BANK AL-MAGHRIB

ANNUAL REPORT

ON THE CONTROL, ACTIVITIES AND RESULTS OF CREDIT INSTITUTIONS

2009

CONTENTS

A WORD FROM THE GOVERNOR

The year 2009 was marked by a gradual revival of trust in international markets, which suffered from financial strains in 2007 and 2008. Thus some exceptional support measures introduced by governments and Central banks led to a comparative improvement in financial environment and a moderate recovery in world economic activity. Nonetheless, many vulnerability factors pursue their course, namely in connection with the fiscal imbalances of many countries.

In Morocco, the overall growth remained sustained in 2009, supported by the good performance of the agricultural sector. However, the spread of international crisis effects into domestic economic sectors, which mostly depend on foreign markets, has clearly affected the banking system.

Taking account of this environment, the banking system proved, nevertheless, to be resilient, as evidenced by its balance sheet and financial soundness indicators, thanks especially to the good diversification of banking activities.

Consequently, lending activities held a good propensity in 2009, albeit in a less markedly tempo, by comparison to the previous ones. Compared with a 22% increase in 2008, total bank loans grew 10.7% only. This deceleration mainly reflects a drop in cash loans, driven by the contraction in foreign demand.

Despite the increase in risk-related costs, the net income of credit institutions appreciated by 5% to 10.5 billion dirhams, in association with significant changes in the net banking income, in response to the positive trend in interest margin and to the sharp increase in market activities' income.

Because of both corporate and households credit quality deterioration, risk-related costs of credit institutions accounted for 18% of the gross operating income, compared with 12.5% earlier. Yet, the average rate of non-performing loans remained broadly stabilized at around 6%. The ongoing restructuring of balance sheets and the strengthening of debt collection arrangements both helped to cushion the impact of non-performing loans during 2009.

The overall net income – group share of the eight banking groups having established their financial statements on a consolidated basis, in line with IFRS standards, edged down by 1.6% to 9.3 billion dirhams. This decline is mainly attributable to the significant increase in the provisions required by these standards to cover non-performing loans. The resulting impact has been limited however by the good performance of banks' net income achieved both on domestic market and abroad.

In compliance with enhanced regulatory requirements, and with a view to accompany development measures of their operations, banks continued to exert their financial outlay on equity consolidation their equity consolidation measures. Accordingly, the banking sector's average capital adequacy ratio improved, on a consolidated basis, to 12%, including a 9.6% Tier 1.

Whereas the financial basis of the banking sector are broadly sound, many risk factors withstand settlement, and call for greater alertness. Amongst these risks three are worth particularly emphasized.

First, the credit concentration risk needs to be increasingly monitored, given the level by exposures to some counterparties, although framed in terms of regulation. To that end, Bank Al-Maghrib has reminded banks of the need to enhance the quality of their scoring system and further diversify that risk.

Second, the impact of time deposits volatility, which is amplified by a context of tight liquidity and combined with the lengthening of loans maturities, has increased the risk conversion. In this sense, Bank Al-Maghrib's inspections point to the need for banks to conduct better structured asset-liability management policies.

Third, the mounting exposure by several credit institutions to operational risk highlights the importance of the Basel II prudential standards. A consolidated implementation of these standards is therefore necessary to effectively manage that risk and preserve the sector's integrity and reputation.

Moreover, some components of the banking sector are still showing signs of vulnerability that require restructuring measures and stricter monitoring. In this respect, Bank Al-Maghrib issued a new directive which sets in motion a concentration movement, mainly in the microcredit sector, and provides for rigorous governance and internal control standards.

To meet the challenges arising from the financial crisis, actions to strengthen the macroprudential supervisory approach have been pursued. By the same token, information sharing has been stepped up within the Commission for the Coordination of Financial Sector Supervisory Bodies and with the supervisory authorities from other countries, with a view to securing a comprehensive monitoring of the financial system. In this regard, Bank Al-Maghrib, together with other national regulators, conducted the first systemic crisis stress tests, which helped to assess the efficiency of the current crisis management framework and pinpoint areas for improvement to establish coordination upon solid foundations.

In the same context, Bank Al-Maghrib has issued a directive urging banks to foster the practice of stress testing so as to better evaluate their own capacity to withstand shocks.

Other reforms are being considered to strengthen financial stability, in line with the recent measures proposed by the Basel Committee, particularly aiming to reduce the procyclicality of the banking activity and better control of systemic risk.

As for the development of access to financial services, the year 2009 saw an accelerated deployment of "Low Income Banking" strategy. As well as strengthening the conventional network, many banking institutions have developed new outreach distribution channels and managed to attract new customers by offering tailored products and services.

By granting a banking license to Barid Al-Maghrib (Moroccan Post Office), the strategy has gained further impetus. This institution, which already has one of the largest networks, indeed seeks to extend banking services to low-income population in rural and peri-urban areas.

In order to support these achievements, special emphasis has been put on the strengthening of bank/customer relations. Bank Al-Maghrib, jointly with the banking industry, launched many projects that were implemented in 2009 or expected to be implemented during the first term of 2010.

These projects include the establishment of the banking mediation system and the adoption of three legal texts respectively providing for the list of free banking services, the regulatory framework for deposit account agreements, and the new transparency requirements for drawing up banking account statements, including a summary statement of deducted fees.

Likewise, banks continued to expand on the continental level, by purchasing new banks in Africa. This positioning is a determining factor both for promoting economic partnerships with African countries and for implementing the project to transform the city of Casablanca into a regional financial hub.

HIGHLIGHTS OF 2009

January 5 : Meeting between the Governor of Bank Al-Maghrib, the Minister of interior and the Groupement Professionnel des Banques du Maroc -GPBM- (Moroccan Bankers Association) to step up the program on enhanced security in banking branches.

April 1 : First systemic crisis simulation completion, with the support of the World Bank and the participation of officials representing the three financial sector regulators and the finance ministry's Department of Treasury and External Finance.

April 10 : Effective launch of the Moroccan Financial Information Processing Unit (UTRF).

May 4 : Regional seminar in Casablanca on banking system management and supervision, in association with the Toronto Center and the Québec-based Autorité des Marchés Financiers, as part of the celebration of Bank Al-Maghrib's fiftieth anniversary.

May 7 : Enactment of the new Securitization Act.

May 27 : 9th plenary meeting in Manama, Bahrain, of the Middle East and North Africa Financial Action Task Force (MENAFATF), with the participation of Bank Al-Maghrib.

May 29 : International symposium in Marrakech on "Role of central banks and the IMF in financial crisis detection and management: lessons from the recent experience", as part of the celebration of Bank Al-Maghrib's fiftieth anniversary.

June 9 : Meeting between the Governor of Bank Al-Maghrib and the GPBM Board.

June 10 : Meeting of the Credit Institutions Committee.

June 10 : 6th meeting in Montreal of the Francophone Banking Supervisors Group, with the participation of Bank Al-Maghrib.

July 9 : 6th Meeting of the Commission for the Coordination of Financial Sector Supervisory Bodies.

July 28 : 3rd meeting of the National Board for Credit and Savings.

September 15 : Meeting between the Governor of Bank Al-Maghrib, the Minister of Economy and Finance, and the National Federation for Microcredit Associations.

September 23 : International conference in Basel on "Core Principles for Effective Security Systems", with the participation of Bank Al-Maghrib.

October 26 : Effective launch of the Credit Bureau.

November 8 : 10th plenary meeting in Beirut, Lebanon, of Middle East and North Africa Financial Action Task Force (MENAFATF), with the participation of Bank Al-Maghrib.

November 18 : Regional conference in Amman on "Security Systems in the MENA Region", with the participation of Bank Al-Maghrib.

November 26 : Meeting between the Governor of Bank Al-Maghrib and the GPBM Board.

December 1 : 7th Meeting of the Commission for the Coordination of Financial Sector Supervisory Bodies.

December 3 : Meeting between the Governor of Bank Al-Maghrib and the Board of the Professional Association of Finance Companies.

December 7 : Effective launch of the banking mediation system.

December 14 : 19th meeting, in Beirut, of the Arab Committee on Banking Supervision, with the participation of Bank Al-Maghrib.

KEY FIGURES OF THE BANKING SYSTEM

1 - Structure of the banking system

- Number of credit institutions and similar bodies: 84

- Banks : 19
- Finance companies : 36
- Offshore banks : 6
- Microcredit associations : 12
- Funds transfer companies : 9
- Other institutions : 2

- Network:

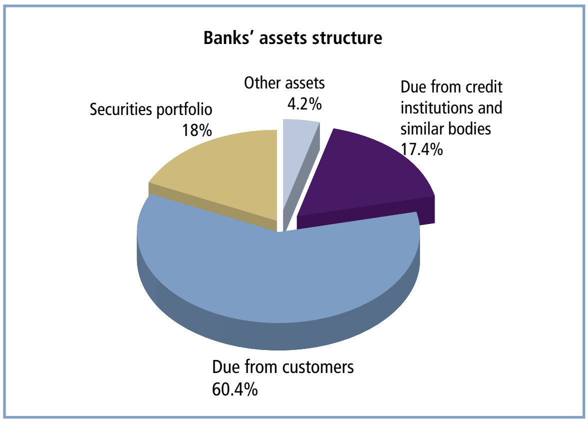
- In Morocco: 4,425 branches, including 887 for Barid Al-Maghrib, i.e.7,100 inhabitants per branch.
- Abroad: 18 subsidiaries, 71 branches and 58 representative offices.
- Automated teller machines: 4,144.

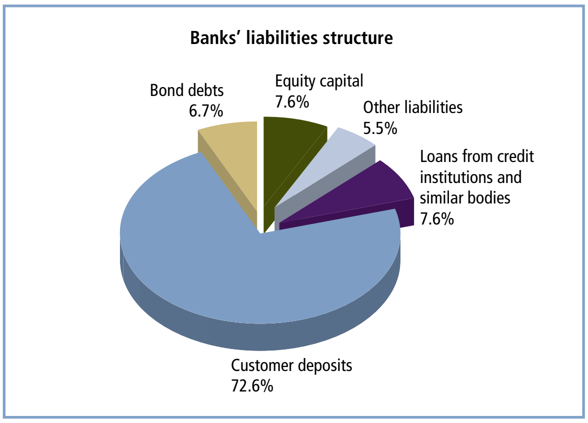
- Staff of credit institutions and similar bodies: 41,200 members

2 - Banks' activity and profitability indicators on an equity basis

(In billion dirhams)

	2007	2008	2009
Balance sheet total	**657**	**763**	**827**
Cash loans (net of provisions)	**402**	**500**	**553**
Customer deposits	**516**	**573**	**602**
Equity capital (excluding financial year profits)	**46**	**55**	**64**
Net banking income	**26**	**27,2**	**30**
Gross operating income	**15,7**	**14,6**	**16,4**
Net income	**9,0**	**8,6**	**9,2**
Average yield of assets	**5,35%**	**5,11%**	**5,18%**
Average cost of liabilities	**1,75%**	**1,93%**	**2,05%**
Average operating ratio	**46,5%**	**47,8%**	**47,4%**
Return on assets (ROA)	**1,5%**	**1,1%**	**1,1%**
Return on equity (ROE)	**20,6%**	**15,5%**	**14,5%**
Rate of nonperforming loans	**7,9%**	**6,0%**	**5,5%**
Private banks' NPL rate	5,3%	4,3%	4,2%
NPL rate	**75,2%**	**75,3%**	**74,1%**
Private banks' NPL coverage ratio	84,5%	82,0%	77,0%

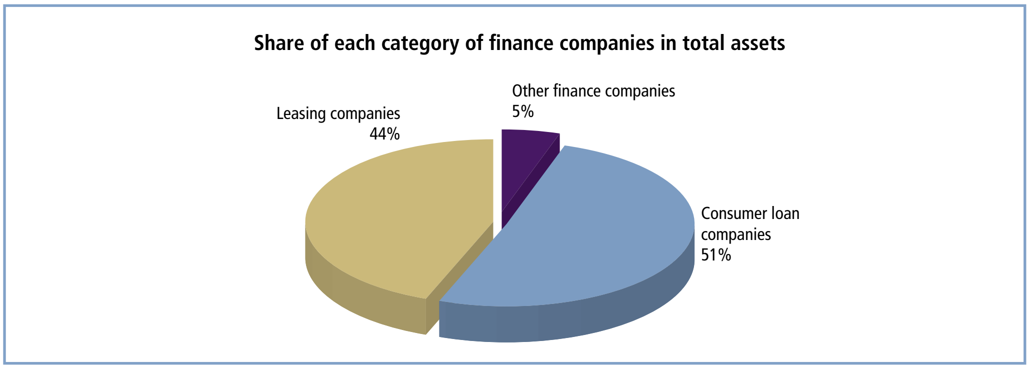




3 - Finance companies' activity and profitability indicators

(In billion dirhams)

	2007	2008	2009
Balance sheet total	63,4	74,3	81,2
Net banking income	3,8	4,1	4,4
Gross operating income	2,4	2,6	2,8
Net income	1,2	1,5	1,3
Rate of non-performing loans	10,2%	9,1%	9,5%
ROA	2,0%	1,9%	1,6%
ROE	23,7%	22,4%	18,4%



4 - Microcredit associations' activity and profitability indicators

(In billion dirhams)

	2007	2008	2009
Balance sheet total	6,0	6,9	6,2
Outstanding loans	5,5	5,7	4,8
Rate of non-performing loans	2,4%	5,3%	6,4%
Net income	0,3	0,03	-0,12

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

(In billion dirhams)

	2007	2008	2009
Balance sheet total	654	799	878
Cash loans (net of provisions)	381	498	568
Customer deposits	492	578	621
Equity capital - group share	54	61	69
Net banking income	29	34	38
Gross operating income	15,5	17,7	20
Net income-share of the group	8,9	9,4	9,3
Average operating ratio	46,7%	48,0%	48,0%
ROA	1,4%	1,2%	1,1%
ROE	16,5%	15,5%	13,6%

PART 1

LEGAL AND REGULATORY ENVIRONMENT AND BANKING SUPERVISION ACTIVITY

I. LEGAL AND REGULATORY ENVIRONMENT

As part of its second strategic plan for 2007-2009, Bank Al-Maghrib has set the regulatory framework applicable to the banking sector in line with international standards for banking supervision, in accordance with most of the Basel Committee's recommendations. These reforms have enabled strengthening the banking system and enhancing its risk management capacity.

However, the lessons learnt from banking supervision over recent years, as well as the measures spelled out by international financial bodies to better regulate the financial systems following the recent crisis, underscore the need to undertake new legal and regulatory reforms. The subsequent sections elaborate on the major implemented or ongoing reforms in Morocco as well as the international prudential developments proposed by the Basel Committee and the Financial Stability Board.

Box 1: International institutional and prudential framework

The Basel Committee on Banking Supervision was established in 1974 and is currently made up of representatives of central banks and the banking control authorities from 27 developed and emerging countries. Its main mission is to:

- Set standards and issue recommendations with regard to banking supervision;
- Promote best banking and supervisory practices;
- Strengthen international cooperation in banking supervision.

With the outbreak of the international financial crisis late in 2007, the Basel Committee took on a more important role in financial stability, in coordination with the Financial Stability Board (FSB). The two bodies report to the Bank for International Settlements.

The Financial Stability Board (formerly the Financial Stability Forum) brings together national authorities responsible for financial stability from 27 developed and emerging countries, as well as international financial institutions and international groupings of regulators and supervisors. The mandate of the FSB is particularly to:

- Assess vulnerabilities affecting the financial system and identify and oversee any measures needed to address them;
- Promote co-ordination and information exchange among authorities responsible for financial stability;
- Advise on and monitor best practices in meeting regulatory standards;
- Manage contingency planning for cross-border crisis management, particularly with respect to systemically important financial institutions;
- Collaborate with the International Monetary Fund to conduct Crisis Simulation Exercises.

1 - PRUDENTIAL FRAMEWORK

Over the recent years, the prudential regulatory framework for credit institutions has seen the implementation of large-scale reforms, including in particular the adoption of the Basel II system. In this respect, credit institutions are required, by virtue of Bank Al-Maghrib's relevant circulars and directives, to comply with a set of prudential ratios and quality standards.

Basel II framework includes minimum capital requirements (Pillar 1), complementary provisions concerning the conditions for prudential supervision of credit institutions by supervisors (Pillar 2) and financial transparency rules (Pillar 3).

The financial crisis has highlighted the procyclical impact of this framework as well as the need to strengthen banks' governance, capital and liquidity risk management.

Box 2: The 5 reform areas proposed by the Basel Committee

In December 2009, the Basel Committee published a set of reform proposals that revolve around five areas, namely:

1. Improving the quality of bank capital;
2. Reducing procyclicality and promoting countercyclical buffers in some regulatory provisions;
3. Introducing a harmonized framework for prudential supervision of liquidity risk;
4. Supplementing the risk-based capital requirement (minimum solvency ratio) with a leverage ratio;
5. Improving the quality of governance in risk management.

1.1 - Pillar 1: Minimum capital requirements

Pillar 1 defines the minimum capital requirements for the coverage of credit institutions' credit, market and operational risks.

In Morocco, banks adopted this pillar in 2007, in accordance with the Basel II standard approaches.
In view of the rapid credit expansion, and in an endeavor to strengthen banks' financial position, Bank Al-Maghrib adopted a proactive prudential policy which requires, as of 2008, a minimum capital adequacy ratio of 10% instead of 8%.

As part of the adoption of Basel II advanced approaches, the draft legal texts containing these approaches with regard to credit, market, and operational risks continue to be carefully examined in concertation between banks. This draft takes into consideration the ongoing international reflections in progress to strengthen the prudential framework.

Bank Al-Maghrib has defined the concept of default in accordance with Basel II standards. While it is consistent with the provisions of Circular No. 19/G/2002 on the classification and provisioning of claims, this definition adds more stringent rules.

Box 3: Definition of default under the Basel II framework

An obligor is considered to be in default in one of the two cases:

1. The credit institution considers that an obligor is unlikely to repay in full his credit obligations, without recourse by the bank to actions such as realizing security. This is especially the case when:
   - The bank puts the credit obligation on non-accrued status;
   - The bank makes a charge-off or account-specific provision;
   - The bank sells the credit obligation at a material credit-related economic loss.
   - The bank consents to a distressed restructuring of the credit obligation.
2. The obligor is past due for more than 90 days. For overdrafts, the payment arrear is deducted as soon as the obligor:
   - exceeds the limit authorized made known to him;
   - has been informed that his outstanding exceeded the limit fixed by the credit institution;
   - or withdraws amounts without authorization.

Subject to some conditions, Bank Al-Maghrib may authorize the credit institution to extend that deadline to a maximum 180 days for exposures on public sector entities and retail customers.

A draft revision of the thresholds for prudential segmentation of corporate customers has also been examined with the banking industry. To set these thresholds, Bank Al-Maghrib conducted a statistical study based on data collected from a sample of banks.

Similarly, the Circular No. 24/G/2006 of December 04, 2006, which specifies the modalities for fixing capital, is currently under review. By initiating this reform, Bank Al-Maghrib seeks to clarify the scope of prudential consolidation within credit institutions, particularly with regard to insurance companies, the processing of securitization transactions, and the specific provisions induced by the application of internal ratings approaches. This reform takes into consideration the ongoing international reflections on the ways to strengthen banks' capital.

Box 4: Definition of capital

- Current definition

The notion of regulatory capital is broader than that of accounting capital, as it includes some hybrid instruments, in addition to capital. Regulatory capital is made up of Tier 1, Tier 2 and Tier 3 capital.

Core capital, or Tier 1 capital, includes common equity, retained and non-redeemable earnings and non-cumulative preferred stock. This type of capital is deemed of premium quality. Core capital also takes into consideration other hybrid elements known as "innovative" instruments.

Supplementary capital, or Tier 2, which is limited to the amount of Tier 1, includes capital types that have the same features as common equity and debts, notably asset revaluation reserves, general provisions, general loss reserves, as well as some hybrid capital instruments and subordinated debts.

Short-term subordinated debt (Complementary capital), or Tier 3 capital, which is solely designed to cover market risks, was introduced in 1996 by the Basel Committee to allow banks, at the discretion of each national regulator, to meet some of their market risks by issuing short-term subordinated debts.

- Definition under review

The Basel Committee has proposed a revised definition of regulatory capital, which is meant to be more restrictive.

As well as removing the category of Tier 3, the Basel Committee proposed a simplified structure composed of two major categories: core capital "Tier 1", which is able to absorb losses in case of continuous trading, and supplemental capital "Tier 2", which can charge off these losses in case of winding-up.

The «Tier 1» capital, whose quality would be enhanced, should be made up solely of common equity, reserves and retained earnings, and other items that meet certain conditions to ensure their quality.

The elements included in "Tier 2" should meet a set of more restrictive conditions, in particular be subordinated to ordinary claims and present an original contractual maturity of at least five years.

In Morocco, the definition of capital only includes equity (common shares), reserves and retained earnings.

Other prudential reforms will be examined in light of the measures proposed by the Basel Committee particularly in regard with the setting of some counter-cyclical rules.

Box No 5: Counter-cyclical measures and leverage ratio

- Counter-cyclical measures

In an endeavor to reduce the pro-cyclicality effects of some accounting and prudential provisions, the Basel Committee suggested the following revision areas:

- Setting up two capital buffers. The first would set a target ratio higher than the regulatory ratio which, if not reached, would lead to restrictions in terms of dividend distribution or share buybacks. The second buffer, which is macroprudential, should be made up in light of economic cycle trend and would be designed as a flexible measure, outside of Pillar 1;
- Building up a liquidity buffer to be used when markets dry up unexpectedly;
- Setting up a dynamic provisioning.

- Leverage Ratio

The Basel Committee proposed introducing a leverage ratio to supplement the current solvency standards, by recognizing the ratio of regulatory capital to the total of balance sheet and off-balance sheet items.

1.2 - Pillar 2: Prudential supervision process

The provisions of Pillar 2, completing the Pillar 1 rules, deal with liquidity risk, concentration, interest rate and operational risk, as well as governance arrangements. They are intended to strengthen individual oversight of credit institutions.

The Bank Al-Maghrib prudential supervision framework rests on:

- A set of directives that transpose the Basel Committee's prudential standards;
- A risk-based banking supervision framework using a rating system of credit institutions, through the Support System for Credit Institutions' Rating;
- An on-site monitoring mechanism with increasing focus on cross-sectional and potentially systemic risks;
- A structured dialogue with credit institutions to inform them of Bank Al-Maghrib's appraisal and ensure close information exchange;
- A proactive policy for capital requirements.

This framework needs to be supplemented with a methodology that ensures better assessment of supplementary capital requirements in the relevant institutions.

1.2.1 - Liquidity risk

The provisions of Circular No. 31/G/2006 dated December 5, 2006 require banks to maintain adequate liquid assets, at all times, or with one-month maturity, in order to ensure full coverage of all liabilities with the same maturity.

As a complement to this circular, the Directive No. 31/G/2007 dated April 13, 2007 urges banks to develop efficient liquidity risk management arrangements to identify potential sources of that risk and ensure its measurement, monitoring and control.

Bank Al-Maghrib initiated a reform of these texts in light of international works based on the lessons learnt from the crisis. The international financial crisis has indeed highlighted the need to enhance the quality of liquidity risk measurement and management within banks, particularly in its interactions with credit and concentration risks and with markets.

A set of relevant enhancements has been proposed by the Basel Committee to harmonize liquidity risk prudential supervision.

Box 6: Liquidity risk monitoring framework

The Basel Committee proposed to develop an internationally harmonized quantitative framework resting on two ratios: a short-term ratio and a net stable funding ratio.

The short-term (one month) Liquidity Coverage Ratio would require holding high quality liquid assets in an amount to be determined through stress test scenarios.

The ratio of structural transformation to one-year horizon would require a certain level of stable resources in relation to long-term assets.

On the other hand, the Basel Committee is contemplating the development of an array of liquidity indicators that will be subjected to an appropriate supervisory review process. These indicators mostly include liquidity gaps, concentrations of resources, unencumbered assets, and the state of the markets.

1.2.2 - Concentration Risk

The purpose of the regulation on the control of large exposures is to limit excessive concentration risks stemming from a credit institution's exposures to the same obligor.

Consequently, Circular No. 3/G/2001 dated January 15, 2001 requires credit institutions to apply a ratio that limits, up to 20% of their capital, their exposure to the same counterparty, be it an individual customer or a group of customers forming an interest group. The directive dated August 31, 2007 on minimum quality requirements for concentration risk management defines a mechanism for the assessment of the framework developed by credit institutions.

Bank Al-Maghrib ensures compliance with these standards, by examining specific reporting and conducting on-site inspections.

By virtue of Circular No. 29/G/2006 dated December 05, 2006, and without prejudice to the rules applicable to credit risk concentration, Bank Al-Maghrib limited credit institutions' exposures in the form of participations in businesses already existing or in the process of creation. A ceiling is set for these exposures based, on the one hand, on the capital of these credit institutions, and on the capital of issuing companies, on the other hand. The purpose for this is to limit contagion risks arising from the failure of these companies, and to prevent any strong involvement in non-financial activities.

In light of European prudential regulation reforms, the concentration risk supervisory framework needs to be reinforced by new provisions that mainly focus on the concept of related counterparties and on the risk weight system.

1.2.3 - Overall interest rate risk

The management of interest rate risk is regulated by Circular No. 40/G/2007 concerning internal control and by the Directive No. 30/G/2007 on the overall interest rate risk management framework.

In line with that framework, banks are required to develop structured and robust risk management arrangements to keep that risk in check.

Consequently, banks are required to adopt clearly-defined policies and procedures in order to mitigate and monitor that risk and set the limits for liability and commitment in decision-making. A system of appropriate limits must be developed to enable operational entities to control exposure to the various sources of interest rate risk and gauge the effective risk position relative to the thresholds of tolerance set by the administrative and management bodies.

Bank Al-Maghrib conducts a quantitative and qualitative assessment of banks' situation with regard to the interest rate risk. In 2009, this assessment was conducted on the basis of a standardized regulatory quarterly reporting and during on-site controls.

1.2.4 - Operational risks

The Directive No. 29/G/2007 defines a set of sound practices in terms of operational risk management. The directive focuses on the need for credit institutions to develop a proper understanding of these risks and map them precisely, while providing for the tools to control them and mitigate their impact.

Credit institutions are required to put in place a mechanism that is able to identity potential sources of the most significant operational risks depending on their size, nature and complexity of their activities, and gauge their vulnerability to these risks.

They must also maintain a business continuity plan to ensure that their activity will not be interrupted in the event of any significant turbulence due to operational risks, and to set limits to any possible losses.

Bank Al-Maghrib checks the efficiency of these mechanisms through the annual report on internal control it receives from banks and the on-site inspections it carries out.

1.2.5 - Governance and internal control system

As part of the implementation of Pillar 2, Bank Al-Maghrib on August 31, 2007 issued the Directive No. 50/G/2007 relating to governance within credit institutions. The directive details the prerogatives and duties of administrative and management bodies. It focuses on core principles that shall govern the appointment of managers, their compensation as well as the manner in which they should perform their duties.

Given the specificity of the microcredit associations and the weaknesses revealed in the management of risks to which they are exposed, Bank Al-Maghrib in 2009 subjected the microcredit sector to strict governance and internal control standards.

Box 7: Governance and internal control standards applicable to microcredit associations

As well as defining the mission and functioning of the administrative and management bodies, the Directive No. 01/G/2009 dated September 16, 2009 sets the constituent elements of the management framework of credit risk, concentration, liquidity and operational that microcredit associations are required to develop. The directive also focuses on the role that should be assumed by these associations in terms of disclosure and transparency.

Circular Letter No. 2/DSB/2009 of December 21, 2009 specifies the information that must be contained in the annual report on internal control activities. These include:

- The organizational chart of the internal control system;
- The risks incurred and the mechanisms for risk measurement and monitoring;
- The investigations conducted by internal audit;
- The measures taken to strengthen that system.

The lessons drawn from the international financial crisis highlight the need to enhance governance practices, particularly with regard to the independence of the risk management function, and strengthen the responsibilities of administrative and management bodies.

To plug identified gaps and in light of the conclusions of the working group it has commissioned, the Basel Committee revised the regulatory governance framework that had been enacted in 2006.

1.3 - Pillar 3: Market discipline

The Directive No. 44/G/2007 that transposes Pillar 3 regulates the publication by credit institutions of minimum prudential information. This information particularly concerns the composition of their capital, the solvency ratio, the capital requirements under credit, market and operational risks, the risk management framework as well as the level of exposure to each of these risks.

2 - ACCOUNTING FRAMEWORK

2.1 - Accounting rules applicable to credit institutions

Banking groups have been required to apply the International Financial Reporting Standards (IFRS) since January 2008. To ensure compliance with the International Accounting Standards (IAS 1) relating to the presentation of financial statements, as reviewed by the International Accounting Standards Board (IASB), Bank Al-Maghrib asked banks to include in their financial statements closed at the end of 2009 a new statement entitled "net income and gains and losses recognized directly in equity". The purpose of this new statement is to improve general performance rating and comparability among banking groups.

Meanwhile, Bank Al-Maghrib closely followed the works of the IASB to amend IFRS 9, which is due to replace IAS 39 on Financial Instruments as of January, 1st 2013.

Box 8: Major changes brought by IFRS 9

The reform of IAS 39 will be conducted in three phases: The first concerns the classification and measurement of financial assets; the second on the depreciation of those assets and the third on hedge accounting.

The publication by the IASB of IFRS 9, on November 12, 2009, marked the entry in the first phase of the reform. This standard adopts a unique approach to determine whether a financial asset shall be assessed at amortized cost or at fair value, based on how an entity manages its financial instruments and the contractual characteristics of cash flow related to financial assets.

2.2 - Accounting rules specific to microcredit associations

Since 2008, microcredit associations are required to comply with a specific chart of accounts. This framework has been supplemented with new standards aiming to harmonize the rules for classification of non-performing loans and their associated provisioning.

Box 9: Rules for the classification of microcredit associations' non-performing loans and their associated provisioning

Loans are non-performing when at least one maturity date is past due for more than 15 days or when the payment of their outstanding loans is not anticipated for any reasons linked to the inability of the obligor to pay or any other factor.

Against these loans, provisions are made to a value equal at least to:

- 25% for loans including at least one payment that is overdue for more than 15 days;
- 50% for loans including at least one payment that is overdue for 30 to 90 days;
- 75% for loans including at least one payment that is overdue for 90 to 180 days;
- 100% for loans including at least one payment that is overdue for 180 days.

3 - IFRS' FINANCIAL REPORTING AND BASEL II' PRUDENTIAL REPORTING

To comply with the best practices in financial disclosure, Bank Al-Maghrib decided to introduce the IFRS' financial reporting and Basel II prudential reporting, which are both consistent with the reporting FINREP and COREP[1] adopted by the European supervisory authorities. By resorting to the solution XBRL[2], this reporting applies a logical database.

Box 10: COREP and FINREP Reporting

COREP, common solvency ratio reporting, and FINREP, common reporting for financial statements prepared under IFRS, was developed by the Committee for European Banking Supervisors (CEBS) in 2005 to harmonize supervisory reporting requirements and propose a common framework to banking institutions in the countries concerned. The supervisory authorities may adapt this framework according to their needs and by defining their own taxonomy.

4 - RELATIONSHIP BETWEEN CREDIT INSTITUTIONS AND CUSTOMERS

The strengthening of the relationship between credit institutions and customers continued to be the focus of attention in 2009. To that end, Bank Al-Maghrib initiated many relevant projects, in association with the banking industry, in 2009 and during the first months of 2010.

1 COREP: Common Reporting - FINREP: Financial Reporting

2 extensible Business Reporting Language

The year 2009 was marked by the effective launch of the banking mediation framework, as part of a process aiming to establish a sound and balanced relation between credit institutions and their customers.

Box 11: Banking mediation system

The banking mediation system consists of a banking mediation committee and two mediators, one from the Moroccan Bankers' Association (GPBM) and the other from the Professional Association of Finance Companies (APSF).

The banking mediation committee is provisionally chaired by Bank Al-Maghrib and made up of ten members, including five independent personalities and five representatives of banks and finance companies. Its main mandate is to organize and supervise the mediation system.

The mission of the mediator is to resolve disputes mainly over the management of demand deposits, time deposits and savings accounts, credit accounts (loans), and payment means.

Recourse to the mediator does not prejudice the customer's right to take legal proceedings.

The mediator's decisions shall be binding to banks when the disputed amount is below or equal to 100,000 dirhams. They shall be binding to the finance companies when the amount in question is below or equal to 40,000 dirhams for disputes with individuals and to 100,000 dirhams for disputes with corporations and professionals. In both cases, the customer is free to accept or not the mediator's arbitration.

Likewise, Bank Al-Maghrib adopted three new texts, with a view to promoting the expansion of financial services and enhancing transparency requirements.

The 1st text is about a directive defining a list of 16 banking services that shall be offered to customers free of charge.

A second directive has been prescribed to standardize the minimum general clauses that shall appear in deposit account agreements. It fixes the general terms for opening, running and closing accounts, as well as the obligations of the parties.

The circular dated December 5, 2006 on the methods of drawing up deposit account statements was amended and completed to harmonize the description of operations appearing in that statement and to communicate to customers a summary statement of fees and charges deducted.

II. BANKING SUPERVISION AND FINANCIAL STABILITY ACTIVITIES

In anticipation of the adverse impact that the deteriorating international economic and financial situation could have on the national economy, Bank Al-Maghrib continued in 2009 to step up its monitoring actions to ensure resilience of the banking sector. It pursued consolidation of the prudential and operational supervision framework and asked credit institutions to enhance the quality of their risk management.

In light of the lessons learnt from the international financial crisis, which highlighted the interconnectedness among the financial systems and the importance of financial stability for a sound economic development, Bank Al-Maghrib brought several actions to successful issue to strengthen the macro-prudential dimension of supervision.

1 - BANKING SUPERVISION ACTIVITIES

Bank Al-Maghrib is accountable for the supervision of all credit institutions and similar bodies in the sense that it issues licenses and authorizations necessary for the exercise of banking activity, prescribes accounting and prudential rules, monitors reporting institutions, penalizes any possible infringements of legal and regulatory provisions, and handles banking difficulties.

Bank Al-Maghrib also exercises on-site inspection and documentary audit, by relying on a risk-based approach focusing on vulnerability areas that may arise in the banking system.

The overall supervision of financial risks rests on mechanisms for coordination with national and foreign regulators, as part of a regulatory framework that is consistent with international standards.

As part of its mission and in order to protect customers, the bank works towards establishing a sound and well-balanced relationship between credit institutions and customers, and contributes to the best of its knowledge to the enhancement of banking services, in concertation with the banking industry.

1.1 - Licenses and approvals

During 2009, the Credit Institutions Committee, which is made up of Bank Al-Maghrib and the Ministry of Finance, examined several applications for the establishment and merger of credit institutions in Morocco, for the opening of some banks abroad and the entering into operation of money transfer activity.

Bank Al-Maghrib granted 6 licenses for:

- The creation of the postal bank and of a company that specializes in financing small farmer owners and operators (small holder former projects);

- The take-over merger of two consumer credit companies and two leasing companies;
- The operation of funds transfer activity by two new companies.

It also gave its consent to:
- Change in the control of a bank;
- A bank's control taking in 5 banks in Gabon, Senegal, Congo, Cameroon and Côte d'Ivoire;
- The setting up in Italy, by a bank, of a finance company dedicated to Moroccan expatriates;
- The opening by a bank of a representative office in Libya.

In addition, Bank Al-Maghrib examined twelve files on the appointment of statutory auditors in four banks, a finance company, an offshore bank, two money transfer intermediaries, and four micro-credit associations. It also approved the appointment of nineteen board members and managers in the administrative and management bodies of twelve credit institutions.

1.2 - Control Activities

1.2.1 - Permanent control activities

Permanent control ensures compliance by credit institutions and similar bodies with the legal and regulatory provisions and assigns ratings thereto.

The review of regulatory, accounting and prudential reporting, which is periodically sent by the subject institutions, supports the analyses carried out by the permanent control as part of the assessment of their financial and prudential profile. These analyses also rely on the outcome of on-site inspections. They are supplemented with information exchange with representatives of credit institutions at all levels as well as with their statutory auditors.

Based on this control activity, banks have become subjected to a rating system since 2006. It was extended in 2009 to consumer credit and leasing companies.

The rating results are communicated to the banks' managers and members of audit committees. On this occasion, Bank Al-Maghrib gives its assessment of the financial and prudential profile of the institution concerned as part of a cross-checking approach.

Box 12: The rating support system (SANEC), a proactive control tool

As part of the implementation of Pillar 2 of Basel II, the rating system helps, through a structured approach, to establish each institution's risk profile based on a quantitative and qualitative analysis of risks. The assessment is done through 15 criteria organized into six risk areas and broken down into 180 sub-criteria.

The rating system of credit institutions is central to the process of permanent control. It serves as an analysis tool for early detection that allows a risk-based supervision, an internal management tool that aims to gauge the frequency of inspections and a tool for dialog with the covered institutions.

An analysis and early detection tool

- Evaluation of the financial and prudential position of credit institutions
- Diagnosis of governance and management quality in credit institutions
- Definition of risk profile for each credit institution

A proactive control tool

- Preventive actions
- Activation of the measures stipulated in the handbook for handling banking difficulties, once the predefined threshold is reached

Rating system

A communication tool

Communicating the ratings to managers and members of audit committees

A management tool

- Adapting the intensity of permanent control and the frequency of on-site inspections to the risk profile of each credit institution
- Focusing control on identified vulnerability areas
- Defining the size of control teams

In line with the mechanisms set by the handbook for handling banking difficulties, credit institutions the rating of which is below a certain threshold must be subjected to corrective measures.

In 2009, the measures taken as part of the permanent control framework sought to strengthen the supervision of banking groups, both at national and international levels.

In this respect, the assessment of concentration in banks' portfolios, as well as the oversight of their capital adequacy and implementation of strengthening measures remained a chief concern.

The banking exposures to sectors vulnerable to the financial crisis continued to be closely monitored in conjunction with on-site inspections.

To assess the implementation of Pillar 2, the permanent control conducted a careful oversight of the action programs initiated by banks to strengthen their internal control systems, the management of liquidity risk, operational risk and interest rate risk, as well as their business continuity plans.

In response to the increase in transformation risk, several inspections were conducted and a number of periodic meetings were convened with banks' officials in charge of asset-liability management (ALM) and treasuries. Focus was especially laid on the financial position of establishments abroad. At the same time, some actions were taken to induce banks to improve and structure their disclosures in line with the requirements of Pillar 3 of Basel II and of the IFRS' standards.

By the same token, microcredit associations continued to undergo enhanced oversight, in the light of the difficulties facing the sector.

1.2.2 - On-site inspections

By acting as an alternate to permanent supervision, on-site inspections in credit institutions are carried out in line with an annual program which is devised depending on the vulnerability areas in the banking system, strict time requirements beyond which the covered institutions must be controlled, as well as risks arising from the crisis impact.

In 2009, this program prioritized cross-sectional surveys with targeted inspections in an increasing number of credit institutions, and ensured stronger on-site presence.

As a continuation of the inspections carried out a year before, specific missions were dispatched to banks and finance companies to further assess the vulnerabilities caused by the deteriorating world economic and financial activity. In this context, banks' exposures to sectors vulnerable to the international situation were reviewed to detect those likely to involve greater risks.

Five cross-sectional surveys were conducted to assess the mechanisms set up by banks as part of the implementation of Pillar 2, particularly with regard to the management of liquidity, interest rate and operational risks. Anti-money laundering arrangements were also examined in the light of regulatory requirements. In addition, these surveys examined the mechanisms applied by banks to supervise their establishments abroad.

Six general inspection engagements were assigned to review all activities of the institutions concerned, including exposures, accounting, internal control system, governance, risk management, and the whole information system.

1.2.3 - conclusions and recommendations following the inspections

The inspections that took place in 2009 revealed that banks proved resilient to the deteriorating economic conditions induced by the global financial crisis.

The ongoing strengthening in capital, in response to the expansion in activity, has contributed to the enhancement of their solvency.

The implementation of the Basel II system has prompted banks to upgrade their information systems, develop renovated internal rating systems, and make perceptible progress towards a better measurement of risks exposures.

At the same time, banks pursued their large-scale projects under Pillar 2, which deal with operational risk management, asset-liability management and business continuity plan.

The banks' governance arrangements continued to be enhanced mainly with the widespread adoption of audit committees, which commonly play a key role in controlling the quality of financial disclosures and risk oversight.

Nevertheless, further vigilance remains strongly needed in sensitive spheres with regard to concentration risks, transformation and operational risks.

In addition, inspections also revealed the existence of significant exposures in banks' portfolios to some counterparties. Although large exposures[1] are regulated, representing only 4 times of capital, like in 2008, they need to be diversified; because they may involve or trigger high risks. At the same time, some credit institutions should consider enhancing the quality of their internal rating systems and stress tests to assess their resilience to failures by major counterparties.

Changes in the structure of banks' balance sheets reflect an increase in transformation risk due to the extension of loan maturity, weak growth in deposits and the volatility in interest bearing liabilities. Over the last three years, deposits on average increased twofold less rapidly than loans. The pace of growth brought the loans-to-deposits' ratio to an exceptional level, near 100%. These developments require banks to adopt better structured ALM policies.

1 Large exposures are defined as claims and securities held on the same counterparty or group of counterparties, the amount of which exceeds 5% of regulatory capital.

Box 13: Asset-liability management procedures in banks

Both on-site inspections and documentary audits show that banks in 2009 continued to enhance their ALM procedures, in line with the recommendations made by Bank Al-Maghrib.

In terms of governance, banks have set up ALM committees emanating from the management body as well as ALM functions responsible for managing financial risks, notably the liquidity risk and the overall interest rate risk. However, they need to extend the formalization of the strategy for managing these risks. On the other hand, the boards of banks have become more involved in the oversight of these risks, mainly through the audit committees.

Nevertheless, further efforts need to be deployed by banks to ensure more robust and finer liquidity risk measurement systems. Banks also need to integrate stress tests into the decision-making process and adopt emergency plans in case of liquidity crunch.

Concerning operational risks, banks were invited to enhance the efficiency of their management arrangements by using an appropriate system for reporting loss and incidents, effectively implementing preventive and corrective measures to mitigate the risks identified, and stepping up the development of business continuity plans.

The fraud upsurge in some credit institutions points to the importance of these procedures and to the need for increased vigilance when it comes to applying preventive measures which are likely to limit the reoccurrence of fraud.

Banks' activities abroad also require strengthened monitoring arrangements to further control risks and secure investments.

Micro-credit associations should pursue the restructuring of their balance sheets, upgrade their back offices and improve their governance and internal control practices in accordance with the directives of Bank Al-Maghrib.

1.3 - Works on the transposition of Basel II advanced approaches

Several meetings on the transposition of Basel II advanced approaches were convened as part of a joint commission of Bank Al-Maghrib and the GPBM. The exchanges of views during these meetings elucidated several aspects of this system and identified practical constraints on its implementation.

As part of a process to assess the degree of preparedness for the implementation of the new system, banks were surveyed through questionnaires centered on market and operational risks. These surveys helped to take stock of ongoing projects in their methodological, organizational, and technical aspects and gain a better idea of the choices made by banks.

Other on-site inspections are scheduled for 2010 to examine the consistency of banks' own internal rating systems with respect to credit risk. Other planned activities include the conducting of impact studies on capital requirements, the development of a guide to validating internal rating models, and the design of regulatory reporting.

At the internal level, training activities on the advanced approaches were organized for the benefit of permanent and on-site inspectors to equip them for adapting their work to the new prudential framework.

1.4 - Works on the IFRS' entry into force

During 2009, Bank Al-Maghrib and the banking industry examined recent amendments introduced by the IASB to IAS 1 relating to the «Presentation of Financial Statements".

The joint commission of Bank Al-Maghrib and the GPBM continues to closely monitor other ongoing reforms of the IFRS, including those pertaining to IAS 39 on Financial Instruments.

During 2009, a good many meetings were held with banks and with their statutory auditors so as to exchange views on the application of certain rules for accounting assessment, and to achieve greater convergence of practices. On top of these meetings' agenda were the issue of coherence in the provisions for depreciation of loans set aside in individual and consolidated accounts, and the issue of bringing into line the rules for the classification of securities on an individual basis, as recommended by the IFRS' standards.

1.5 - International cooperation

Bank Al-Maghrib expanded its cooperation arrangements with foreign regulators by signing an agreement with the West African Economic and Monetary Union (UMOA) in 2009. The scope of supervision of this authority covers 8 countries[1].

The year 2009 was also marked by intensive exchanges of information between Bank Al-Maghrib and its foreign counterparts on the financial and prudential situation of their institutions subject to their respective control.

By the same token, Bank Al-Maghrib hosted study visits for the benefit of delegations from some Central banks and foreign supervisory authorities to take stock of the Moroccan experience in banking supervision. Meanwhile, some international financial institutions requested Bank Al-Maghrib to extend its assistance to other countries.

As part of the celebration of its 50th anniversary, Bank Al-Maghrib organized a regional seminar on banking system management and supervision, for the benefit of bank supervisors. This event was held in association with Toronto Center and the Québec-based *Autorité des Marchés Financiers* (AMF).

1 Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and togo.

1.6 - Concerted dialogue with professional associations

As part of its concerted dialogue policy, Bank Al-Maghrib in 2009 held several meetings with banking associations, including the GPBM (Moroccan Bankers Association), the APSF (Professional Association of Finance Companies) and the FNAM (National Federation of Micro-credit Associations). This concerted dialogue gave rise to roadmaps which implementation is steadily examined.

The meetings with the GPBM concerned issues such as the conditions for financing the economy, the payment systems, the establishment of credit bureau, banks' security, and the fight against money laundering. During these meetings, particular attention was paid to the relationship between credit institutions and their customers.

Information exchanges with the APSF concerned mainly the restructuring of the consumer loans sector, the establishment of a code of ethics, especially intended to regulate the rules for advertizing credit offers, the adherence of its members to the credit bureau, and security regarding money transfer companies.

With the FNAM, discussions were focused on issues relating to the restructuring of the microcredit sector, to the policy of creating regional branches, and to cross-indebtedness risks.

1.7 - Handling complaints and grievances

During 2009, Bank Al-Maghrib received an amount of 367 complaints and enquiries compared with 260 in 2008. Upon their review, the files are referred to the relevant credit institutions and may ultimately give rise to on-site inspections.

Such grievances mainly concerned slight tiffs related to the functioning of banking accounts, the means of payment, and the business conditions applied by the local credit institutions.

2 - FINANCIAL STABILITY ACTIVITIES

Financial stability refers, on the one hand, to a situation where the various financial institutions are solid enough to ensure proper functioning of their financial intermediation process, without appealing to external assistance, not even from the government. On the other hand, it refers to a situation where the various components of the financial system are well structured and resilient to adverse shocks as well as to any major internal or external disturbances.

Bank Al-Maghrib ensures the safeguarding of financial stability by relying on two fundamental pillars:
- Its independence in terms of :
  - Applying a monetary policy with price stability as the primary object;
  - Conducting banking supervision in accordance with international standards;
  - Oversight of payment systems in line with international best practices.

- Mechanisms for coordination of regulators' activities, especially through the coordination commission of financial supervisory authorities, which is chaired by the Governor of Bank Al-Maghrib.

2.1 - Financial stability analytical framework

The financial stability analytical framework rests on an ever-evolving information infrastructure, on the analysis of financial soundness indicators, and on the conducting of stress tests. This framework needs however to be strengthened by a systemic risk analysis and a regulation mechanism.

2.1.1 - Financial soundness indicators

The financial soundness indicators (FSIs) constitute a tool for assessing the strengths and the potential vulnerabilities of the financial system. They rely on quantitative components combining aggregated micro-prudential ratios, macro-economic variables and indicators of the situation in key markets (money market, foreign exchange market, bond market, etc.).

The International Monetary Fund, which created the FSIs, makes a distinction between two variants of these indicators. The first variant, known as Core FSIs, covers capital adequacy of banks, the quality of their assets, return on their equity (profitability), liquidity, the breakdown of their credit risk and their sensitivity to market risk.

Box 14 below shows the evolution of the banking system's financial soundness indicators of the last three years, as measured for banking activities in Morocco.

Box 14: Core financial soundness indicators 2007-2009 (in %)

	2007	2008	2009
Capital adequacy			
Solvency ratio	10,6	11,2	11,8
Core equity/Total risks	9,2	9,6	9,2
Non-performing loans net of provisions/ Capital	18,2	13,9	12,7
Assets quality			
Non-performing loans to total loans	7,9	6,0	5,5
Credit distribution per sector/Total loans			
Loans to the primary sector	5,4	6,9	6,0
Loans to the building and public-works sector	12,6	12,5	14,1
Loans to the processing industry	17,4	15,9	15,8
Loans to the general government and local communes	2,8	3,0	2,9
Loans to the trade sector	6,5	6,5	6,6
Loans to the tourist sector	2,3	2,6	3,2
Households	28,4	26,5	27,6
Loans to other sectors	24,6	26,1	23,8
Income and profitability			
Return on assets (ROA)	1,5	1,2	1,2
Return on equity (ROE)	20,6	16,7	15,2
Income to net banking income (NBI)	75,9	78,1	76,7
Overall operating expenses/NBI	46,5	47,8	47,5
Liquidity			
Liquid assets/total assets	22,7	18,6	17,3
Liquid assets/short-term liabilities	29,5	24,7	23,0
Sensitivity to market risk			
Currency-denominated net open positions/Capital	8,2	6,5	13,5

The second variant, known as complementary FSIs, includes data on the financial position, on the activity and structure of balance sheet in other financial institutions, as well as on certain specific economic agents and sectors such as corporations, households and the real estate sector.

Bank Al-Maghrib already maintains a large part of complementary indicators and seeks to supplement them with data particularly on corporations, households and the real estate sector, in coordination with other partners.

2.1.2 - Stress testing

Stress tests are simulations of exceptional but plausible events corresponding to risk situations with the aim to analyze their impact especially on the solvency and liquidity of credit institutions.

The output of these tests is used in the implementation of measures to reduce the effects of these events as they materialize. Bank Al-Maghrib conducts two types of stress tests: sensitivity stress tests and macro stress tests.

The first category allows for gauging the resilience of credit institutions to certain shocks based on assumptions of the deterioration of their risk positions.

To that end, Bank Al-Maghrib conducts sensitivity stress tests both at the level of each bank and at the interbank level to assess resilience to potential shocks stemming from extreme scenarios of deteriorating credit risk, liquidity risk, overall interest rate risk, and foreign exchange exposure. The findings of the 2009 stress test point to the vulnerability of some banks to credit risk concentration.

The second category of stress tests sets out elements for the prediction of certain banking aggregates relative to the evolution of the macro-economic, monetary and financial environment.

These macro stress tests are specifically designed to assess the correlation of credit risk with the developments in the GDP, and they formulate predictions about the long-term evolution of that risk in the banking system. Other models of macro stress testing are currently being examined.

2.2 - Arrangements for coordinated action among regulators

The upholding of financial stability and the systemic risks custody entail closer and better coordination between financial market regulators, through sharing information and analysis and coordinating supervisory actions.

In Morocco, these procedures have been assumed since 2006 by the coordination commission of financial supervisory authorities, which held two meetings in 2009 so as to examine the measures taken in order to mitigate the effects of the global financial crisis, and to exchange data on the activities of each supervisory body. In the same vein, the commission examined the roadmap recommended by the systemic crisis simulation that was conducted in 2009.

2.3 - Deposit Insurance Fund

The Deposit Insurance Fund, which was set up by virtue of the Banking Act of 1993, aims to protect depositors in the event of any failure to make their deposits available. It is managed by Bank Al-Maghrib.

At the end of December 2009, the cumulative total of funds in the Deposit Insurance Fund reached 8.7 billion dirhams, with more than 83% from the annual contributions of credit institutions' members, and the remainder from investment revenues. The net profit for the year increased 16% to nearly 233 million dirhams.

In light of the lessons learnt from the global financial crisis, the Basel Committee and the International Association of Deposit Insurers in June 2009 published the Core Principles for Effective Deposit Insurance Systems.

Based on these principles, Bank Al-Maghrib conducted a self-assessment of Morocco's current deposit insurance system. The findings of this assessment point to the need to enhance this system so that it can keep abreast of changes in domestic and foreign environment.

Box 15: Core Principles for Effective Deposit Insurance Systems

The Basel Committee and the International Association of Deposit Insurers (IADI) published a document which prescribes the Core Principles for Effective Deposit Insurance Systems. These 18 principles are patterned on the 25 core principles for banking supervision. They aim to assist countries in maintaining deposit insurance systems that meet the highest international standards.

In this context, a methodology for the assessment of compliance with these principles is being finalized by a working group made up of representatives from the Basel Committee, the IADI and the International Monetary Fund (IMF). This methodology will be adopted by the missions of FSAP (Financial Sector Assessment Program), which is jointly conducted by the IMF and the World Bank.

Box 15: Core Principles for Effective Deposit Insurance Systems

The core principles are categorized into ten groups, namely:

- Objectives of deposit insurance systems (principles 1 and 2);
- Objectives of deposit insurance systems (principles 1 and 2);
- Mandates and powers of deposit insurance systems (principles 3 and 4);
- Governance of deposit insurance systems (principle 5);
- Relationships with other safety-net participants and cross-border issues (principles 6 and 7);
- Adherence to the deposit guarantee system (principles 8 to 10);
- Funding of deposit insurance systems (principle 11);
- Public awareness about the benefits and limitations of deposit insurance systems (principle 12);
- Legal protection of individuals working for deposit insurance systems and dealing with parties at fault in a bank failure (principles 13 and 14);
- Failure resolution (principles 15 and 16); and
- Reimbursing depositors and recoveries (principles 17 and 18).

3 - BANKING SUPERVISION MEANS AND RESOURCES

At the end of 2009, the total number of staff working at the banking supervision department reached 86 members, compared with 82 members a year earlier.

The achievement of high professional competence has always been an overriding priority for Bank Al-Maghrib. To that end, it has decided to conduct a three-year training program both in Morocco and abroad, in light of the international technical and regulatory developments.

In the 2009 training courses, priority was especially given to the reform projects set in motion by international regulation bodies as well as the sharing of experience with international counterparts on financial stability and crisis management.

At the same time, Bank Al-Maghrib offered training to 20 university students who were in the process of preparing their report of graduation in banking and financial areas.

PART 2

STRUCTURE, ACTIVITY AND RESULTS OF THE BANKING SYSTEM

I. STRUCTURE OF THE BANKING SYSTEM

Despite a less favorable business cycle, the Moroccan banking system continued to expand its network and diversify its activities both at national and international levels.

1 - A CONSOLIDATION TREND WAS OBSERVED IN SPECIALIZED FINANCING

Two new credit institutions were created in 2009: the postal bank which targets low-income non-bancarized population and is expected to start in 2010 and a company specializing in financing small farmers and small farm operators with new project ideas.

Likewise, the sector of companies operating in the transfer of funds saw the foundation of two new firms.

A consolidation trend marked the sector of specialized financing, with three takeovers in the sectors of consumer credit, leasing and microcredit.

The control of Bank Al-Maghrib now covers 84 institutions including: 19 banks, 36 finance companies, 6 offshore banks, 12 microcredit associations, 9 intermediary companies specializing in the transfer of funds, the Caisse Centrale de Garantie (Central Guarantee Fund) and the Caisse de Dépôt et de Gestion (Deposit and Management Fund).

Development of the number of credit institutions and similar bodies

	2005	2006	2007	2008	2009
Banks	**16**	**16**	**16**	**18**	19
Including:					
Foreign-owned banksr	5	5	5	7	7
Public-owned banks	5	5	5	5	6
Finance companies	**36**	**36**	**37**	**37**	**36**
Consumer credit companies	19	19	20	20	19
Leasing companies	7	7	7	7	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	4	3	3	3
Other Companies	-	-	1	1	2
Total number of credit institutions	**52**	**52**	**53**	**55**	**55**
Offshore banks	**6**	**6**	**6**	**6**	**6**
Micro-credit associations	**12**	**13**	**14**	**13**	**12**
Funds transfer companies				**7**	**9**
Other entities	**3**	**3**	**3**	**3**	**2**
Total	**73**	**74**	**76**	**84**	84

At the end of 2009, and with the creation of the Postal Bank, the State became a majority shareholder in 6 banks and 5 finance companies and was holding significant shares in 6 other credit institutions.

Seven banks and 10 finance companies were foreign-owned, while foreign interests were significant in 8 other credit institutions.

At the end of 2009, 14 credit institutions, including 6 banks, were listed in the stock exchange, with a share of 27% of market capitalization.

2 - ACCESS TO BANKING SERVICES IMPROVED SIGNIFICANTLY, ON THE BACK OF THE NEW FINANCIAL INCLUSION STRATEGY

In 2009, coverage of banking services increased significantly. This momentum is expected to continue, supported by the strategies aimed at ensuring access to banking services by new segments of the population.

2.1 - Opening of bank branches nationwide remained accelerated

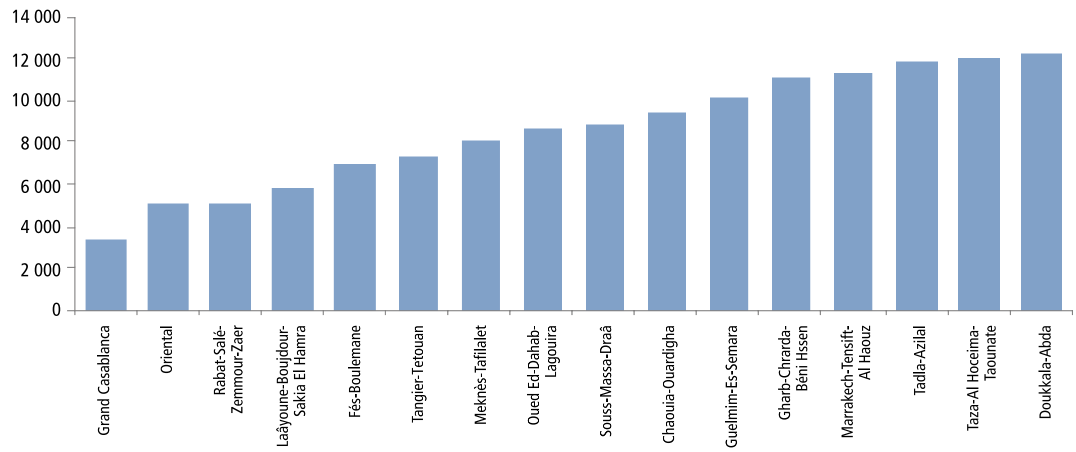
Over the past three years, banks stepped up the opening of branches, bringing the number of newly installed branches up to 1,091, the equivalent of the number created during the past ten years. In 2009, banks opened 400 new branches, compared with 390 in 2008.

Taking into account the postal bank's 887 branches offering financial services, the banking network now includes 4,425 business outlets. Banking density- measured by the number of people per bank branch- reached 7,100 inhabitants per branch.

However, the geographical distribution of bank branches is characterized by a heavy concentration in major urban centers, whereas rural areas only host 13% of the banking network.

Chart 1 below shows that the Grand Casablanca Region has the highest banking density with a branch for every 3,436 inhabitants. Collected funds and distributed loans in this region alone account for 40% and 63% of the total, respectively.

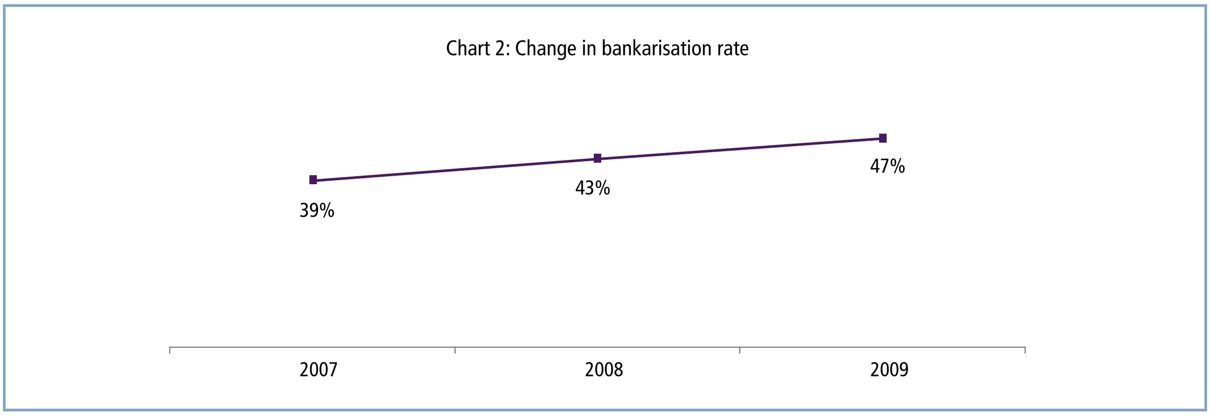
Chart 1: Geographical breakdown of the number of inhabitants per branch



The Oriental region, with respectively 9% and 2% of the total collected funds and distributed loans, comes second with a banking density of one branch for every 5,042 inhabitants.

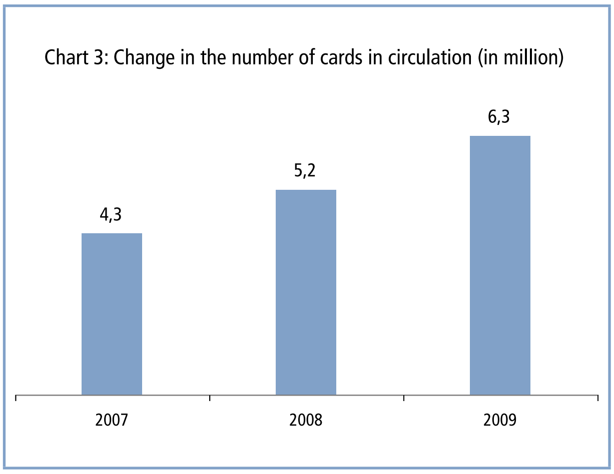
The Rabat-Salé-Zemmour-Zaër Region is third with a banking density of 5,081 inhabitants per branch. This region's banks distributed nearly 13% of total loans and collected about 15% of funds.

The Doukkala-Abda Region concentrated nearly 2% of collected funds and 1.5% of distributed loans, thus marking the lowest banking density with 12,163 inhabitants per branch.



With the strengthening of the banking system, the total number of accounts opened with banks increased by 10%, to nearly 15 million accounts. As shown by Chart 2 above, this development brought the total bankarisation[1] rate to 47%. This rate stands at 42%, if we take into consideration accounts held by residents only.

At the same time, the number of credit cards rose by more than one million, to 6.3 million cards, as indicated by Chart 3 (opposite).



Cards are still mainly used for withdrawal operations, which grew by 19% in comparison with 2008, to 119.2 million operations. The total amount of these withdrawals increased 18.9% to 101 billion dirhams. The number of payment operations went up 20.2% to 8.1 million, corresponding to a total value of 5.1 billion dirhams, up 22.4%.

Given the growing interest in the use of credit cards, the number of Automated Teller Machines (ATMs) should be increased. The 515 newly created ATMs brought their total number to 4,144 units, or one ATM for every 7,600 persons, which represents one fifth of the number recorded 10 years ago.

1 Total number of accounts to overall population

2.2 - Banks continued to tailor their services to the needs of various population segments

The deepening of the national banking market based on a voluntarist approach is one of the pillars of the strategy targeting an integrated development of the financial sector. In this regard, in addition to their conventional network, Morocco's major financial institutions set up new distribution channels targeting low-income populations and very small enterprises. By so doing, they have managed to attract new clients by offering tailor-made products and service pricing.

The introduction of innovative solutions like Mobile Banking, which has already been used by some institutions, and the licensing of the postal bank are expected to give extra impetus to the financial inclusion strategy.

3 - BANKS STRENGTHENED THEIR POSITION PLAN AT REGIONAL AND CONTINENTAL LEVELS

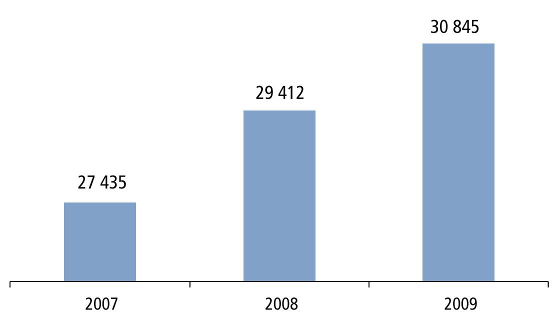
As part of their strategy aiming at finding new growth niches, supporting Moroccan operators and reaching out to Moroccans residing abroad, banks have over the recent years accelerated their presence at the regional and continental levels. Within five years, the number of bank branches abroad has nearly doubled. At the end of 2009, banks had a total number of 18 subsidiaries, 71 agencies and 58 representative offices.

4 - BANKS' RECRUITMENT POLICY REMAINED SUSTAINED

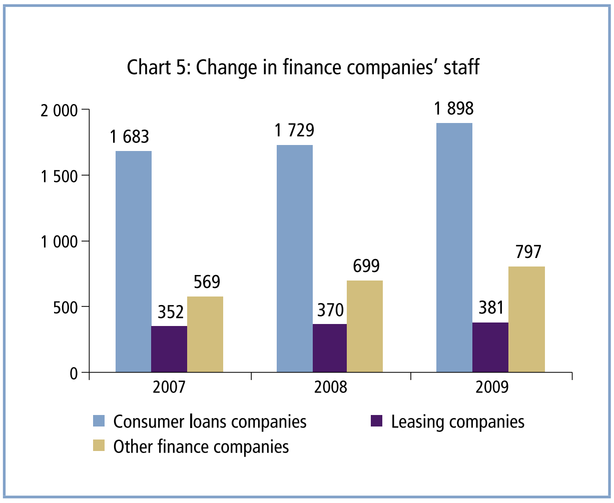
At the end of December 2009, the staff working in credit institutions and similar bodies increased by 5% to 41,200 people, 75% of whom were working for banks, 16% for micro-credit associations and 8% for finance companies.

In an endeavor to support their network expansion and improve training quality, banks continued to increase their staff which went up from 1,433 agents to 30,845.

Chart 4: Change in banks' staff



Finance companies increased their staff by 9.9 percent, to 3,076 people. Consumer credit companies and leasing companies are still the major job suppliers in the sector, with shares of 62 percent and 12 percent, respectively.

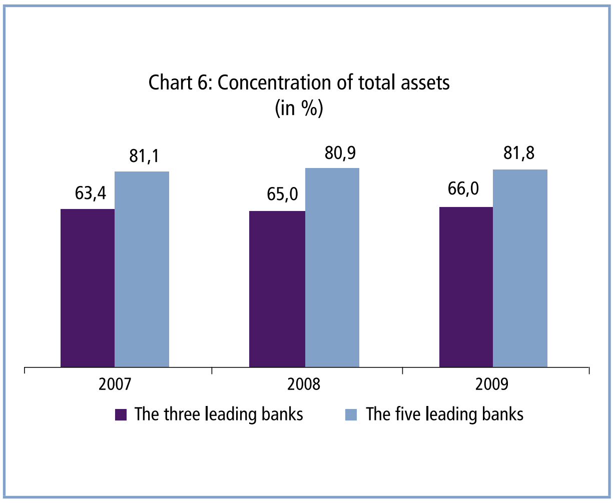


5 - THE CONCENTRATION OF LENDING ACTIVITY ON A CONSOLIDATED BASIS DECREASED

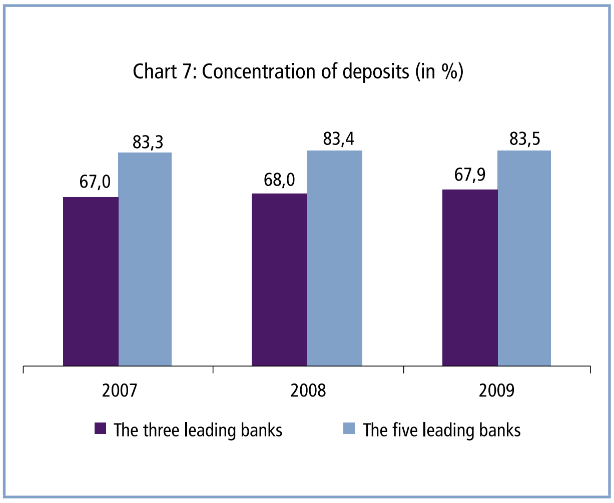
Concentration, considered on an individual basis, saw no significant change compared with the year before. There was however a slight decrease in concentration on a consolidated basis.

5.1 - Concentration of banking activities on an individual basis

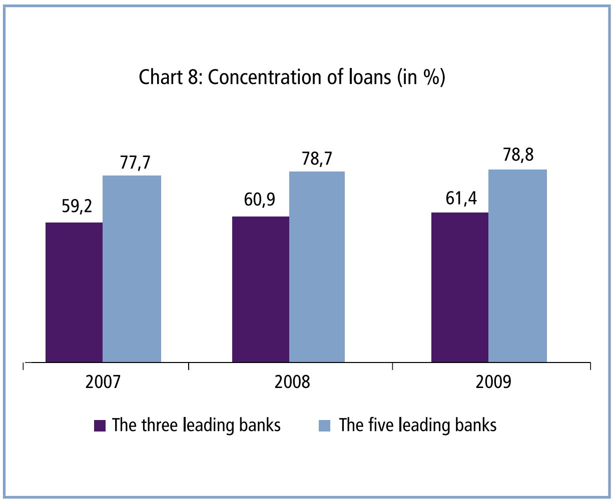
In terms of total assets, the share of the three leading banks and the first five banks rose by nearly one point to 66% and 81.8%, respectively.



As regards deposits, the concentration level remained unchanged, at 68% for the first three banks and 83.5% for the five leading banks.



Concerning loans, the share of the three major banks posted a slight increase of 0.5 point to 61.4%, while that of the five leading banks almost stabilized at 78.8%.



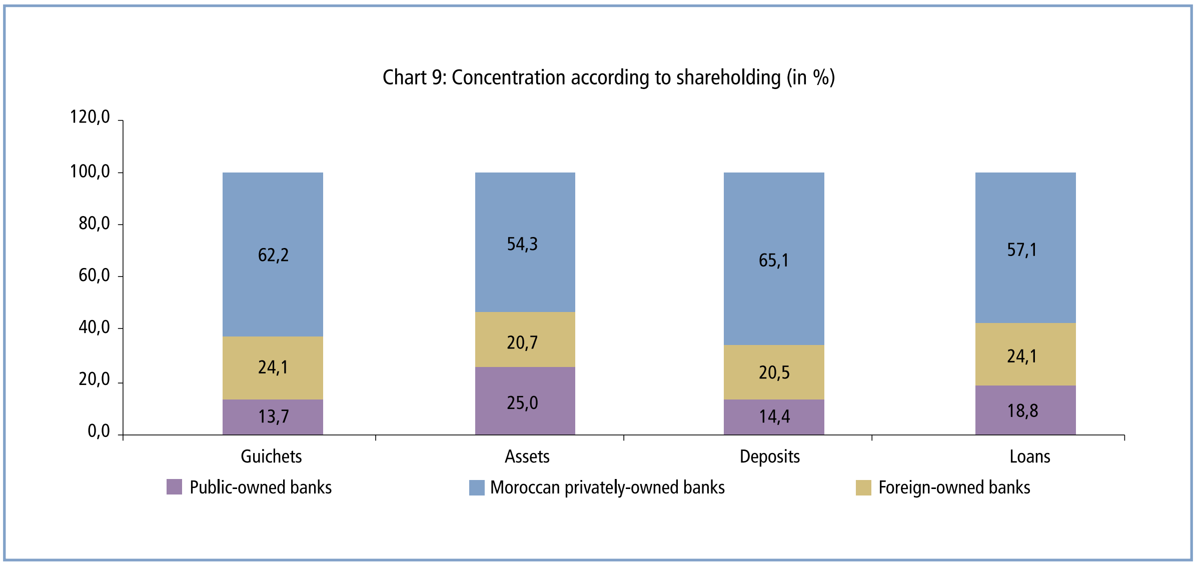
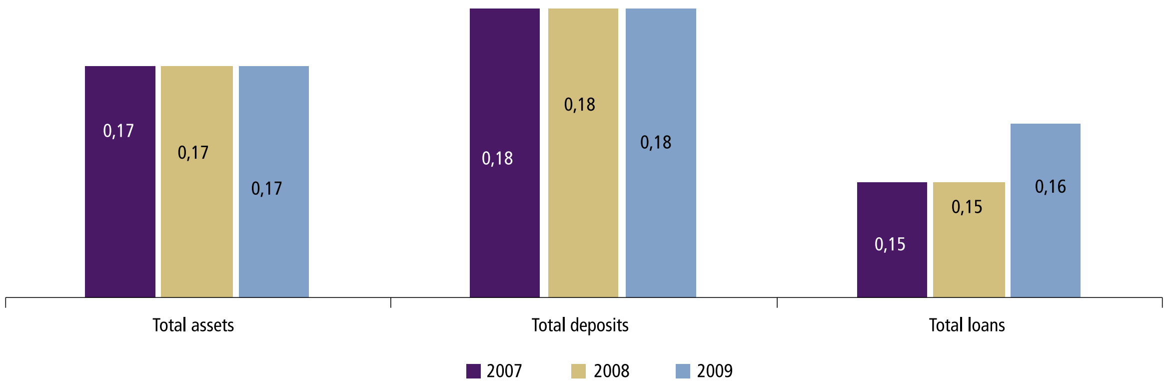


Chart 9 above shows that, at the end of 2009, Moroccan privately-owned banks had 62.2% of branches, 54.3% of assets, 65.1% of deposits and 57.1% of loans. Foreign-controlled banks had 24.1% of the banking network, 20.7% of assets, 20.5% of deposits and 24.1% of loans. Public-owned banks had 13.7% of branches, 25% of assets, 14.4% of deposits and 18.8% of loans.

Chart 10: Banks' concentration according to the Herfindahl-Hirshman index



In line with the findings of the previous years, the Herfindahl-Hirshman Index shows that concentration was relatively higher for deposits (0.18) than for total assets (0.17) and loans (0.16).

Box 16: The Herfindahl-Hirshman Index

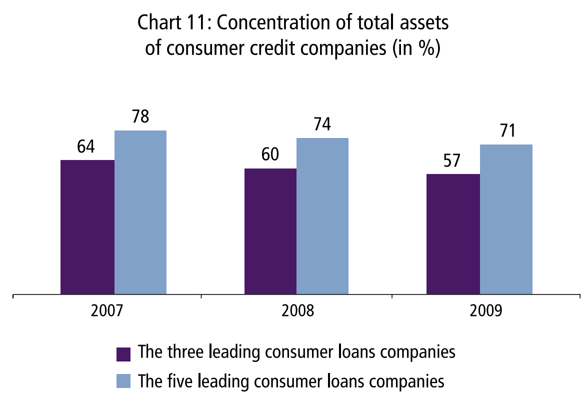
The Herfindahl-Hirshman Index, which adds up the banks' squared market shares, ranges between 0 and 1. The market is considered of low concentration when the value is less than 0.10, moderately concentrated when it is between 0.10 and 0.18 and highly concentrated when it is above 0.18.

5.2 - Concentration of finance companies' activities

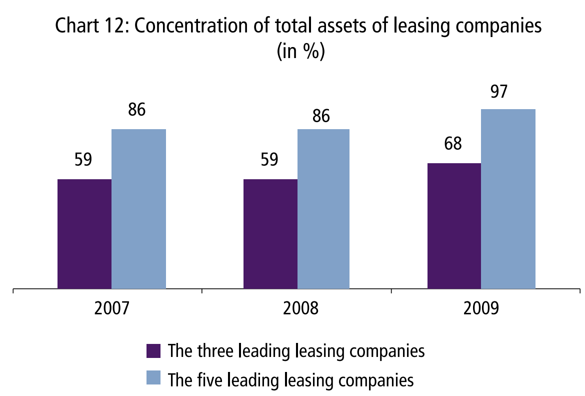
Concentration in the consumer credit sector decreased following the slowdown in the activity of lease-option agreements, which is conducted by big companies. On the opposite, concentration in the leasing sector increased following the merger of two companies.

The shares of the three and five leading consumer credit companies in the sector's total assets dropped 3 points to 57% and 71%, respectively.

The weight of the thirteen companies backed by financial institutions remained unchanged at 97% compared with the previous year.



The share of the first three leasing companies in the sector's total assets posted an increase of 9 points to 68% while the five leading companies' share gained 11 points to 97%.



5.3 - Concentration of credit activities on a consolidated basis

The concentration of credit activities on a consolidated basis decreased in 2009, as the share of the three leading banking groups shrunk by 3 points to 59% and that the first five major groups fell by 4 points to 78%.

Change in loan concentration on a consolidated basis (in %)

	Cash facilities and equipment loans for businesses			Real-estate loans			Consumer loans			Total of loans		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
3 leading banks	58	60	57	63	64	64	65	66	63	58	62	59
5 leading banks	79	80	77	83	83	82	85	85	83	78	82	78

Concentration per type of credit posted a fall in cash facilities and equipment loans for businesses. The concentration in real-estate loans stabilized, however. The three leading banking groups secured 57% of cash facilities and equipment loans for businesses, 64% of real-estate loans and 63% of consumer loans. The share of the five major groups amounted to 77%, 82% and 83%, respectively.

II. BANKS' ACTIVITIES AND RESULTS[1]

Despite less favorable economic conditions marked by banks' liquidity stringency and growing risks, banking activity remained strong and yielded bigger revenues, despite its deceleration.

1 - BANKS PERFORMED WELL DESPITE A LESS FAVOURABLE ENVIRONMENT

The deceleration of banks' activities had different impacts on their assets and liabilities from their balance sheets. On the assets side, lending growth slowed down while transactions on securities expanded. As regards liabilities, deposits posted a moderate growth the effect of which was toned down by recourse to the capital market and the decline in the reserve requirements.

1.1 - Banks' assets were consolidated by decreased reserve' requirements

With a total assets standing at 828 billion dirhams, the volume of banking activity grew by 8.4%, compared with 16.7% in 2008. The total assets represented 113% of GDP at current prices, compared with 111% a year earlier.

Change in banks' assets (Activity in Morocco)

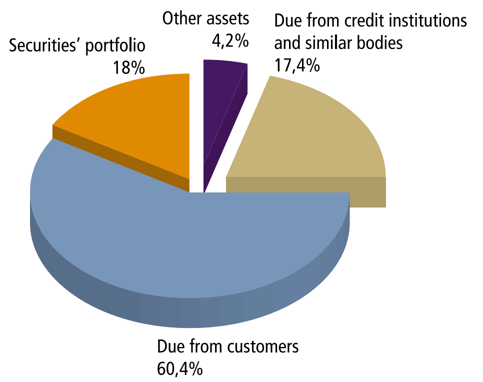
(In million dirhams)

Assets	2007	2008	2009	Change 2008/2009 (in%)
Due from credit institutions and similar bodies	152 193	157 520	143 715	-8,8
Due from customers	359 493	447 729	500 394	11,8
Securities' portfolio	115 717	124 079	148 155	19,4
Including Treasury bills	75 862	72 452	80 684	11,4
Fixed assets	14 063	15 256	16 204	6,2
Other assets	13 199	19 310	19 649	1,8
Total	**654 665**	**763 894**	**828 117**	**8,4**

1 This part of the report deals with the results realized by banks in Morocco and does not include data concerning the postal bank which will start in 2010.

Despite the decelerating growth rate of customers loans, their share in assets rose by 1.8 point to 60.4%. The share of securities in portfolio gained 1.8 point to nearly 18%. However, the share of loans to credit institutions and similar bodies decreased by 3.2 points to 17.4%, owing to the drop in the reserve requirements.

Chart 13: Structure of banks' assets



1.1.1. Loans to credit institutions and similar bodies declined

Loans to credit institutions and similar bodies fell 8.8% to 143.7 billion dirhams, after their 3.5% increase at end-2008. This change mainly reflects the decline in banks' deposits with the Central bank, owing to the decrease of the reserve requirements, and the fall of loans to banks abroad. Out of this total, claims in dirhams- which make up 73%, down 4 points- fell 13.4% to 105.4 billion. Claims in foreign currencies rose by 7.2% to 38.3 billion and their share gained 4 points to 27%.

Following the two successive cuts in the reserve requirements in 2009, deposits with the Central bank declined by 32.8% to 36.7 billion dirhams, leading to the liberalization of a total liquidity of 15 billion dirhams.

Loans to local banks, which had dropped by 15% in 2008, grew up 28% to 15.8 billion dirhams. While financial loans fell 19.5% to 4.4 billion dirhams, cash facilities increased by 25% to 7.9 billion dirham and reverse repurchase agreements increased six-fold to 3.4 billion dirhams.

Following the same trend as in the previous year, receivables from banks abroad were down 9.7% to nearly 16 billion dirhams.

With the slowdown in the activity of finance companies and their recourse to the financial market, banks' loans to these companies, which had grown by 22.8% in 2008, stabilized at 51.8 billion dirhams, including 16 billion dirhams of cash facilities and 35.8 billion dirhams of financial loans.

The loans to entities similar to credit institutions[1] increased by 11.7% to 22.9 billion dirhams, most of which benefited to offshore banks.

1 Entities similar to credit institutions are mainly the Caisse de Dépôt et de Gestion, the Caisse Centrale de Garantie, offshore banks and micro-credit associations.

1.1.2. Credit remained dynamic despite its deceleration

The economic slowdown resulting from the contraction of foreign demand has clearly affected credit growth rate. At 9.4%, this rate remained strong though. With an outstanding amount of 568 billion dirhams, loans represented 77% of GDP at current prices, compared with 75% a year earlier.

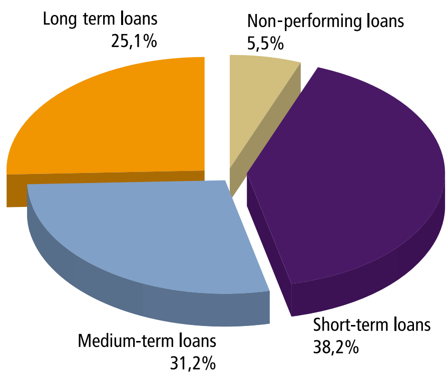
This deceleration mainly resulted from the sharp drop in cash facilities and reflects the difficulties experienced by several firms due to a less favorable business cycle.

In connection with the strong rise in equipment loans, medium and short-term loans were 14.9% up to nearly 320 billion dirhams, thus taking their share in total loans to 56.3%, up 2.7 points.

At 217 billion dirhams, short-term loans increased by 3.5%, compared with 20.4% a year earlier. Their share in total loans contracted, however, by 2.2 points to 38.2%.

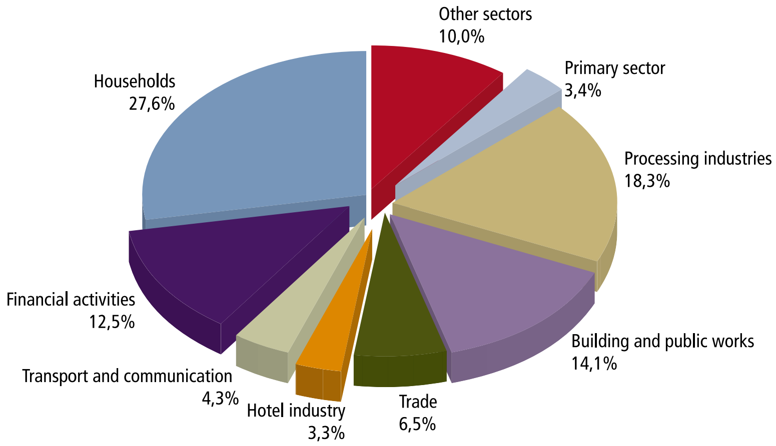
The share of non-performing loans decreased by 0.5 point to 5.5%, and their coverage rate stood at 74%, almost the same rate as in 2008.

Chart 14: Disbursement loans sorted out by term



The recessionary effects of the international crisis led to a slight change in the sectoral breakdown of loans. The outstanding amount of loans granted to the industrial sector thus increased by 7.3% only, compared with 25.3% in 2008, to 104 billion dirhams, or 18.3% of total loans.

Chart 15: Per-sector breakdown of disbursement loans (in %)



With a share of 14.1% of the total loans, the building and public works sector had an outstanding amount of 80 billion dirhams, 23% up, compared with 22% a year before. This development covers varied trends, however. While loans to real-estate development decelerated, those granted to public works increased markedly, stimulated by the momentum in public investment.

The loans to the primary sector seem to have been affected by the drop in demand from farmers, after a good crop year. The outstanding amount of loans under this category which represents 3.4% of the total loans, down 0.7 point from the previous year declined by 7.8% to 19.4 billion dirhams.

The share of loans granted to the transport and communication sector dropped by 0.2 point to 4.3% of the total loans. Their outstanding amount stood at 24.4 billion dirhams.

The hotel business registered an outstanding amount of 18.6 billion dirhams and its share in total loans rose by 0.7 point to 3.3%.

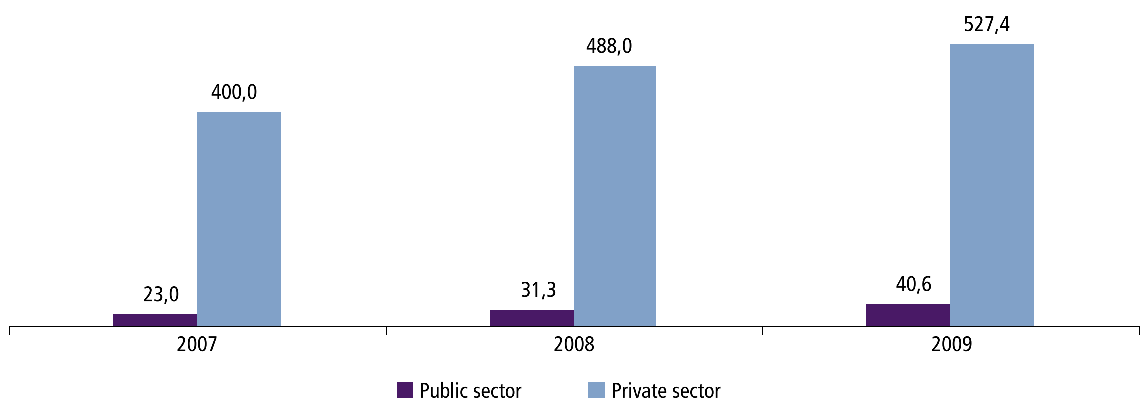
With the slowdown in financial companies' activities, the outstanding amount of loans increased by 3.7%, compared with 13% a year earlier, to 70.8 billion dirhams and its share decreased by 0.6 point to 12.5%.

The outstanding amount of loans to households, which continue to benefit from broadly favorable financial conditions, went up 13.9%, compared with 14.6% a year earlier. Made up at nearly 70% of property loans, this amount reached 156.7 billion dirhams and accounted for 27.6% of total loans and 21% of GDP, compared with 20% a year earlier.

The breakdown of loans per economic agent shows the continued predominance of loans granted to businesses, though their pace of growth decelerated. The outstanding amount of advances to non-financial private firms increased by 6.6%, compared with 27% a year earlier. It reached 310.7 billion dirhams, or about 55% of total loans. However, the share of financial firms[1] was limited to 2%, as their borrowing requirements remained modest.

All things considered, the outstanding amount of loans granted to the private sector totaled 527.4 billion dirhams, with an 8% increase, less than in 2008. It accounted for 93% of total loans and its ratio to GDP went up to 72% from 71% a year earlier.

Chart 16: Breakdown of disbursement loans between the private and public sectors (In billion dirhams)



Prompted by the large-scale projects launched by public authorities, loans to the public sector grew by 30% to 40.6 billion dirhams and their share in total loans rose to 7%, up from 6% earlier. This increase mostly benefited state-owned companies, with their loan outstanding up 56% to 24.4 billion dirhams. As for the general government, the outstanding amount of their debts to banks rose by 3.7% to 16.2 billion dirhams.

1.1.3 - The development of securities' portfolio covers varying trends

Securities held by banks fall into four portfolio categories: transactions, held-for-sale, investment and equity securities. Each portfolio is defined according to the intention the institution has at the time of acquisition.

1 Excluding credit institutions and similar bodies.

Change in securities' portfolio (In gross amounts)

(In million dirhams)

	2007	2008	2009	Change 2008/2009 (in %)
Transaction' securities		33 589	53 536	59,4
Securities held for sale	58 392	40 703	40 893	0,5
Investment securities	45 164	35 158	28 416	-19,2
Equity' securities and similar assets	13 052	16 096	26 764	66,3
Total securities' portfolio	**116 608**	**125 546**	**149 609**	**19,2**

At the end of 2009, the overall outstanding amount of securities' portfolio rose by 19.2%, compared with 7.7% a year earlier, to 149.6 billion dirhams. In net terms, this amount accounted for 18% of assets, compared with 16.2% earlier.

Reversing the downtrend seen in 2007 and 2008, the outstanding amount of Treasury bills increased by 11.4% to 80.6 billion dirhams. Its share in total assets posted a moderate 9.7% increase. This development resulted from stronger recourse by the Treasury to banks to meet its borrowing requirements, especially with the decline in tax revenues.

The outstanding amount of securities held-for-sale stabilized at 40 billion dirhams, with Treasury bills accounting for 64%, other debt securities for 19% and title deeds for 17%.

The investment portfolio, consisting at 93% of Treasury bills, fell by 19.2% to 28.4 billion dirhams. This drop resulted from compliance with the regulatory requirements, which call for the alignment of classification rules on an individual basis with the IFRS' recommended rules.

The transaction' portfolio, made up of Treasury bills (52%) and title deeds (43%), rose by 59.4% to 53.5 billion dirhams. In addition to the reclassification of investment securities, this change resulted from banks' recourse to security borrowings.

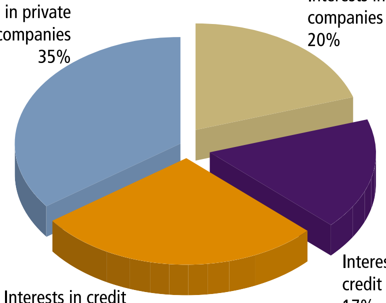
The equity' securities registered a sharp rise of 66.3% to 26.8 billion dirhams, mainly due to the acquisition of interests in companies both in Morocco and abroad.

The interests in affiliated companies[1] which account for 59% of total shareholdings, increased by 52% to nearly 16 billion dirhams.

1 Affiliated companies are those that are exclusively controlled, included or likely to be included through full consolidation in the scope of consolidation

The shareholdings and subsidies held in credit institutions based abroad rose by 43% to 6.8 billion dirhams, following the new banking acquisitions in sub-Saharan Africa. These interests represented nearly 28% of total shareholdings and 11% of banks' book equity capital.

Chart 17: Breakdown of equity' securities per type of counterpart



After doubling in 2008, securities' depreciation allocations stabilized at 1.5 billion dirhams.

1.2 - The structure of liabilities was marked by a decline in the share of deposits

Despite their modest growth in 2009, deposits collected with customers continued to predominate banks' liabilities. Their share in total liabilities, however, fell by 2.3 points to 72.6%. Bonded debts, consisting mainly of issues of subordinated debts and deposit certificates accounted for 6.7% of liabilities, 0.8 point higher than in 2008. The share of debts due to credit institutions and similar bodies stagnated at 7.6%, while the share of book equity' capital gained 0.3 point to 7.6%.

Change in banks' liabilities (Activity in Morocco) (in million of dirhams)

Liabilities	2007	2008	2009	Change 2008/2009 (in %)
Due to credit institutions and similar bodies	44 245	58 922	62 742	6,5
Due to customers	515 171	572 294	601 268	5,1
Bonded debts	22 877	45 207	55 830	23,5
Issued debt' securities	18 035	32 013	36 476	13,9
Subordinated debts	4 842	13 194	19 354	46,7
Equity' capital	45 337	55 400	63 056	13,8
Other liabilities	18 064	23 459	36 003	53,5
Net income	8 971	8 612	9 218	7,0
Total liabilities	**654 665**	**763 894**	**828 117**	**8,4**

1.2.1 - Debts due to credit institutions and similar bodies evolved at varied paces

After surging at 33% in 2008, debts due to credit institutions and similar bodies rose by no more than 6.5% to 62.7 billion dirhams, with debt in foreign currencies accounting for 27%.

The interbank debts, which made up 29% of the total, posted a slight increase of 1.5% to 18.5 billion dirhams. They were made up of treasury loans (8.8 billion), financial loans (3.7 billion) and repurchase agreements (6 billion). By contrast, borrowings from credit institutions based abroad declined by 10.6% to 6.5 billion dirhams.

To overcome their cash deficit, banks continued to resort to advances from Bank Al-Maghrib. At the end of December 2009, the outstanding amounts of their debts to the Central bank rose by 17.7% to 19.8 billion dirhams, after nearly doubling in 2008.

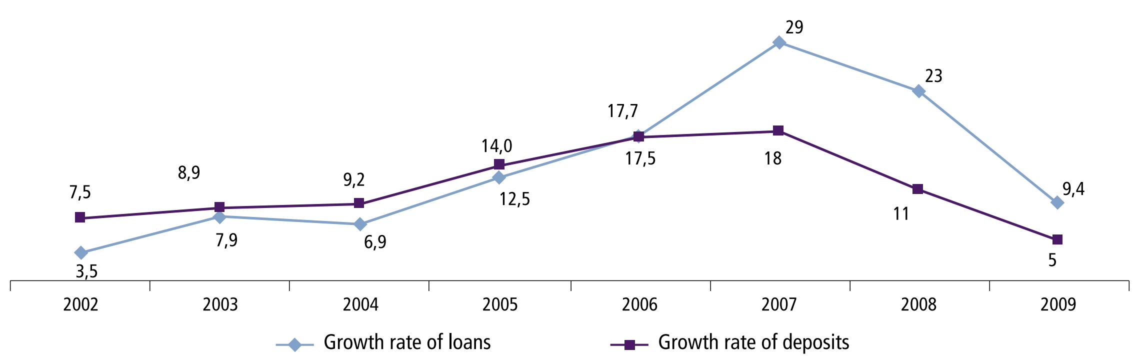
Amounts owed to entities similar to credit institutions were up 8% approximately, to 16.3 billion dirhams.

1.2.2- For the fourth running year, deposits' increase was lower than loans'

In connection mainly with the drop in travel receipts, exports, remittances by Moroccans residing abroad and foreign direct investments, deposits from clients grew by a limited 5%, compared with 11% a year earlier, to more than 601 billion dirhams. They represented 82% of GDP, at current prices compared with 83% a year before.

Deposits in foreign currencies increased by 10.5% to 6.5 billion dirhams, while deposits in convertible dirhams maintained their level of the previous year, i.e. 12.5 billion dirhams. These two types of deposits combined accounted for 3.2% of total funds provided by customers.

Chart 18: Change in the growth rate of loans and deposits (in %)

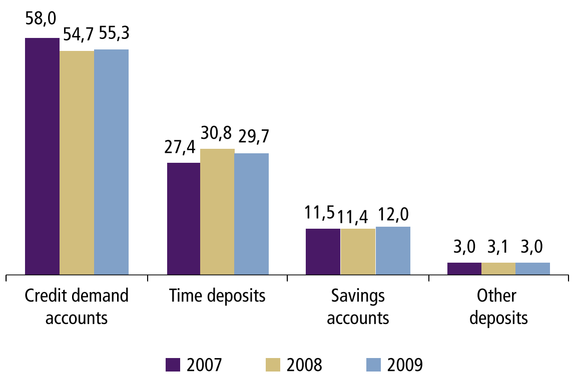


For the fourth year in a row, deposits increased at a slower pace than loans. This development led to the increase of the average loans-to-deposits ratio which reached 95%.

The growth pace of deposits was affected by a 1.2% fall in time deposits to 178.7 billion dirhams, after their 24.8% increase in the year before. Non-financial agents seem to have preferred more profitable investments, especially in bonds.

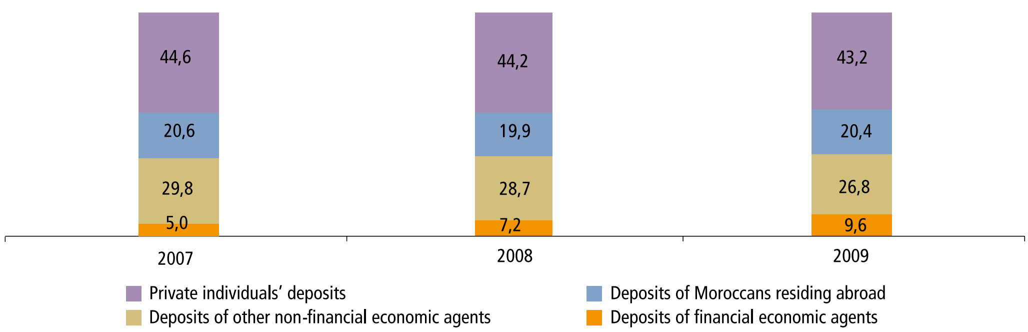
However, demand deposits rose by 6.3% compared with 4.6%, to nearly 332 billion dirhams, while savings accounts were up 9.7% compared with 10.6%, to 71.9 billion dirhams.

Chart 19: Changes in shares of deposits' categories in total deposits (In %)



The deposits from private individuals and other non-financial economic agents continue to dominate deposits' structure, though their respective shares are lower than in 2008.

Chart 20: Structure of deposits sorted out by category of economic agent (In %)



Accounting for 43.2% of total deposits, the deposits of private individuals (excluding remittances by Moroccans residing abroad) increased by 2.3%, compared with 10% in 2008, which brought their outstanding amount to 258 billion dirhams.

Despite the deteriorating labor market in host countries, the deposits by Moroccans residing abroad grew by 6.8%, a rate identical to last year's, to 121.5 billion dirhams. They were made up of time deposits (59%), demand deposits (36%) and deposits on savings accounts (5%).

The deposits by financial economic agents, which represent 9.6% of total deposits, rose by 39% to 57.2 billion dirhams.

1.2.3 - Long-term liabilities grew in strength

Bonded debts, which include debt securities and subordinated debts, gained 23.5% to 55.8 billion dirhams, or 6.7% of total liabilities.

Issued debt securities increased by 13.9% to 36.5 billion dirhams. While deposits certificates the first component of such securities- were up 17.8% to 32.5 billion dirhams, bonds and other debt securities fell -again- by 10% to 4 billion dirhams.

To meet regulatory requirements, there was an increased recourse to the issue of subordinated debts, the outstanding amount of which rose by 46.7% to 19.4 billion dirhams.

1.2.4 - Equity capital consolidated

Driven by regulatory developments and in order to accompany the expansion of their business at the local and international levels, banks pursued programs aiming at strengthening their capital. At the end of December 2009, the equity capital, excluding income for the year, rose by 13.8% to 63 billion dirhams. The ratio of equity capital to total assets stood at 7.6 %, 0.3 point higher than in last year.

1.3 - Off-balance sheet commitments on derivatives expanded

In recent years, there was a significant increase in off-balance sheet operations, which consist of made or received financing commitments and surety bonds, foreign currency liabilities and commitments on derivatives. Just like conventional commitments which registered a marked growth, commitments on derivatives increased at a sustained pace, driven by the prevailing market uncertainty. While these instruments certainly represent new sources of income, they also involve risks.

Box 17: Definition of off-balance sheet items

- **Financing commitments:** a promise made by a credit institution to grant cash facilities to a customer, in line with the terms of the contract.
- **Surety bonds:** A contract by which a credit institution commits itself in favor of a third party on behalf of a client or another credit institution to cover their subscribed commitments in case they are unable to fulfill them by their own.
- **Foreign currency liabilities:** a contract on spot and forward foreign exchange transactions. Spot foreign-exchange operations refer to foreign currency purchases or sales in which the parties do not defer conclusion of the transaction or defer it for the usance period. Forward foreign exchange transactions refer to foreign currency purchases or sales in which the parties decide to defer conclusion for reasons other than that of the usance period.
- **Commitments on derivatives:** commitments on interest rate instruments, exchange rate instruments and other instruments. These commitments are posted according to the notional amount of the underlying asset.

Financing commitments made shrunk by 2.2% to 71.7 billion dirhams, compared with a 30% increase before. More than 93% of this total was in favor of customers.

Delivered surety bonds rose by 12.7% to 94.7 billion dirhams. Guarantee commitments to customers increased by 9.5% to 64.2 billion dirhams, while commitments to credit institutions and similar bodies expanded by 20% to 30.5 billion dirhams.

Received financing commitments slumped by 44% to 2.9 billion dirhams and received surety bonds dropped by 13.3% to 48.2 billion dirhams, including 45.4 billion dirhams received from credit institutions and similar bodies.

Foreign currency liabilities surged by 45.9% to 82.3 billion dirhams. Spot foreign exchange transactions more than doubled to 35.1 billion dirhams, largely as a result of capital transactions. Forward foreign exchange transactions rose by 9.4% to 47.2 billion dirhams.

Compared with 2008, commitments on derivatives more than tripled to 19.4 billion dirhams. This change resulted from the uncertainties surrounding the international business environment. However, these products are still offered by only a limited number of institutions.

Commitments on exchange rate instruments, which account for 55 % of the outstanding commitments on derivatives, went from 3.8 billion to 10.6 billion dirhams.

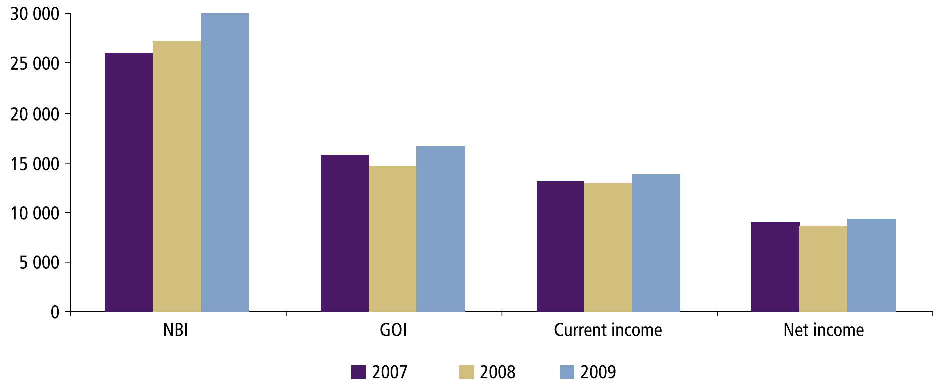
Commitments on interest rate instruments, which represent 37% of the total, increased eightfold to 7.2 billion dirhams, in response to the marked growth in interest rate swaps.

2 - THE BANKS' AGGREGATE NET PROFIT IMPROVED

Despite the slowdown in their activity and the mounting risk costs, banks achieved better results overall, on the back of the good performance of the net banking income and the realization of extradordinary profits.

The analysis of banks' performance requires highlighting the main intermediate balances, which help to identify elements having contributed to the final result.

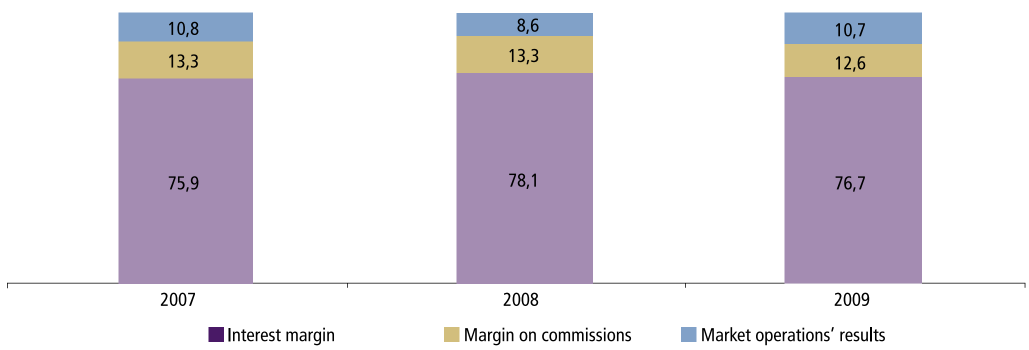
Chart 21: Change in banks' management intermediate balances
(In million dirhams)



2.1 - The net banking income rose strongly despite the slight deceleration of the interest margin

After a 4.7% increase in the previous year, the net banking income rose by 10.3% to nearly 30 billion dirhams. This change is due to the moderate rise in the interest margin and the good performance of income from market transactions.

Chart 22: Change in the shares of interest margin, margin on commissions and market operations' results in the net banking income (in %)



At 22.5 billion dirhams, the interest margin grew by 5.6% compared with 10.7% in the previous year. Its share in the NBI declined by 1.4 point to 76.7%. This deceleration can be explained by a concomitant rise in collected interests by 10% and in paid interests by 16.2%, compared with 14% and 27%, respectively, a year earlier.

The net income from interest rates on transactions with credit institutions and similar bodies declined by 21.8% to 1.3 billion dirhams, as the amount of interests collected fell by 10.8% to 3.1 billion whereas the sum of interests paid remained at the same level as in 2008, i.e. 1.8 billion dirhams.

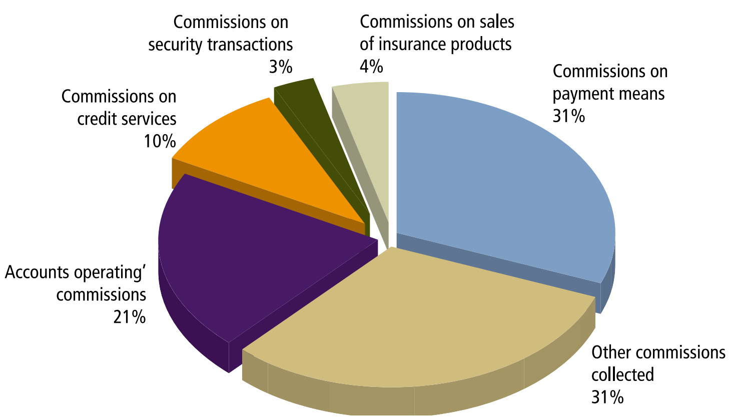
The transactions with customers generated a net interest income of 19 billion dirhams, up 14% compared with 30% in 2008. Collected interests, which were influenced by the downturn in lending activity, rose by 15.3% to 28.6 billion dirhams, compared with 27% in the previous year, while paid interests, at 9.7 billion dirhams, were up 17.9% compared with 21% in the previous year.

After a 35.5% decline in 2008, the net interest income from debt securities shrunk, again, by 13.9% to 2.9 billion dirhams, as expenses related to issued debt securities rose by 25.6% to 2.3 billion, while similar interests and income related to debt securities stabilized at 5.2 billion dirhams.

With its share accounting for 12.6% of NBI, 0.7 point lower than before, the margin on commissions rose by the same rate as last year's (4.8%), to 3.8 billion dirhams.

The commissions on services, which amounted to 3.8 billion dirhams, grew at the same rate as in 2008, i.e. 6.3%, but showed varied trends.

Chart 23: Structure of commissions on services



Being the first source of commissions deducted by banks, the commissions on payment means rose by 8.5% to 1.2 billion dirhams. Boosted by the attraction of new customers, the account operating' commissions increased by 11.9% to 785.6 million dirhams. The commissions on credit services were up 4.5 % to 389 million dirhams.

Owing to the decline of stock market activity, though at a slower pace than in 2008, commissions on securities' transactions contracted by 26.5% to 114.3 million dirhams. However, commissions on the sale of insurance products increased by 13.7% to 159 million dirhams.

The net commissions on financing commitments and surety bonds gained 7.9% to 769 million dirhams, while those on foreign exchange transactions decreased by 17.8% to 171 million dirhams.

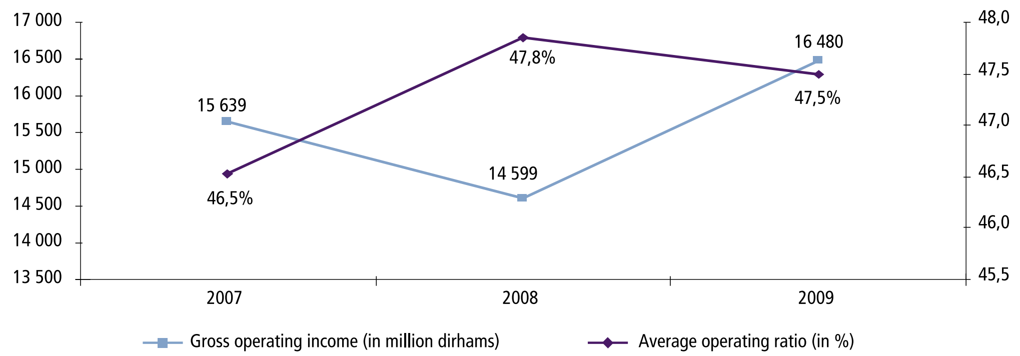
The slowdown in the rise of net income from intermediation was offset by the stronger contribution of market transactions to net banking income. The income from market transactions expanded by 36.7% to 3.2 billion dirhams, after a 16% decline a year earlier, thus bringing its share in NBI up to 10.7%, 2.1 points higher.

The growth of income from market activities resulted mainly from a 58.5% surge in the income from transactions on securities in portfolio, to 1.5 billion dirhams, with income from trading portfolio amounting to 1.1 billion dirhams and from the held-for-sale portfolio to 413 million dirhams. This development stemmed in turn from lower interest rates on Treasury bills and better yields from money market and bond UCITS (Undertakings for collective investments in transferable securities).

2.2 - The gross operating income picked up

Although they increased at a slower pace than the net banking income, general operating expenses rose by 9.5% to 14.2 billion dirhams, after growing by 7.7% a year earlier. As a result, the average operating ratio improved slightly to 47.5 %, after a 1.3 point increase in 2008.

Chart 24: Change in banks' gross operating income and average operating ratio

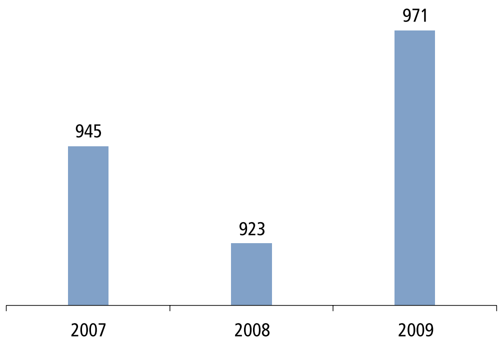


Personnel expenses, which account for 50% of total general operating expenses, rose by 6% to 7 billion dirhams. Together with the good performance of the net banking income, the control of personnel expenses' rise helped improve banks' productivity[1], as shown in Chart 25 (opposite).

1 Productivity is the ratio of NBI to banks' employees number

The external expenses, which account for 36% of the total, went up 13.7% to 5.1 billion dirhams, compared with 10.4%. This increase essentially resulted from the strong expansion of banks' network and the ongoing modernization of their information systems. Taxes increased by 8.2% to 302.6 million dirhams.

Chart 25: Change in banks' productivity (In thousand dirhams)



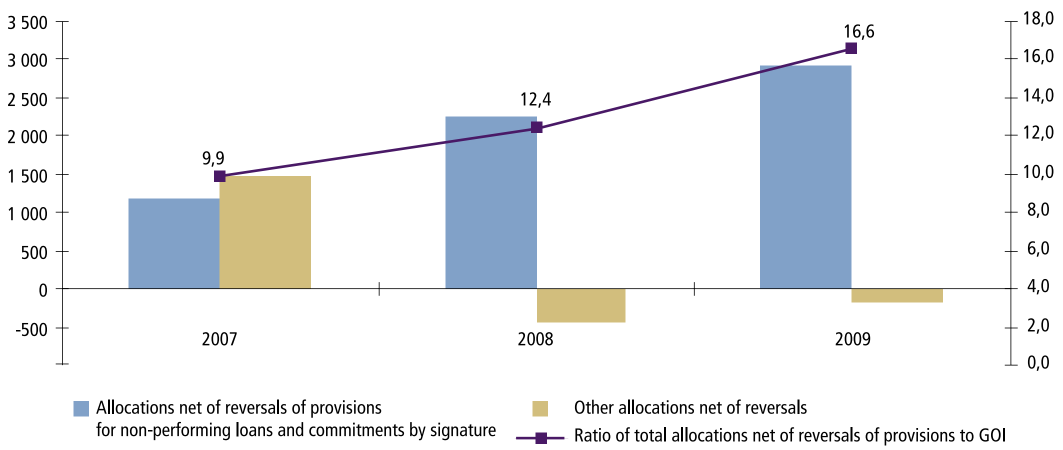
On the other hand, depreciation allocations and provisions for depreciation of tangible and intangible fixed assets increased by 11.3% to 1.5 billion dirhams.

On the back of the growth in net banking income and capital gains on the disposal of capital assets which amounted to 923 million dirhams, the gross operating income improved by 13% approximately to 16.5 billion dirhams, after a 6.7% decline in 2008.

2.3 - Despite growing risk costs, ordinary income increased

Amid growing risks stemming from the effects of the economic cycle, allocations net of reversals of provisions, which had declined by 32% in 2008, expanded by 51.4% to 2.7 billion dirhams, thus absorbing 16.6% of the gross operating income, compared with 12.4% a year earlier.

Chart 26: Changes in the ratio of annual risk costs to banks' gross operating income (GOI)



Ordinary income rose by 7.5% to 13.7 billion dirhams, while extraordinary income declined from 203 to 185 million dirhams, but remained negative.

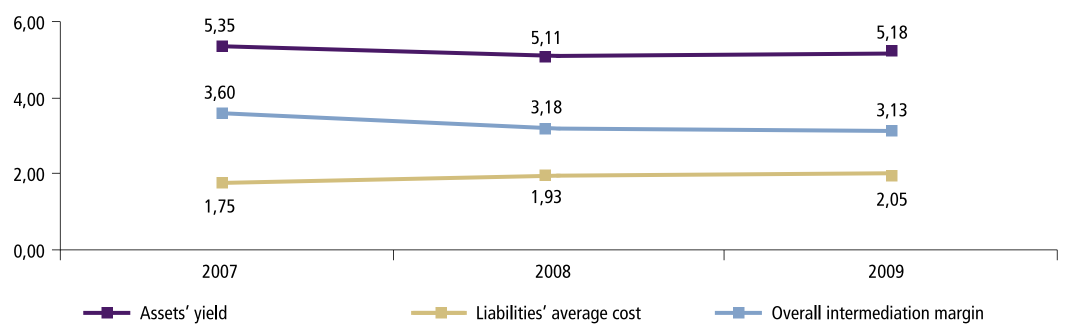
Banks' aggregate net income increased by 7% to 9.2 billion dirhams, after a 4% fall in 2008 and realizing exceptional levels in 2007.

The return on assets (ROA), which measures banks' productivity through the ratio of generated income to the average assets, stood at 1.2%, or the same level as the previous year's. By contrast, return on equity (ROE) dropped 1.5 point to 15.2%, reflecting an increase in equity capital.

2.4 - Banks' overall intermediation margin posted a slight decrease

The overall intermediation margin, which is the difference between assets' average yield and liabilities' average cost, dropped by 5 basis points from its level in 2008 to 3.13%, owing to the combined effect of the increase in assets' yield by 7 basis points to 5.18 % and in liabilities' average cost by 12 basis points to 2.05%.

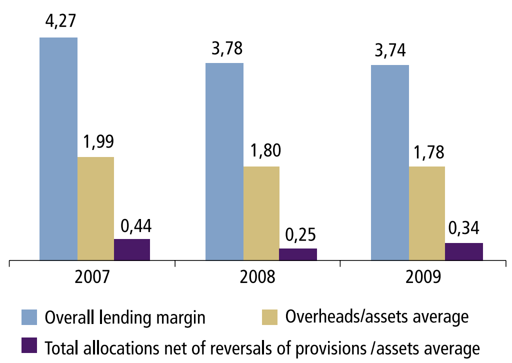
Chart 27: Changes in banks' overall intermediation margin (In %)



The loans to customers posted a return of 5.84%, a rate that remained unchanged from 2008, while average cost of deposits was 15 basis points up, to 1.67%.

Supported by the good trading performance, the overall banking margin, which corresponds to the ratio of net banking income to average assets, stood at 3.74%, compared with 3.78% a year earlier. It was absorbed by overheads which represented 1.78%, compared with 1.80% in 2008, and by risk costs, which accounted for 0.34%, compared with 0.25% a year earlier.

Chart 28: Developments in overall banking margin of overheads and risk-related costs (in %)



III. FINANCE COMPANIES' ACTIVITY AND RESULTS

1 - FINANCE COMPANIES' BUSINESS DECELERATED

Following the pattern observed for banks, finance companies' activity decelerated in 2009, mainly in connection with the economic slowdown.

1.1 - Credit surge eased

At the end of December 2009, total assets of finance companies rose by 9.5 % to 81.3 billion dirhams, compared with a 17% increase a year earlier. Their disbursement loans' outstanding went up 9.9% to nearly 80 billion dirhams, of which 9.5% are non-performing loans.

The total assets of **consumer loans companies** were up 8.4% to 41.3 billion dirhams, compared with a 13.7% increase in 2008.

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

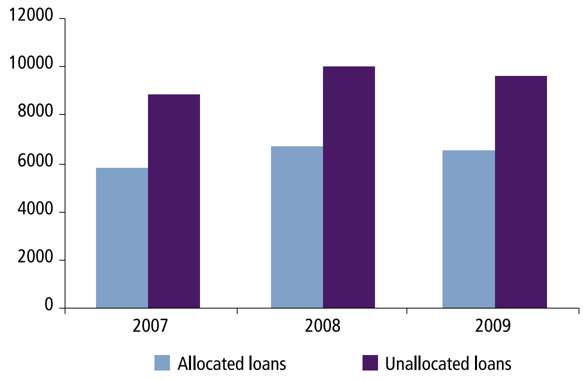
Assets	2007	2008	2009	Change 2008/2009 (in%)
Due from credit institutions and similar bodies	1 214	868	1 708	96,8
Due from customers	29 868	34 698	37 156	7,1
Including lease with purchase option	8 474	7 082	4 926	-30,4
Securities' portfolio	333	483	210	-56,5
Fixed assets	601	630	638	1,3
Other assets	1 457	1 371	1 550	13,1
Total	**33 473**	**38 050**	**41 262**	**8,4**

With the tax measures introduced by the Finance Act of 2008, the outstanding amount of lease with a purchase option posted a sharp fall of 30.4% to 5 billion dirhams, after a less marked decline of 16.5% in the previous year.

This trend adversely affected the growth pace of distributed loans, the total outstanding amount of which increased to 41 billion dirhams, up by a moderate 7% compared with 14.8% a year earlier. Non-performing loans accounted for 12.6% of this total.

The APSF (Finance Companies Professional Association) figures show that consumer loans companies granted in 2009 less loans than in 2008. The loans' production was down 3.5% to 16 billion dirhams, corresponding to 581,542 approved applications, compared with 608,546 applications a year earlier. Under this total, the production of allocated loans fell by 2.2% to 6.5 billion dirhams, while that of non-allocated loans was down 4.4% to 9.6 billion dirhams.

Chart 29: Change in the production of consumer credit companies, broken down into allocated and unallocated loans companies (In million dirhams)



Total assets of leasing companies rose by 12.4% to 36 billion dirhams, compared with a 20.9% expansion a year earlier.

Change in leasing companies' assets

(In million dirhams)

Assets	2007	2008	2009	Change 2008/2009 (in%)
Leasing fixed assets	25 158	30 300	34 450	13,7
Due from customers	70	74	84	13,5
Securities' in portfolio	31	32	31	-3,1
Other assets	1 238	1 618	1 416	-12,5
Total	**26 497**	**32 024**	**35 981**	**12,4**

The outstanding amount of leasing transactions reached 34.5 billion dirhams, up 13.7% compared with 20.9% a year earlier. Non-performing loans represented 5.7% of total loans.

The outstanding amount of equipment leasing, which accounts for 71% of the total, rose by 9.8% to 24.5 billion dirhams. On the other hand, property leasing maintained the momentum observed over recent years as it expanded by 24.7% to nearly 10 billion dirhams.

Chart 30: Changes in outstanding amount of equipment and property leasing (In million dirhams)

The APSF figures show that leasing companies distributed in 2009 more than 14 billion dirhams, corresponding to 14,985 approved applications, compared with 16,114 a year earlier. Out of this total, equipment leasing which represented nearly 80%, was allocated to the financing of commercial vehicles for 34%, private cars for 13% and machinery and industrial equipment for 25%. Under property leasing, the financing of office buildings accounted for 38% of new loans while industrial buildings made up 20% and stores 18%.

1.2 - The finance companies increased their borrowing from the financial market

In 2009, recourse by finance companies to the financial market accelerated, which pushed the share of debt securities issued in total liabilities 6 points up to 11%, while the share of borrowing from banks fell by 4 points to 68%.

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

Liabilities	2007	2008	2009	Change 2008/2009 (in%)
Due to credit institutions and similar bodies	21 740	26 096	26 340	0,9
Due to customers	541	467	370	-20,8
Debt securities issued	2 558	2 318	6 100	163,2
Equity capital	3 290	3 995	4 421	10,7
Other liabilities	4 611	4 326	3 202	-26,0
Net income	733	848	829	-2,2
Total	**33 473**	**38 050**	**41 262**	**8,4**

Borrowing from banks, which accounts for 64% of the total, remains the resource mostly used by consumer loan companies. It posted the same level as last year's, i.e. 26.3 billion dirhams, while the amount of debt securities issued more than doubled, moving up from 2.3 to 6 billion dirhams, thus accounting for 14.8% of liabilities, compared with 6% a year earlier.

The equity capital improved by 10.7% to 4.4 billion dirhams. Its ratio to total assets stood at 10.7%.

Change in liabilities of leasing companies (In million dirhams)

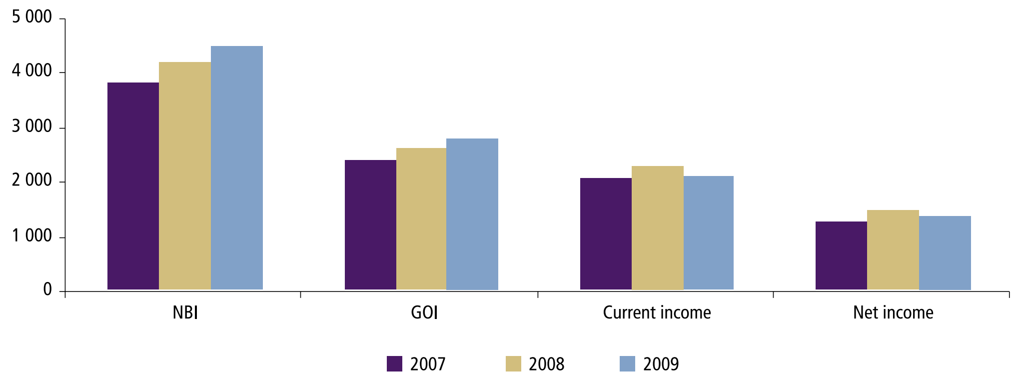
Liabilities	2007	2008	2009	Change 2008/2009 (in%)
Due to credit institutions and similar bodies	20 753	25 987	27 519	5,9
Due to customers	205	750	1 681	124,1
Debt securities issued	1 660	1 460	2 625	79,8
Equity capital	1 387	1 630	1 949	19,6
Other liabilities	2 104	1 780	1 842	3,5
Net income	388	417	365	-12,5
Total	**26 497**	**32 024**	**35 981**	**12,4**

The liabilities of leasing companies were made up of debts to banks at 77%, 4 points lower than in late 2008. The share of issued debt securities increased to 7.3%, from 4.6%, while that of equity capital went up to 5.4% from 5% a year earlier.

2 - FINANCE COMPANIES' PROFITABILITY DECLINED ON HIGHER RISK COSTS

At the end of 2009, the net profit of finance companies was down 8.2% to 1.3 billion dirhams, after an 18% increase a year before. In addition to the slowdown in lending activity, this decrease reflects higher risk costs.

Chart 31: Change in finance companies' intermediate balances
(In million dirhams)



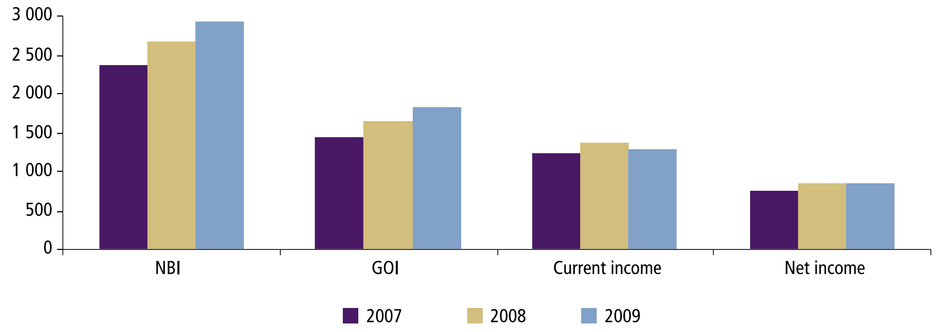
The net banking income of finance companies rose by 6.6% to 4.4 billion dirhams, compared with a 10% hike a year earlier. This change can be attributed to the sharp deceleration in the margin on commissions, whose rise was limited to 5%, compared with 40% a year earlier. The interest margin maintained the same growth rate as in the previous year, i.e. 2.2%. By contrast, income from leasing transactions grew at a more sustained pace and posted an 8.8% increase, compared with 5% in the previous year.

General operating expenses grew at a slower pace than in the previous year, going 5.8% up to 1.8 billion dirhams. Consequently, the average operating ratio kept pace with the last year's 40%. The gross operating income was 7.1% up to 2.8 billion dirhams, compared with a 9.7% increase a year earlier.

Due to the increase in non-performing loans, allocations net of reversals of provisions more than doubled to 702 million dirhams, thus absorbing 25.4% of the gross operating income, compared with 13% a year earlier.

The finance companies' return on assets (ROA) edged down from 1.9% to 1.6%, while their return on equity (ROE) reached 18.4%, down from 22.4% in 2008.

Chart 32: Change in intermediate balances of consumer loans companies
(In million dirhams)



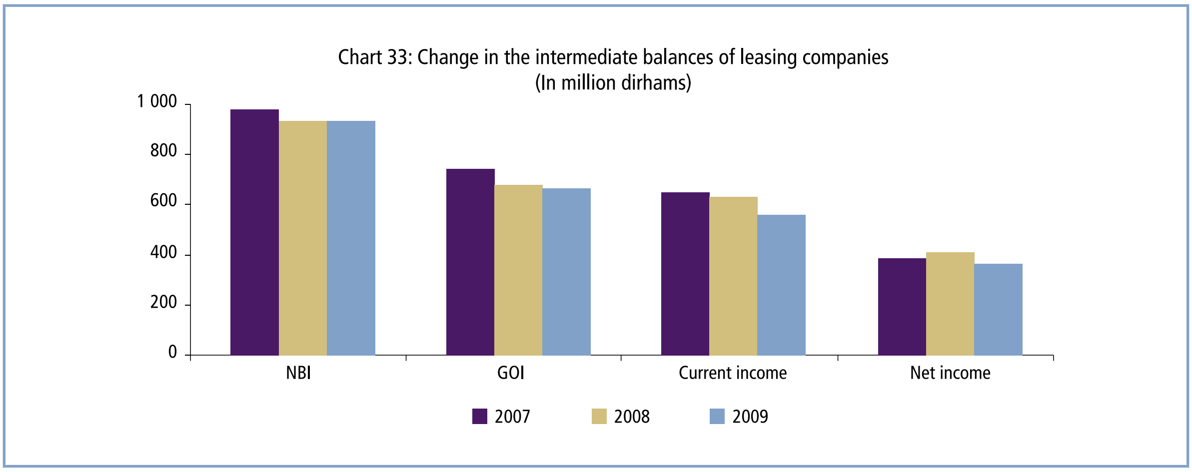
The net banking income of consumer loans companies grew to 2.9 billion dirhams, up 9.9% compared with 13% in the previous year. This development is attributable to the good performance of the interest margin, which moved up by 16.3% to 2 billion dirhams. However, the fee income, which suffered from the slowdown in loan' distribution, rose merely by 11.3%, compared with 77% in 2008.

In connection with the decline of lease with a purchase option, due in turn to taxation turning unfavorable and to the slowdown in car sales, income from this activity dropped, again, by 11.4% to 462 million dirhams, after a 9% decline a year earlier.

The general operating expenses rose to 1.2 billion dirhams, up 5.7%, compared with 11.4% a year earlier. Consequently, the average operating ratio improved by one point to 40% and the gross operating income stood at 1.8 billion dirhams, up 11% compared with 14.6% in the previous year.

Owing to deteriorating risk quality, the allocations net of reversals of provisions jumped from 287 to 555 million dirhams, thus absorbing 30.5% of the gross operating income, compared with 18% in 2008.

After a 15.7% hike in 2008, the net income of consumer loans companies dropped by 2.3% to 829 million dirhams. As a result, the return on assets (ROA) posted a slight decrease of 0.2 point to 2%, while the return on equity (ROE) fell by 2.7 points to 18.7%.



The net banking income of leasing companies further declined to 935 million dirhams, after a 4.7% decrease in 2008. Income from leasing transactions rose by 13.9% compared with 9.5% a year earlier, to 2.3 billion dirhams. However, financial expenses moved to 1.4 billion dirhams, up 26.4%, compared with 23.7% a year earlier.

The general operating expenses increased by 7% compared with 7.4% in 2008, to 267.4 million dirhams. Combined with a slight decline in NBI, this growth led to an increase of 2 points in the average operating ratio, to 29%. After going down 7.7% in 2008, the gross operating income fell again, though at a lower rate of 2.4%, to 672 million dirhams.

Due to the increase of non-performing loans, the allocations net of reversals of provisions reached 104 million dirhams, compared with 49 million dirhams in 2008, thus absorbing 15.4% of the gross operating income, compared with 7.2% a year before.

The net income of leasing companies declined by 12.6% to 365 million dirhams. The return on assets (ROA) stood at 1%, compared with 1.3% a year before, while the return on equity (ROE) declined by 25.6% to 18.7%.

IV. OFFSHORE BANKS' ACTIVITY AND RESULTS

As in the previous years, the business of offshore banks expanded in 2009, stimulated by the growing number of transactions domiciled in these banks by their parent companies. At the end of December 2009, total assets of these banks rose by 31%, compared with 60% in 2008, to 28.7 billion dirhams, or 3% of banks' total assets.

The loan' outstanding surged by 47% compared with 35% in 2008, to around 15 billion dirhams. Its share in assets gained 3 points and stood at 51%. The outstanding amount of non-performing loans amounted to 96 million dirhams, or 0.66% of loans.

Loans to credit institutions increased by 49% to 11.6 billion dirhams and their share rose by 3 points to 41%. Securities' portfolio dropped by 23% to 2 billion dirhams. Their share in assets fell by 6 points to 7%.

On the liabilities side, debts owed to banks went 38% up to more than 26 billion dirhams. The Customers' deposits, which accounted for 6% of total liabilities, increased by 25% to 1.7 billion dirhams, after rising by 21% a year earlier.

On the back of the strong growth in NBI, the net income of offshore banks surged by 56% to 163 million dirhams, after a near stagnation in 2008.

V. MICRO-CREDIT ASSOCIATIONS' ACTIVITY AND RESULTS

Following on from the difficulties experienced in 2008, business and profitability indicators of micro-credit associations deteriorated in 2009.

As these associations started to tighten credit in 2008, the outstanding' loan amount of loans to customers declined by 16% to less than 5 billion dirhams. The average outstanding' loan per customer reached 5,000 dirhams, thus keeping pace with the previous year's level. The share of individual loans in the overall portfolio stabilized at 40%, while the number of active clients declined by 26% to less than one million beneficiaries.

The non-performing loans, which amounted to more than 300 million dirhams, accounted for 6.4% of total loans. Provisions covered 59% of them, 9 points less than in 2008. The deteriorating quality of risk was mainly the result of the weaknesses observed in internal controls, information and collection systems and the weight of cross-indebtedness in the sector.

The borrowings from financial institutions, which represented nearly 75% of liabilities, dropped by 10% to 4.6 billion dirhams, about four times the equity capital. Nearly 82% of these debts were owed to local banks.

Micro-credit associations posted a net loss of 123 million dirhams, after a net profit of 25 million dirhams in 2008.

VI. BANKS' ACTIVITY AND RESULTS ON A CONSOLIDATED BASIS

The consolidated activity can be analyzed through the financial statements made up by the eight banking groups in accordance with the IFRS.

The development of consolidated activity was influenced by changes in the scope of consolidation, following the new banking acquisitions made in 2009, while profitability was impacted by accounting adjustments made with regard to provisioning.

1 - THE ACTIVITY OF THE EIGHT BANKING GROUPS INCREASED ANEW, THOUGH AT A SLOWER PACE THAN IN 2008

The total assets of the eight banking groups stood at 878 billion dirhams, 10% more than at the end December 2008. This pace of growth is even higher than that posted on an individual basis, reflecting a favorable contribution of activities abroad, which represented 11% of total assets of banks with branches and subsidiaries abroad.

As in 2008, loans to customers constituted the biggest item of assets. Their share having increased by 2 points to 65%. However, the share of collected resources with customers declined by the same rate to 71%.

Chart 34: Structure of banks' assets on a consolidated basis

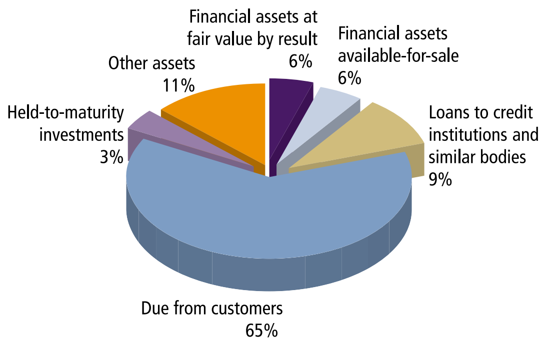
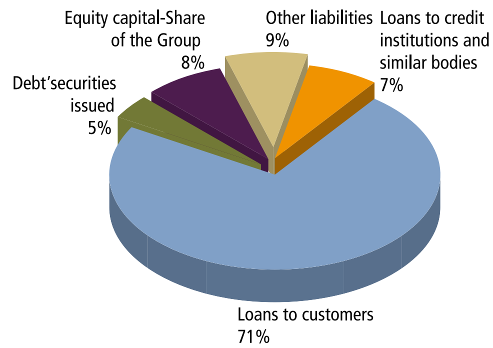


Chart 35: Structure of banks' liabilities on a consolidated basis



1.1 - The major assets showed varied trends

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

Assets	2007	2008	2009	Change 2008-2009 (in%)
Financial assets at fair value by result	28 326	39 197	50 282	28,3
Financial assets available-for-sale	47 257	43 000	52 859	22,9
Loans to credit institutions and similar bodies	71 492	81 760	80 798	-1,2
Due from customers	380 759	498 245	567 803	14,0
Held-to-maturity investments	31 430	31 996	27 986	-12,5
Other assets	94 216	104 736	98 692	-5,8
Total	**653 480**	**798 934**	**878 420**	**9,9**

Trends in assets can be analyzed through the definition of the major balance sheet items below.

Financial assets at fair value by result: Mostly made up of held-for-trading securities, these assets are evaluated at fair value and their movements are recognized within results. The value of these assets, which is more sensitive to market fluctuations owing to their assessment method, is marked by higher volatility.

These assets rose to 50 billion dirhams, up 28.3% compared with 38.4% a year earlier.

Financial assets available-for-sale: these include assets other than those classified as "loans and other claims", "held-to-maturity investments" or "financial assets evaluated at fair value by result". They consist of non-consolidated equity shares, other fixed assets and financial assets that do not belong to the other categories. They are evaluated at fair value during their initial posting. Their subsequent evaluation is made at fair value and changes are posted in the equity capital until their deduction when they are recognized in profit or loss.

After a 9% decline in 2008, these assets, reflecting the new interest acquisitions, rose by 22.9% to nearly 53 billion dirhams.

Loans to credit institutions and similar bodies: these cover all loans and claims held as part of banking transactions, subordinated debts and claims arising from capital lease transactions concluded with credit institutions and similar bodies.

Against a backdrop of liquidity shortfall in the money market, those claims posted a slight decrease to 80.8 billion dirhams, after a 14.4% increase a year earlier.

Customer receivables: include all loans and advances to economic agents other than credit institutions and similar bodies. This heading also includes subordinated debts, claims arising from factoring and capital lease transactions, as well as claims arising from reinsurance transactions and advances to the insured.

At 567.8 billion dirhams, loans to customers, which are evaluated at the depreciated cost using the effective interest rate method, continued to grow at a less marked but equally steady rate; i.e. 14% compared with 31% in 2008. The deceleration of lending activity in Morocco accounted for much of this development.

Held-to-maturity financial investments: refer to financial assets with fixed maturity, which the Bank has the intention and financial capacity to hold until maturity.

These assets, which are evaluated at depreciated cost using the effective interest rate method, fell by 12.5%to 28 billion dirhams, after a limited 2% increase a year earlier. This trend may be explained by the fact that some portfolios had come to maturity.

1.2 - The growth in funds collected from customers was stimulated by the increase in deposits collected by banking establishments abroad

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

Liabilities	2007	2008	2009	Change 2008-2009 (in%)
Financial liabilities at fair value by result	2 559	2 936	2 182	-25,7
Loans to credit institutions and similar bodies	37 777	58 007	65 735	13,3
Loans to customers	492 237	577 810	621 014	7,5
Debt securities issued	18 804	33 642	40 448	20,2
Equity capital - Share of the Group	54 144	61 442	68 711	11,8
Including net income	8 912	9 499	9 345	-1,6
Other liabilities	47 959	65 097	80 330	23,4
Total	**653 480**	**798 934**	**878 420**	**9,9**

Financial liabilities at fair value by result: they refer to items that may be held for trading-including derivatives other than hedging derivatives- or evaluated with fair value option by result during their initial posting.

They declined by 26% to 2.2 billion dirhams. Their share in liabilities remained limited to 0.2%, however.

Loans to credit institutions and similar bodies: this category includes all debts to credit institutions, excluding those owed to the Central bank, the Treasury, the services of current accounts and post office checks and subordinated debts included in the "other liabilities" heading.

They rose by 13.3%, compared with 53.5% in 2008, to 65.7 billion dirhams, mainly owing to the weak growth in interbank debts.

Debt securities Issued: include debts represented by transferable securities issued by the credit institution, except for cash vouchers and subordinated debts embodied in securities.

These securities rose by 20.2% compared with 78.9% a year earlier, to 40.5 billion dirhams. This slowdown may be explained mainly by the decreasing issuance of deposit's certificates.

Due from customers: include all amounts owed to economic agents other than credit institutions and similar bodies. This heading also includes cash vouchers, securities given in pension, debts arising from reinsurance transactions, and amounts owed to the insured, notably those relating to premiums paid on investment contracts. This heading does not include subordinated debts and debts embodied in debt securities.

Funds collected from customers, which are evaluated at the depreciated cost using the effective interest rate method, rose by 7.5% to 621 billion dirhams, after a 17.4% increase in 2008. The growth of these funds was more sustained for groups having a network abroad.

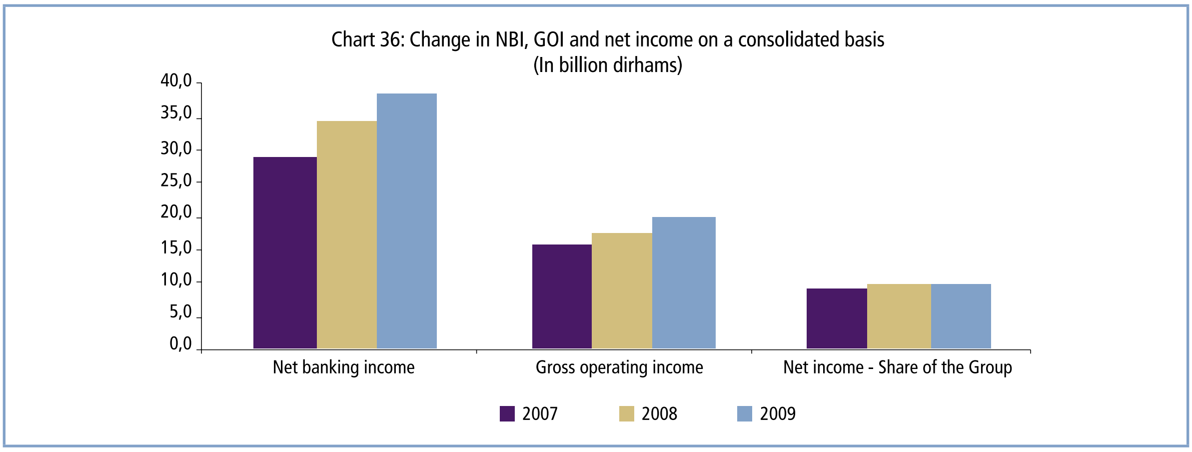
Equity capital- Share of the Group: this heading includes the capital and connected reserves, after deducting own shares, consolidated reserves, unrealized or deferred gains or losses and the income of the year.

The total of this heading increased by 11.8% to 68.7 billion dirhams, following the rise in capital, consolidated reserves and related premiums.

2 - THE CONSOLIDATED NET INCOME KEPT PACE ON THE WHOLE WITH ITS 2008 LEVEL

The analysis of profitability on a consolidated basis is conducted on the basis of the income statements published by the eight banking groups. The latter indicate that, at the end of 2009, the consolidated net income kept pace on the whole with the previous year's, owing to the deceleration in net banking income and the sharp increase in risk costs.

At 38.2 billion dirhams the **net banking income** rose by 12% compared with 17% in 2008. Up to 72% of this income came from the interest margin, 15% from the margin on commissions and 13% from market operations' income. This trend can be explained mainly by the good performance of market activity, as interest and margin on commissions decelerated.



Due to the slight increase in liabilities' cost and the slowdown in loan' distribution, the interest margin rose by a moderate 4.8% to 26 billion dirhams, after a 20% increase in 2008. At nearly 45 billion dirhams, interests collected went up 10.9% compared with 24%. Interests paid rose by 20.6% to19 billion approximately, compared with a 33.4% surge in 2008.

Net gains from financial assets available-for-sale stimulated income from market activities which generated a net profit of 5.1 billion dirhams, with a 79% increase after a 4.5% decline in 2008.

The margin on commissions rose by 8.8% to 5.9 billion dirhams, after a 19.4% increase in 2008. This deceleration is due to a 10.8% rise in collected commissions and a 39.7% expansion in paid commissions.

The various investment programs conducted by banking groups inside and outside the country brought the general operating expenses up by 11% to 18 billion dirhams, a level which remains lower than that recorded in the previous year. As a result, the average operating ratio stabilized at 48%.

Considering the trends seen in net banking income and overheads, the gross operating income rose to 20 billion dirhams, with a 13% increase, slightly lower than in 2008.

To cover the depreciation of claims, risk costs surged sharply, from 1.7 to 4.3 billion dirhams, thus absorbing 21% of the gross operating income, compared with 10% in 2008.

All things considered, the net income- share of the Group fell 1.6% to 9.3 billion dirhams, after a 6.6% rise late in December 2008. Banking business abroad contributed 12% to the income of banks with branches and subsidiaries abroad.

The return on assets (ROA) stood at 1%, while the return on equity (ROE) was 13.6%, compared with 1.2% and 15.5%, respectively, at the end of 2008.

PART 3

TRENDS IN BANKING RISKS

TRENDS IN BANKING RISKS

The year 2009 was marked by the transmission of international crisis' recessionary effects to the economic sectors that are most dependent on foreign demand. In this context, the quality of both corporate and households' credit portfolio declined, calling for more significant provisioning. However, the average rate of credit institutions' non-performing loans remained generally stable.

As for the concentration of risks, banks in general continued to diversify their activities. Individual exposures on certain counterparties, albeit controlled at the regulatory level, reached relatively high levels, requiring tighter watch.

Likewise, transformation risks increased as shown by banks' loans-to-deposits ratio which reached an exceptional level close to 100%.

On the other hand, credit institutions faced the rise of operational risks which requires more stringent management.

Despite these developments, the banking system remained resilient as evidenced by financial soundness indicators.

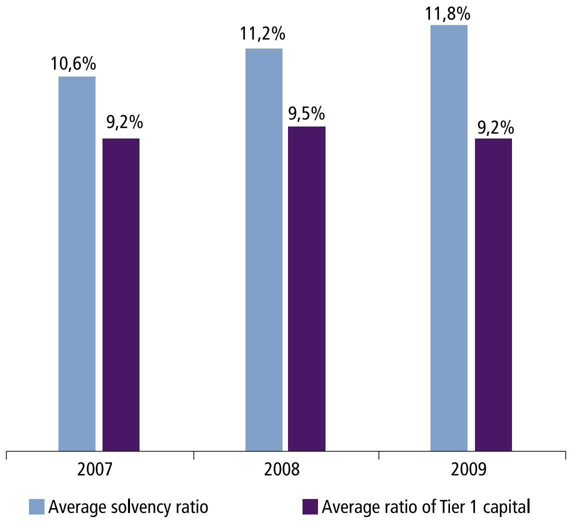
The following developments are based on the evolution of capital requirements related to credit, market and operational risks, as well as households' indebtedness, non-performing loans, and the overall interest rate risk.

I. BANKS' SOLVENCY EVOLUTION

The average solvency ratio of banks, on an individual basis, over the last three years exceeded the required minimum of 8%, rising to 10% as of 2008. It increased from 10.6% in 2007 to 11.2% in 2008, then to 11.8% in 2009. This improvement, which varies from one bank to another, reflects capital reinforcement, while weighted risks' growth slowed.

The average tier 1 ratio returned to its 2007 level, at 9.2%, following a slight rise of 0.3 point in 2008. This development is a result of banks' notable recourse to tier 2 in the form of subordinated debts.

Chart 37: Change in the average solvency ratio



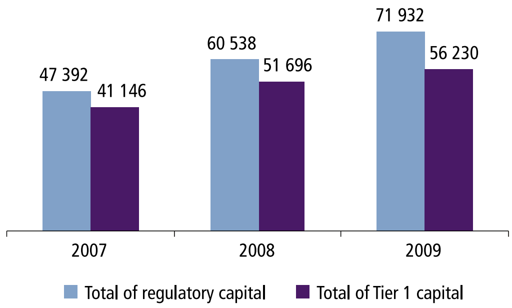
Calculated on a consolidated basis, the average solvency ratio stood at 12%, and the tier 1 reached 9.6%.

The development of risks and banks' solvency is monitored, in the following developments, on the basis of data collected from banks' reporting established according to Basel II rules on equity basis.

1 - CHANGES IN REGULATORY CAPITAL

Regulatory capital is composed of tier 1 capital, tier 2 capital and tier 3 capital. In 2009, they totaled 72 billion dirhams, up 18.8% year-on-year and 52% compared with 2007. This increase was propped up by banks' good performance in the last few years, and their recourse to subordinated debts.

Chart 38: Change in regulatory capital (In million dirhams)



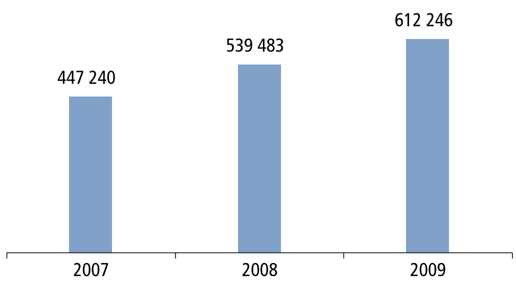
The tier 1 capital stood at 56.2 billion dirhams, chalking up a rise of 8.8% compared with 2008 and 37% compared with 2007. Its share in regulatory capital however receded from 87% to 78% between 2007 and 2009, due to a rise in subordinated debts which quadrupled in a time span of two years, reaching 19.4 billion dirhams.

2 - CHANGES IN RISKS REGULATED BY PILLAR I OF BASEL II

The weighted risks, including credit risk, market risk and operational risks, stood at 612 billion dirhams, up by 13.5% from 2008, compared with a 21% increase a year earlier. They respectively represented 89%, 3% and 8% of the total, thus keeping in pace with the levels recorded in the past two years.

The corresponding capital requirements increased to 61.2 billion dirhams.

Chart 39: Change in weighted risks' total amount (In million dirhams)



2.1 - Credit risks

Box 18: credit risks

The credit risk is the risk that a counterparty cannot repay the loan to the credit institution.

The weighted on and off balance sheet exposures, calculated before the implementation of risk mitigation techniques, rose by 9.1% to nearly 638 billion dirhams, after a 23.8% increase in 2008. This change mainly reflects the surge in consumer loan which is a major component of on-balance sheet risks.

Box 19: Credit Risk Mitigation Instruments (CRM)

In order to mitigate credit risks, credit institutions are allowed to use CRM, including collateral (real in the form of liquidity or securities covering the exposures totally or partially), guarantees or credit derivatives, and the netting of loans and deposits pertaining to the same counterparty.

After CRM implementation, these exposures rose by 13.2% to an overall amount of 543 billion dirhams, after a 21% increase a year before.

2.2 - Market risks

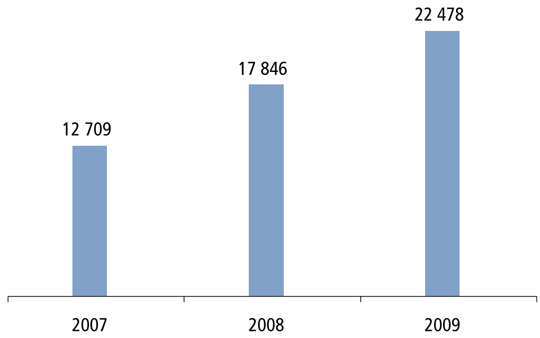
Box 20: Market risks

The market risks are defined as risks stemming from unfavorable developments in market prices. They include the risks related to the instruments included in the trading portfolio, as well as the foreign exchange risk and the commodity risk affecting all the on and off-balance sheet elements, other than those included in the portfolio.

The trading portfolio is composed of positions on financial instruments and commodities held for trading or for covering or financing other elements of the portfolio. These instruments should be free of clauses restricting their tradability or should be covered by hedge instruments.

Accounting for 3% of the overall weighted risks, market risks expanded by 26.7% to 22.5 billion dirhams, compared with a 29.5% increase a year earlier. They thus required a regulatory capital of 2.2 billion dirhams.

Chart 40: Change in market risks
(In million dirhams)



The market risks are made up, in terms of capital requirements, up to 73% of the interest rate risk, 19% of foreign exchange risk, and 8% of equity risks.

2.2.1 - Interest rate risk

To calculate capital requirements for the overall interest rate risk, banks may follow either the amortization or duration method. As in the previous year, they implemented the amortization method.

The capital requirements for interest rate risks reached 1.6 billion dirhams, up by 29% compared with the previous year. They covered specific risks with 930 million dirhams and general risks with 643 million dirhams.

2.2.2 - Foreign exchange risk

Capital requirements related to exchange risk stood at 399 million dirhams, up 12 percent. They covered a risk amount of 4 billion dirhams.

2.2.3 - Equity risk

Capital requirements related to equity risks, corresponding to the amount of requirements needed for both general and specific risks, totaled 147 million dirhams, down by 3 percent compared with 2008.

2.3 - Operational risks

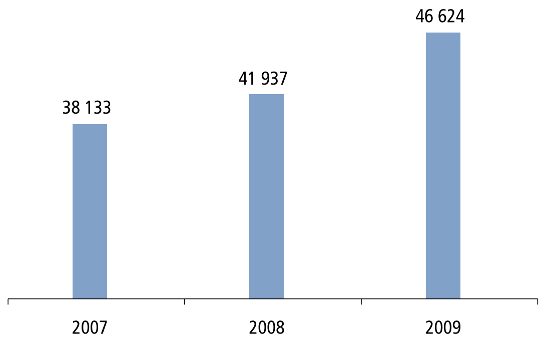
Box 21: Operational risk

The operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel and systems, or from external events. The definition includes legal risk but excludes strategic and reputational risks.

Credit institutions have to calculate capital requirements necessary for covering their operational risks based on one of the three following approaches: basic indicator approach, standardized approach and alternative standardized approach.

Calculated by most banks following the basic indicator approach, operational risks reached 46.6 billion dirhams, chalking up a hike of 11%, a trend somewhat similar to that of 2008. The corresponding capital requirements stood at 4.7 billion dirhams.

Chart 41: Change in operational risks
(In million dirhams)



II. HOUSEHOLD INDEBTEDNESS

To monitor households' indebtedness to credit institutions, in terms of consumer and housing loans, Bank Al-Maghrib, in addition to regular reporting, uses periodic surveys that it conducts within these institutions.

Box 22: Bank Al-Maghrib's surveys to monitor credit risk

1. **Survey on loans conditions**: the survey conducted by Bank Al-Maghrib in 2009 targeted eight banks holding a 90% market share in credit distribution. In addition to the available figures on credit trends, this survey provides qualitative elements that allow to better assess past and future trends of credit supply and demand at the level of both corporations and households.

2. **Real estate loans**: in order to understand the development of risks related to the financing of the real estate sector, Bank Al-Maghrib conducted a fifth annual survey to complement the information received from banks on a monthly basis.

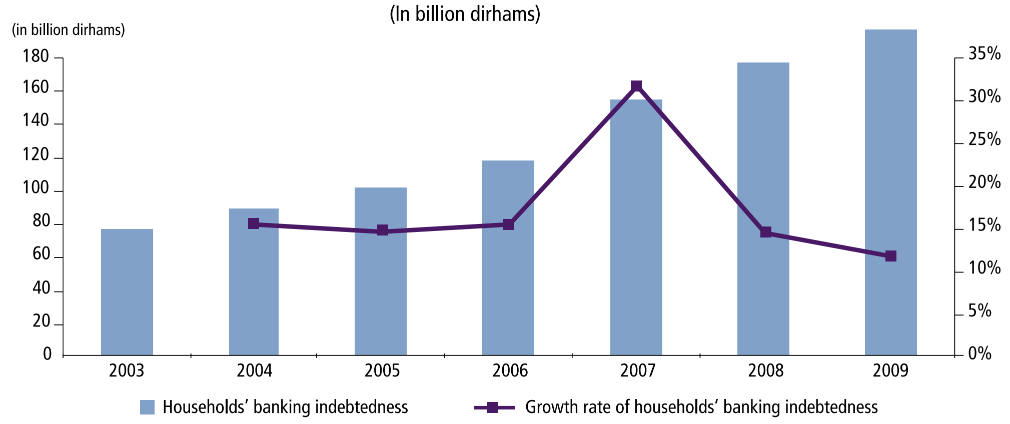
3. **Consumer loans**: in order to follow the trend of risks pertaining to the consumer credit sector, Bank Al-Maghrib has conducted since 2004 an annual survey intended to follow up the major quantitative and qualitative developments concerning households' indebtedness. The 2009 survey covered 11 consumer loans companies with an overall market share of 85%, representing more than 1.14 million files.

1 - HOUSEHOLDS' BANKING LOANS GREW LESS RAPIDLY THAN IN 2008

According to the accounting documents communicated to Bank Al-Maghrib by credit institutions, households' outstanding bank loans increased 12.4%, from 15% a year earlier, to stand at 197.8 billion dirhams.

Households' loans continued to be driven by house funding needs, accounting for 55% of the overall amount.

Chart 42: Change in households' banking indebtedness
(In billion dirhams)



Similar to the year 2008, loans to households represented more than 33% of loans distributed by credit institutions. Over 79% of these loans were borrowed from banks, while the rest was from consumers loans' companies.

Despite its rapid growth during the past three years, the level of households' indebtedness, accounting for 27% of GDP, remained relatively weak compared to many countries. In 2008, this rate was 51% in France, 84% in Spain and 98% in the United Kingdom.

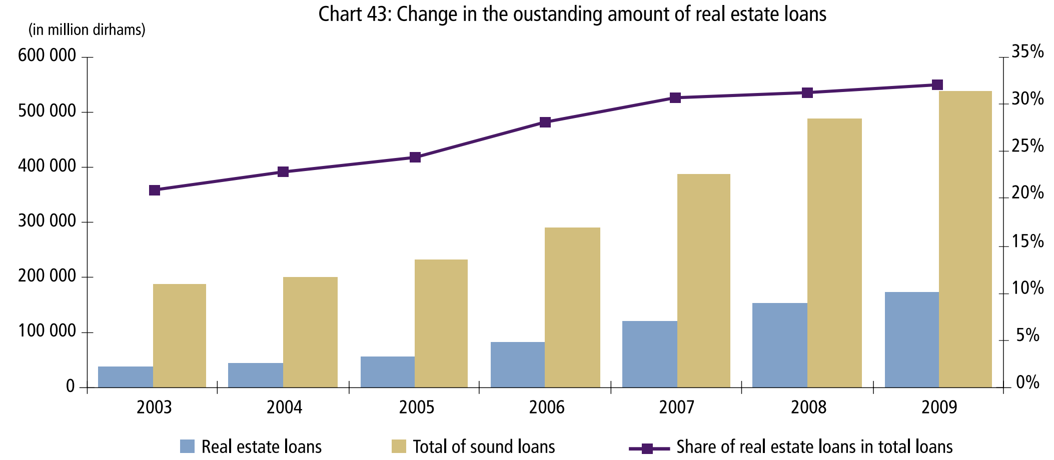
2 - CHANGE IN HOUSING LOANS

Despite the recessionary effects of the deteriorating international environment on the national economy, they did not seem to have a major impact on banks' housing loans supply.

2.1 - Despite the decline in housing loans, growth in outstanding amounts remained sustained

Statistics on the flow of new contracts and on the growth of the outstanding amounts show that the growth rate of real estate credit, including housing loans and property development loans, slowed down in 2009. Standing at 172.3 billion dirhams, it rose 12.8%, from 27.5% in 2008. Its share in the outstanding sound loans increased by one point to 32%. It represented 23% of the GDP, registering a one point rise relative to 2008.

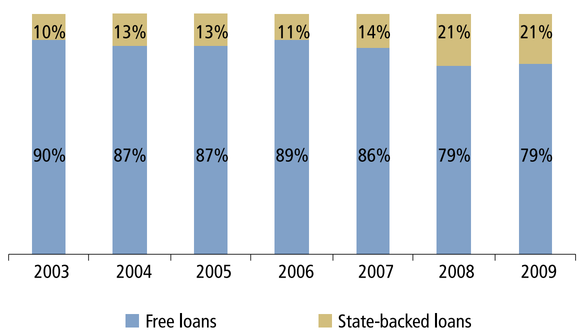
Chart 43: Change in the oustanding amount of real estate loans



The housing loans, accounting for two thirds of the outstanding real estate loans, registered a somewhat slower growth than in 2008. They went up 12.2% to 109.5 billion dirhams, compared with a 14.8% increase in the previous year. They represented 15% of GDP, increasing by one point.

The share of the housing loans encouraged by the government[1] remained stable at 21% compared to the previous year. Their outstanding amount moved up 10% to about 23 billion dirhams, 8.9 billion dirhams of which as part of the FOGALOGE and FOGALEF programs, 6.4 billion as part of the "Low Cost Housing», and 6.6 billion as part of the FOGARIM program.

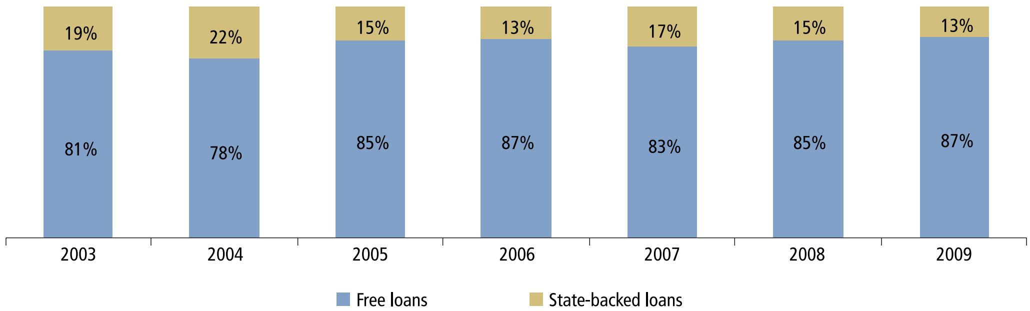
Chart 44: Breakdown of the housing loans' outstanding amounts between state-backed loans and free loans



Housing loans fell as a result of a decline in real estate market transactions. Thus, after many years of uninterrupted growth, they plummeted by 20.2% to 26 billion dirhams, down from a 15% increase a year earlier. The credits supported by the government represented 13% of total home loans, compared with 15% in 2008.

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

Chart 45: Breakdown of the housing loans granted between state-backed loans and free loans

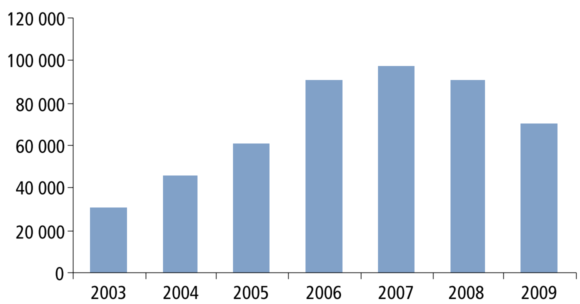


These developments were confirmed by the data provided by the Agence Nationale de la Conservation Foncière, du Cadastre et de la Cartographie –ANCFCC (National Land Registry, Cadastre and Mapping Agency). Indeed, the number of registered property sales plunged 15.3% in 2009 to stand at 63,848 transactions, following stagnation in 2008 and an expansion of 50% in 2007.

Land scarcity and property developers' reluctance to reduce their margins have made housing prices increasingly dissuasive in the past few years. However, the real estate price index, jointly elaborated and published by Bank Al-Maghrib and the ANCFCC, showed that these prices notched down 2.2% in 2009 after they increased 4.8% in 2007 and almost stagnated in 2008.

In this context, the number of new housing loans beneficiaries fell 23% to 70,120 customers following a decrease of 7% in 2008. This drop reached 33% for the loans encouraged by the government -owing to the slowdown in social housing programs- and 18% for free loans.

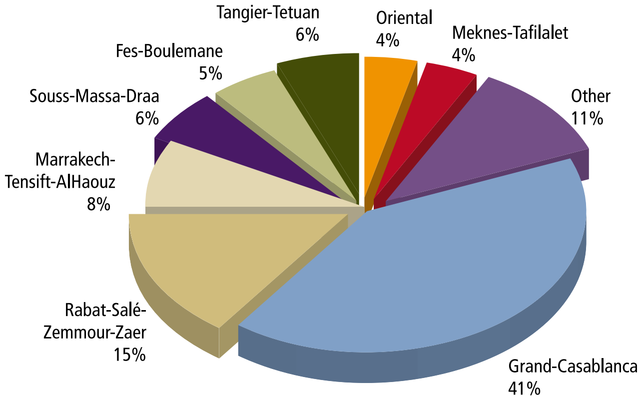
Chart 46: Number of housing loans' beneficiaries



The average amount of loans increased from 316,000[1] to 365,000 dirhams year-on-year. It remained stable at 169,000 dirhams for the loans encouraged by the government, and increased by 54,000 to 436,000 dirhams for free loans.

1 Figures on the average amount of loans during 2008 were modified following an update made by a bank.

Chart 47: Geographical breakdown of housing loans



Confirming the trend observed in recent years, housing loans' distribution was relatively concentrated in the Casablanca and Rabat regions which received 56% of total loans' outstandings. Nevertheless, this share is likely to decline, mainly as a result of land scarcity in these regions.

2.2 - Housing loans' financing conditions, though stiffening slightly, remained favourable

During the last few years, banks used real estate loans as a loss leader to inspire client loyalty. Low interest rates, long loan' maturity and low personal contribution helped expand the proportion of the population that can benefit from this credit category.

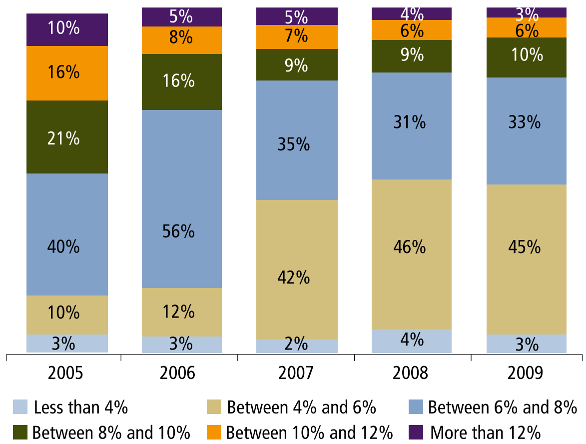
Nonetheless, given the results of the survey shown in box 22, it seems that banks in 2009 adopted a less aggressive strategy in the face of falling demand.

The interest rate applied to housing loans went up slightly in 2009. The weighted average rate thus increased 12 basis points to 5.35%, breaking with the successive drops registered in the recent years.

The reversal of trend started to be felt from the second half of the year 2009, with a rise of 25 basis points during the third quarter and 18 basis points in the fourth quarter.

As shown by chart 48, a total of 48% of loans were granted at interest rates lower than 6%, from 50% in the previous year. The share of loans with interest rates between 6% and 8% stood at 33% instead of 31%.

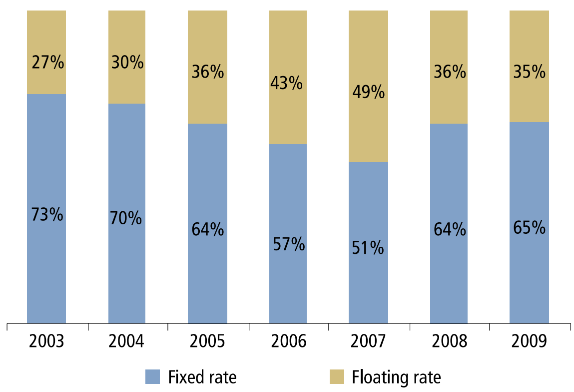
Chart 48: Breakdown of housing loans according to interest rate



In a less favorable context, it seems that banks are increasingly encouraging their customers, mainly those with low income, to opt for fixed-rate loans, which entailed a new drop in floating rate loans' contracts.

Hence, the outstanding amount of fixed-rate housing loans continued their expansion to represent 65% of the overall amount granted, from 64% in 2008 and 51% in 2007. In terms of the overall supply, their share increased to 76%, up from 68% in 2008 and 49% in 2007.

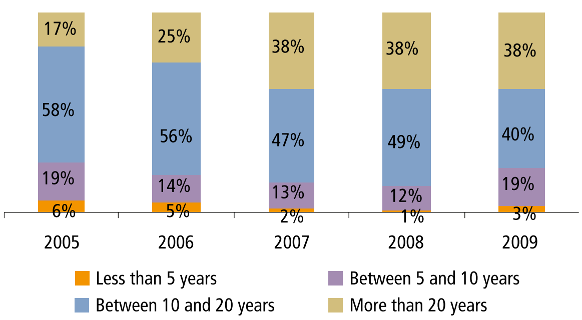
Chart 49: Breakdown of housing loans' outstanding amounts per type of rates



The initial average maturity of housing loans decreased from 17.7 to 17 years, thus reversing the trend observed in recent years.

The share of housing loans, whose initial maturity is between 10 to 20 years, fell 9 points from 2008, to reach 40%, while the share of loans with a maturity of less than 10 year increased 9 points to 22%.

Chart 50: Breakdown of housing loans according to initial maturity



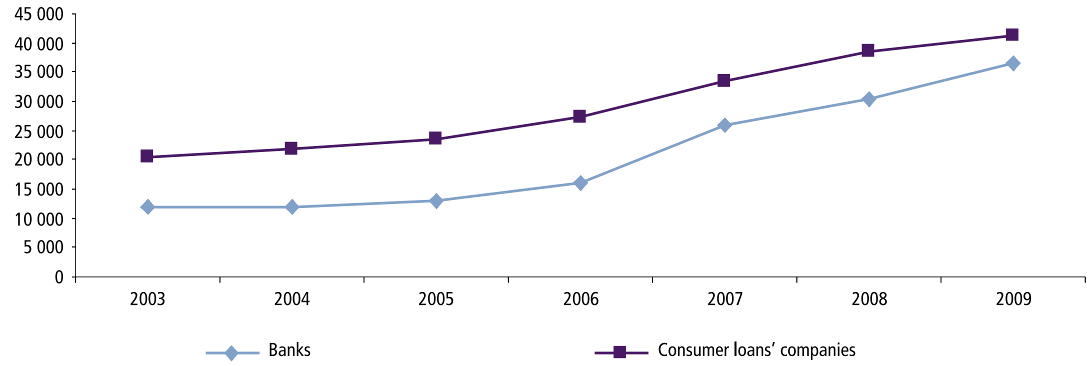
3 - GROWTH OF CONSUMER CREDIT

The pace of growth of consumer credit remained sustained, but slightly decelerated relative to the previous year, owing to the slowdown in households' consumption.

3.1 - Growth of consumer credit remained sustained but slower than in 2008

Being the second component of the households' banking debt, the outstanding amount of consumer loans distributed by banks and consumer loans companies rose by 13.4% to nearly 78 billion dirhams, after a 16% increase a year earlier. Its share in total lending by credit institutions reached 13%. Its ratio to households' consumption accounted for 19%, compared with 17% in 2008.

Chart 51: Change in the outstanding amount of consumer credit
(In million dirhams)



Although banks have become increasingly active in the consumer credit market, the share of specialized companies, using their expertise to good advantage, still dominates the market at 53%, though it lost 3 points from 2008.

The average outstanding amount of consumer loans per capita rose by 12.8% compared with the previous year, to 2,490 dirhams (the equivalent of 221 euros), compared with 2,208 dirhams (the equivalent of 198 euros) a year earlier. This level is lower than in some European countries such as Hungary (564 euros), Slovakia (477 euros), Estonia (382 euros) and Lithuania (365 euro)[1].

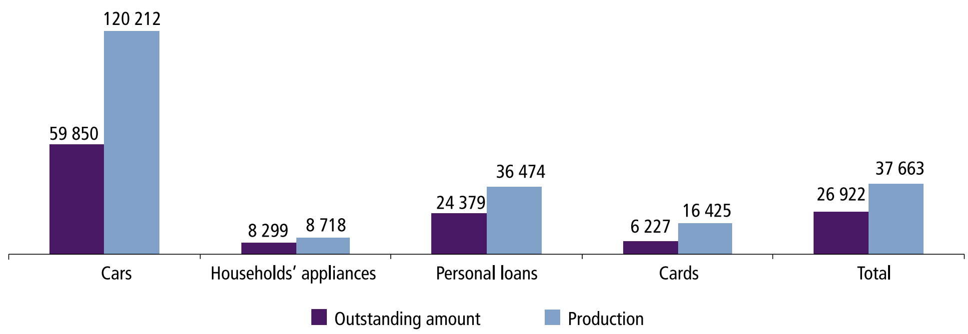
1 2008 figures.

3.2 - Key features in the profile of consumer credit beneficiaries

In line with the trends indicated in the previous surveys, the results of the 2009 survey referred to in Box 22 illustrate the profile of consumer credit beneficiaries based on several criteria: age, income, socio-professional category and place of residence.

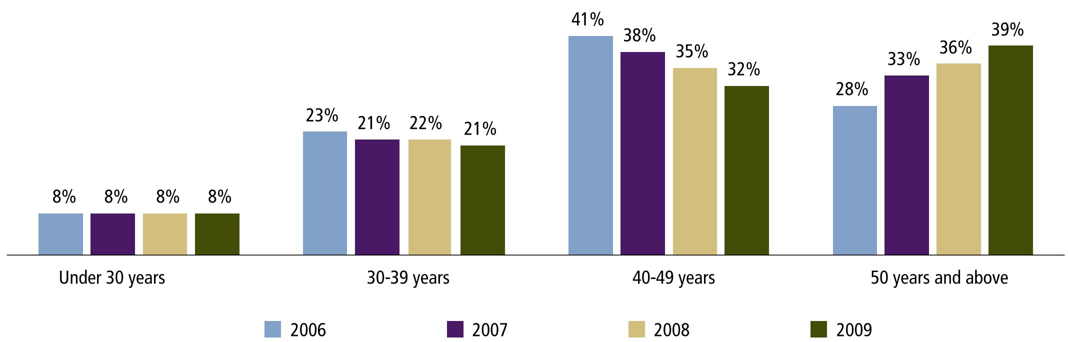
The survey shows that lending granted by consumer loans' companies was lower than in 2008. The loans' production under this category contracted by 3.5% to 16 billion dirhams, include 6 billion dirhams of allocated loans and nearly 10 billion dirhams of non-allocated loans.

Chart 52: Average amount of files per type of loan (in dirhams)



It indicated that the average amount per beneficiary stood at 27,000 dirhams, compared with 22,600 dirhams a year earlier.

Chart 53: Breakdown of the number of loans' files per age

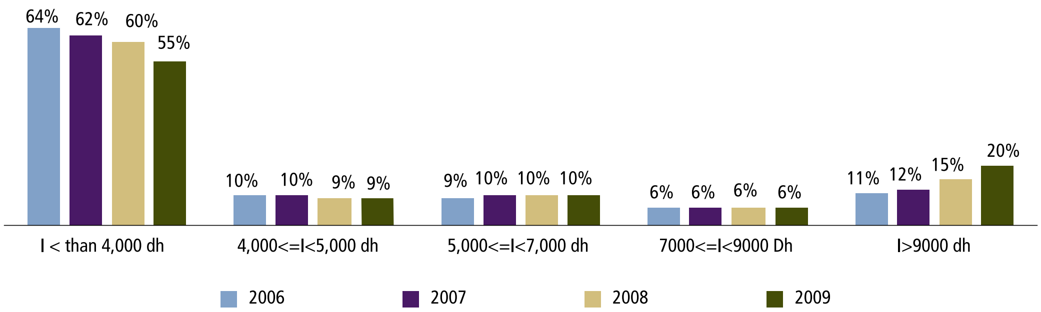


The breakdown of consumer credit by age shows that the penetration rate of consumer credit, which corresponds to the ratio of the number of loan files to a sample population, further declined by 3 points to 32% in the 40-49 years age category and increased to 39% in the 50 years and above category.

For the fourth consecutive year, the share of the group age under 30 years stabilized at 8%, suggesting that Moroccans tend to seek consumer credit mostly after marriage.

Like the breakdown of the number of loans' files by age, the breakdown of outstanding according to the same criterion shows a concentration in the 40-49 years age group and the 50 years and above age group, with respective shares of 31% and 36%.

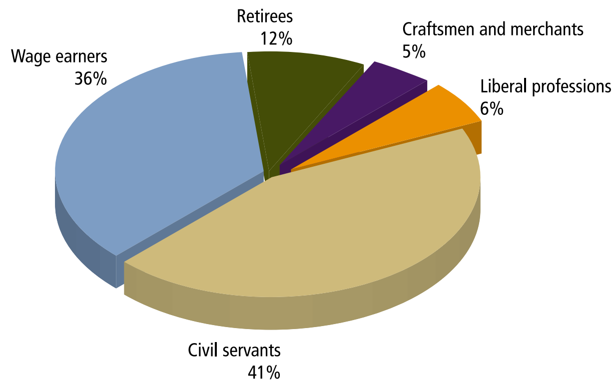
Chart 54: Breakdown of the number of loans' files per income



The breakdown of loans per income shows that people earning less than 4,000 dirhams accounted for 55% of borrowers (compared with 60% in 2008). The share of people earning more than 9,000 dirhams increased by 5 points to 20%.

The breakdown of outstanding amounts by income shows that people earning less than 4,000 dirhams held almost 43% of total outstanding, one point lower than in 2008. People earning more than 9,000 dirhams represented 31% of total outstanding, compared with 30% a year previously.

Chart 55: Breakdown of the number of loans' files by socio-professional category



The activity-based breakdown of consumer loans' files continues to show that civil servants and wage earners are the primary borrowers with 41% and 36%, respectively. The share of the retirees rose by 3 points to 12%, while the share of craftsmen and merchants stabilized at 5%.

Chart 56: Breakdown of the number of loans' files by region

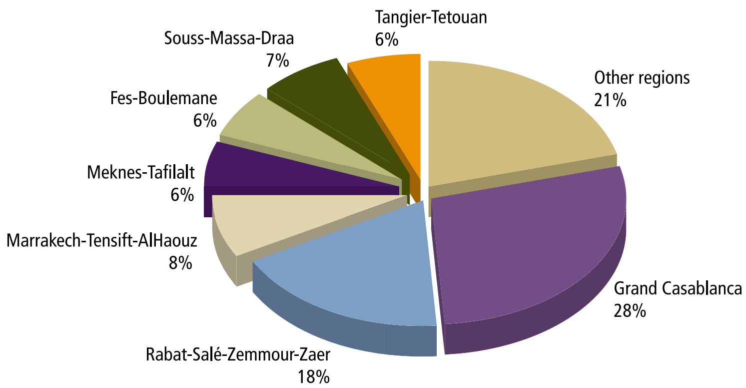
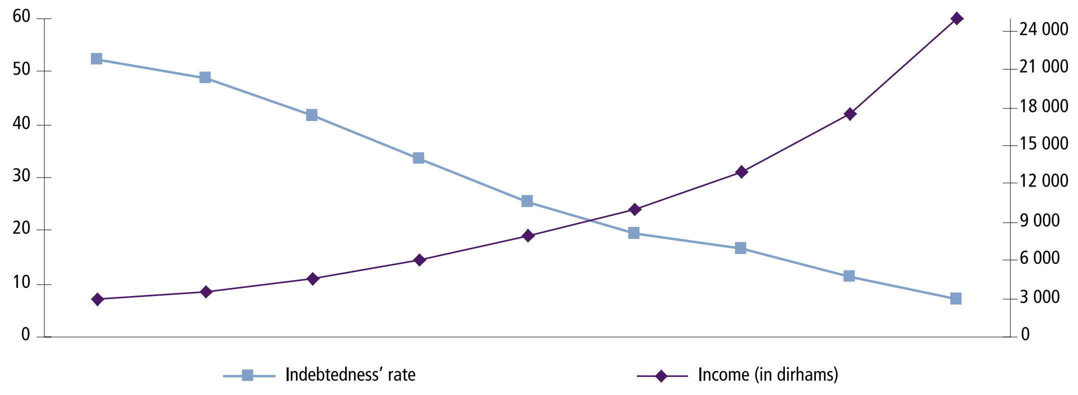


Chart 56 above suggests that, as for housing loans, the regions of Casablanca and Rabat continue to concentrate 46% of consumer loans, though they lost two points from year to year.

Chart 57: ndebtedness' rate and income



The indebtedness' rate, which corresponds to the ratio between the average loan' amount per file to the borrower's average annual income, is inversely proportional to income. It stood at 28% on average, 5 points higher than the percentage of the previous year.

This rate dropped 6 points to 49% for customers earning less than 3,000 dirhams and 7% for those earning more than 20,000 dirhams.

III. GROWTH OF CREDIT INSTITUTIONS' NON-PERFORMING LOANS

According to the accounting statements of credit institutions (banks and finance companies) as at the end of December 2009, the downward trend in non-performing loans that began in 2005 faded out. These loans rose by 2.2% to a total outstanding of 38.6 billion dirhams. Despite this increase, the rate of non-performing loans further declined to 6%, after 6.4% in 2008. Provisions were settled for 75% of these loans, compared with 77% a year earlier.

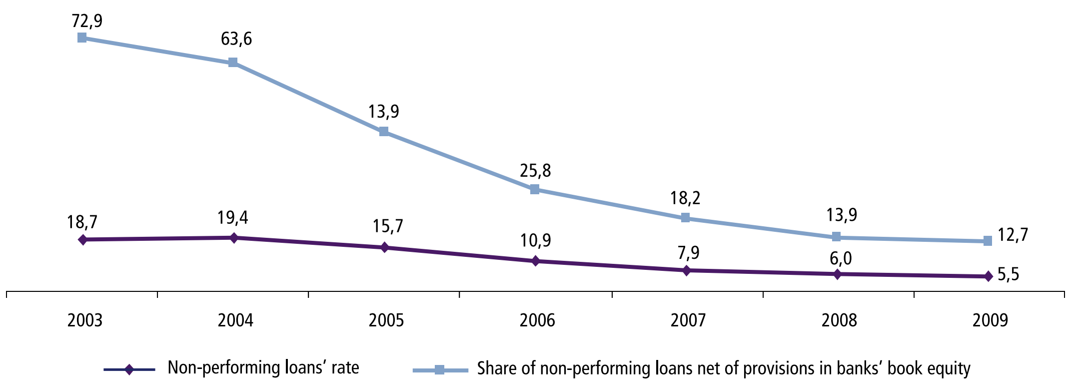
These trends which cover divergent changes between banks and finance companies show deteriorating credit quality both in corporations and households.

1 - BANKS' NON-PERFORMING LOANS

The volume of banks' non-performing loans continued the downward trend observed for 5 years but at slower pace than in 2008. It indeed declined in 2009 by 0.6% p (after -6.4% in 2008) to 31 billion dirhams. The non-performing loans' rate stood at 5.5%, down from 6% in 2008. Excluding state-owned banks, this rate settled at 4.2%.

The ratio of net non-performing loans' to book equity represented 12.7%, compared with 13.9% in 2008.

Chart 58: Non-performing loans' rate and share of non-performing loans' net of provisions in banks' book equity (in %)

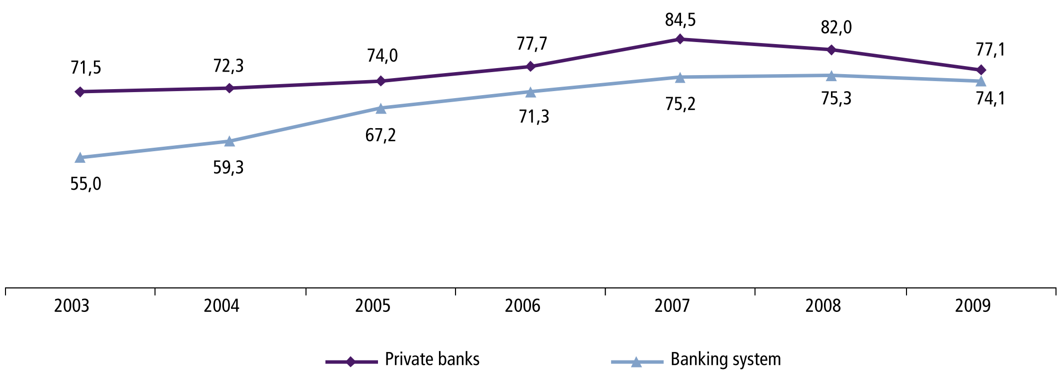


These trends resulted from the ongoing balance sheet restructuring and the strengthening of debt collection operations, which helped to mitigate the impact of non-performing loans in 2009.

Most of non-performing loans in 2009 involved housing loans, property development and the clothing and textile industry, which suffered from the contraction in external demand.

The outstanding of non-performing housing loans posted a year-on-year 10% rise to 5.3 billion dirhams. However, their share in total home loans stabilized at 5%.

Graphique n° 59 : Evolution of banks' non-performing loans, provisions and covering rates (in %)



The banks' NPL' provisions coverage ratio declined from 75.3% to 74.1% from a year to another. Excluding state-owned banks, this rate dropped 5 points to stand at 77%.

2 - FINANCE COMPANIES' NON-PERFORMING LOANS

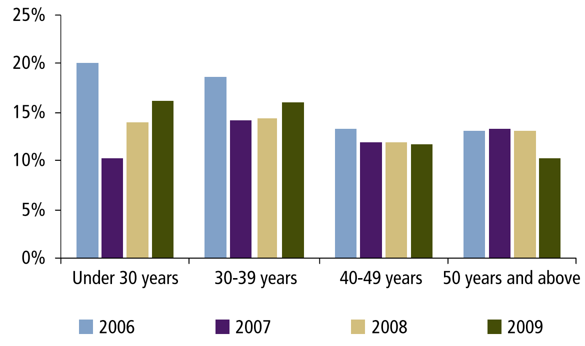
Against an unfavorable backdrop, non-performing loans of finance companies increased by 15.5% to 7.6 billion dirhams and accounted for 9.5% of total loans or 0.4 point higher than in the previous year. Provisions were settled for 79% of these loans, compared with 84%, a year earlier.

The non-performing loans of leasing companies rose by 17% to 2.1 billion dirhams. They represented 5.7% of total loans in these companies, a level similar to that of the previous year. Provisions were settled for 77% of these loans, compared with 82% a year earlier.

The non-performing loans of consumer credit companies stood at 5.2 billion dirhams, up by 14.6%, or twice the rate recorded in 2008. This increase resulted in a 12.6% rise in the rate of non-performing loans, compared with an 11.8% rise in 2008. Provisions were set aside for 79 % of these loans, compared with 84 % a year earlier.

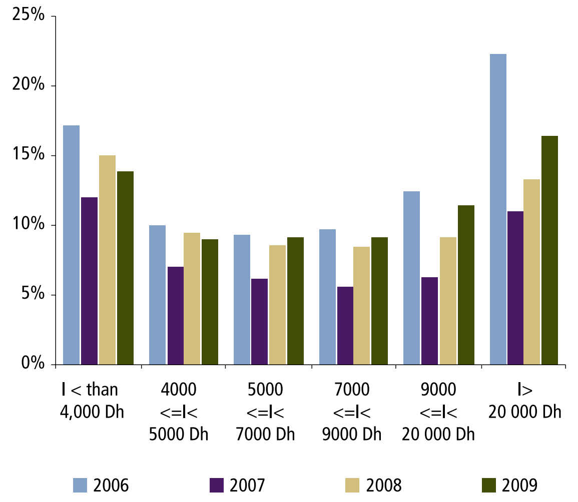
The survey cited in Box 22 illustrates the profile of consumer loan defaulters according to their age, income and socio-professional category.

Chart 60: Evolution of non-performing loans by age



As indicated in chart 60 (opposite), the rate of non-performing loans rose by 2 points to 16% for the 30-39 years age group. For persons aged above 50 years, this rate improved by 3 points to 10%.

Chart 61: Evolution of the rate of non-performing loans by income



The ratio of non-performing loans dropped one point to 14% for persons earning an income of less than 4,000 dirhams. For those with an income above 20,000 dirhams, the rate declined by 3 points to 16%. For persons with an income ranging between 4,000 and 5,000 dirhams, the rate stood at 9%.

Broken down by socio-professional category, the rate of non-performing loans rose 2 points to 8% for civil servants and 3 points to 19% for wage earners. For people exercising liberal professions, it remained unchanged at 12%.

IV. OVERALL INTEREST RATE RISK

The overall interest rate risk arises when banks' assets and liabilities are indexed on two different market rates, or at different maturities. Being associated with financial intermediation activity, which consists in transforming demand and short-term liabilities into longer term assets, this risk exposes banks to losses when interest rates suffer from unfavorable movements.

Interest rate risk is reflected in the income statement through its effect on interest margins. In addition, the present value of assets, liabilities and off-balance-sheet items, including capital, is altered because changes in the interest rate alter the value of the future cash flows that they generate.

In the absence of interest rate risk macro-hedging mechanisms, banks align their assets and liabilities to limit their sensitivity to that risk.

1 - MECHANISM FOR MEASURING THE OVERALL INTEREST RATE RISK BY BANKS

To measure the overall interest rate risk, banks are currently applying a static approach to analyze rate gaps. A gradual move to a dynamic approach is being considered.

Box 23: Gaps: the static and dynamic techniques

The method of rate gaps is one of the most commonly used methods to measure interest rate risk.

Determining gaps between assets and liabilities broken down according to their maturity and rate profiles may be conducted using either a static or dynamic approach.

The static technique breaks down, by maturity, assets and liabilities which are recognized in the balance sheet and off balance sheet at a specific closing date.

On the other hand, the dynamic method breaks down assets and liabilities by maturity, taking into account the cash flows expected from activity.

Interest-rate gaps heavily depend on the assumptions made by banks about the timing of cash flows and the levels of remuneration. Some banks have reviewed these assumptions following analyses that aimed to model the behavior of liabilities and assets with indefinite maturities. They would be improved to take into account more significant historical data and commitments by signature.

In order to monitor interest rate risk, banks have set internal ceilings that reflect the risk level deemed to be acceptable. These limits, which are often expressed in maximum rate gaps, should take account of the results of stress tests to assess resilience to rate shocks.

2 - BANKS' INTEREST RATE RISK PROFILE

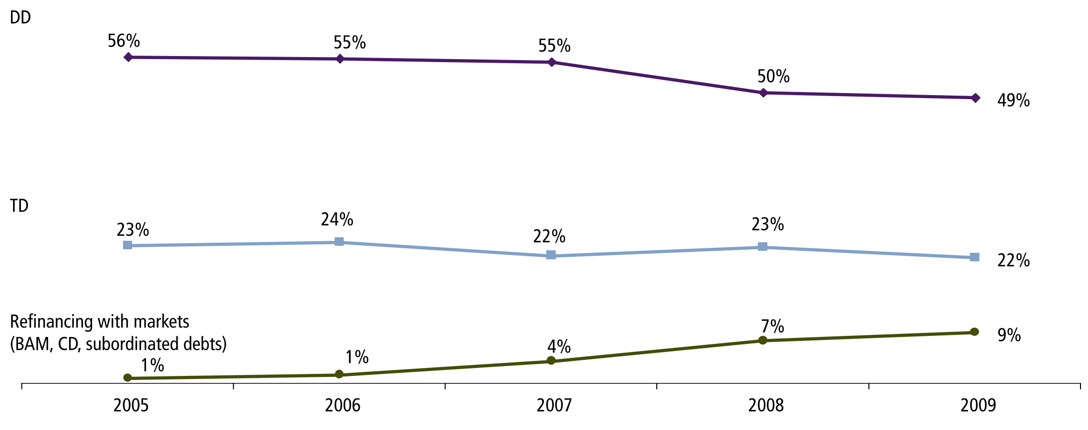
As in 2008, the overall profile of the banking sector covers a variety of situations of individual banks.

The structure of bank balance sheets is generally marked by the predominance of assets with fixed rate and liabilities with fixed rate or non-rate sensitive. Accordingly, banks' interest rate risk profile is largely induced by the degree of aligned indexation of asset and liability maturities.

Fixed-rate assets represented 70% on average of banks' total assets, compared with 66% a year earlier. Fixed-rate liabilities accounted for 46% on average of total liabilities, compared with 52% in 2008, while liabilities which are not sensitive to interest rate risk represented nearly 41% of total liabilities, up from 36% a year earlier.

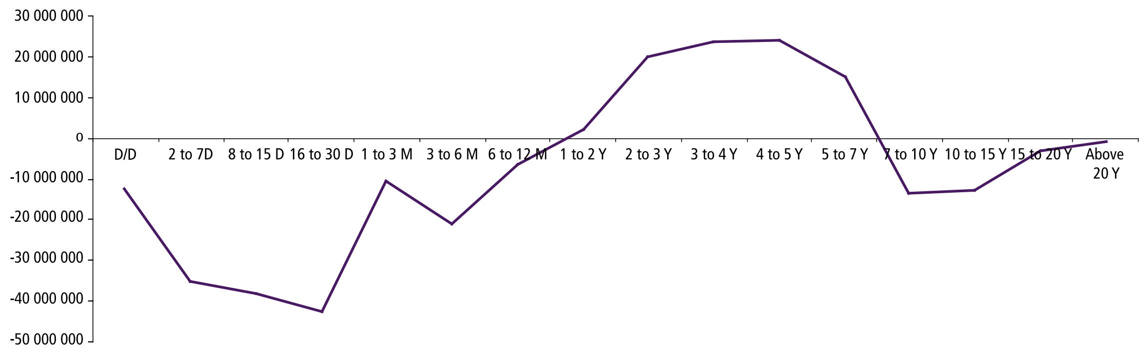
Non-interest bearing demand deposits still represent the dominant share of bank balance sheets, which declined however with the more marked recourse to market instruments, such as certificates of deposit and subordinated debts, as well as refinancing from the Central bank.

Chart 62: Change in the share of demand deposits (DD), time deposits (TD) and refinancing with markets in total balance sheet



At the end of 2009, the banking sector's exposure to interest rate risk, as measured by the method of static rate gaps, differs from one time horizon to another.

Chart 63: Banks' interest rate risk profile at end of 2009 - cumulative rate deadlock
(Cumulative sample of 8 banks representing 80% of the banking sector's total balance sheet



Consequently, on the short-term horizon (12 months or less), the balance sheet of the banking sector is exposed to losses if rates increase. This sensitivity mainly reflects the risk linked with the revision of rates on short-maturity bank liabilities.

This exposure heightened in 2009, owing to the growing use of both very short-term liabilities, notably on the interbank market, and advances from Bank Al-Maghrib, as well as to the decline in the proportion of floating-rate loans.

In the medium term horizon (between 1 year and 7 years), bank balance sheets are exposed to a risk of loss if the rate drops. This might have an adverse impact on the expected remuneration gradually with the renewal of outstanding fixed-rate loans.

In the longer term, banks' risk profile varies considerably, reflecting assumptions about the timing of demand deposits' flow.

3 - IMPACT OF INTEREST RATE RISK

Banks' resilience to exceptional interest rate shocks is measured through stress-testing exercises.

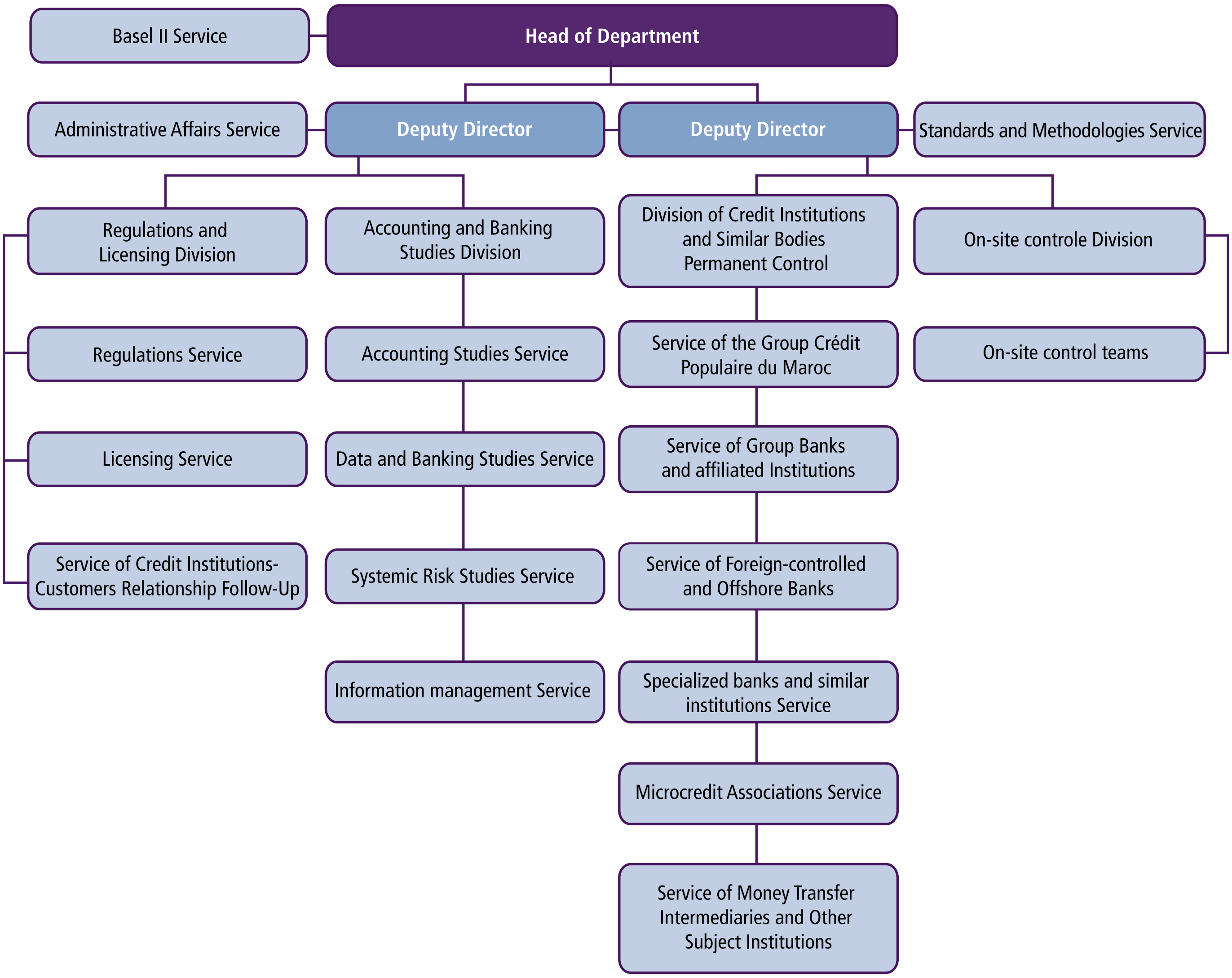
These stress tests, which are conducted on the basis of a standardized reporting, consist in measuring the impact of a change in interest rates by +/- 200 basis points on the net banking income (NBI) over 12 months and on the economic value of banks' balance sheets.

The results of the 2009 stress tests show that banks may suffer losses with varied proportions from one bank to another in case of a change in rates by +/- 200 basis points. In the short term, these losses account for less than 6% of the NBI (compared with 7% in 2008). In the longer term, the economic value of banks' balance sheets might suffer losses, not exceeding 20% of their capital. Beyond that threshold, the Basel Committee considers that the risk is high.

APPENDICES

Appendix 1

Organizational chart of the Banking Supervision Department



Appendix 2

List of credit institutions

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 DE CASABLANCA	Espace porte d'Anfa, 2,Angle Bd d'Anfa et Avenue Moulay Rachid - Casablanca
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
ASSALAF CHAABI	3, Rue d'Avignon - Casablanca
BMCI CREDIT CONSO	30, Av. 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
INTERBANK	26, Rue du Mausolée - 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
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 Abdelmounen, Appt 23, 4ème étage, Hassan RABAT
Association Ismailia pour le Micro-Crédit (AIMC)	115,Boulevard Lahboul-BP 2070 MEKNES
Association Marocaine de Solidarité Sans Frontière (AMSSF)	1, Rue Abi Dar El Ghoufari-Quartier Prince Héritier-1er étage FES
Association Marocaine Oued Serou pour le Micro-Crédit (AMOS)	Rue oued Sbou, Hay Ettakadoum, El Kbab - KENITRA
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, appa. 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, App.n°6 Quartier Hassan - 3 ème Etage - 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
WAFA CASH	15, Rue Driss Lahrizi - 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(*)
at December 31, 2009

(In thousand dirhams)

ASSETS	12/31/08	12/31/09
Cash values, Central banks, Public Treasury and Postal checks service	**61 795 903**	**44 026 799**
Loans to credit institutions and similar bodies	**99 515 821**	**104 817 885**
. Demand	22 462 088	21 911 798
. Time	77 053 733	82 906 087
Due from customers	**446 538 883**	**500 133 523**
. Overdraft facilities and consumer loans	179 529 377	174 231 553
. Equipement loans	100 692 671	131 966 400
. Real-estate loans	143 563 976	171 744 947
. Other loans	22 752 859	22 190 623
Factoring loans	**1 741 653**	**1 065 990**
Trading and available-for-sale securities	**74 610 192**	**94 213 527**
. Treasury bills and the like	40 167 582	54 198 788
. Other debt securities	8 868 379	10 515 825
. Title deeds	25 574 231	29 498 914
Other assets	**11 952 394**	**11 100 704**
Investment securities	**35 127 516**	**28 389 400**
. Treasury bills and the like	32 285 613	26 484 605
. Other debt securities	2 841 903	1 904 795
Equity securities and the like	**15 389 628**	**25 737 313**
Subordinated loans	**1 154 062**	**1 294 610**
Fixed assets for leasing and rental	**333 702**	**302 292**
Intangible fixed assets	**2 879 300**	**3 119 581**
Tangible fixed assets	**12 052 512**	**12 791 891**
Total assets	**763 091 566**	**826 993 515**

(In thousand dirhams)

LIABILITIES	12/31/2008	12/31/2009
Central banks, Public Treasury, Postal checks service	**107**	**7**
Due to credit institutions and the like	**56 915 490**	**60 372 579**
. Demand	9 502 639	6 025 373
. Time	47 412 851	54 347 206
Customer deposits	**572 682 913**	**601 763 348**
. Creditor demand deposits	312 857 016	332 598 606
. Savings accounts	65 507 714	71 880 923
. Time deposits	176 746 834	178 911 147
. Other creditor accounts	17 571 349	18 372 672
Debt securities issued	**32 013 793**	**36 476 499**
. Negotiable debt securities	27 556 351	32 465 789
. Bond loans	1 657 855	1 372 998
. Other debt securities issued	2 799 587	2 637 712
Other liabilities	**19 866 228**	**32 768 773**
Provisions for risks and expenses	**3 041 622**	**2 896 186**
Regulated provisions	**738 402**	**432 556**
Subsidies, allocated public funds and special guarantee funds	**2 293 145**	**2 925 200**
Subordinated debts	**13 194 197**	**19 353 745**
Reevaluation gaps	**361 788**	**361 788**
Reserves and premiums related to capital	**36 672 904**	**41 936 391**
Capital	**17 076 754**	**18 140 797**
Shareholders. Unpaid capital (-)	**0**	**0**
Retained earnings (+/-)	**-373 342**	**326 583**
Net income before appropriation (+/-)	**0**	**24 952**
Net income for the year (+/-)	**8 607 565**	**9 214 111**
Total liabilities	**763 091 566**	**826 993 515**

(In thousand dirhams)

OFF-BALANCE SHEET	12/31/08	12/31/09
COMMITMENTS GIVEN	**158 779 699**	**167 781 895**
Financing commitments to credit institutions and similar bodies	3 071 523	4 698 218
Financing commitments to customers	71 321 302	67 187 739
Guarantee commitments to credit institutions and similar bodies	25 724 532	30 711 048
Guarantee commitments to customers	58 397 049	64 568 667
Securities bought under repurchase agreements		
Other securities to deliver	265 293	616 223
COMMITMENTS RECEIVED	**60 543 832**	**52 075 900**
Financing commitments received from credit institutions and similar bodies	5 122 223	2 868 481
Guarantee commitments received from credit institutions and similar bodies	52 803 132	45 847 221
Guarantee commitments received from the government and sundry guarantee institutions	2 375 620	2 843 266
Securities sold under repurchase agreements		
Other securities to receive	242 857	516 932

Appendix 7

Banks' aggregate management balance statement (*)
from January 1 to December 31, 2009

(in thousand dirhams)

	12/31/2008	12/31/2009
+ Interest and related income	33 594 967	36 845 107
- Interest and related expenses	12 269 133	14 244 969
INTEREST MARGIN	**21 325 834**	**22 600 138**
+ Gains on fixed asset leasing and rentals	97 808	103 824
- Expenses on fixed asset leasing and rentals	78 929	89 544
Income from leasing and rental transactions	**18 879**	**14 280**
+ Commissions received	3 843 780	4 036 785
- Commissions paid	232 153	251 506
Margin on commissions	**3 611 627**	**3 785 279**
± Gains on trading security transactions	598 685	1 109 280
± Gains on investment security transactions	375 693	413 336
± Gains from foreign exchange transactions	1 315 867	1 564 127
± Gains on derivatives transactions	75 084	129 142
Income from market operations	**2 365 329**	**3 215 885**
+ Other banking income	1 192 504	1 844 176
- Other banking expenses	1 306 419	1 387 899
NET BANKING INCOME	**27 207 754**	**30 071 859**
± Gains on financial fixed asset transactions	200 510	370 666
+ Other non-banking operating income	491 183	417 998
- Other non-banking operating expenses	247 203	296 966
- Total operating expenses	13 031 086	14 239 718
GROSS OPERATING INCOME	**14 621 158**	**16 323 839**
± Net allocations to provisions for non-performing loans and commitments by signature	-2 318 979	-2 943 529
± Other net allocations to provisions	337 510	355 425
CURRENT INCOME	**12 639 689**	**13 735 735**
EXTRAORDINARY INCOME	**-58 731**	**-184 232**
- Income tax	3 973 393	4 337 392
NET INCOME FOR THE YEAR	**8 607 565**	**9 214 111**

*Established on an individual basis.

Appendix 8

Aggregate balance sheet of consumer loans companies at December 31, 2009

(in thousand dirhams)

ASSETS	12/31/2008	12/31/2009
Cash values, Central banks, Public Treasury and postal checks service	**89 080**	**59 410**
Loans to credit institutions and similar bodies	**867 969**	**1 708 351**
. Demand	738 358	1 523 449
. Time	129 611	184 902
Due from customers	**27 580 422**	**32 132 935**
. Overdraft facilities and consumer loans	26 108 092	30 320 280
. Equipement loans	266 046	198 497
. Real-estate loans	36 474	36 638
. Other loans	1 169 810	1 577 520
Factoring loans	**45 992**	**97 213**
Trading and available-for-sale securities	**293 881**	**21 363**
. Treasury bills and the like	1 030	19 877
. Other debt securities	291 000	
. Title deeds	1 851	1 486
Other assets	**1 282 382**	**1 489 164**
Investment securities	**26**	**26**
. Treasury bills and the like		
. Other debt securities	26	26
Equity securities and the like	**188 986**	**188 975**
Subordinated loans		
Fixed assets for leasing and rental	**7 071 911**	**4 926 123**
Intangible fixed assets	**319 833**	**328 582**
Tangible fixed assets	**309 598**	**309 931**
Total assets	**38 050 080**	**41 262 073**

(in thousand dirhams)

LIABILITIES	12/31/2008	12/31/2009
Central banks, Public Treasury, postal checks service		336
Due to credit institutions and the like	**26 095 643**	**26 340 099**
. Demand	2 194 670	3 985 214
. Time	23 900 973	22 354 885
Customer deposits	**467 099**	**369 730**
. Creditor demand deposits		
. Savings accounts		
. Time deposits		
. Other creditor accounts	467 099	369 730
Debt securities issued	**2 318 288**	**6 100 431**
. Negotiable debt securities	2 261 518	6 049 810
. Bond loans	56 770	50 621
. Other debt securities issued		
Other liabilities	**3 795 627**	**2 931 873**
Provisions for risks and expenses	**156 776**	**106 511**
Regulated provisions	**73 134**	**58 342**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**300 082**	**105 214**
Reevaluation gaps		
Reserves and premiums related to capital	**1 991 050**	**2 291 396**
Capital	**1 751 764**	**1 748 960**
Shareholders. Unpaid capital (-)		**-6 000**
Retained earnings (+/-)	**252 177**	**386 367**
Net income before appropriation (+/-)		
Net income for the year (+/-)	**848 440**	**828 814**
Total liabilities	**38 050 080**	**41 262 073**

Appendix 9

Aggregate management balance statement of consumer loans companies from January 1 to December 31, 2009

(In thousand dirhams)

	12/31/2008	12/31/2009
+ Interest and related income	2 935 005	3 460 992
- Interest and related expenses	1 094 730	1 321 759
INTEREST MARGIN	**1 840 275**	**2 139 233**
+ Gains on fixed asset leasing and rentals	4 057 679	3 818 030
- Expenses on fixed asset leasing and rentals	3 536 190	3 355 869
Income from leasing and rental transactions	**521 489**	**462 161**
+ Commissions received	243 510	285 470
- Commissions paid	22 565	39 445
Margin on commissions	**220 945**	**246 025**
± Gains on trading security transactions	4 502	4 128
± Gains on investment security transactions	59	-141
± Gains from foreign exchange transactions	-147	-271
± Gains on derivatives transactions		
Income from market operations	**4 414**	**3 716**
+ Other banking income	63 445	61 702
- Other banking expenses	8 275	8 943
NET BANKING INCOME	**2 642 293**	**2 903 894**
± Gains on financial fixed asset transactions	-2	-1 038
+ Other non-banking operating income	88 706	71 538
- Other non-banking operating expenses	1 194	23
- Operating expenses	1 090 256	1 151 862
GROSS OPERATING INCOME	**1 639 547**	**1 822 509**
± Net allocations to provisions for non-performing loans and commitments by signature	-263 044	-625 792
± Other net allocations to provisions	-23 561	70 298
CURRENT INCOME	**1 352 942**	**1 267 015**
EXTRAORDINARY INCOME	**5 029**	**20 356**
- Income tax	509 531	458 557
NET INCOME FOR THE YEAR	**848 440**	**828 814**

Appendix 10

Aggregate balance sheet of leasing companies at December 31, 2009

(In thousand dirhams)

ASSETS	31/12/08	31/12/09
Cash values, Central banks, Public Treasury and postal check service	**2 356**	**225**
Due from credit institutions and similar bodies	**268 965**	**174 094**
. Demand	230 924	143 662
. Time	38 041	30 432
Due from customers	**73 541**	**84 144**
. Overdraft facilities and consumer loans	12 178	10 732
. Equipement loans		
. Real-estate loans	36 685	33 607
. Other loans	24 678	39 805
Equipment loans		
Trading and available-for-sale securities	**501**	**454**
. Treasury bills and the like		
. Other debt securities	501	211
. Title deeds		243
Other assets	**1 279 968**	**1 069 976**
Investment securities	**27**	**27**
. Treasury bills and the like	27	27
. Other debt securities		
Equity securities and the like	**30 933**	**30 548**
Subordinated loans		
Fixed assets for leasing and rental	**30 300 066**	**34 450 282**
Intangible fixed assets	**45 982**	**146 257**
Tangible fixed assets	**21 993**	**24 455**
Total assets	**32 024 332**	**35 980 462**

(In thousand dirhams)

LIABILITIES	12/31/2008	12/31/2009
Central banks, Public Treasury, Postal checks service		
Due to credit institutions and the like	**25 987 252**	**27 519 207**
. Demand	1 909 252	2 415 509
. Time	24 078 000	25 103 698
Customer deposits	**750 440**	**1 681 334**
. Creditor demand deposits		6 789
. Savings accounts		
. Time deposits	601 149	1 544 144
. Other creditor accounts	149 291	130 401
Debt securities issued	**1 460 188**	**2 624 484**
. Negotiable debt securities	1 399 823	2 624 484
. Bond loans	60 365	
. Other debt securities issued		
Other liabilities	**1 571 942**	**1 610 425**
Provisions for risks and expenses	**138 005**	**159 836**
Regulated provisions	**15 605**	**16 205**
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**54 139**	**54 903**
Reevaluation gaps		
Reserves and premiums related to capital	**668 133**	**931 670**
Capital	**742 027**	**777 709**
Shareholders. Unpaid capital (-)		
Retained earnings (+/-)	**219 539**	**240 109**
Net income before appropriation (+/-)		
Net income for the year (+/-)	**417 062**	**364 580**
Total liabilities	**32 024 332**	**35 980 462**

Appendix 11

Aggregate management balance statement of leasing companies from January 1 to December 31, 2009

(In thousand dirhams)

	12/31/2008	12/31/2009
+ Interest and related income	13 081	3 634
- Interest and related expenses	1 115 981	1 398 310
INTEREST MARGIN	**-1 102 900**	**-1 394 676**
+ Gains on fixed asset leasing and rentals	10 677 797	12 214 203
- Expenses on fixed asset leasing and rentals	8 626 651	9 877 828
Income from leasing and rental transactions	**2 051 146**	**2 336 375**
+ Commissions received	3 056	2 810
- Commissions paid	12 186	8 391
Margin on commissions	**-9 130**	**-5 581**
± Gains on trading security transactions		
± Gains on investment security transactions	23	27
± Gains from foreign exchange transactions	1	-5
± Gains on derivatives transactions		
Income from market operations	**24**	**22**
+ Other banking income	484	23
- Other banking expenses	1 414	735
NET BANKING INCOME	**938 210**	**935 428**
± Gains on financial fixed asset transactions		**6 717**
+ Other non-banking operating income	**13 774**	**8 289**
- Other non-banking operating expenses	**13 995**	**11 228**
- Operating expenses	**249 629**	**267 398**
GROSS OPERATING INCOME	**688 360**	**671 808**
± Net allocations to provisions for non-performing loans and commitments by signature	-61 145	-88 893
± Other net allocations to provisions	11 737	-15 482
CURRENT INCOME	**638 952**	**567 433**
EXTRAORDINARY INCOME	**10 182**	**18 524**
- Income tax	232 072	221 377
NET INCOME FOR THE YEAR	**417 062**	**364 580**

Appendix 12

Balance sheet of the Deposit Insurance Fund

at December 31, 2009

ASSETS	Amounts in DH	LIABILITIES	Amounts in DH
HELD-FOR-SALE SECURITIES	5 685 729 843,07	CONTRIBUTIONS OF CREDIT INSTITUTIONS	7 219 633 821,26
HELD-FOR-SALE SECURITIES GUARANTEED BY THE STATE	93 910 000,00	RESERVES	1 214 753 371,41
SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS	2 710 936 030,99	NET INCOME FOR THE YEAR	232 854 941,97
CURRENT ACCOUNT WITH BANK AL-MAGHRIB	1 412 900,67	LIABILITY ADJUSTMENT ACCOUNTS	15 129 786,35
GOVERNMENT - INCOME TAX SURPLUS	5 711 986,39		
RECOVERABLE VAT	207 910,00		
GOVERNMENT – VAT CREDIT	1 034 300,02		
ASSET ADJUSTMENT ACCOUNTS	183 428 949,85		
TOTAL ASSETS	**8 682 371 920,99**	**TOTAL LIABILITIES**	**8 682 371 920,99**

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بنك المغرب