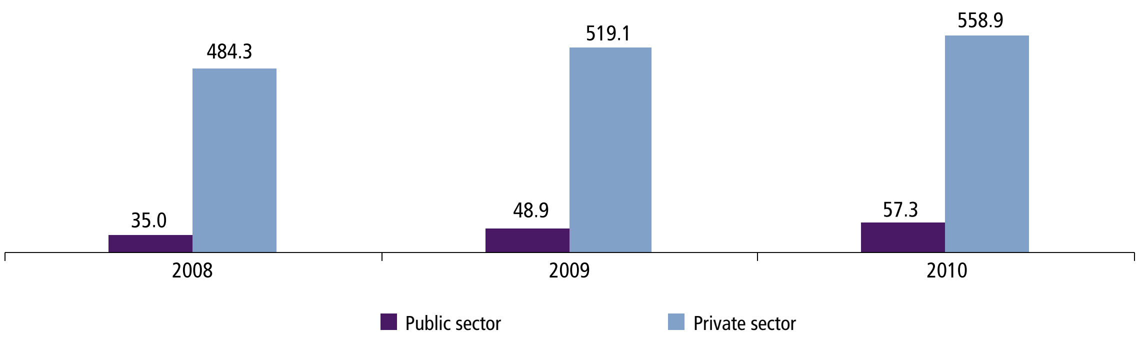
The rise in costs associated with equity and risk perception related to the realization of collaterals were behind the squeezing of lending conditions. This has led in particular to a reduction of the financing amount and an increase in non-interest expenses.

Companies' loans demand slightly declined for large businesses and continued its increase for SMEs and VSEs. Investment in fixed assets was the main factor that boosted demand for loans by companies.

In this context, loans granted to nonfinancial private companies increased by 7%, a rate higher than that recorded last year. They totaled an outstanding amount of 324 billion dirhams, or 53% of total loans.

Overall, the private sector, made up of households and private companies, benefited from an outstanding loan of 559 billion dirhams, up 7.7%, as against 7% last year[1]. Such outstanding amount accounted for 91% of total loans, unchanged compared to 2009, and for 73% of GDP at current prices, against 71%.

Chart 20: Breakdown of disbursement loans to private and public sectors (in billion dirhams)



1 Outstanding amount of loans to private and public sectors to the end of 2008 and 2009 were revised.

The outstanding loan allocated to the public sector, as a result of the increase in loans to the administration as well as public enterprises, grew from 17% to 57 billion, up from 40% in 2009. Its share in total loans stood at 9% and in GDP at current prices at 8%.

1.1.3 - The trend in securities' portfolio reflects lower share of Treasury bills

At the end of 2010, the overall securities' portfolio totaled an amount of 141.6 billion dirhams[1], posting a fall of 5.3%, as against a rise of 19.2% the previous year, due to sharp decline in the portfolio of the Treasury bills and to the deceleration of the rate increase in title deeds. However, other debt securities, made up in particular of bonds and certificates of deposit, recorded a significant growth.

Representing 49% of the securities' portfolio, the outstanding of Treasury bills held by the banks, after rising by 11.4% in the previous year, decreased from 14.1% to 69.3 billion dirhams, dropping its share in assets from 9.7% to 8.1%. This slowdown was mainly due to the failure of some banks to renew security borrowing operations.

Chart 21: Structure of securities'portfolio in 2009

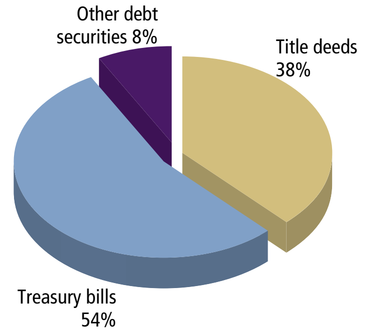
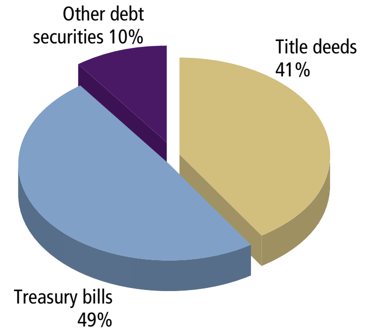


Chart 22: Structure of securities'portfolio in 2010

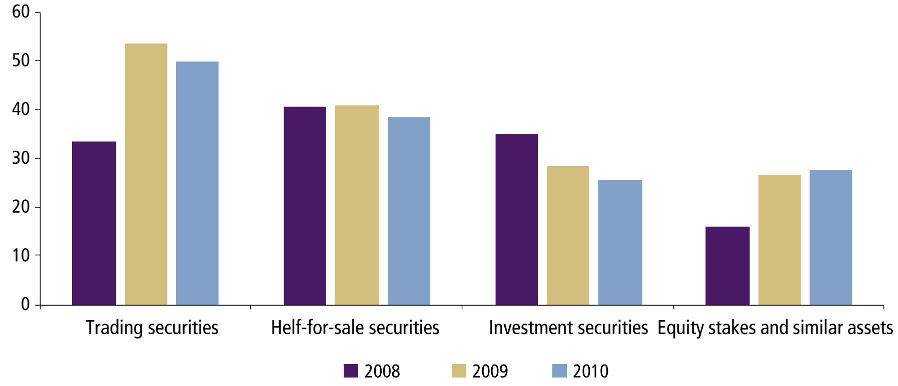


Representing 10% of securities' portfolio, other debt securities increased by 15% to 14.4 billion dirhams, up from 12.6%. The title deeds, in turn, stood at 58 billion, posting a rise of only 2.8%, compared to 34.5% a year earlier. This deceleration is mainly ascribable to slower growth in equity stakes.

The analysis of securities classified according to the rules of purposive accounting shows that the outstanding amount of transaction portfolio, made up of 52% of title deeds, 38% of Treasury bills and 10% of other debt securities, dropped by 6.9% to 49.8 billion. This decline follows a rise of 59.4% recorded in 2009, a year that was marked by increased banks' reliance on security borrowing.

1 In gross amounts.

Chart 23: Change in securities'portfolios classified according to purposive accounting (in billion dirhams)

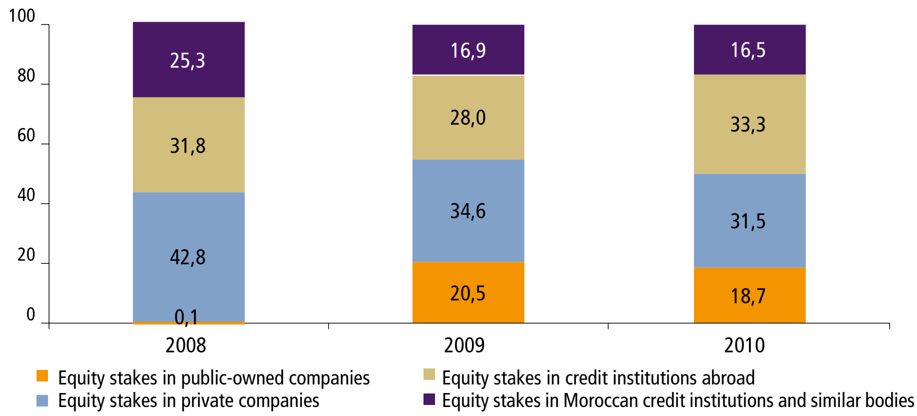


After stagnating in 2009, the outstanding amount of securities held-for-sale posted a drop of 5.8% to 38.5 billion dirhams. It consists of 68% of Treasury bills, 21% of other debt securities and 11% of title deeds.

Standing at 25.5 billion dirhams, the portfolio investment outstanding declined again 10.3%, after dropping by 19.2% a year earlier. Actually, almost 94% of this portfolio consists of Treasury bills.

With the new acquisitions abroad, the equity securities portfolio, amounting to 27.8 billion dirhams, strengthened again, but at a rate significantly lower than recorded a year earlier, estimated at 4%, down from 66.3%, as the year 2009 was marked by significant equity investment both in Morocco and abroad.

Chart 24: Breakdown of equity stakes' portfolio per type of counterparty

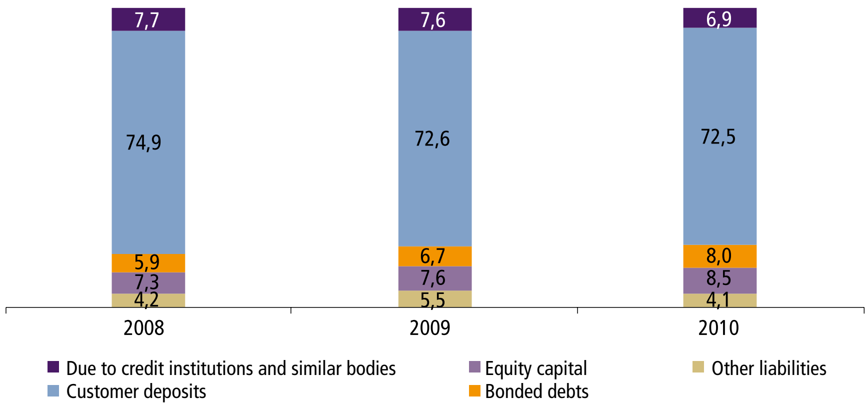


The amount of investments in the capital of credit institutions located abroad moved from 6.8 to nearly 9 billion dirhams, or one-third of equity stakes and 12% of banks' book equity capital.

1.2 - Banks continued to develop their liabilities, while diversifying them

The need for a better match between assets and liabilities and the slowdown of customer deposits growth encouraged banks to increase their reliance on the financial market.

Chart 25: Structure of banks' liabilities (in %)



Consequently, the structure of banks' liabilities has slightly changed. The share of bonds increased by 1,3 point to 8% and capital by 0,9 point to 8,5%. On the other hand, the weight of customer deposits maintained their level of last year and that of due to credit institutions and similar bodies decreased by 0,7 point.

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

	2008	2009	2010	Change 2009/2010 (in%)
Due to credit institutions and similar bodies	58 922	62 742	59 301	-5.5
Customer deposits	572 294	601 268	622 143	3.5
Bonded debts	45 207	55 830	68 546	22.8
Issued debt securities	32 013	36 476	48 472	32.9
Subordinated debts	13 194	19 354	20 074	3.7
Capital	55 400	63 056	72 730	15.3
Other liabilities	23 459	36 003	26 280	-27.0
Net income	8 612	9 218	9 719	5.4
Total liabilities	763 894	828 117	858 719	3.7

1.2.1 - Due to credit institutions and similar bodies decreased

Due to credit institutions and similar bodies dropped 5.5% to 59.3 billion dirhams. The improvement of banks' liquidity position, over the last two months of the year under review, reduced the reliance of banks on the Central Bank. Indeed, their outstanding loans from the Bank, in the form of security-backed advances, were decreased by half to stand at 9.8 billion. Conversely, interbank debts, amounting to 24.7 billion, significantly increased by 33%, compared to a slight rise in 2009.

After falling by 10.6% last year, the due to credit institutions abroad recorded a rise by 36 percent to stand at 8.9 billion dirhams.

After an increase of 8% a year earlier, the due to other credit institutions were down by 20.5 percent to 13 billion dirhams, 82% of which are loans from offshore banks.

Overall, debts in foreign currency, representing one third of debts to credit institutions and similar bodies, increased by 25.4%, down from 27.3% in 2009.

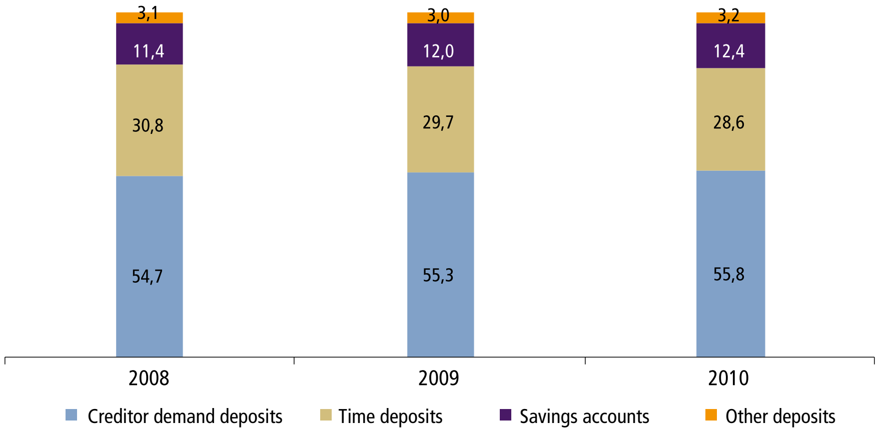
1.2.2 - Deposits' growth again slowed down

The deposits collected from customers amounted to 622 billion dirhams, at the end of December 2010, recording, for the third consecutive year, a decelerating growth rate of about 3.5%, as against 5% one year earlier. In relation to GDP at current prices, their ratio stood at 81%, down by one point compared to the previous year.

Loans growth, at a rate twofold higher than that of deposits, led to an increase in loans-to-deposits ratio by 4 percentage points to 99%.

While demand deposits and saving accounts contributed positively to the growth of the funds collected from customers, other deposits, made up of almost half of repurchase agreements of a volatile nature, have negatively impacted this trend. In fact, excluding these values, deposits collected from customers increased by 5%, from 4.3% posted last year.

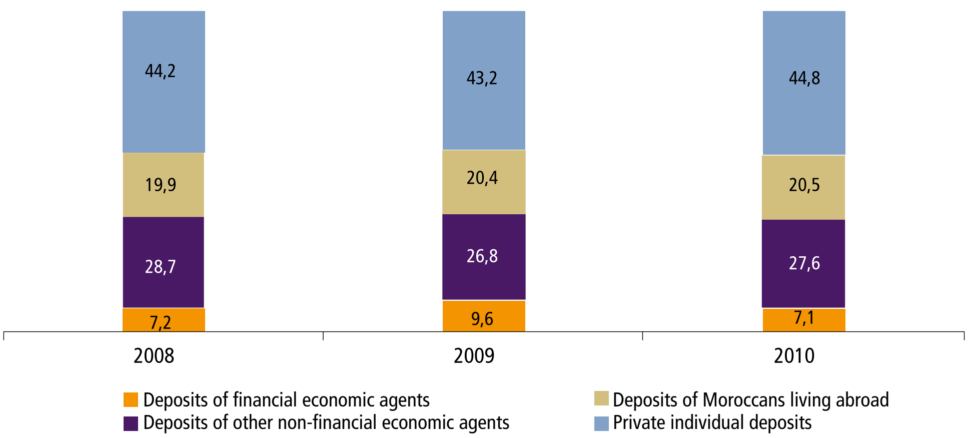
Chart 26: Change in the share of different deposits' categories (in %)



Following an increase of 6.3% last year, demand deposits increased by 4.5% to 347.4 billion dirhams. Time deposits, undergoing a fluctuating trend, were maintained at 178 billion for the second consecutive year. Excluding forward repurchase agreement transactions from these deposits, this trend stood at 2%. In turn, savings accounts, which posted a stable trend over time, increased by 7.7% to 77.4 billion, though lower than the level recorded the previous year, estimated at 9.7%.

The analysis of deposit trends by economic unit shows an increase in the share of resident private individuals and other non-financial economic agents, at the expense of that of financial units whose deposits are unstable. Thus, resident private individuals had 44.8% of deposits, followed by other non-financial economic agents (private companies and public sector), which held 27.6% and Moroccans living abroad (MRE), with a share of 20.5%. On the other hand, the weight of economic financial agents, other than credit institutions, dropped by 2.5 points to 7.1%.

Chart 27: Trend of deposits by economic agent (In %)



At 277.7 billion dirhams, deposits collected from private individuals (excluding remittances by Moroccans Living Abroad) grew by 7.6%, as against 2.3% the previous year. Deposits of Moroccans Living Abroad, whose trend shows some stability over time, totaled around 127 billion dirhams, up 4.5%, though in decline compared to the level recorded in 2009 (6.8%), despite the good trend in their transfers in 2010. Of this total, demand deposits accounted for 60%, compared with 35% for time deposits and 5% for savings accounts.

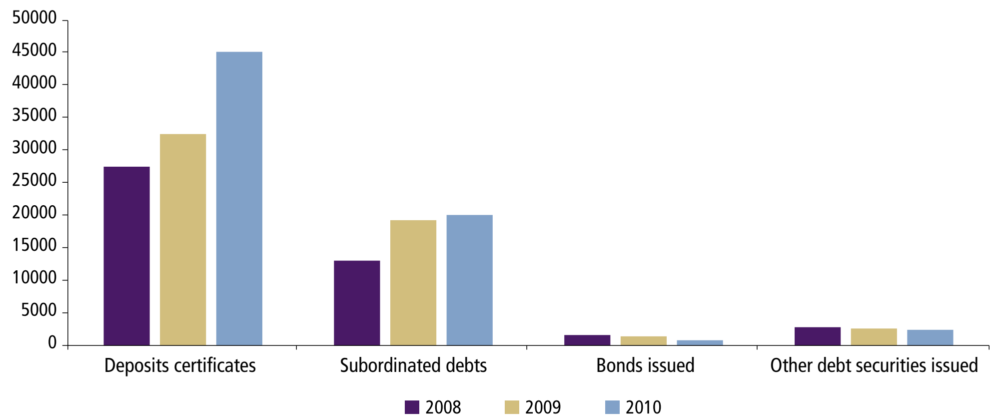
After a fall of 3% at the end of 2009, deposits of other non-financial agents clearly recovered, increasing by 6.7% to 170.8 billion dirhams. As for deposits of financial economic agents, they dropped by 22.6% to 44.3 billion dirhams, as against a rise of 39% in 2009.

Overall, customers' deposits in foreign currencies increased by 5% to 6.9 billion dirhams, as against 10.5%, while deposits in convertible dirhams rose by 7.7% to 13.5 billion, versus a slight fall a year earlier. They together accounted for 3% of total deposits.

1.2.3 - The recourse to private debt continued

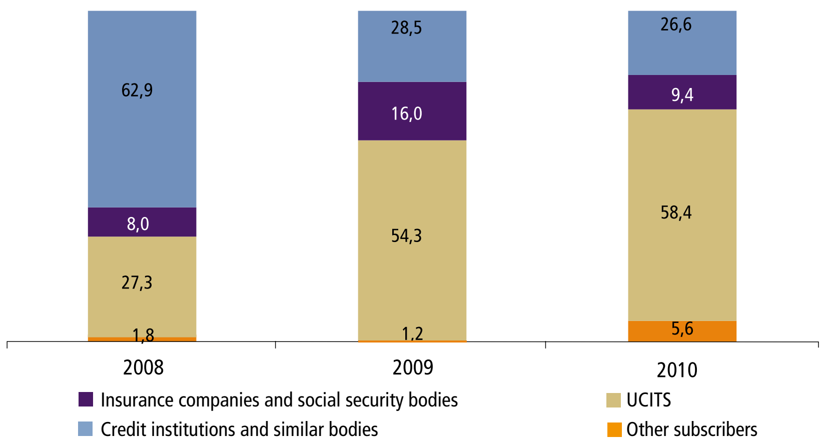
The impact of the slowdown in deposits on the lending capacity of banks was partially compensated by the increase in their fundraising in the private debt market. In 2010, banks were much more active in issuing deposits certificates than subordinated debts.

Chart 28: Change in bonds (in million dirhams)



Overall, bonded debts, composed of debt securities issued and subordinated debts, totaled an outstanding amount of 68.5 billion dirhams, up 22.8%, as against 23.5% a year earlier. Of this total, the outstanding amount of deposits certificates increased by 39%, while subordinated debts rose only by 3.7%, after an increase of 47% the previous year. This trend was due to the fact that some banks reached the regulatory limits on such instruments, since they have taken prudential capital into consideration.

Chart 29: Share of initial subscribers to deposits certificates' issuance (in %)



The analysis of deposits certificates' issuance by initial subscribers shows that the contribution of UCITS increased significantly, moving from 27.3% to 58.4% between 2008 and 2010, at the expense of that of credit institutions and similar bodies, which dropped by 62.9 to 26.6%. With regard to insurance companies and social security bodies, their weight stood at 9.4%, posting a rise of 1.4 point.

Keeping their downward trend starting some years ago, bonds and other debt securities issued saw their outstanding amount on the decline, from one year to another, respectively by 39% and 6.5%, mainly due to the fall of the outstanding amount of old debt securities issued by certain public-owned banks.

1.2.4 - Banks' book equity capital strengthened again

Regulatory constraints and the need for growth at the international scale led banks to raise the level of their capital through consolidating reserves, up 17%, versus 15% in 2009, and increasing capital by 7%, as against 5%.

Consequently, book equity capital, excluding profit of the year, increased by 15.3% to 72.7 billion dirhams, as their share in total liabilities grew by 0.9 point to 8.5%.

1.3 - The off-balance sheet commitments increased at a slower pace than last year

The banks' off-balance sheet items consist mainly of financing commitments given or received from credit institutions and/or customers, especially in the form of confirmed credit lines. They also cover guarantee commitments given or received from credit institutions and/or customers as well as foreign currencies liabilities and commitments on derivatives.

At the end of December 2010, commitments given by banks amounted to 173 billion dirhams, up 4%, due to the growth of financing commitments by 7.5% to 77 billion, and guarantee commitments given or received by 1% to 96 billion dirhams.

Financing guarantees commitments and surety bonds given in favor of or on behalf of customers increased by 6.2% to 139.7 billion, or 81% of the total, whereas commitments given in favor or on behalf of credit institutions and similar bodies dropped by 5% to 33.5 billion dirhams.

After a fall of 15.5% a year earlier, the commitments received by banks moved from 5.7% to 54.3 billion. They are made up of guarantee commitments, with an outstanding amount of 51 billion, up 5.4%, and financing commitments of 3.2 billion, up 12%.

Foreign currency transactions at purchase and sale rose by 2.2% to stand at 84 billion. Cash transactions, totaling 13.8 billion, declined by 61% and forward transactions reached 70.3 billion, increasing by 49% due to the recovery of foreign trade transactions.

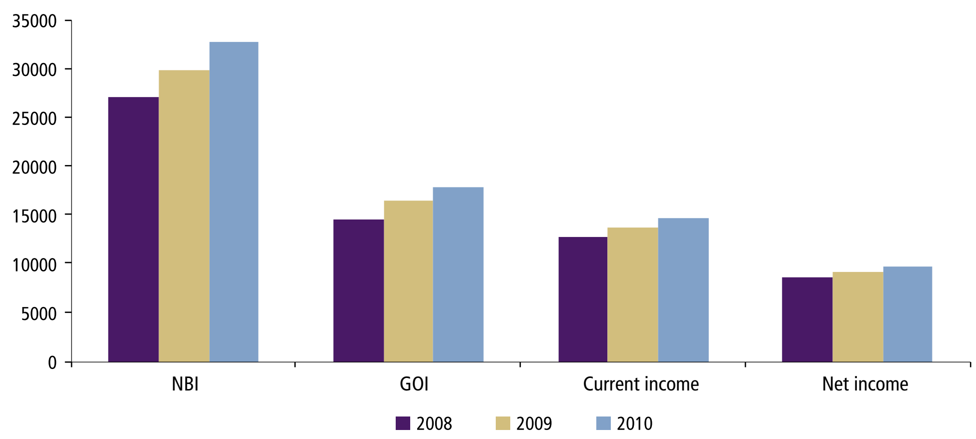
Commitments on derivatives, aiming at transferring the risk related to an underlying asset from an economic agent to another, continued their expansion, in an uncertain international economic environment. They increased by 30% to 25.3 billion dirhams. They are made up of commitments on exchange rate instruments for 13 billion, and commitments on interest rate instruments for 10.4 billion dirhams.

2. BANKS' AGGREGATE NET PROFIT IMPROVED ANEW

Despite the slowdown in their activities, banks achieved end-2010, overall satisfactory results thanks to a less significant increase in overheads and a sustained growth in the net banking income (NBI).

The following analysis of banks' profitability requires highlighting the major intermediate balances leading to the identification of the components having contributed to the final result.

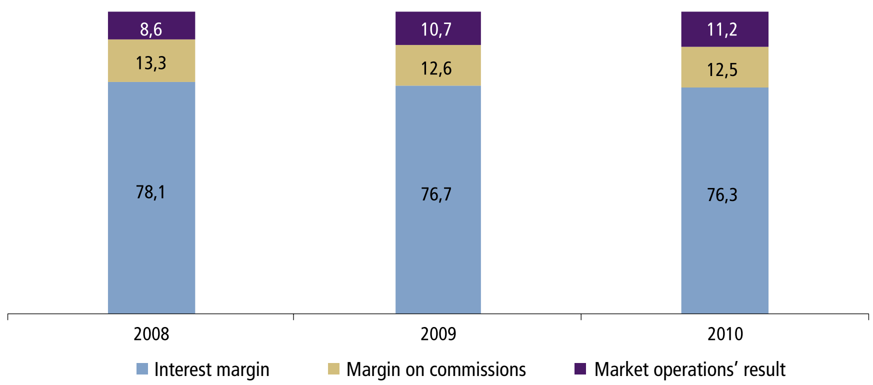
Chart 30: Change in banks' management intermediate balances (in million dirhams)



2.1 - Net banking income is boosted by a positive trend in the interest margin

The banks posted a net banking income of 32.8 billion dirhams, up 9.7%, as against 10.3% a year earlier. This rise resulted from a larger increase of interest margin and margins on commissions, while the result of market operations slowed down.

Chart 31: Change in the share of interest margin, margin on commissions and market operations' result in banks' NBI



The interest margin, driven by higher growth in income than expenses, increased 10.4% to 24.8 billion dirhams, as against a rise of 5.6% last year. This is due to maintaining a higher level of intermediation activity less sensitive to financial fluctuations.

The analysis of interest margin shows that the net income from interest rates on transactions with credit institutions and similar bodies dropped by 22.6% to one billion dirhams, as collected interests fell by 6.8% to 2.9 billion and paid interests increased by 4.6% to 1.9 billion dirhams.

The net income from interest rates on transactions with customers increased 17% to 22 billion dirhams. Such growth is due to the increase in collected interests income of 9.2% to 31.3 billion, as the growing volume of loans helped to compensate, to some extent, the decline in their performance. On the other hand, interests paid declined by 6% to 9.1 billion dirhams, mainly due to lower cost of liabilities and a rise in the share of non-interest bearing demand deposits.

The net interest income from debt securities slowed down anew. It declined by 10% to 2.7 billion, as a result of a 3.6% fall in interest and related income as well as the rise in interest and related expenses by 4.7%.

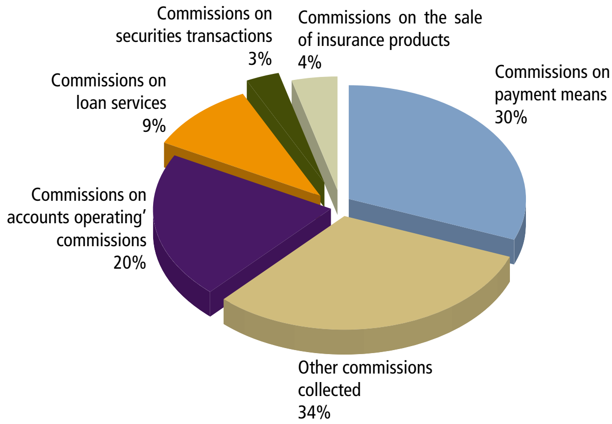
As for the margin on commissions, after a rise by 4.8% in 2009, it rose again by 8.6% to 4 billion dirhams, representing a 12.5% share of NBI, similar to that of the previous year.

This change was due, in addition to income generated by the classical intermediation activity, to services related to securities activities, insurance, UCITS management and marketing as well as financial engineering.

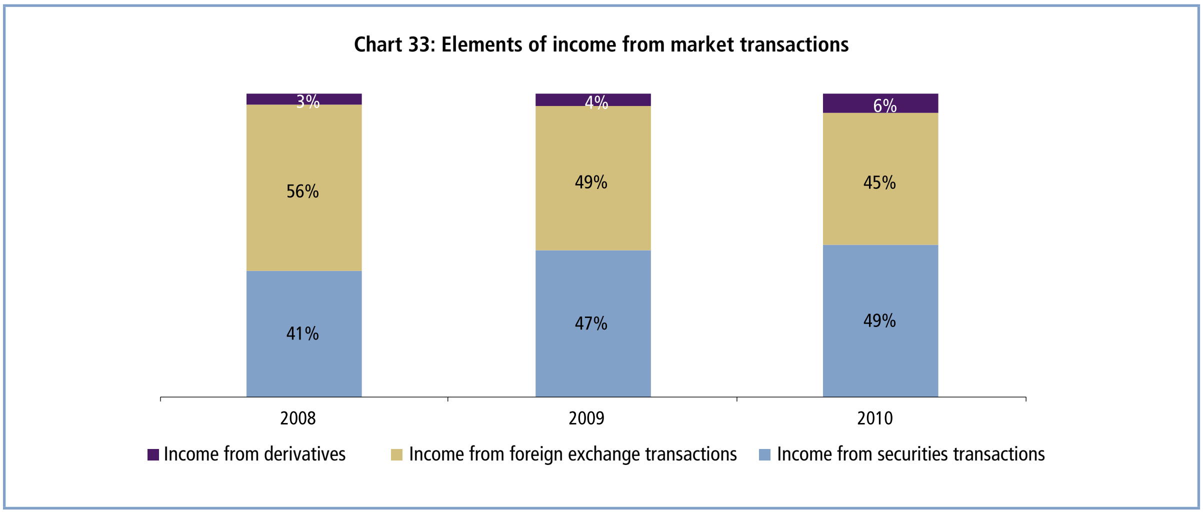
Such services generated, in 2010, an income amounting to 4.2 billion, up 9.9%, as against 6.3% a year earlier.

Excluding commissions on credit services, remaining at their level recorded the previous year, all other commissions posted a rise. Commissions on payment means increased by 7%, as against 8% for accounts operating' commissions, 9.6% for the commissions on security transactions and 7.5% for those collected on sales of insurance products.

Chart 32: Structure of commissions on services



On the other hand, the result of market activities, generating 11.2% of NBI without being considered as a stable source of income, amounted to 3.7 billion dirhams, recording a rise significantly lower than that posted a year before, estimated at 14.3%, down from 36.7%.



The analysis of the structure of income from market activities shows that the income of security transactions amounted to 1.8 billion dirhams, up 19%, as against 59% a year earlier.

This slowdown, occurring in a context of rising Treasury bills' interest rates, resulted from a less important rise in the income on trading securities than posted a year earlier, or 16.3%, as against 63%, while the corresponding losses showed a new drop by 9.4%, following that of 3.2%. The capital gains on the sale of investment securities decreased by 3.2%, after a fall of 22.2%, while related capital losses were down by 27%, versus a rise of 8% in 2009.

As to foreign exchange transactions, they induced a net income of 1.7 billion, up 5.6%, due to the decline in losses (-29%) higher than that of profits (-13%).

The income of derivatives, totaling 222 million dirhams, posted a rise of 72%.

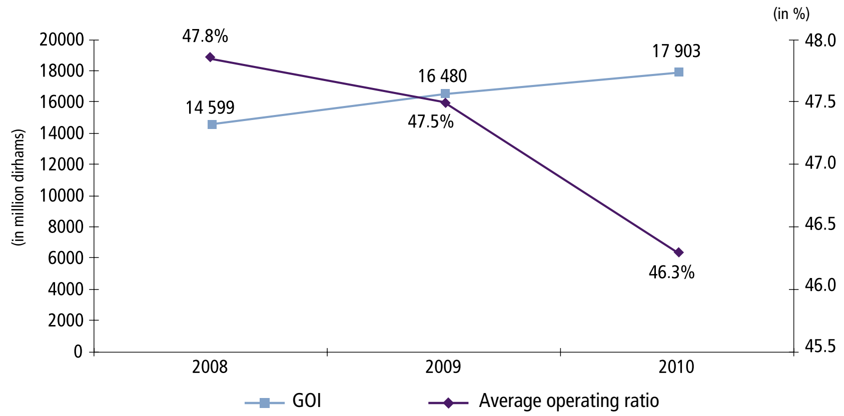
2.2 - The gross operating income rose less markedly, in the absence of non-recurring revenues

Despite the expenses incurred by banks in order to attract new customers, the growth of operating overheads remained generally under control. Following an increase of 9.5% recorded the previous year, these expenses increased by 7% to stand at 15.2 billion dirhams.

Representing the major component of general operating expenses with 49%, personnel expenses increased by 6% to 7.5 billion, at a slower pace than other overheads.

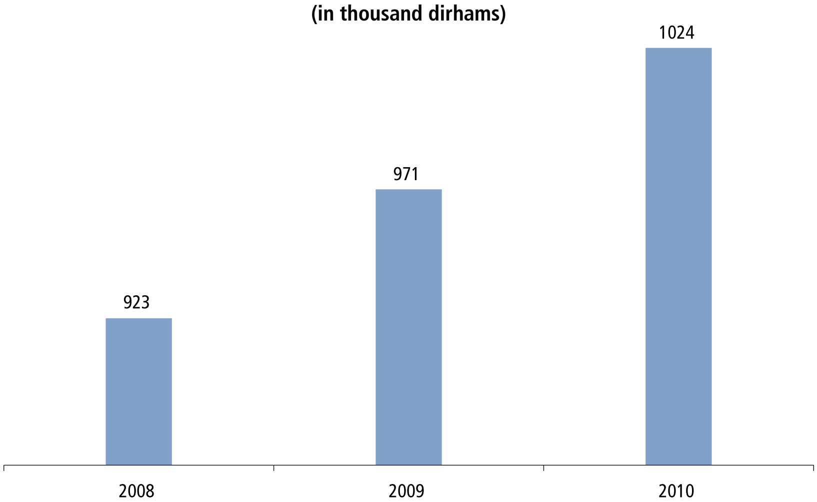
On the other hand, the external expenses moved from 8.3% to 5.6 billion and amortization allocations and provisions for depreciation of tangible and intangible fixed assets rose by 7.4% to 1.6 billion dirhams.

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



Despite reflecting existing disparities between banks, the major operating ratios generally reflect a better control of business conditions. The average operating ratio[1] improved anew, moving from 47.5% to 46.3%. Similarly, as Chart n°35 hereafter shows, the average of NBI per agent increased from 971.000 dirhams to more than one million dirhams.

Chart 35: Change in banks' average amount of NBI by staff member (in thousand dirhams)



Given the changes in general operating expenses and in the absence of non-recurring income, the gross operating income (GOI) of banks[2] stood at 17.9 billion dirhams, up by 8.6%, compared with 13% a year earlier.

1 Overheads / NBI ratio

2 Balance obtained by adding non-banking products to NBI and by deducing non-banking expenses and general operating expenses.

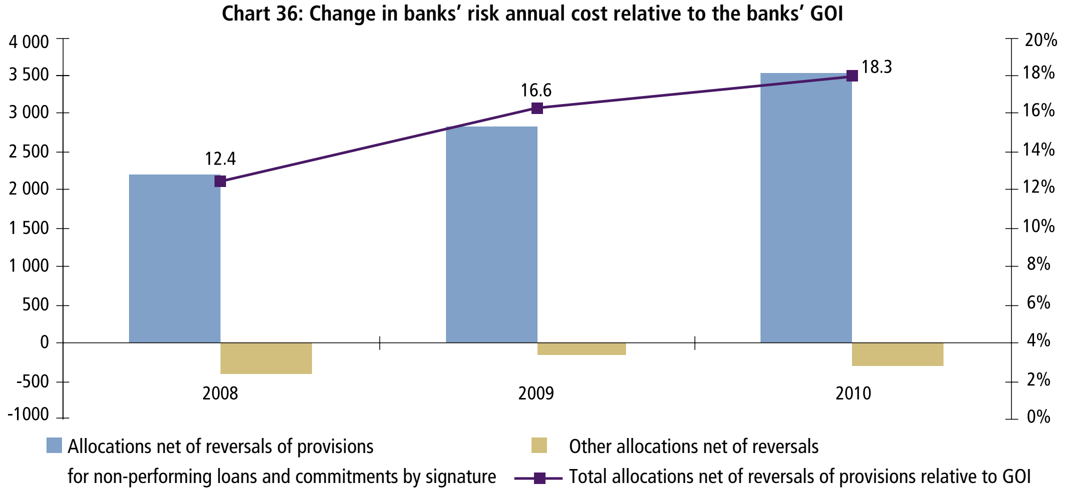
2.3 - The credit risk cost continued to weigh on banks' results

After a rise of 51.4% recorded last year, the growth rate of allocations net of reversals of provisions decelerated by 19.5%. They totaled 3.3 billion dirhams, absorbing 18.3% of the gross operating income, against 16.6% a year earlier.

The allocations net of reversals of provisions for non-performing loans increased by 23.5% to 3.6 billion dirhams, against 30% in 2009. This evolution is related to a 19% rise in allocations to provisions for non-performing loans, more than twice as much the growth rate recorded a year earlier. At the same time, reversals of provisions for non-performing loans, after dropping by 11.3%, grew by 20%.

The other allocations net of reversals of provisions, generating a negative balance of 347 million dirhams, increased by 79%, versus a drop by 56.5% last year. The gross amount of these allocations decreased by 18.5% to 672 million and that of the corresponding reversals stabilized at one billion dirhams, more of two thirds of which concern reversals of provisions for investment and fiscal risk.

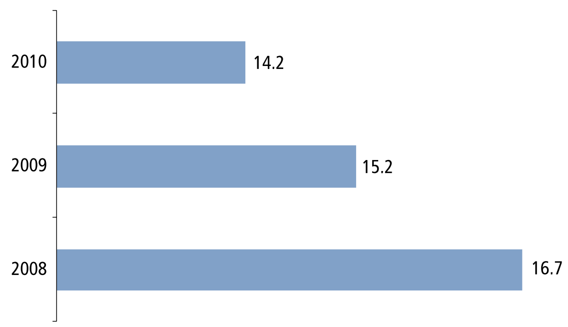
Chart 36: Change in banks' risk annual cost relative to the banks' GOI



Amounting to 14.6 billion dirhams, the net operating income increased by 6.5%, down compared to the rate recorded in 2009, which was 7.5%. The non-operating income, while still negative, moved from 184 to 484 million dirhams. Ultimately, banks' aggregate net income totaled 9.7 billion dirhams, up 5.4% from one year to another, as against 7% a year earlier.

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

Chart 38: Change in banks' ROE (in %)

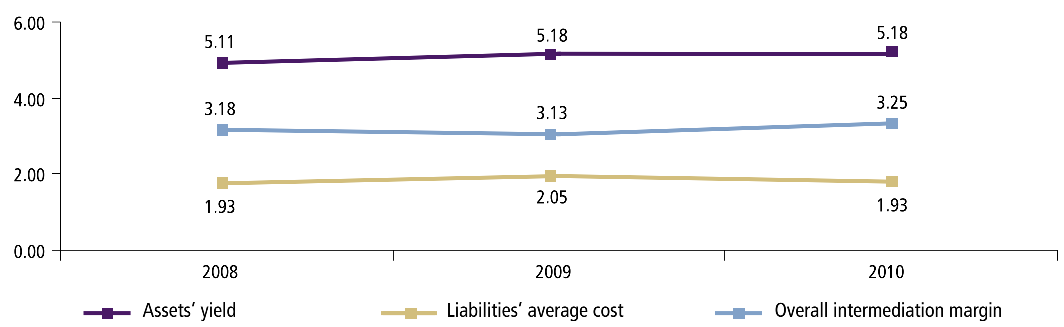


Thus, the return on assets (ROA), which measures the productivity of banks in terms of generated income compared to the average of assets, stood at 1.2% and the return on equity (ROE), which refers to the net profit on book capital, recorded a further decline to 14.2%, mainly due to the increase in such capital.

2.4 - Banks' overall intermediation margin recovered somewhat owing to the decline in the cost of liabilities

The overall intermediation margin, which is the difference between assets' average yield and liabilities' average cost, stood at 3.25%, up by 12 basis points, from one year to another. This change is due to the decline in liabilities' cost by 12 basis points to 1.93%, while average yield rate stood at 5.18%.

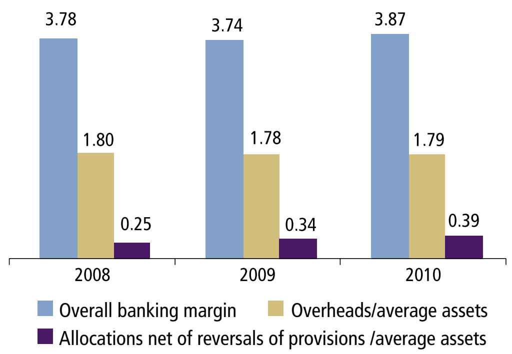
Chart 39: Change in banks' overall intermediation margin (in %)



The return of loans to customers dropped by 12 points to 5.72%, while the cost of deposits declined by 15 points to 1.52%. This resulted in virtual stagnation of the margin on transactions with customers at 4.20%.

The overall banking margin, which corresponds to the ratio of net banking income to average assets, improved to 3.87%. It was absorbed by overheads up to 1.79% and by the risk-related cost by 0.39%.

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



III. FINANCE COMPANIES' ACTIVITY AND RESULTS

1. FINANCE COMPANIES' BUSINESS DECELERATED

In a context characterized by a slowdown in the distribution of new loans, mainly by consumer loans companies, and a higher risk, finance companies' business declined and their profitability dropped.

1.1 - The decline in credit business was more significant for consumer loan companies

At the end of December 2010, finance companies total assets stood at 84.6 billion dirhams, up 4.1% from 9.5% and 17% posted, respectively in 2009 and 2008. Such slowdown was mainly due to stagnation in consumer loan companies' business. Their gross disbursement loans' outstanding amount, standing at 85.3 billion, increased by 6.7%, lower than the pace posted in 2009, which was 9.9%.

The total assets of consumer loan companies reached 40.8 billion dirhams, down 1.2%, from one year to another, as opposed to an increase of 8.4% and 13.7%, respectively in 2009 and 2008. This was driven by the slowdown of both consumer loans and leasing transactions with a purchase option.

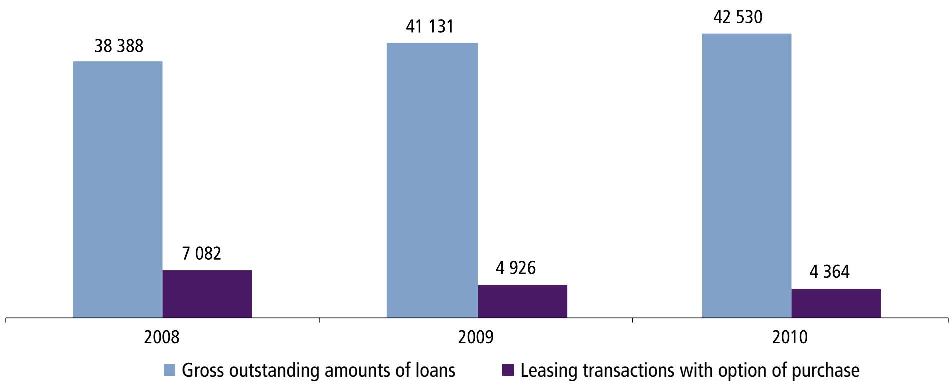
Change in consumer loan companies' assets (in million dirhams)

	2008	2009	2010	Change 2009/2010 (In %)
Due from credit institutions and similar bodies	**868**	**1 708**	**534**	**-68.7**
Due from customers	**34 698**	**37 156**	**38 238**	**2.9**
Including lease with purchase option	7 082	4 926	4 364	-11.4
Securities' portfolio	**483**	**210**	**47**	**-77.6**
Fixed assets	**630**	**638**	**760**	**19.1**
Other assets	**1 371**	**1 550**	**1 175**	**-24.2**
Total	**38 050**	**41 262**	**40 754**	**-1.2**

The decrease in household's consumption and the increase in risk-related cost have a negative effect on consumer loan companies' business. Their gross loans' outstanding amount stood at 42.5 billion dirhams, up 3.4% versus 7% a year earlier.

These institutions distributed, in the fiscal year 2010, 15.3 billion dirhams in loans, against 16 billion the previous year, corresponding to 546.391 application files as against 581.542 in 2009. This decline is due to the slowdown in the production of allocated loans by 19% to 5.3 billion, while that of non-allocated loans increased by 4.5% to almost 10 billion dirhams.

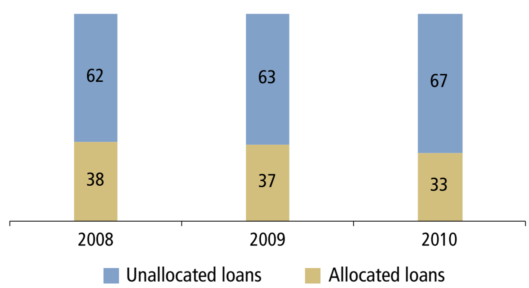
Chart n°41: Gross outstanding amounts of loans and leasing transactions with option of purchase of consumer loan companies



Due to the decline in sales of vehicles, the outstanding amount of leasing transactions with purchase option, keeping their downward trend since 2008, decreased anew by 11.4% to stand at 4.4 billion dirhams.

The consumer loans continue to be dominated by unallocated loans of which they account for 67%. 98% of the latter was made up of personal loans. 95% of allocated loans were intended for financing vehicles and 5% for domestic equipment[1].

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



1 Professional Association of Finance Companies (APSF) Data

The leasing companies registered a total asset of 38.7 billion dirhams, up 7.6%, against 12.4% and 20.9%, respectively in 2009 and 2008.

Change in leasing companies' assets

(In million dirhams)

	2008	2009	2010	Change 2009/2010 (In %)
Leasing fixed assets	30 300	34 450	37 340	8.4
Due from customers	74	84	59	-29.8
Securities portfolio	32	31	31	0.0
Other assets	1 618	1 416	1 292	-8.8
Total	**32 024**	**35 981**	**38 722**	**7.6**

As a result of decline in demand for commercial vehicles, industrial machines and equipment, the gross loans' outstanding amount granted by leasing companies, estimated almost at 39 billion dirhams, rose by 7.8%, lower than the pace of 13.5% posted in 2009.

The outstanding amount of equipment leasing, with a share standing at 71%, rose by 8.2% to 26.5 billion dirhams, from 9.8% a year earlier. Property leasing reached 10.8 billion, up 8.8%, well below the 24.7% recorded in 2009. This trend seems to be due to the removal, by the Finance Act of 2010, of the exemption from registration fees which such financing used to benefit from.

Chart N° 43: Trend of the outstanding amount of equipment and property leasing transactions

The leasing companies granted, in the fiscal year 2010, as many loans as the previous year, or 14 billion dirhams[1], corresponding to 15.877 application files. Accounting for 84% of this production, the equipment leasing was allocated mainly to financing commercial vehicles (33%), industrial machines and equipment (31%) and private cars (15%).

1 Professional Association of Finance Companies (APSF) Data)

Chart 44: Breakdown equipment leasing production by type of equipment

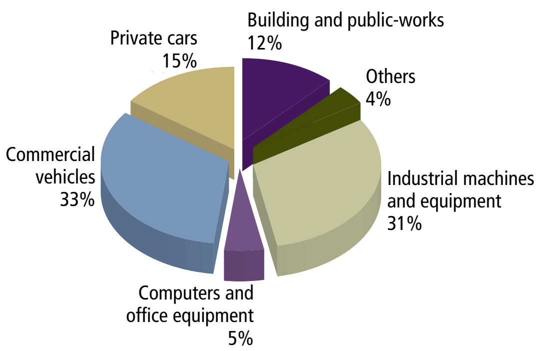
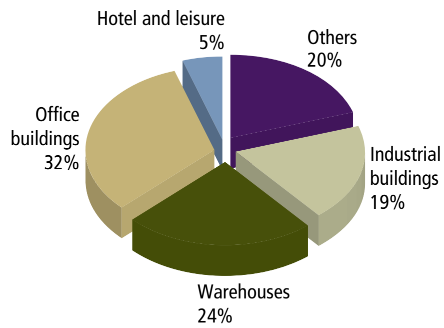


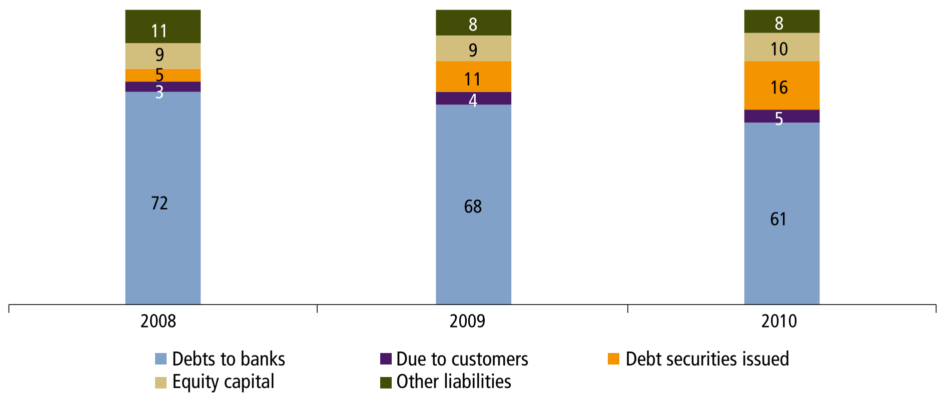
Chart 45 : Breakdown of property leasing production by type of fixed assets



As for property leasing, the new loans granted were intended mainly for financing office buildings (32%), stores (24%) and industrial buildings (19%).

1.2 - Finance companies increased their borrowing from the financial market

Chart 46: Trend of the structure finance companies' liabilities (In %)



Finance companies increased their borrowing from the financial market. The outstanding amount of debt securities which they have issued grew by 59% to almost 14 billion dirhams, at the expense of bank debts, which shrank by 6% to nearly 52 billion. Their book equity capitals expanded anew by 12.6% to 8 billion dirhams.

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

	2008	2009	2010	Change 2009/2010 (In %)
Due to credit institutions and similar bodies	26 096	26 340	23 113	-12.3
Due to customers	467	370	833	125.1
Debt securities issued	2 318	6 100	8 770	43.8
Equity capital	3 995	4 421	4 747	7.4
Other liabilities	4 326	3 202	2 700	-15.7
Net income	848	829	591	-28.7
Total	**38 050**	**41 262**	**40 754**	**-1.2**

With an outstanding amount of 8.8 billion dirhams, debt securities issued by consumer loan companies increased 44%. At the same time, banks debts were down by 12.3% to 23 billion. As for their equity capitals, it rose by 7.4% to 4.7 billion, whereas its share in liabilities grew by one point to 12%.

Change in liabilities of leasing companies (in million dirhams)

	2008	2009	2010	Change 2009/2010 (In %)
Due to credit institutions and similar bodies	25 987	27 519	27 094	-1.5
Due to customers	750	1 681	1 958	16.5
Debt securities issued	1 460	2 625	5 124	95.2
Equity capital	1 630	1 949	2 143	10.0
Other liabilities	1 780	1 842	2 042	10.9
Net income	417	365	361	-1.1
Total	**32 024**	**35 981**	**38 722**	**7.6**

Leasing companies saw their bank debts at a standstill position with 27 billion, while the outstanding amount of debt securities issued increased by 95.2% to 5 billion dirhams. As far as equity capital is concerned, it stood at 2 billion, up 10% and its share in total liabilities remained at 5.5%.

2. FINANCE COMPANIES' PROFITABILITY DECLINED ON SLOWER BUSINESS AND HIGHER RISK-RELATED COSTS

At the end of 2010, finance companies posted a net profit of 1.1 billion dirhams, down 14.3%, after the decline of 8.2% recorded one year earlier, due to the rise in the risk-related cost and the decline in consumer loan activity.

Chart N° 47: Change in finance companies' intermediate balances (in million dirhams)

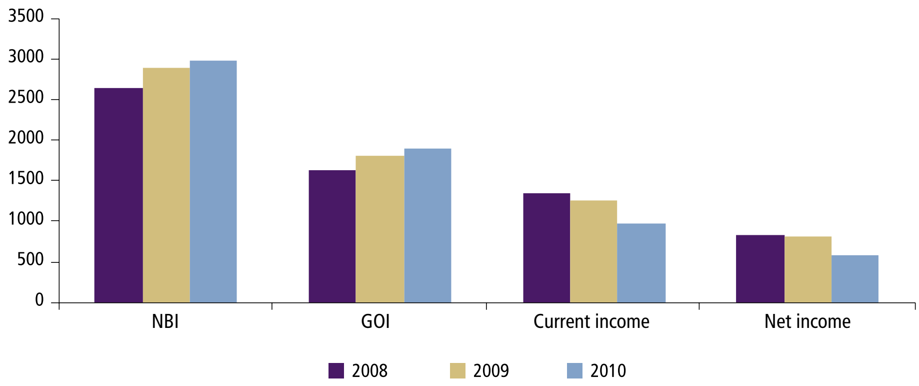
Their NBI, amounting at 4.6 billion dirhams, increased 3.9%, against 6.6% in 2009. This change involves a 6% rise in interest margin, margin on commissions of 5% and income from leasing transactions of 3.3%.

After a rise of 5.8% in 2009, overheads maintained their level recorded last year, estimated at 1.7 billion, generating an average operating ratio of 38%, an improvement of two points. Consequently, the gross operating income reached almost 3 billion dirhams, up 5.5%, against 7.1% a year earlier.

Due to the increase in non-performing loans, the allocations net of reversals of provisions went up from 702 million to a billion dirhams, thus absorbing 34.7% of the gross operating income, as against 25.4%.

Finance companies' return on assets (ROA) fell again from 1.6% to 1.4%, while their return on equity (ROE) decreased, down from 18.4% to 14%.

Chart N° 48: Change in consumer loan companies' intermediate balances (in million dirhams)



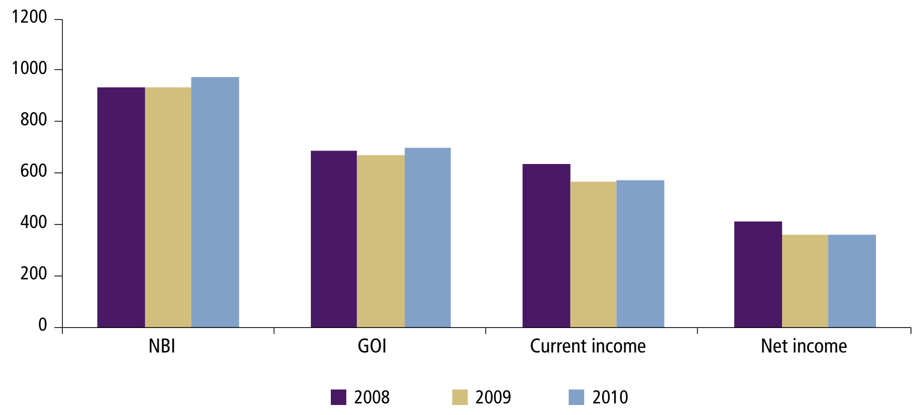
Taken separately, consumer loan companies posted a NBI of 3 billion dirhams, increasing slightly by 2.5%, against 9.9% in 2009. Such decline is particularly due to the slowdown in the margin interest growth, estimated at 8.8%, against 16.3%, and the decrease in margin on commissions of 5%, after a rise of 11.3%. At the same time, the income from leasing transactions with purchase option declined by 20% to 369 million dirhams, pursuing its downward trend.

After increasing by 5.7% a year earlier, their operating general expenses fell by 2% to 1.1 billion, generating an average operating ratio of 38%, an improvement of two points. The gross operating income therefore amounted to 2 billion, up 5%, following a rise of 11% posted in 2009.

In a context characterized by an increasing number of defaults, the allocations net of reversals of provisions of these institutions jumped from 555 million dirhams to 932 million dirhams, accounting for 49% of the gross operating income, up from 30.5% a year earlier.

Consumer loan companies recorded a net cumulative profit totaling 590.5 million dirhams, down 29%, after the decline of 2.3% posted in 2009, as the return on assets accounts for 1.5% and that of equity capital 12.5%.

Chart N° 49: Change in leasing companies' intermediate balances (in million dirhams)



The NBI of leasing companies amounted to 974 million dirhams, up 4%, after a slight decline in 2009. This improvement is mainly attributable to the margin interest increase[1] of 4%, up from 1% decrease a year earlier, as the interest rate policy adopted by leasing companies was less aggressive compared to 2009.

Amounting to 271 million dirhams, their general operating expenses rose by 1.4%, down from 7%. Consequently, the average operating ratio decreased by one point to 28%. After declining by 2.4%, gross operating income increased by 4.6% to reach 703 million dirhams.

The allocations net of reversals of provisions of these institutions totaled 125 million dirhams, up from 104 million dirhams, absorbing 17.8% of the gross operating income, as against 15.4% in 2009.

The leasing companies posted an aggregate net profit of 361.4 million dirhams, dropping slightly, after a 12.6% decline in 2009. The return on assets accounted for almost 1%, compared to that of the previous year, while the return on equity amounted to 16.8%, from 18.7% last year.

1 Including income from leasing transactions

IV. OFFSHORE BANKS' ACTIVITY AND RESULTS

The offshore banks continued to operate, mainly by refinancing from their parent company.

After the exceptional increases recorded in 2008 and 2009, the total balance sheet of these banks grew by 13.3% to reach 32.4 billion dirham at the end of December 2010. Its share in total assets of banks, though growing steadily, did not exceed 4%.

Chart 50: Structure of offshore banks' assets

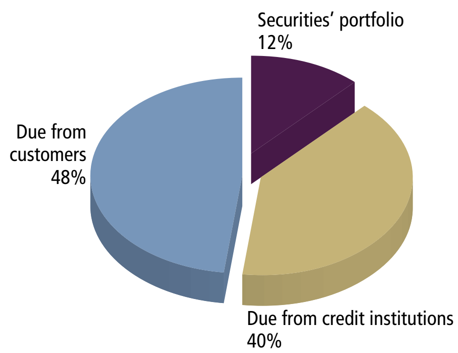
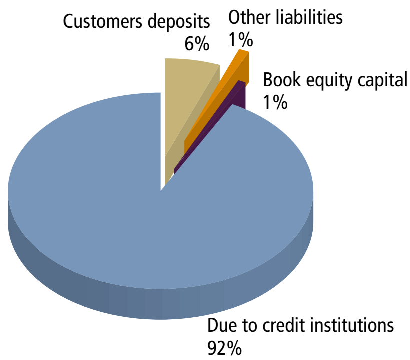


Chart 51: Structure of offshore banks' liabilities



While the structure of their assets was relatively diversified, that of their liabilities remained dominated by the predominance of debts to local banks accounting for 92% of the total.

Change in offshore banks' assets (in million dirhams)

	2008	2009	2010	Change 2009-2010 (In %)
Due from credit institutions and similar bodies	7 812	11 663	12 934	10.9
Due from customers	11 083	14 635	15 505	5.9
Securities portfolio	2 751	2 130	3 769	76.9
Other assets	176	124	142	14.5
Total	**21 822**	**28 552**	**32 350**	**13.3**

Their claims on credit institutions, with a 40% share of assets, stood at 13 billion dirhams, up 11%, as against 49% in 2009.

Representing 48% of assets, customer loans of these institutions totaled a net outstanding amount of 15.5 billion dirhams, up 6% against 32% a year earlier. This change involves a rise of 14.5% in cash facilities, representing almost two-thirds of the total. This was accompanied by a decline in non-performing loans of 36% to 61 million dirhams, representing 0.4% of total loans.

Due to the rise in title deeds, representing 29% of the total, the securities portfolio rose by 77% to 3.8 billion, or 12% of assets.

Change in offshore banks' liabilities (in million dirhams)

	2008	2009	2010	Change 2009-2010 (In %)
Due to credit institutions and similar bodies	18 934	26 341	29 665	12.6
Customers deposits	2 372	1 659	2 093	26.2
Book equity capital	277	322	364	13.0
Other liabilities	239	230	228	-0.9
Total	**21 822**	**28 552**	**32 350**	**13.3**

After an increase of 39% last year, debts owed to banks went up by 12.6% to 29.7 billion dirhams, or 92% of the total.

Representing the second component of liabilities, with a share of 6%, customers' deposits amounted to 2.1 billion, up by 26%, after a drop of 30% in 2009. The time deposits contributed by 91% to this growth.

The book equity capital, representing 1% of liabilities, totaled 364 million, up 13% compared with 16% last year.

The off-balance sheet commitments given by offshore banks, made up of 76% of guarantee commitments, totaled almost 700 million dirham, down 65%. The commitments received, consisting of almost 97% of guarantee commitments received from credit institutions, they remained at 12 billion dirhams.

At the end of 2010, offshore banks posted a net cumulative profit of 137.4 million dirham, down 15.6%, versus an increase of 56% a year earlier. This slowdown is mainly due to the decline in NBI. The latter fell 7% to 201 million dirhams, as against a growth of 58%. Such trend is due to a decline in interest margin.

Their general operating expenses, representing almost 10% of the NBI, were up 5% as against 7.5%. Consequently, the gross operating income dropped by 8% to 182 million dirhams.

The allocations net of reversals of provisions of these banks moved up from 13 to 17 million dirhams, absorbing 9% of GOI, up from 7% in 2009.

V. MICROCREDIT ASSOCIATIONS' ACTIVITY AND RESULTS

The microcredit sector, a key driver for fighting financial exclusion, continued its stagnation due to the weaknesses observed in 2008. Microcredit associations pursued consolidating their portfolios and improving risk management mechanisms.

In this context, these institutions' activity recorded a new drop, but at a less important pace than last year. Thus, after a decline of 16%, their outstanding' loans decreased by 1% to reach 4.7 billion dirhams at the end of 2010, bringing the number of active customers to less than 900.000 beneficiaries, down 11%.

Their non-performing loans stabilized at less than 300 million dirhams, representing 6.2% of total loans, or at the same level recorded in 2009. The loan' coverage by provisions improved by 16 points to 75%. The cross-indebtedness of customers, one of the causes of the rise in the sector NPL's, recorded a downward trend after reaching a level estimated at 40%, two years earlier.

The borrowing from financial institutions moved back of 13% to around 4 billion dirhams, which is four times the amount of equity capital; and its share in total liabilities moved from 75% to 72%. Of this total, a share of 82% is financed by local banks.

After a deficit of more than 100 million dirhams in 2009, most of the microcredit associations took up with positive results, allowing the achievement of a net accumulative profit of 25 million dirham.

VI. BANKS' ACTIVITY AND RESULTS ON A CONSOLIDATED BASIS

The analysis of the activity and the profitability on a consolidated basis is outlined on the financial statements prepared by eight banking groups[1], holding almost 90% of market share on an individual basis.

In 2010, the net accumulative income of the eight banking groups posted a significant rebound, after a slight decline in 2009, reflecting the good resilience of the Moroccan banking sector, which benefited from the diversification of its activities, at both sectoral and geographical levels.

1 CPM, Attijariwafa Bank, BMCE, CIH, CDM, BMCI, Société Générale and CDG Capital

1. THE INTERNATIONAL BUSINESS CONTRIBUTED POSITIVELY TO THE GROWTH IN BANKING GROUPS

At the end of December 2010, the banking groups posted a total asset of 930 billion dirhams, up 5.8%, compared with 10% a year earlier. This growth reflects, in particular, the contribution of bank subsidiaries abroad and affiliates of the insurance sector, which recorded respective increases of 13% and 17%, from one year to another. The three most active groups abroad realized 14% of their activities abroad, up from 13% a year earlier.

Chart 52 : Structure of banks' assets on a consolidated basis

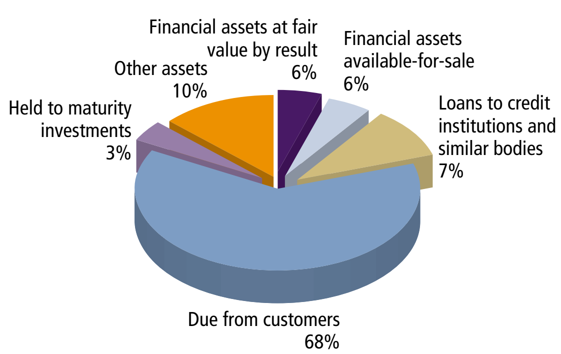
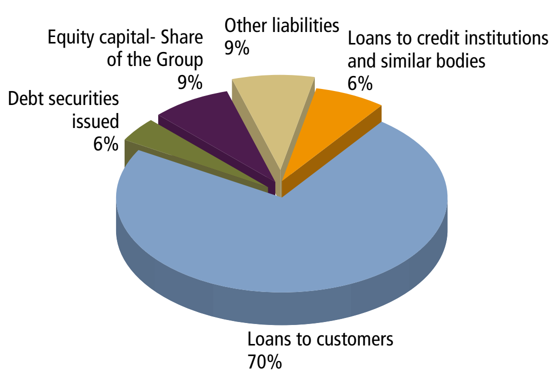


Chart 53 : Structure of banks' liabilities on a consolidated basis



The assets' structure recorded an increase in the share of customer loans, while that of liabilities remained unchanged compared to the previous year.

1.1 - The assets growth was driven by a sustained increase in customer loans

The major assets' categories showed various trends.

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

	2008	2009	2010	Change 2009-2010 (In %)
Financial assets at fair value by result	39 197	50 282	58 398	16.1
Financial assets available-for-sale	43 000	52 859	55 442	4.9
Loans to credit institutions and similar bodies	81 760	80 798	68 907	-14.7
Due from customers	498 245	567 803	624 904	10.1
Held-to-maturity investments	31 996	27 986	27 432	-2.0
Other assets	104 736	98 692	94 712	-4.0
Total assets	**798 934**	**878 420**	**929 795**	**5.8**

The financial assets at fair value by result, entirely made up of held-for-trading securities, totaled an amount of

58.4 billion dirhams, up 16%, in decline compared to the rate recorded at the end of December 2009, which was 28.3%. They are made up of 51% of shares and other variable income securities, 34% of Treasury bills and similar securities, the remainder being split in equal shares between the other fixed income securities and hedging derivatives.

Conversely, the growth rate of financial assets available-for-sale slowed to 4.9%, down from almost 23%. Their outstanding amount reached 55.4 billion, 33% of which in the form of shares and other variable income securities, 31% of government securities and similar securities, 25% of other fixed income securities and 10% of non-consolidated equity shares.

Constituting 68% of assets, up 3 points, loans and claims on customers, calculated net of provisions, totaled an outstanding amount of 625 billion dirhams, posting a growth slower compared to 2009, estimated at 10%, against 14%. Almost 13% of these claims were made by subsidiaries established abroad, against 12% a year earlier.

In correlation with the situation of sub-liquidity which characterized the local money market in 2010, the claims on credit institutions and similar bodies, standing at 69 billion, showed a sensitive decrease of 14.7%, after a slight decline recorded at end-December 2009.

Investments held until maturity, assessed at amortized cost, totaled 27.4 billion dirhams and accused a new decline of 2%, after the decline of 12.5% a year earlier.

1.2 - Banking groups' liabilities increased

Change in liabilities of banks on a consolidated basis[1] **(in million dirhams)**

	2008	2009	2010	Change 2009-2010 (In %)
Financial liabilities at fair value by result	**2 936**	**2 182**	**3 447**	**58.0**
Due to credit institutions and similar bodies	**58 007**	**65 735**	**55 763**	**-15.2**
Customers deposits	**577 810**	**621 014**	**652 095**	**5.0**
Debt securities issued	**33 642**	**40 448**	**53 775**	**32.9**
Equity capital - share of the group	**61 442**	**68 544**	**79 793**	**16.4**
Including net income	9 499	9 333	10 452	12.0
Other liabilities	**65 097**	**80 496**	**84 922**	**5.5**
Total liability	**798 934**	**878 420**	**929 795**	**5.8**

1 The figures of 2009 were slightly modified following the changes of the scope of consolidation of a banking group.

The financial liabilities at fair value by result, whose share of liabilities did not exceed 1%, increased by 58% to 3.4 billion, after a drop of 26%. However, the outstanding amount of debts to credit institutions and similar bodies, after increasing by 13.3%, decreased by 15.2% to stand at 55.8 billion dirhams.

Continuing their slowdown, customer deposits totaled 652 billion dirhams, growing by 5%, in decline compared to 7.5% posted a year earlier. This slowdown was offset by a rise in debt securities issued, which outstanding amount increased by 33% to 53.8 billion, which is a rate higher than that of 2009, which was 20.2%.

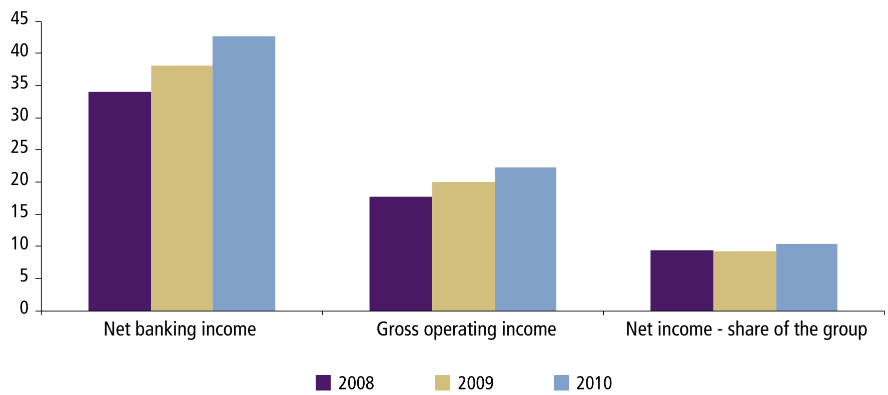
Deposits collected by bank subsidiaries abroad accounted for 15% of total deposits of the three most internationally active banks, as against 14% at the end of December 2009.

For their part, equity capital-share of the group (including the result for the year) grew 16.4%, against 11.6% in 2009, in response to the fact that banks set a greater share of their profit in reserves, as consolidated reserves grew by 8% to 29 billion dirhams.

2. THE CONSOLIDATED NET INCOME INCREASED AFTER STAGNATING IN 2009

Banking groups, taking advantage of sectoral and geographical diversification of their income sources, posted, on average, higher profitability levels than those recorded in the previous year.

Chart 54 :Trend of NBI, GOI and net income on a consolidated basis (in billion dirhams)

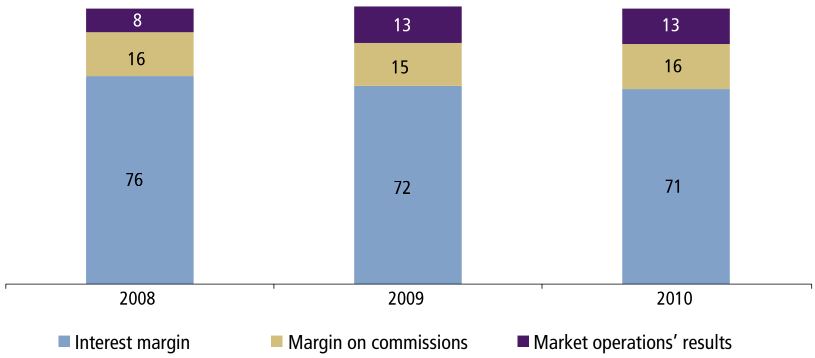


The net result-share of the group performed well thanks to the resilience of NBI as well as to a less significant rise in risk-related cost.

Net banking income increased by 12% to stand at 42.8 billion dirhams. This growth, similar to that of 2009, is even more favorable as it affected all the components of this aggregate. The international business contributed by of 20% to this result, as against 16%.

The interest margin, the most resilient component of NBI, expanded by 13.4% to 29.5 billion, up from 4.8%, as paid interests grew less rapidly than collected interests.

Chart 55 : Trend of NBI' structure on a consolidated basis



For its part, the margin on commissions, representing 16% of NBI, went up by 19.3% to 7 billion dirhams, versus an increase of 8.8%, due to a 20.3% rise in collected commissions, up from 10.8% and paid commissions by 31.2% against 39.7%.

Almost 59% of this margin comes from commissions collected from services provided to customers, 19% of those collected from securities transactions and 16% from financial instruments and off-balance sheet items; the remainder of the margin on commissions is split between foreign exchange transactions, representing 5%, and transactions with credit institutions, accounting for 2%.

After a significant increase of 79% in 2009, market activities' income recorded a much lower growth, or 6%, to 5.4 billion dirhams. This change involves a 20% rise in the net profit on financial instruments at fair value by result and a 13% decline in profit on financial assets available for sale.

The growth of operating general expenses somewhat expanded in 2010, since they increased by 12.3%, against 11%, to stand at 20.4 billion. Expanding at the same rate as NBI, they generated an operating ratio of 47.7%, unchanged compared to the previous year.

As a result, the gross operating income, standing at 22.3 billion dirhams, grew by 11.5%, while it increased by 13% in 2009.

After almost tripling the previous year, the overall cost of risk, totaling 4.6 billion, increased by 7%, absorbing 21% of the gross operating income, reaching, thus, the same level as in 2009. The allocations of provisions and losses on non-performing loans went up by 21% to 11.4 billion, while reversals and amounts recovered on amortized loans expanded by 34% to 6.8 billion dirhams.

Despite the provisions made by some banks to cover risks related to the deterioration of regional environment, the eight banking groups achieved a net income –Share of the Group of 10.5 billion dirham, up 12%, versus a drop of 1.6% last year. As for business abroad, it contributed by 13% to the net income of the three most active banks abroad, against 12% in 2009.

The return on assets thus amounted to 1.1% and the return on equity stood at 13.1%, with little changes compared to the end of December 2009.

PART 3

TRENDS IN BANKING RISKS

Evolving in a less propitious environment, banks generally managed to control their risks, as defined from a prudential point of view. At the same time, they continued reinforcing their equity capital to ensure a better coverage of credit, market and operational risks.

Households' banking indebtedness, although extending, remains under control at the regional level, but with differentiated trends. Housing loans, conditioned by more solid collateral, recorded a sustained rise, while consumer loans, subject to more difficult conditions, significantly decelerated.

At the same time, the rate of the non-performing loans was maintained in average at a lower level compared to 2009, while developing in differentiated proportions according to the credit institutions. The coverage ratio of non-performing loans (NPLs) by provisions declined, compared to 2009.

I. TREND OF RISK COVERAGE BY EQUITY CAPITAL FROM A PRUDENTIAL POINT OF VIEW

The banks continued to reinforce their capital adequacy on the back of equity capital increase for a better coverage of their risks.

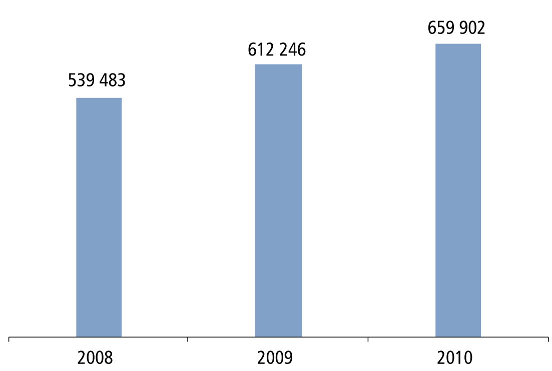
The development of the banks' risks and capital adequacy is outlined, in the following sections, on the basis of data collected from banks' reports, prepared according to Basel II rules on an individual basis.

1. TREND OF WEIGHTED RISKS

The net weighted risks, including credit, market and operational risks, stood at 660 billion dirhams, with a less sustained growth (7.8%) compared to the previous year (13.5%).

As the main source of capital requirements, credit risk accounted for 89% of the total weighted risks, followed by operational risk and market risk, with shares of 7 and 4% respectively.

Chart N° 56: Change of the total net weighted risks (In million dirhams)

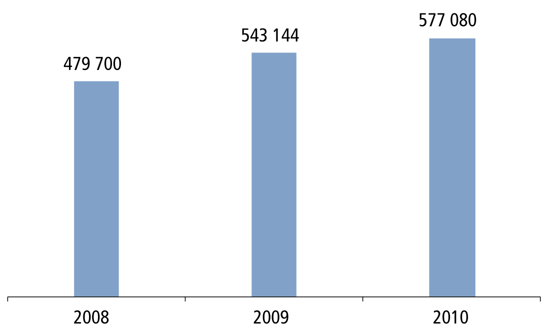


Banks' capital requirements, under these three risk categories, amounted to 66 billion, compared to 61.2 billion dirhams in 2009.

1.1 - Credit risk

Weighted credit risk exposures, regrouping on and off balance sheet commitments and calculated after applying the risk mitigation techniques, amounted to 577 billion dirhams, up 6.2% compared to 2009. This change is due to the increase in customers loans.

Chart 57 : Evolution of the credit risk (in million dirhams)

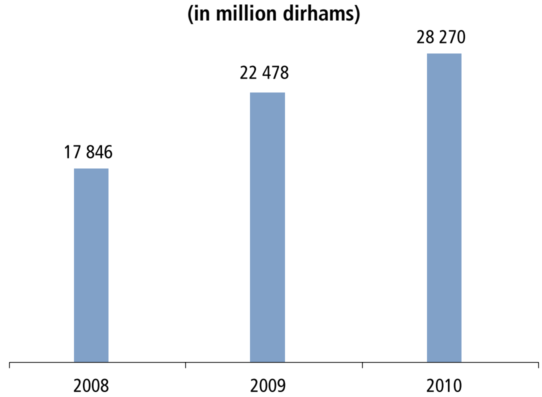


1.2 - Market risk

The market risk is defined as losses risk stemming from unfavorable developments in market prices. It include the risks related to the instruments included in the trading portfolio, as well as the foreign exchange risk and commodities risk on the entire on- and off-balance sheet elements, other than those included in the portfolio.

The exposures under this risk increased to 28.3 billion dirhams, up 25.8%, after an increase by 26.7%.

Chart 58: Trend in market risks (in million dirhams)



The corresponding capital requirements rose to 2.8 billion dirhams, up from 2.2 billion dirhams in 2009.

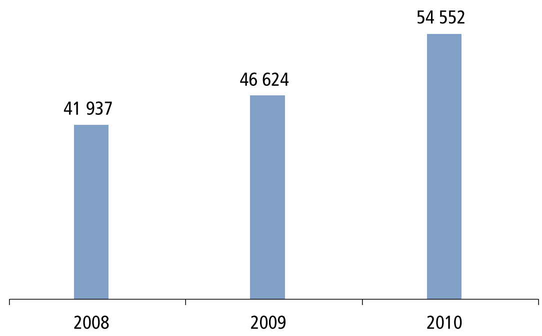
1.3 - Operational risk

The 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.

Exposures to such risks amounted to 54.6 billion dirhams, up 17% compared to 11.2%.

The corresponding capital requirements totaled 5.5 billion dirhams, up from 4.7 billion dirhams.

Chart 59: Trend in operational risks (in million dirhams)

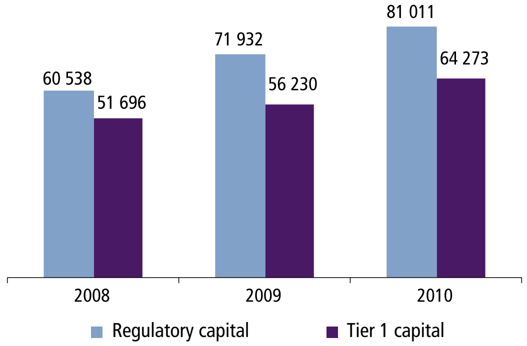


2. TREND OF REGULATORY CAPITAL

Banks' regulatory capital stood at 81 billion dirhams at the end of 2010, showing an increase of 12.6% after that of 18.8%.

This trend comes from the reinforcement of tier 1 capital, after the transfer to reserves of a greater part of their profit and capital increase.

Chart 60 : Evolution of the regulatory capital (in million dirhams)



The recourse to subordinate debts was limited in 2010. These increased by only 3.7% after a rise of 47% the previous year. This increase is partly due to some banks reaching the regulatory limits on these instruments, and partly because of the increased importance attached to tier 1 capital in the assessment of banks' capital adequacy.

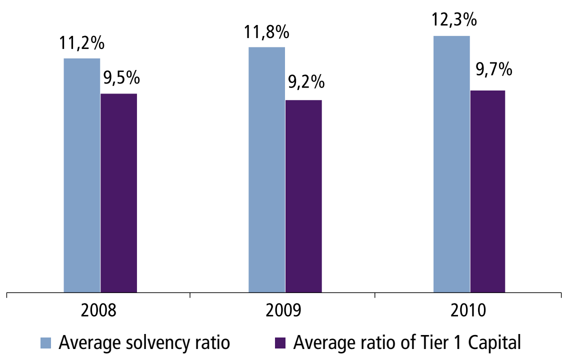
In this context, the tier 1 capital, accounting for 79% of the total of regulatory capital, stood at 64 billion dirhams, up 14.3% compared to 8.8% year-on-year.

3. TREND OF CAPITAL ADEQUACY RATIO

In 2010, banks' capital adequacy ratio improved again, showing higher levels compared to the minimum regulatory requirements. Thus, the average capital adequacy ratio, calculated on an individual basis at the end of December 2010, stood at 12.3% after 11.8% in 2009 and 11.2% in 2008. This change is due to a stronger increase in capital than the requirements under the three risks.

As in the capital adequacy ratio, the tier 1 capital ratio grew from 0.5 point to 9.7%, after a decrease by 0,3 point in 2009, to 9.2%.

Chart 61 : Evolution of the average solvency ratio



Calculated on a consolidated basis, the average capital adequacy ratio stood at 12.7% compared to 12%, while tier-1 capital ratio was maintained at 9.6%.

II. HOUSEHOLDS' INDEBTEDNESS

As shown by several foreign experiences, an ill-controlled increase in households' indebtedness, combined with a deterioration of lending rates conditions, could increase these households' vulnerability to any unfavorable shock and consequently threaten their financial stability.

Bank Al-Maghrib attaches great importance to monitoring this risk. In addition to regular reporting, Bank Al-Maghrib conducts periodic surveys within credit institutions.

Box 12: Surveys conducted by Bank Al-Maghrib to monitor credit risk

1. **Survey on lending conditions:** the survey conducted in 2010 targeted nine banks holding a 90% market share. It led to complete the quantitative data on loans through informing on the elements that banks take into account when deciding to grant a loan, as well as data on the factors influencing the demand side.

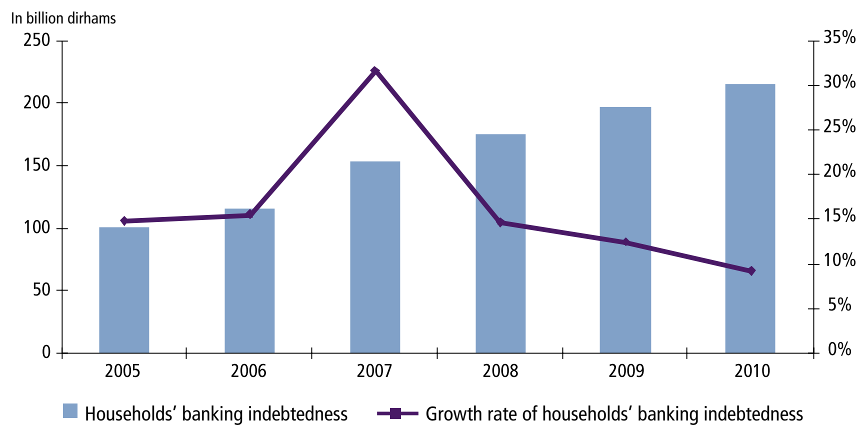
2. **Survey on housing loans:** In order to understand the development of risks related to the financing acquisition of housing, Bank Al-Maghrib conducted its 6th annual survey with seven banks holding a 94% market share in the distribution of housing loans.

3. **Survey on consumer loans:** In order to follow up the development of risks related to consumer loans, Bank Al-Maghrib conducted in 2010 its 6th annual survey with consumer loan companies in order to collect information on this category of loans and comprehend the profile of indebted people. This survey covered 12 companies holding an 81% market share.

1. THE HOUSEHOLDS' INDEBTEDNESS CONTINUED ITS GROWTH ON THE BACK OF ...

According to the accounting documents communicated to Bank Al-Maghrib by credit institutions, households' indebtedness totaled an outstanding amount of 216 billion dirhams, up 9% compared with 12.4% the previous year. This indebtedness remains dominated by housing loans which share stood at 60%.

Chart 62 : Evolution of households' indebtedness



As in the two previous years, the outstanding households' indebtedness accounted for 33% of the financing distributed by credit institutions. Nearly 80% of this indebtedness is provided by banks, while the remaining share is covered by consumer loan companies.

The households' banking indebtedness remained subdued. It represented 28% of GDP, a much lower level than registered in European countries.

The two components of households' indebtedness developed at different pace whereas property loans remained dynamic, consumer loans showed a significant deceleration.

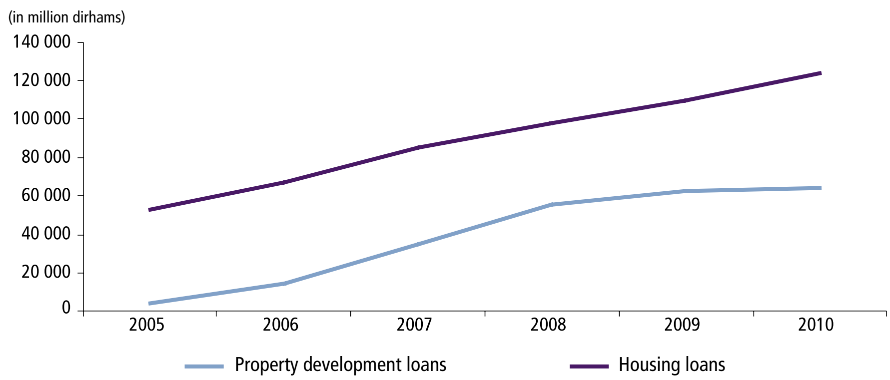
2. … A SUSTAINED GROWTH OF HOUSING LOANS, DESPITE…

In 2010, the financing of housing purchase was conducted in an economic situation marked by stable credit conditions and a slight decrease in households' demand.

2.1 - The growth of housing loans remained sustained

According to statistics on the flows of new contracts and those on the growth of outstanding loans, the growth rate of housing loans remained sustained. Thus, the sound outstanding amount of these loans, one of the major components of bank loans, amounted to 124 billion dirhams, up 13.2% compared to 12.2%. It accounted for 16% of GDP, up by one point compared to the previous year.

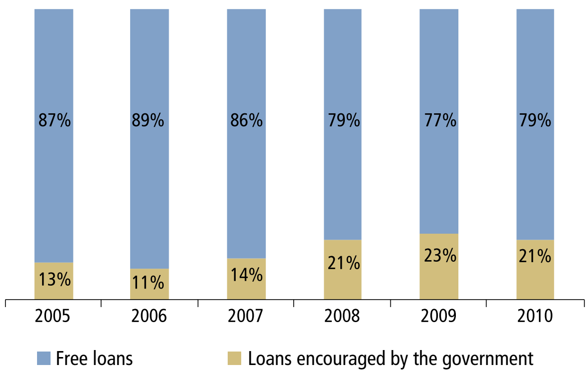
Chart 63: Change in the outstanding amount of housing and property development loans



At the same time, the sound outstanding amount of property development loans stood at 64.1 billion dirhams; increasing but at a much slower pace than that of 2009 (2.2% against 13.8%). This deceleration is due to the slowdown of the new production, combined with the recovery of some important debts.

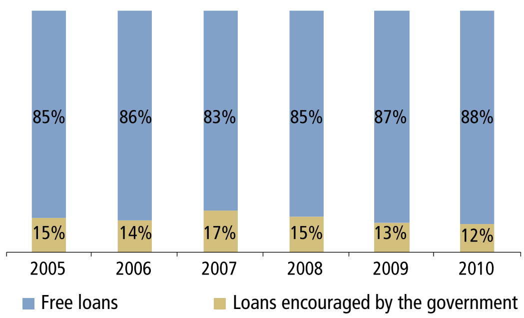
The share of state-sponsored housing loans[1] decreased two points to 21%. Their outstanding amount, however, remained unchanged (22.5 billion dirhams), including 9.3 billion under FOGARIM and FOGALOGE funds.

Chart 64 : Breakdown of the housing loans' outstanding amounts between free loans and loans encouraged by the government



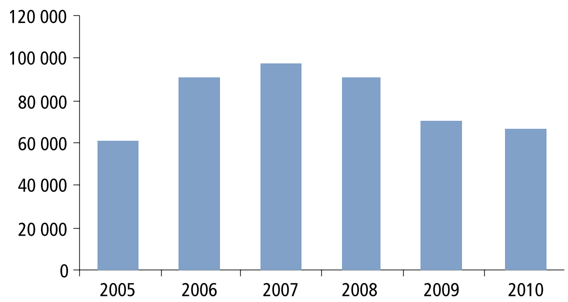
Amounting to 26 billion dirhams, the production of housing loans for 2010 slightly rebounded (+1%), after the fall registered in 2009. Nearly 12% of this production related to loans supported by the Government, compared with 13% a year earlier.

Chart 65 : Breakdown of the housing loans' production between free loans and loans encouraged by the government



However, the number of new beneficiaries dropped by 4% to approximately 67.000 customers. This decrease impacted much more the loans encouraged by the Government (-7%) than free loans (-3%).

Chart 66 : Number of housing loan beneficiaries

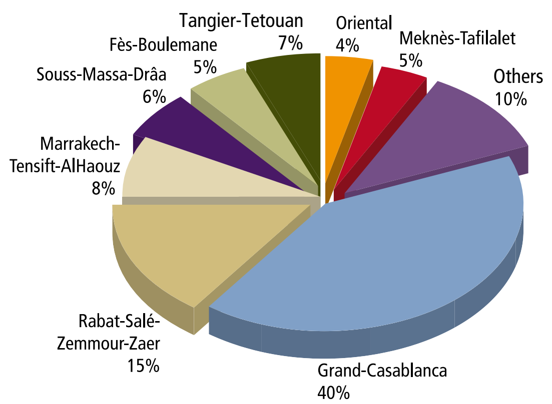


1 Loans supported by the government include loans benefiting from the guarantee funds (FOGARIM, FOGALOGE and FOGALEF), as well as those granted under the Habitat Bon Marché (Low Cost Housing).

The average amount of housing loans increased again from 365.000 to 390.000 dirhams. As for loans encouraged by the Government, the average amount rose by 18.000 dirhams to stand at 187.000 dirhams, while the amount of free loans increased by 22.000 to settle at 456.000 dirhams.

Confirming the trends observed for several years, the distribution of housing loans is relatively concentrated in the regions of Casablanca and Rabat, which have benefited from almost 55% of the total outstanding amount; down one point compared to the previous year.

Chart 67 : Geographical distribution of housing loans



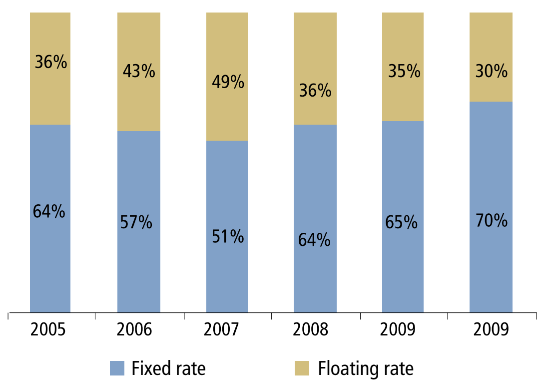
2.2 - The share of housing loans with fixed rates strengthened

Banks accompanied the growth of financing housing loans needs by maintaining generally stable conditions for granting loans.

The share of the new fixed rate housing loan continued to grow stronger. It rose from 76 to 84% from one year to another, while borrowers displayed discretion in using household variable-rate loans.

Consequently, their outstanding share rose from 65 to 70%.

Chart 68 : Breakdown of housing loans per rate type



Box 13: Indexation criteria of loans at variable rates

The variability, indexed in the past on weighted average rates of Treasury bills, is now related to the trend of money market rates, following the entry into force of the circular N° 04/G/2010, enacted by Bank Al-Maghrib on 2 May 2010.

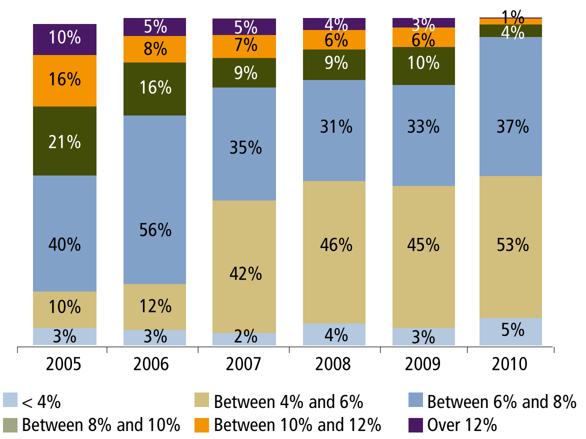
As for floating rate loans contracted after this date, floating interest rates are revised on the basis of the annual change of the weighted average rate of borrowing and lending operations on the interbank market overnight, registered during the last half-year preceding the month of their revision.

With regard to floating rate loans contracted before the entry into force of this circular, credit institutions have to propose to customers to choose between:

- Applying an indexation with the interbank market rate as a reference;
- Turning the floating rate into a fixed rate;
- Or maintaining their indexation having for reference the Treasury-bill rates issued by adjudication on the primary market.

As shown by Chart 69 (opposite), nearly 58% of housing loans were granted at interest rates lower than 6%, compared with 48% a year earlier and 37% at rates ranging between 6 and 8%, against 33% in 2009.

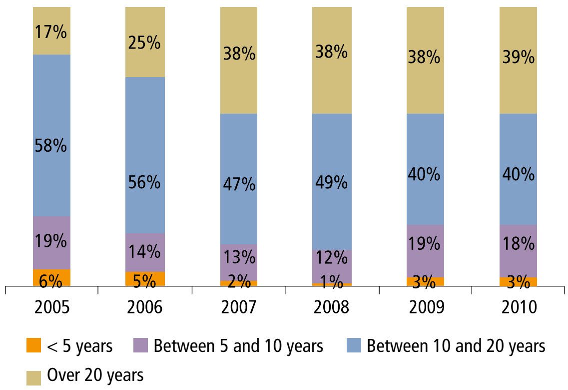
Chart 69 : Breakdown of housing loans according to the rate applied



The maturity of housing loans remained broadly stable. Indeed, the share of these loans, which initial maturity ranges between 10 and 20 years, at 40%, remained unchanged ,compared to 2009; while the share of loans which maturity is lower than 10 years dropped by one point to 21%. The share of loans with maturity higher than 20 years increased from 38 to 39%.

Consequently, the average initial maturity of housing loans remained at 17 years.

Chart 70 : Breakdown of housing loans according to their initial maturity



According to data provided by several banks, the share of customers' down payments increased compared to their level in 2009.

3. …A DECELERATION IN THE GROWTH OF CONSUMER LOANS

The activity of consumer loans decelerated as a result of tighter loans granting conditions, following to a higher risk cost combined with a lower demand.

Box 14: Objectives of the new Consumer Protection Law, as regards consumer loans

The consumer loans keep playing a major role in the development of households' consumption and hence contribute to economic growth. All the conditions for its development should be maintained, if not reinforced, through the implementation of an adequate legal and regulatory framework, creating therefore a climate of transparency among lenders and borrowers.

In this sense, the legislator adopted the Law No. 31-08 enacting the consumer protection measures, published in the Official Bulletin No. 5932 dated April 7, 2011, which aims, inter alia, at the following:

- Ensuring an appropriate and clear information for the consumer on the products, goods or services acquired or used;
- Guaranteeing consumer protection as to the clauses stated in consumer contracts, in particular, unfair terms and those relating to financial services, consumer and real estate loans, distance and door-to-door selling;
- Fixing the conditions and procedures on the reimbursement or compensation of damages for the consumer.

In addition, the provisions of Title VI of the above-mentioned Law, dealing with consumer and real estate loans, provide a set of obligations to respect when granting a loan, throughout the loan duration and in the event of premature termination of the loan contract. These provisions concern the obligation to give the borrower a preliminary loan offer, the right of withdrawal, the information on the guarantee and the allocated loan.

3.1 - The growth of consumer loans slowed down again

On the basis of the accounting documents communicated by banks and consumer loan companies, the sound outstanding amount of consumer loans increased by 4.5 percent to 76 billion dirhams[1], against 13.4 percent, a year earlier. It accounted for 12 percent of credit institutions' loans. As a percentage of GDP, the outstanding amount of consumer loans represented a 10 percent ratio, similar to the one reported last year.

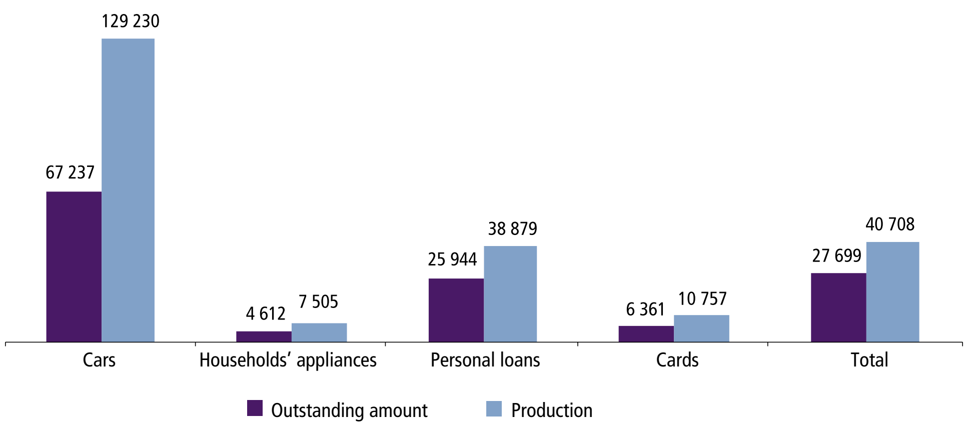
The survey data referred to in Box 12, conducted on consumer loans companies, allowed to continue monitoring the profile of consumer loans beneficiaries according to several criteria: age, income, socio-professional category and place of residence.

3.2 - Main characteristics of the profile of consumer loans beneficiaries

Based on data communicated by the institutions covered by the survey, the average outstanding amount of loan per beneficiary stood at 27.700 dirhams, or 700 dirhams higher that of 2009.

1 Compared with the sound outstanding amount of 73 billion dirhams, as in 2009

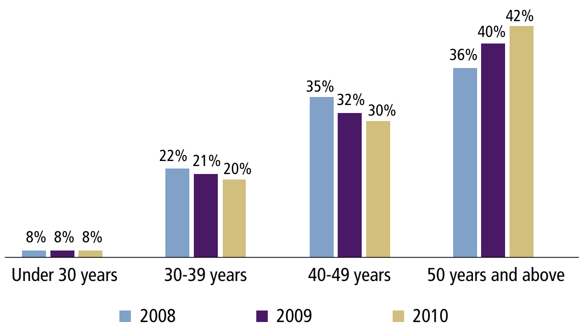
Chart n° 71 : Average of loan files per loan type (in dirhams)



The coverage rate of consumer loans, which corresponds to the ratio of the number of credit files to the sample population, dropped by 2 points to 30% in the 40-49 years age category, and increased to 42% for people aged more than 50 years, compared to 40% in 2009.

The share of the age group under 30 years unchanged at 8%.

Chart n° 72 : Breakdown of number of loans' files per age

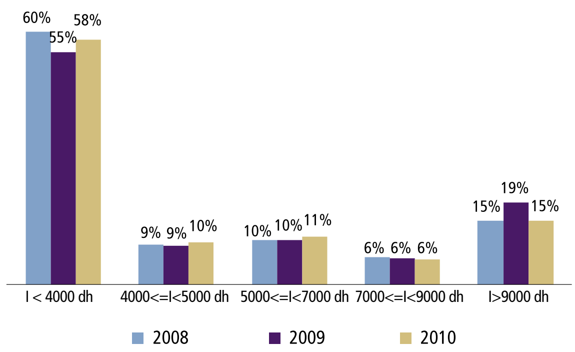


Following the breakdown of the number of credit files per age, the distribution of the outstanding amount shows, on the basis of the same criteria a concentration on the 50-year category at 38%.

According to income, nearly 58% of credit files are held by people earning less than 4.000 dirhams, against 55% in 2009. These borrowers accounted for nearly 44% of the total outstanding amount.

As regards customers earning more than 9.000 dirhams, their share decreased by 4 points to 15% in terms of credit files, while their share in terms of outstanding amount stood at 29%.

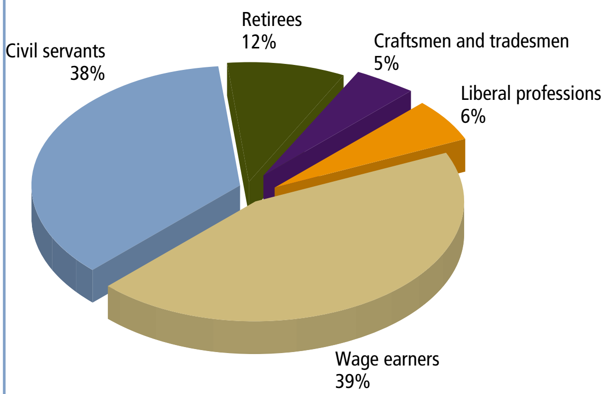
Chart 73 : Breakdown of the number of loans' files per income



The breakdown of the number of consumer loans files by socio-professional category shows that the share of civil servants and that of craftsmen and merchants dropped by one point to 38% and 5% respectively.

This decline benefited wage earners, whose share increased by 2 points to 39%.

Chart 74 : Breakdown of the number of loans' files per socio-professional category



The Chart 75 below shows that credit files are geographically and unevenly distributed. The regions of Casablanca and Rabat accounted for about half the number of these files.

Chart 75 : Distribution of the number of loans' files by geographical location

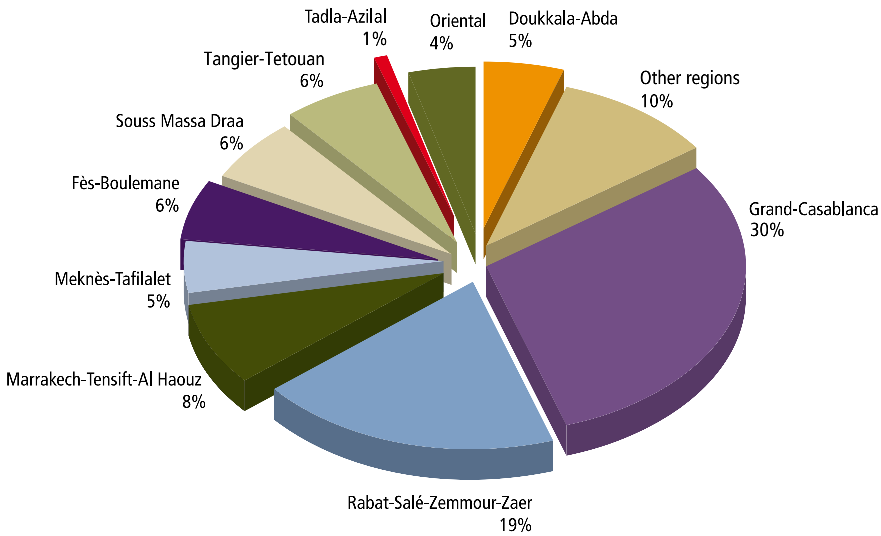
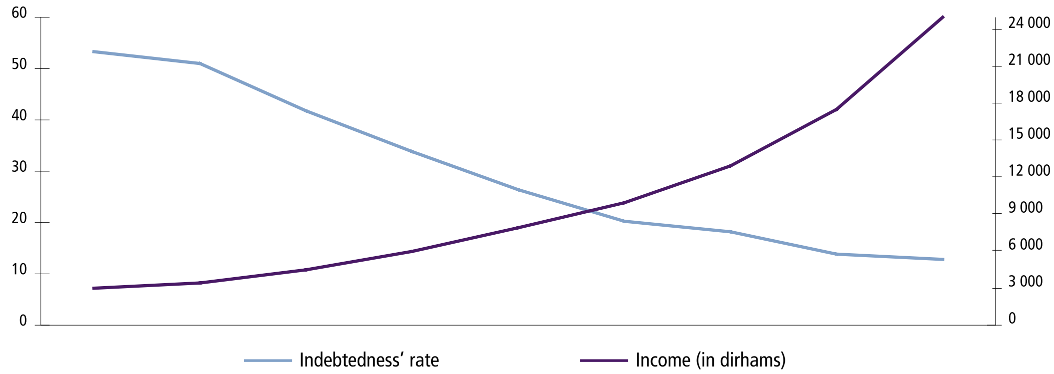


Chart 76 : Indebtedness rate and income



The indebtedness rate, which corresponds to the ratio of loans taken out by a customer to his declared incomes to the lending institution, stood at 30% on average, up 2 points compared with that of last year.

III. TREND OF CREDIT INSTITUTIONS' NON-PERFORMING LOANS

According to the accounting statements of credit institutions (banks and finance companies), at the end of December 2010, the total outstanding amount of their non-performing loans showed a slight drop by 0.6% to stand at 38.4 billion dirhams, compared with a rise of 2.2% a year earlier. The rate of non-performing loans thus improved 0.5 point to 5.5% with a coverage by provisions 72¨%, compared with 75%.

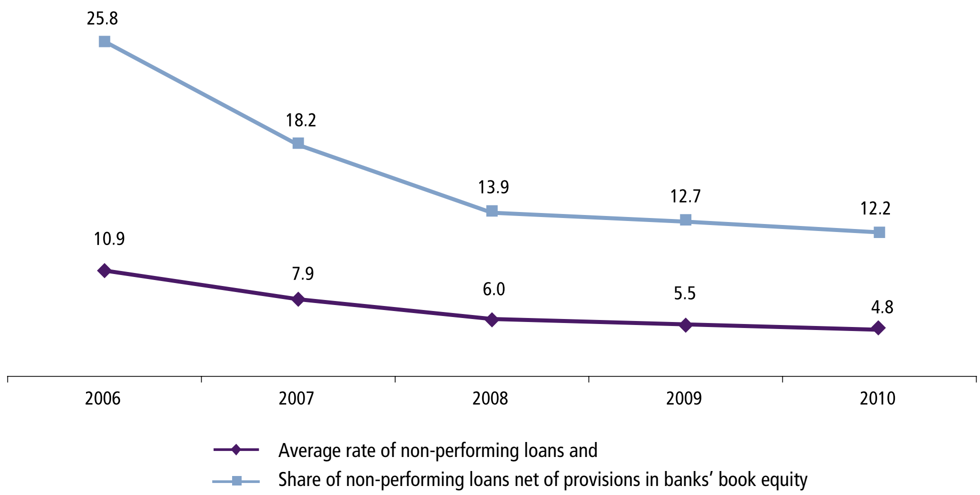
This change, however, hedged ill-matched situations between banks and finance companies. Indeed, while the rate of non-performing loans improved all over for the first category, it deteriorated for the second one.

1. BANKS' NON-PERFORMING LOANS

Having stagnated at the end of 2009, the volume of banks' non-performing loans showed a new decline, due to the combined operations of radiation and recovery. It amounted to 29.7 billion, down 4%, reducing the rate of non-performing loans below 5%. As for private-owned banks, this rate stood at 4.1%.

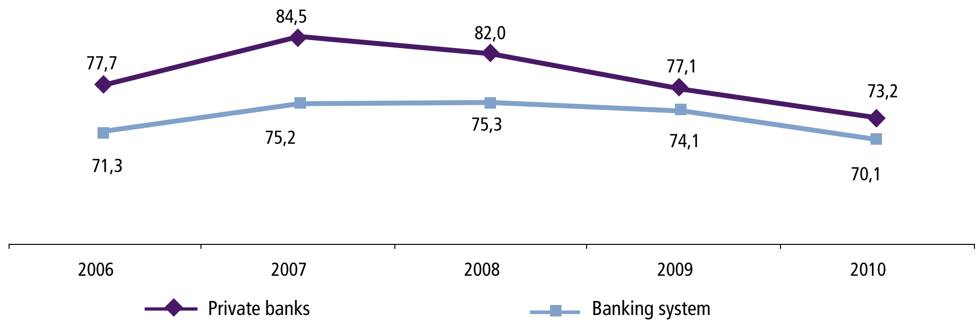
In 2010, the major part of the new non-performing loans concerned the building and public works sector and households.

Chart 77 : Average rate of outstanding loans and share of net outstanding loans in the banks' book equity (In %)



The strengthening of banks' capital, combined with the drop in non-performing loans' volume, were accompanied by an improvement in the ratio of these loans net of provisions to book equity. The latter dropped to 12.2%.

Chart 78 : Evolution of banks' non-performing loans provisions covering ratio (In %)



Non-performing loans were covered by provisions up to 70%, against 74%.

2. FINANCE COMPANIES' NON-PERFORMING LOANS

For two years in a row, finance companies, suffering from a less favorable economic situation, revealed some deterioration in their risk profile. They showed an outstanding amount of non-performing loans at 8.6 billion dirhams, up 13.2%, compared with 15.5% the previous year. The ratio of these loans to the outstanding loans stood at 10%, compared with 9.5% a year earlier. Such loans were covered by provisions up to 77%, against 79%.

Non-performing loans of leasing companies amounted to 2.3 billion dirhams, up 9.8%, after 17% the previous year, or to a risk rate of 5.9%, slightly increasing compared to 5.7% in 2009. They were covered by provisions up to 74%, against 77%.

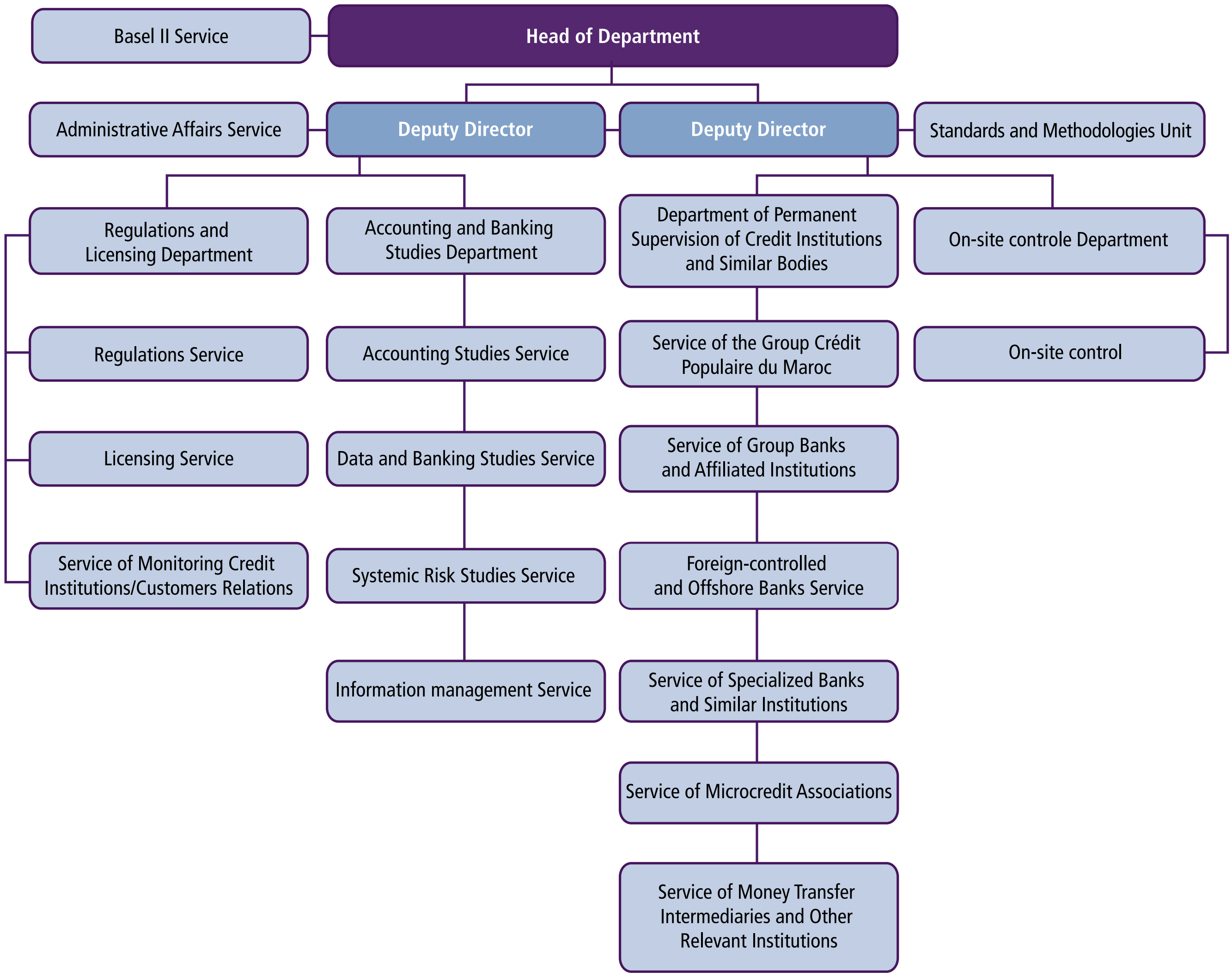
Consumer loan companies posted an increase in their nonperforming loans, amounting to 6 billion dirhams. They registered a rise by 15.4%, accounting for 14% of the gross outstanding loans, compared with 12.6% a year earlier. This rate amounted to 17.4% for the allocated loans and to 12% for the non-allocated loans. Such non-performing loans were covered by provisions up to 77%, down from 81%.

However, these institutions' non-performing loans include long standing loans, which radiation would show lower risk rates.

APPENDICES

Appendix 1

Organization chart of the Banking Supervision Department



Appendix 2

List of credit institutions

Banks

Name	Head office address
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 Loans companies

Name	Head office address
VIVALIS SALAF	3, Rue d'Avignon - Casablanca
BMCI CREDIT CONSO	30, Avenue des FAR - Casablanca
CETELEM MAROC	30, Avenue des Forces Armées Royales - 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
SOCIETE POUR LE DEVELOPPEMENT DES ACHATS A CREDIT « ACRED »	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 address
ATTIJARI IMMOBILIER	2, Boulevard Moulay Youssef - Casablanca
WAFA IMMOBILIER	140, Boulevard Zerktouni - Casablanca

Factoring companies

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

Leasing companies

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

Payment means management companies

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

Other companies

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

Appendix 3

List of offshore banks

Name	Head office address
ATTIJARI INTERNATIONAL BANK 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 address
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 Abdelmoumen, 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 »	137, Avenue Allal Ben Abdellah - Rabat 10 000
Fondation Micro Crédits du Nord	N° 6, Rue Rachid Réda, Résidence Hayat 2 entresol, appt N° 34 - TANGER
Fondation pour le Développement Local et le Partenariat (FONDEP)	17, Rue Cadi Senhaji, Pinède - Souissi II - Rabat 10 000
TAWADA	N° 119, avenue de la Résistance, appartement 27 RABAT
Institution Marocaine d'Appui à la Micro-Entreprise (INMAA)	9, Rue Kser Essok, Appt n°6, Quartier Hassan - 3ème étage - RABAT

Appendix 5

List of funds transfer intermediaries

Name	Head office address
CASH ONE	345, Avenue 10 Mars - Mabrouka Casablanca
DAMANE CASH	212, Avenue Mohamed V - Résidence Elite 2ème Etage Bureau 211 - Guéliz - 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
TENOR DISTRIB	22, Boulevard Moulay Youssef - Casablanca
RAMAPAR	1, Rue des Pléiades - Quartier des Hopitaux - Casablanca
TRANSFERT EXPRESS	282, Boulevard de la Résistance et Angle Rue de Strasbourg - Casablanca

Appendix 6

Banks' aggregate balance sheet - Morocco Business
at December 31, 2010

(In thousand dirhams)

ASSETS	12/31/09	12/31/10
Cash values, Central banks, Public Treasury and Postal checks service	**44 021 591**	**35 857 381**
Loans to credit institutions and similar bodies	**107 203 077**	**98 842 994**
. Demand	21 838 790	19 794 985
. Time	85 364 287	79 048 009
Due from customers	**499 329 808**	**552 368 730**
. Overdraft facilities and consumer loans	174 106 135	184 958 829
. Equipement loans	131 292 317	149 969 584
. Real-estate loans	171 742 984	188 258 349
. Other loans	22 188 372	29 181 968
Factoring loans	**1 065 990**	**1 063 361**
Trading and available-for-sale securities	**94 213 402**	**88 253 681**
. Treasury bills and the like	54 198 788	45 381 092
. Other debt securities	10 515 825	12 772 338
. Title deeds	29 498 789	30 100 251
Other assets	**10 840 649**	**11 238 406**
Investment securities	**28 389 400**	**25 476 379**
. Treasury bills and the like	26 484 605	23 887 666
. Other debt securities	1 904 795	1 588 713
Equity securities and the like	**25 553 686**	**26 606 760**
Subordinated loans	**1 294 610**	**1 356 960**
Fixed assets for leasing and rental	**302 292**	**550 404**
Intangible fixed assets	**3 112 609**	**3 353 195**
Tangible fixed assets	**12 789 932**	**13 750 802**
Total assets	**828 117 046**	**858 719 053**

(In thousand dirhams)

LIABILITIES	12/31/09	12/31/10
Central banks, Public Treasury, Postal checks service	**7**	**123**
Due to credit institutions and the like	**62 742 172**	**59 300 607**
. Demand	6 038 666	12 764 474
. Time	56 703 506	46 536 133
Customer deposits	**601 267 819**	**622 142 964**
. Creditor demand deposits	332 366 343	347 403 972
. Savings accounts	71 880 885	77 390 775
. Time deposits	178 680 178	178 094 906
. Other creditor accounts	18 340 413	19 253 311
Debt securities issued	**36 476 499**	**48 472 045**
. Negotiable debt securities	32 465 789	45 168 375
. Bond loans	1 372 998	838 686
. Other debt securities issued	2 637 712	2 464 984
Other liabilities	**32 648 960**	**23 282 625**
Provisions for risks and expenses	**2 895 811**	**3 070 076**
Regulated provisions	**432 555**	
Subsidies, allocated public funds and special guarantee funds	**2 925 200**	**4 174 459**
Subordinated debts	**19 353 745**	**20 073 869**
Reevaluation gaps	**361 788**	**420**
Reserves and premiums related to capital	**41 306 526**	**48 225 200**
Capital	**18 140 797**	**19 170 958**
Shareholders. Unpaid capital (-)		**-77 000**
Retained earnings (+/-)	**322 443**	**1 169 023**
Net income before appropriation (+/-)	**24 952**	**-5 290**
Net income for the year (+/-)	**9 217 772**	**9 718 974**
Total liabilities	**828 117 046**	**858 719 053**

(In thousand dirhams)

OFF-BALANCE SHEET	12/31/09	12/31/10
COMMITMENTS GIVEN	**167 418 318**	**173 657 996**
Financing commitments to credit institutions and similar bodies	4 698 218	4 914 046
Financing commitments to customers	67 003 917	72 136 024
Guarantee commitments to credit institutions and similar bodies	30 591 005	28 585 459
Guarantee commitments to customers	64 509 236	67 593 642
Securities bought under repurchase agreements		
Other securities to deliver	615 942	428 825
COMMITMENTS RECEIVED	**51 829 720**	**54 508 217**
Financing commitments received from credit institutions and similar bodies	2 868 481	3 211 219
Guarantee commitments received from credit institutions and similar bodies	45 601 195	47 556 200
Guarantee commitments received from the government and sundry guarantee institutions	2 843 266	3 488 119
Securities sold under repurchase agreements		
Other securities to receive	516 778	252 679

Appendix 7

Banks' aggregate management balance statement - Morocco business from January 1 to December 31, 2010

(in thousand dirhams)

	12/31/2009	12/31/2010
+ Interest and related income	36 712 744	38 941 844
- Interest and related expenses	14 214 392	14 111 210
INTEREST MARGIN	**22 498 352**	**24 830 634**
+ Gains on fixed asset leasing and rentals	103 824	117 466
- Expenses on fixed asset leasing and rentals	89 544	99 373
Income from leasing and rental transactions	**14 280**	**18 093**
+ Commissions received	4 031 811	4 494 861
- Commissions paid	249 898	386 421
Margin on commissions	**3 781 913**	**4 108 440**
± Gains on trading security transactions	1 097 205	1 318 574
± Gains on investment security transactions	413 347	470 269
± Gains from foreign exchange transactions	1 566 749	1 654 857
± Gains on derivatives transactions	129 141	221 906
Income from market operations	**3 206 442**	**3 665 606**
+ Other banking income	1 838 451	1 807 637
- Other banking expenses	1 386 946	1 587 219
NET BANKING INCOME	**29 952 492**	**32 843 191**
± Gains on financial fixed asset transactions	631 076	36 619
+ Other non-banking operating income	417 998	320 801
- Other non-banking operating expenses	296 967	75 908
- Total operating expenses	14 224 262	15 221 413
GROSS OPERATING INCOME	**16 480 337**	**17 903 290**
± Net allocations to provisions for non-performing loans and commitments by signature	-2 935 206	-3 623 502
± Other net allocations to provisions	194 070	347 411
CURRENT INCOME	**13 739 201**	**14 627 199**
EXTRAORDINARY INCOME	**-184 235**	**-483 871**
- Income tax	4 337 194	4 424 354
NET INCOME FOR THE YEAR	**9 217 772**	**9 718 974**

Appendix 8

Aggregate balance sheet of consumer loans companies at December 31, 2010

(in thousand dirhams)

ASSETS	12/31/09	12/31/10
Cash values, Central banks, Public Treasury and postal checks service	**59 410**	**47 793**
Loans to credit institutions and similar bodies	**1 708 351**	**534 446**
. Demand	1 523 449	503 612
. Time	184 902	30 834
Due from customers	**32 132 935**	**33 874 881**
. Overdraft facilities and consumer loans	30 320 280	32 042 779
. Equipement loans	198 497	159 829
. Real-estate loans	36 638	37 041
. Other loans	1 577 520	1 635 232
Factoring loans	**97 213**	**71 492**
Trading and available-for-sale securities	**21 363**	**7 667**
. Treasury bills and the like	19 877	6 176
. Other debt securities		
. Title deeds	1 486	1 491
Other assets	**1 489 164**	**1 053 993**
Investment securities	**26**	**26**
. Treasury bills and the like		
. Other debt securities	26	26
Equity securities and the like	**188 975**	**39 590**
Subordinated loans		
Fixed assets for leasing and rental	**4 926 123**	**4 363 880**
Intangible fixed assets	**328 582**	**397 262**
Tangible fixed assets	**309 931**	**363 202**
Total assets	**41 262 073**	**40 754 232**

(in thousand dirhams)

LIABILITIES	31/12/09	31/12/10
Central banks, Public Treasury, postal checks service	**336**	**230**
Due to credit institutions and the like	**26 340 099**	**23 112 820**
. Demand	3 985 214	2 578 574
. Time	22 354 885	20 534 246
Customer deposits	**369 730**	**832 562**
. Creditor demand deposits		
. Savings accounts		
. Time deposits		
. Other creditor accounts	369 730	832 562
Debt securities issued	**6 100 431**	**8 769 645**
. Negotiable debt securities	6 049 810	8 617 684
. Bond loans	50 621	151 961
. Other debt securities issued		
Other liabilities	**2 931 873**	**2 442 712**
Provisions for risks and expenses	**106 511**	**211 843**
Regulated provisions	**58 342**	**24 980**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**105 214**	**100 014**
Reevaluation gaps		
Reserves and premiums related to capital	**2 291 396**	**2 495 115**
Capital	**1 748 960**	**1 709 960**
Shareholders. Unpaid capital (-)	**-6 000**	**-6 000**
Retained earnings (+/-)	**386 367**	**470 180**
Net income before appropriation (+/-)		**-335**
Net income for the year (+/-)	**828 814**	**590 506**
Total liabilities	**41 262 073**	**40 754 232**

Appendix 9

Aggregate management balance statement of consumer loans companies from January 1 to December 31, 2010

(In thousand dirhams)

	31/12/09	31/12/10
+ Interest and related income	3 460 992	3 759 552
- Interest and related expenses	1 321 759	1 431 507
INTEREST MARGIN	**2 139 233**	**2 328 045**
+ Gains on fixed asset leasing and rentals	3 818 030	3 093 881
- Expenses on fixed asset leasing and rentals	3 355 869	2 724 890
Income from leasing and rental transactions	**462 161**	**368 991**
+ Commissions received	285 470	308 165
- Commissions paid	39 445	74 552
Margin on commissions	**246 025**	**233 613**
± Gains on trading security transactions	4 128	1 075
± Gains on investment security transactions	-141	55
± Gains from foreign exchange transactions	-271	70
± Gains on derivatives transactions		0
Income from market operations	**3 716**	**1 200**
+ Other banking income	61 702	47 893
- Other banking expenses	8 943	2 685
NET BANKING INCOME	**2 903 894**	**2 977 057**
± Gains on financial fixed asset transactions	-1 038	-22 279
+ Other non-banking operating income	71 538	84 649
- Other non-banking operating expenses	23	429
- Operating expenses	1 151 862	1 127 152
GROSS OPERATING INCOME	**1 822 509**	**1 911 846**
± Net allocations to provisions for non-performing loans and commitments by signature	-625 792	-871 814
± Other net allocations to provisions	70 298	-59 927
CURRENT INCOME	**1 267 015**	**980 105**
EXTRAORDINARY INCOME	**20 356**	**72 797**
- Income tax	458 557	462 396
NET INCOME FOR THE YEAR	**828 814**	**590 506**

Appendix 10

Aggregate balance sheet of leasing companies at December 31, 2010

(In thousand dirhams)

ASSETS	31/12/09	31/12/10
Cash values, Central banks, Public Treasury and postal check service	**225**	**547**
Due from credit institutions and similar bodies	**174 094**	**116 768**
. Demand	143 662	93 944
. Time	30 432	22 824
Due from customers	**84 144**	**58 679**
. Overdraft facilities and consumer loans	10 732	7 020
. Equipement loans		
. Real-estate loans	33 607	30 490
. Other loans	39 805	21 169
Equipment loans		
Trading and available-for-sale securities	**454**	**454**
. Treasury bills and the like		
. Other debt securities	211	454
. Title deeds	243	
Other assets	**1 069 976**	**1 011 132**
Investment securities	**27**	**27**
. Treasury bills and the like	27	27
. Other debt securities		
Equity securities and the like	**30 548**	**29 723**
Subordinated loans		
Fixed assets for leasing and rental	**34 450 282**	**37 340 252**
Intangible fixed assets	**146 257**	**139 924**
Tangible fixed assets	**24 455**	**24 847**
Total assets	**35 980 462**	**38 722 353**

(In thousand dirhams)

LIABILITIES	31/12/09	31/12/10
Central banks, Public Treasury, Postal checks service		
Due to credit institutions and the like	**27 519 207**	**27 094 941**
. Demand	2 415 509	2 626 481
. Time	25 103 698	24 468 460
Customer deposits	**1 681 334**	**1 957 495**
. Creditor demand deposits	6 789	4 309
. Savings accounts		
. Time deposits	1 544 144	1 869 932
. Other creditor accounts	130 401	83 254
Debt securities issued	**2 624 484**	**5 124 239**
. Negotiable debt securities	2 624 484	5 100 312
. Bond loans		
. Other debt securities issued		23 927
Other liabilities	**1 610 425**	**1 881 292**
Provisions for risks and expenses	**159 836**	**102 768**
Regulated provisions	**16 205**	**1 831**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**54 903**	**55 628**
Reevaluation gaps		
Reserves and premiums related to capital	**931 670**	**1 036 709**
Capital	**777 709**	**777 709**
Shareholders. Unpaid capital (-)		
Retained earnings (+/-)	**240 109**	**328 325**
Net income before appropriation (+/-)		
Net income for the year (+/-)	**364 580**	**361 416**
Total liabilities	**35 980 462**	**38 722 353**

Appendix 11

Aggregate management balance statement of leasing companies from January 1 to December 31, 2010

(In thousand dirhams)

	31/12/09	31/12/10
+ Interest and related income	3 634	7 825
- Interest and related expenses	1 398 310	1 549 213
INTEREST MARGIN	**-1 394 676**	**-1 541 388**
+ Gains on fixed asset leasing and rentals	12 214 203	13 230 918
- Expenses on fixed asset leasing and rentals	9 877 828	10 709 520
Income from leasing and rental transactions	**2 336 375**	**2 521 398**
+ Commissions received	2 810	3 003
- Commissions paid	8 391	8 190
Margin on commissions	**-5 581**	**-5 187**
± Gains on trading security transactions		
± Gains on investment security transactions	27	
± Gains from foreign exchange transactions	-5	-48
± Gains on derivatives transactions		
Income from market operations	**22**	**-48**
+ Other banking income	23	1 006
- Other banking expenses	735	1 628
NET BANKING INCOME	**935 428**	**974 153**
± Gains on financial fixed asset transactions	6 717	30
+ Other non-banking operating income	8 289	9 314
- Other non-banking operating expenses	11 228	9 586
- Operating expenses	267 398	271 070
GROSS OPERATING INCOME	**671 808**	**702 841**
± Net allocations to provisions for non-performing loans and commitments by signature	-88 893	-153 354
± Other net allocations to provisions	-15 482	27 919
CURRENT INCOME	**567 433**	**577 406**
EXTRAORDINARY INCOME	**18 524**	**-5 442**
- Income tax	221 377	210 548
NET INCOME FOR THE YEAR	**364 580**	**361 416**

Appendix 12

Consolidated balance sheet of the eight banking groups at December 31, 2010

(in thousand dirhams)

ASSETS	31/12/09	31/12/10
Cash, Central banks, Public Treasury and Postal checks service	46 205 365	40 152 970
Financial assets at fair value by result	50 282 306	58 397 729
Hedging derivatives	0	0
Financial assets available-for-sale	52 858 597	55 442 457
Loans and due from credit institutions and similar bodies	80 797 602	68 907 038
Loans and due from customers	567 803 393	624 903 622
Reevaluation gap on interest hedged portfolios asset	0	0
Held-to-maturity investments	27 986 302	27 431 531
Current tax assets	1 963 621	1 970 135
Differed tax assets	2 383 232	2 427 825
Adjustment accounts and other assets	15 559 864	14 556 613
Non-recurrent assets held for sale	0	0
Participations in businesses- equity method	814 382	869 036
Investment property	2 033 809	2 351 746
Tangible fixed assets	19 475 123	21 867 764
Intangible fixed assets	2 709 554	3 005 223
Goodwill	7 546 491	7 511 028
Total assets	**878 419 641**	**929 794 717**

(in thousand dirhams)

LIABILITIES	31/12/09	31/12/10
Central banks, Public Treasury and Postal checks service	136 956	170 463
Financial liabilities at fair value by result	2 181 705	3 447 023
Hedging derivatives	0	0
Due to credit institutions and similar bodies	65 735 252	55 763 062
Due to customers	621 014 234	652 094 542
Issued debt' securities	40 448 252	53 774 988
Reevaluation gaps interest rates hedged portfolios Liabilities	0	0
Current tax liabilities	2 266 493	2 228 882
Differed tax liabilities	4 788 459	5 221 055
Adjustment accounts and other liabilities	24 351 523	23 410 270
Liabilities linked to non-recurrent assets held for sale	0	0
technical provisions of insurance contracts	15 790 282	17 769 828
Provisions	3 409 155	3 563 171
Subsidies and similar funds	3 126 868	4 373 000
Subordinated debts and special guarantee funds	18 034 779	18 793 599
Equity capital	77 135 684	89 184 834
Equity capital - Share of the Group	68 543 944	79 792 963
Capital and related reserves	31 003 274	38 848 598
Consolidated reserves	27 062 433	29 239 945
Unrealized or deferred gains or losses	1 145 322	1 252 436
Income of the year	9 332 915	10 451 984
Minority shareholdings	**8 591 740**	**9 391 871**
Total liabilities	**878 419 641**	**929 794 717**

Appendix 13

Consolidated income statement of the eight banking groups at December 31, 2010

(in thousand dirhams)

	31/12/09	31/12/10
+ Interest and related income	44 850 384	48 409 805
- Interest and related expenses	18 833 358	18 899 098
INTEREST MARGIN	**26 017 026**	**29 510 707**
+ Commissions (income)	6 446 277	7 753 536
- Commissions (expenses)	526 196	690 384
Margin on commissions	**5 920 081**	**7 063 152**
± Net gains or losses on Financial instruments at fair value by result	2 912 274	3 483 371
± Net gains or losses on financial assets available for sale	2 152 867	1 880 192
+ Incomes of other activities	5 658 085	5 951 862
- Expenses of other activities	4 444 975	5 120 787
NET BANKING INCOME	**38 215 358**	**42 768 497**
- Overall operating expenses	16 331 867	18 347 944
- Allocations to amortization and depreciation of tangible and intangible fixed assets	1 849 581	2 073 515
GROSS OPERATING INCOME	**20 033 910**	**22 347 038**
- Risk cost	4 293 014	4 594 747
OPERATING INCOME	**15 740 896**	**17 752 291**
± Share of the net income of equity-consolidated companies	64 743	111 862
± Net gains or losses on other assets	9 809	155 622
± Value change of goodwill	-3 320	19
INCOME BEFORE TAX	**15 812 128**	**18 019 794**
- Income tax	5 252 142	6 039 642
± Net income of discontinued activities or activities being discontinued	0	0
NET INCOME	**10 559 986**	**11 980 152**
Minority shareholdings	1 227 071	1 528 168
NET INCOME - SHARE OF THE GROUP	**9 332 915**	**10 451 984**

Appendix 14

Balance sheet of Deposit Insurance Fund
at December 31, 2010

ASSETS	Amounts in DH	LIABILITIES	Amounts in DH
INVESTMENT SECURITIES	7 375 790 498.07	CONTRIBUTIONS OF CREDIT INSTITUTIONS	8 318 823 144.26
INVESTMENT SECURITIES GUARANTEED BY THE STATE	83 920 000.00	RESERVES	1 447 608 313.38
SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS	2 357 237 946.63	NET INCOME FOR THE YEAR	259 674 464.82
CURRENT ACCOUNT WITH BANK AL-MAGHRIB	4 971 444.04	LIABILITY ADJUSTMENT ACCOUNTS	12 936 391.75
GOVERNMENT INCOME TAX SURPLUS			
RECOVERABLE VAT	238 348.75		
GOVERNMENT – VAT CREDIT	1 475 417.52		
ASSET ADJUSTMENT ACCOUNT	215 408 659.20		
TOTAL ASSETS	**10 039 042 314.21**	**TOTAL LIABILITIES**	**10 039 042 314.21**

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