



PRESS RELEASE

Presentation of the 15th Annual Report on Banking Supervision

Financial Year 2018

Casablanca, 22nd July 2019

In its 15th edition, the 2018 Annual Report on Banking Supervision outlines the main achievements made and the actions carried out with regard to banking regulation, micro-prudential supervision and the protection of credit institutions' customers. The report also covers credit institutions and similar bodies' trend with regard to activity and profitability as well as to the risks incurred.

In a context of slower domestic growth, bank lending remained sluggish, especially for enterprises, with a growth limited to 0.7 percent, while the loan loss ratio slightly declined to 7.3 percent.

Broadly, the banking sector was able to maintain its profitability thanks to its diversified business model at the sectoral and geographical levels. Owing to the moderate increase of the net banking income, banks' net result rose by 2.9 percent on a social basis, despite the higher risk cost. On a consolidated basis, the net income group share of the nine banking groups was up 4.4 percent, generating an assets and equity yield of 0.9 and 10.8 percent respectively.

In terms of capitalization, bank fundamentals remained resilient, and generated, on an individual basis, a solvency ratio of 14.7 percent and a Tier 1 capital ratio of 10.9 percent, thus exceeding the regulatory minimum requirements of 12 and 9 percent, respectively.

Under these conditions, Bank Al-Maghrib remained mindful to the quality of bank lending portfolios and their provisioning. It also consolidated its cross-border supervision, in collaboration with the supervisory authorities of host countries, and reinforced the supervision framework of market risks and global interest rates, to support the exchange regime reform.

The year 2018 saw the gradual launch of 5 participatory banks and 3 participatory windows. At end-2018, real estate and automotive financing through *mourabaha*, stood at around 4.5 billion dirhams, while the demand deposits collected were limited at 1.7 billion dirhams.

Bank Al-Maghrib continued assisting stakeholders vis-à-vis the Higher Board of Religious Scholars (*Conseil Supérieur des Oulémas*) in labeling their products' contracts. The regulatory framework for this new industry has also been supplemented by capital and solvency prudential requirements.

This year also witnessed the entry into force of the international accounting standard for financial instruments "IFRS 9". Bank Al-Maghrib introduced transitional provisions to adopt this standard.

Regarding anti-money laundering and combating the financing of terrorism (AML/CFT), the Bank strived to strengthen the regulatory and supervisory framework, while ensuring the stakeholders' compliance with the new due diligence requirements and their adoption of a risk-based approach.

In response to the calls for a transition to green economy and to sustainable finance, Bank Al-Maghrib joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS) and contributed to its activities. The Bank also continued its dialogue with banks on implementing the commitments made as part of the roadmap set to align the financial sector with the sustainable development issues.

To promote balanced relationships between credit institutions and their customers, Bank Al-Maghrib stepped up its control with regard to the compliance with the legal and regulatory provisions governing, in particular, the protection of financial services' consumers and their claims handling.

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