BANK AL-MAGHRIB

ANNUAL REPORT
ON BANKING SUPERVISION

2019

بنك المغرب

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FOREWORD BY THE GOVERNOR

In 2019, national economic growth decelerated to 2.5 percent, further to the 5.8 percent drop in agricultural added value, along with a slight acceleration in non-agricultural GDP growth to 3.5 percent.

Against this backdrop, bank loans to the non-financial sector grew by 4.8 percent, reflecting faster growth in lending to businesses to 5.6 percent and slower lending to households to 3.6 percent. On the other hand, non-performing increased to 70 billion dirhams, representing a loss ratio of 7.5 percent against 7.3 percent in 2018.

On the liabilities side, collecting déposits rose by merely 2.9 percent as a result of time deposits' decline, coupled with an increase in cash in circulation.

In this context, the banking sector consolidated its capital base owing to stronger results and reinforced equity capital.

In terms of profitability, banks performed well overall, mainly owing to the results of market activities and to the decline in the cost of risk. At-end 2019, net profit of banks, on an individual basis, were up by 8 percent to 12 billion dirhams, generating a return on assets of 0.9 percent and on equity of 9.4 percent. On a consolidated basis, the cumulative net income group share of the eleven banks increased by 2.7 percent, as a result of the downward performance of some subsidiaries in Sub-Saharan Africa.

On the other hand, the solvency of banking institutions was strengthened, and the solvency ratio reached an average of 15.6 percent and a core capital ratio of 11.5 percent.

With regard to regulation and micro-prudential supervision, the Bank aimed its efforts towards strengthening resilience of the banking sector and enhancing governance and risk management practices, in line with international standards.

To this end, banks were asked to set the implementation of the debt classification reform, which underwent an iterative process of exchange and consultation with the sector. Similarly, the Bank monitored banks' unfolding of an internal capital adequacy assessment process (ICAAP), to be refined in the coming years. It also reviewed the prospective internal crisis recovery plans drawn up by systemically important banks to handle potential shock scenarios.

In addition, the Bank continued strengthening its efforts to promote green and sustainable finance and finalized a draft regulatory directive setting out guidelines for climate and environmental risk management. It also strongly stepped up action to participate in the work of the Network of Central Banks for Greening the Financial System and has played, at the request of its peers, a bridging role with central banks and regulators in Africa.

Supporting the development of a more digitalized finance was also included among the priority work areas. In addition to international monitoring, surveys were conducted among banks to assess the current situation in terms of digital transformation and, more particularly, to review practices and risks relating to the use of Cloud Computing. The Bank updated its analysis of the opportunities and risks brought about by new technologies and called upon banking actors to strengthen their vigilance in terms of cyber-risk prevention.

With regard to financial security, and in compliance with the recommendations of the assessment mission conducted in Morocco by the MENA Financial Action Group, the Bank consolidated the regulatory framework governing the due diligence obligations of credit institutions. It also pursued, in coordination with the Financial Intelligence Processing Unit, its efforts to raise awareness and provide support to the various stakeholders.

As part of cross-border supervision, the Bank expanded its cooperation mechanisms with its foreign counterparts by signing two new agreements with the central banks of Egypt and Mauritius, bringing their total number to 15, covering 27 countries served by Moroccan banks.

On the other hand, the Bank continued working with stakeholders to foster the completion of the participatory finance ecosystem, particularly in terms of legal, fiscal and capital market instruments. Consultations were pursued with the Higher Council of Ulemas and the GPBM to finalize the contractual framework governing participatory financing and savings products, namely unrestricted investment deposits, Wakala Bil Isthitmar, Ijara Montahiya Bittamlik, Salam and participatory guarantee instruments.

Another major event this year was the gradual launch of payment account services offered by some authorized payment institutions. The Bank monitored, beforehand, implementation of the related risk management, control and compliance systems.

With regard to protecting credit institutions customers, the measures taken focused on boosting the activity of the Banking Mediation Center, issuing a regulatory directive on banking mobility and setting rules to govern the release of guarantees. The Bank also signed a cooperation agreement with the Competitiveness Council at the beginning of 2020, with a view to strengthening the joint action of both authorities.

To address the difficulties of credit institutions, overhaul of bank recovery and resolution system reached an advanced stage and should be adopted as part of the next amendment of the banking law. Meanwhile, the deposit guarantee scheme has been completed by the promulgation of a new circular on the functioning of the deposit guarantee fund of participatory banks and windows, which has been submitted to the opinion of the Higher Council of Ulemas.

A major event of the year 2019 was the speech delivered by His Majesty the King on 11 October 2019, on the opening of the first session of the fourth legislative year, to call upon the Government and Bank Al-Maghrib, in coordination with the GPBM, to strive towards developing a special program to support young graduates and finance self-employment projects.

In compliance with the Royal guidelines, the Bank fully committed itself, alongside the Ministry of the Economy, Finance and Reform of Administration, to develop a program dedicated to supporting and financing entrepreneurship. As such, a fund endowed with an initial envelope of 6 billion dirhams, over a period of 3 years, has been set up by the State and the banking sector. Resources of this Fund have been strengthened by an additional amount of 2 billion dirhams, granted by the Hassan II Fund for Economic and Social Development and dedicated to financing economic activities in the rural world.

To this end, a financing offer called "Intelaka" was launched at very advantageous conditions, to support business creation, targeting the holders of self-employment and professional integration projects, young companies, and the activities of SMEs exporting to Africa. Besides, Bank Al-Maghrib set up a mechanism for unlimited refinancing, at a preferential rate of 1.25 percent, intended to all bank credits granted through this program, be they investment or operating credits. It also eased, as an incentive, the prudential capital requirements applicable to banks and covering credits granted to VSEs.

By the end of the year, the efforts conducted by the Central Bank and the market will have allowed to further strengthen resilience of the banking sector, enabling it to cope with the pandemic crisis which emerged at the end of the first quarter of 2020 and deal with its health, economic, social and financial impacts.

HIGHLIGHTS OF 2019

January 22: Participation, in Mexico, in the steering committee of the Network of Central Banks and Supervisors for the Greening of the Financial Sector "NGFS".

March 7: Participation, in Brunei, in the working group of the Islamic Financial Services Board (IFSB) and the International Association of Deposit Insurers on the development of a standard on basic principles for an effective Islamic deposit insurance system.

March 11: Participation in the 10th meeting of the Global Standards Proportionality Working Group (GSPWG) in Cairo.

March 28: Organization of the 2nd workshop, in collaboration with the International Finance Corporation, on the theme of "Supply Chain Finance".

April 18: Organization of the 2nd BAM-GPBM-CGEM tripartite meeting under the theme "Corporate Finance: Review and Perspectives".

April 20: Participation in the 29th plenary meeting of the MENA Financial Action Task Force (MENAFATF), held in Amman, Jordan.

April 24: Organization of the 5th meeting of the College of Supervisors of the BMCE Bank Group.

April 25: Organization of the 5th meeting of the College of Supervisors of the Credit Populaire du Maroc group.

May 5: Participation, in Abu Dhabi, in the 33rd meeting of the Arab Committee of Banking Supervisors of the Arab Monetary Fund.

May 20 Participation in the 58th Executive Board Meeting of the International Association of Deposit Guarantee Schemes "IADI" in Basel.

June 10 Participation, in Cairo, Egypt, in the conference of the community of African banking supervisors.

June 25: Participation, in Casablanca, in the 4th edition of the "Global Green Finance Leadership program" co-organized by Casablanca Finance City and the Research Center for the Development of Green Finance at Tsinghua University with the support of Bank Al-Maghrib.

July 2: Holding of the 15th meeting of the Financial Stability Committee internal to Bank Al-Maghrib.

July 2: Holding of the 9th meeting of the Systemic Risk Coordination and Monitoring Committee.

July 15: Meeting of the Governor with the Board of the Professional Group of Banks of Morocco (GPBM)

July 30: Participation in the annual meeting of the College of Supervisors of the Credit Agricole Group organized in Paris by the French Prudential Supervision and Resolution Authority (ACPR)

July 31: Participation in the annual meeting of the Board of Supervisors of the Societe Generale Group organized in Paris by the ACPR.

September 10: Participation, in Kigali, Rwanda, in the 11th edition of the Global Forum on Financial Inclusion Policies, co-organized by the Alliance for Financial Inclusion and the National Bank of Rwanda.

September 26: Holding of the 5th meeting of the Africa Committee, chaired by the Governor of Bank Al-Maghrib, with the participation of the Presidents of the Moroccan banking groups represented in Africa.

October 16: Holding of the annual meeting of Bank Al-Maghrib with the National Federation of Micro-Credit Associations.

October 20: Meeting of the Credit Institutions Committee.

October 23: Participation in the annual meeting of the group of French-speaking banking supervisors held in Paris.

October 30: Co-organization with the Alliance for Financial Inclusion “AFI” in Rabat of the high-level world conference on green inclusive finance.

October 30: Participation, in Dakar, in the international conference on Fintechs, organized by the Central Bank of West African States and the World Bank.

November 6: Participation, in Bahrain, in the Annual General Meeting of the organization for auditing and accounting of Islamic financial institutions “ AAOIFI ”.

November 6: Participation, in Tunis, in the 8th meeting of the Board of Governors of the Central Banks of the Arab Maghreb Union.

November 12: Participation, in Paris, in the 5th meeting of the Steering Committee of the Central Banks and Supervisors Network for the Greening of the Financial Sector “NGFS”.

November 23:	Participation in the 30th plenary meeting of the Financial Action Task Force for the Middle East and North Africa Region (MENAFATF), held in Egypt.
November 27:	Organization of the 6th meeting of the College of Supervisors of Attijariwafa Bank Group
December 9:	Participation, in Abu Dhabi, in the 34th meeting of the AMF Arab Committee of Banking Supervisors.
December 10:	Participation, in Bangladesh, in the 35th Board Meeting of the Islamic Financial Services Board (IFSB).
December 24:	Holding of the 16th meeting of the Internal Financial Stability Committee at Bank Al-Maghrib.
December 24:	Holding of the 10th meeting of the Systemic Risk Coordination and Monitoring Committee.

KEY FIGURES OF THE BANKING SYSTEM

I - Structure of the banking system

- Number of credit institutions and similar entities	**:**	**90**
• Banks	:	24
including participatory banks	:	5
including participatory windows	:	3
• Finance companies	:	27
• Offshore banks	:	6
• Microcredit associations	:	12
• Payment institutions	:	19
• Other institutions[1]	:	2

- Network:

- In Morocco:
  - 6,539 banking agencies, equalling 5,400 inhabitants per counter
  - 7,613 automated teller machines
- Abroad 48 subsidiaries and 15 branches with almost 1,523 points of sale.

- Staff of credit institutions and similar entities: 57,287

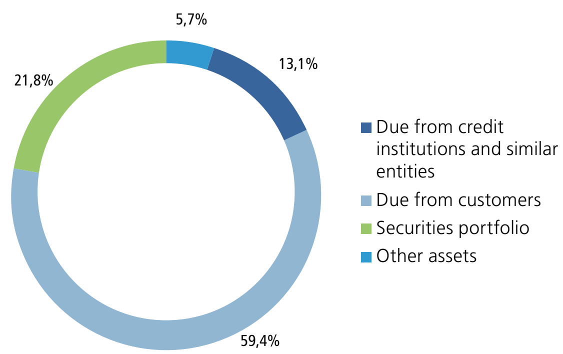
(1) Including one institution with a participatory guarantee window.

II - Activity and profitability indicators of banks - on an individual basis

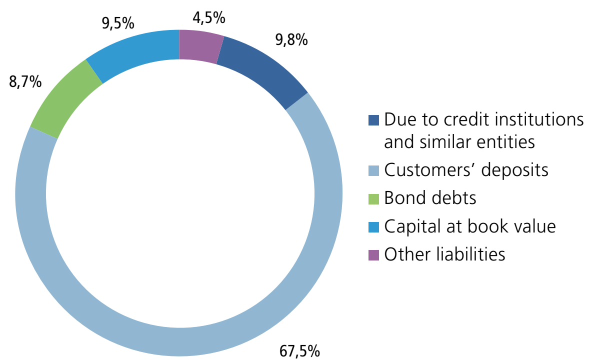
Amount in billion dirhams	2017	2018	2019
Total balance sheet	1.271	1.341	1.415
Loans by disbursement (net of provisions)[1]	800	854	893
Customers' deposits	901	928	955
Equity (excluding profit for the year)	115	121	134
Net banking income	46,0	47,2	49,5
Gross operating income	23,5	23,8	25,5
Net income	10,8	11,1	12,0
Average yield of assets	4,53%	4,35%	4,42%
Average cost of liabilities	1,38%	1,37%	1,33%
Average operating ratio	50,6%	50,7%	50,2%
Return on assets (ROA)	0,9%	0,9%	0,9%
Return on equity (ROE)	9,5%	9,5%	9,4%
Non-parforming loans ratio (NPL)	7,5%	7,3%	7,5%
NPL coverage ratio	71%	69%	69%

(1) Including loans to finance companies

Structure of banks' assets - 2019



Structure of banks' liabilities - 2019



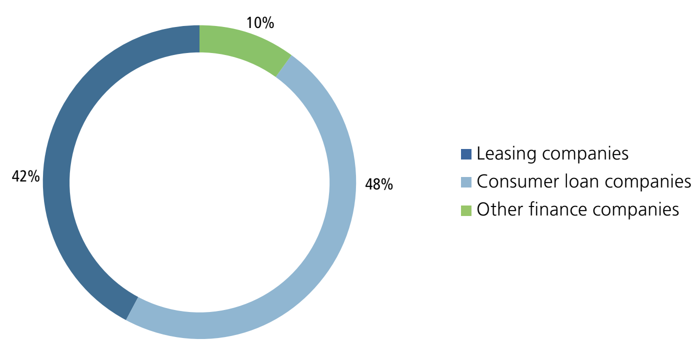
III - Activity and profitability indicators of participatory banks

Amounts in million of dirhams	2017	2018	2019
Total balance sheet	452	7.061	12.151
Disbursement financings (off prepaid margins)	-	3.125	6.548
Customers' déposits	23	1.665	3.096
Equity (excluding the income of the year)	394	2.226	2.267
Net Banking income	0,02	67	202
Gross operating income	-6	-364	-414
Net income	-6	-377	-419

IV - Activity and profitability indicators of finance companies companies

Amount in billion dirhams	2017	2018	2019
Total balance sheet	112	117	123
Loans by disbursement (net of provisions)	99	105	111
Net banking income	5,4	5,7	5,7
Gross operating income	3,4	3,6	3,6
Net income	1,5	1,4	1,5
NPL ratio	8,7%	9,2%	9,9%
Return on assets (ROA)	1,3%	1,2%	1,3%
Return on equity (ROE)	14,3%	13,3%	13,7%

Share of each category of finance companies in total assets 2019



V - Activity and profitability indicators of microcredit associations

Amount in billion dirhams	2017	2018	2019
Total balance sheet	7,6	7,9	8,1
(Gross) outstanding loans	6,6	6,8	7,5
NPL ratio	3,3%	3,0%	3,1%
Net income	0,18	0,19	0,21

VI - Activity and profitability indicators of offshore banks

Amount in billion dirhams	2017	2018	2019
Total balance sheet	42,7	40,4	42,3
Loans by disbursement (net of provisions)	18,5	18,3	17,9
Customers' deposits	6,5	6,4	8,8
Net income	0,5	0,5	0,4

VII - Activity and profitability indicators of payment institutions

Amounts in thousands of dirhams	2018	2019
Network	4.498	6.024
Including own	880	987
Including agents	3.618	5.037
Number of payment accounts	59.019	514.827
Accepting traders	8.096	10.895
Retail agents	-	341
Volume of transactions carried out via payment accounts	12.690	173.142
Balance sheet total	2.346.769	2.678.683
Customers' deposits	52.940	64.230
Net income	159.183	165.604

VIII - Activity and profitability indicators of the eleven banking groups - on a consolidated basis

Amount in billion dirhams	2017*	2018*	2019
Total balance sheet	1.597	1.673	1.793
Loans by disbursement to customers (net of provisions)	975	1.037	1.104
Customers' deposits	1.090	1.128	1.186
Equity-group share	132	130	147
Net banking income	69	71	75
Gross operating income	33	33	35
Net income-group share	13,4	13,9	14,3
Average operating ratio	52,5%	53,6%	53,6%
Return on assets (ROA)	0,8%	0,8%	0,8%
Return on equity (ROE)	10,1%	10,7%	9,7%

* Figures updated following the groups expansion, now consolidating to 11 instead of 9 groups.

PART 1

STRUCTURE, ACTIVITY, PROFITABILITY AND RISKS OF THE BANKING SECTOR

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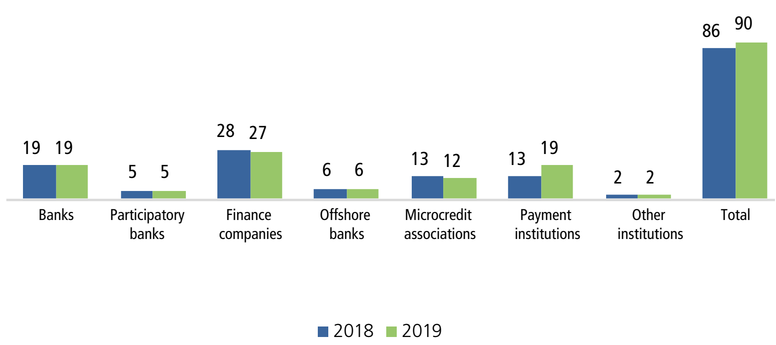
CHAPTER 1: STRUCTURE OF THE BANKING SYSTEM

In 2019, the banking sector was marked by the launch of authorized payment institutions in 2018 and the granting of new authorizations to operators wishing to offer payment-account-backed services, thereby bringing the total number of credit institutions and similar bodies to 90. At the same time, the bank network evolved at a limited pace, reflecting a growing shift towards digital channels. Also, new banks were acquired in sub-Saharan African countries.

I - Structure of the banking system and shareholding

The number of credit institutions and bodies supervised by Bank Al-Maghrib increased from 86 in 2018 to 90 in 2019, further to the licensing of 6 payment institutions, the winding up of a guarantee company due to the non-viability of its business model, and to the withdrawal of license from a micro-credit association.

Chart 1: Change in the number of credit institutions and similar entities



Foreign shareholdings in the banking sector maintained a majority share in 7 banks and 7 finance companies. The number of majority state-owned institutions remained stable at 5 banks and 4 finance companies.

The number of listed credit institutions stood at 10 in 2019, including six banks and four financing companies. These institutions represent 36,7 percent of market capitalization.

On a cross-border level, one banking group acquired 3 banks located respectively in Madagascar, Cameroun, and Congo, bringing the network of the three Moroccan banking groups abroad to 48 subsidiaries and 15 branches in 35 countries, including 27 in Africa, 7 in Europe and one in Asia.

The presence of these groups in Africa, through 45 subsidiaries and 4 branches, is spread over 10 countries in West Africa (including 8 in the West African Economic and Monetary Union zone), 6 countries in Central Africa, 6 in East Africa, 3 in North Africa and two countries in Southern Africa. Moroccan banks are also present in the rest of the world, through 4 subsidiaries and 11 branches, in 7 countries across Europe and China. They also have 48 representative offices in 11 countries, mainly in Europe.

II -Banking network development

Growth pace of the banking network decelerated anew by 0.6 percent in 2019, as against 1.8 percent in 2018, due to the development of digital channels. The number of branches stood at 6,539, up by merely supplementary 36 branches, including 33 new ones opened by participatory banks. On the other hand, the network of conventional banks remained almost stable.

Chart 2: Change in the banking network

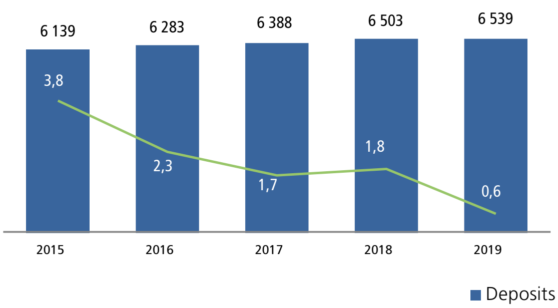
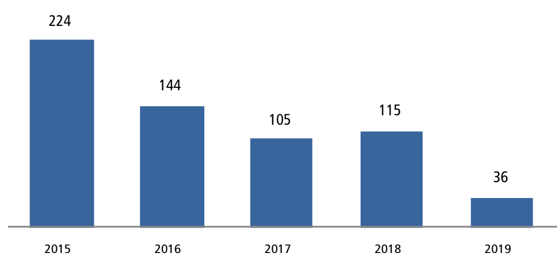


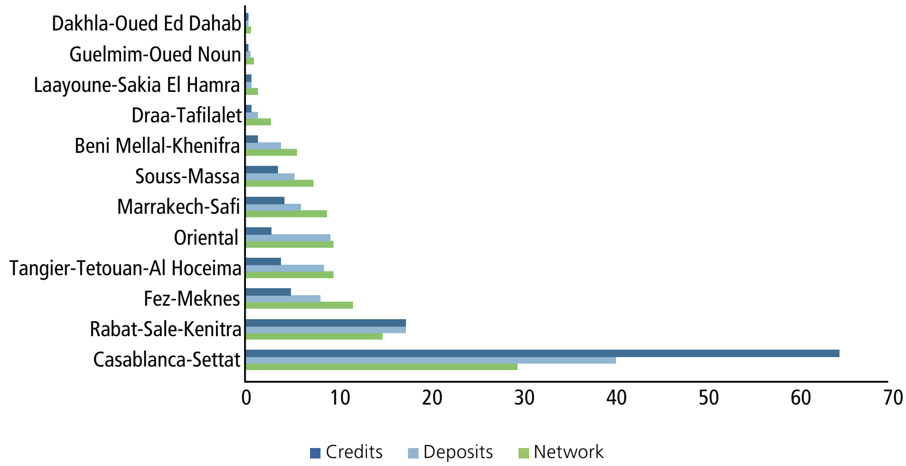
Chart 3: Number of additional branches opened annually



Bank density, measured by the number of inhabitants per branch, stood at 5,400. Considering their number per 10,000 inhabitants, it stood at around 2 branches, as against one branch about fifteen years ago.

The regional breakdown of branches, deposits and loans remained broadly stable in 2019. The Casablanca-Settat region, with a share of 29 percent for branches, 38 percent for deposits and 64 percent for loans, continues to rank first. It is followed by the Rabat-Sale-Kenitra region, which holds 15 percent of the banking network, 17 percent of deposits and 17 percent of loans. The region of Fez-Meknes comes third with 11 percent of branches, 8 percent of deposits and 4 percent of loans.

Chart 4: Share of each region in the total banking network, deposits and loans (%)

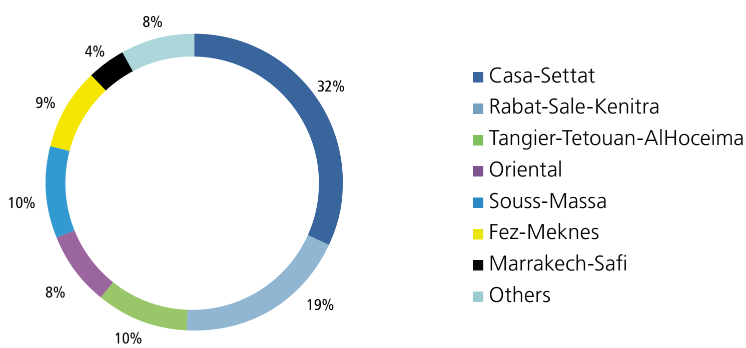


For newly-opened branches in 2019, the Casablanca-Settat region continues to report the largest share, followed by Fez-Meknes and Souss-Massa.

In the Tangier offshore zone, banks hold 5 branches and one subsidiary, unchanged from previous years.

The network branches and spaces dedicated to participatory banks and windows rose from 100 in 2018 to 133 branches. Half of the branches in this network are located in the Casablanca-Settat and Rabat-Sale Kenitra regions.

Chart 5: Breakdown of the participatory banking network by region (%)

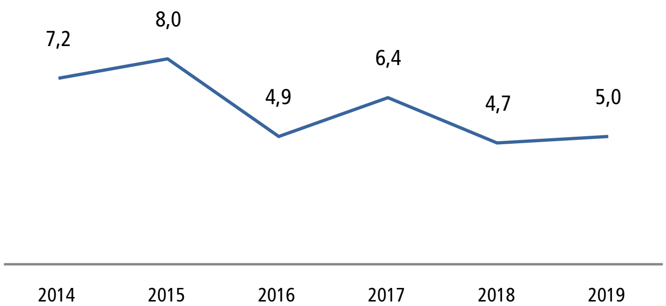


The network of payment institutions strengthened by 34 percent to 6,024 points of sale, divided into 987 own branches and 5,037 representatives.

III - Change in the number of bank accounts

At end-2019, the number of bank accounts rose by 5 percent annually to more than 28 million, after 4.7 percent at the end of 2018. The number of accounts opened by participatory banks stood at around 87 thousand, as against 56 thousand last year.

Chart 6: Change in the number of bank accounts (%)



The number of bank accounts held by individuals with at least one bank account[2] relative to the adult population increased by one point year-on-year to 61 percent. By gender, this rate stands at 44 percent for women and 79 percent for men, compared to 40 percent and 77 percent respectively at the end of 2018, revealing an improved proportion of bank accounts held by women.

By age groups, 28 percent of people aged 16 to 25 hold a bank account, compared to 24 percent in 2018. This proportion stood at 68 percent for people aged 26 to 60, as against 69 percent, and 82 percent for people over 61, compared to 83 percent.

Chart 7: Population with at least one bank account by gender (%)

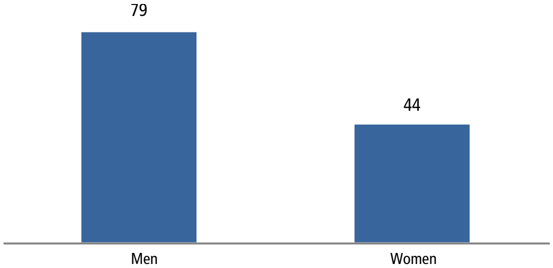
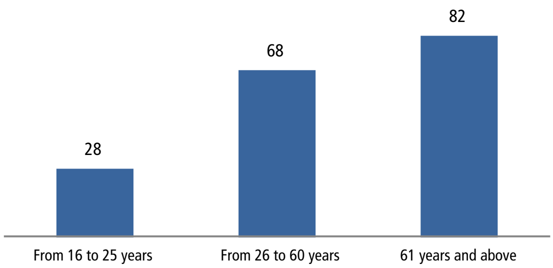


Chart 8: Population with at least one bank account by age group (%)



2 Source: Bank Al-Maghrib's bank accounts registry.

IV - Change in bank cards and automated teller machines

The number of bank cards increased by 7.3 percent to 16.2 million at the end of 2019, most of which continues to be used for withdrawal operations. Besides, the number of automated teller machines (ATMs), up 4.4 percent, as against 3,8 percent the previous year, stood at 7,613 units at end-2019.

Chart 9: Change in the number of bank cards in circulation (in millions)

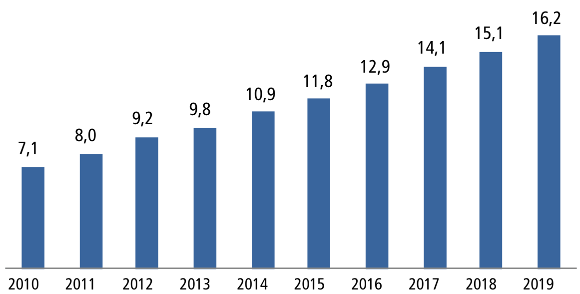
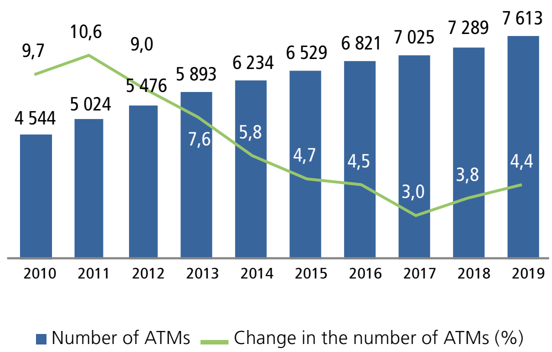


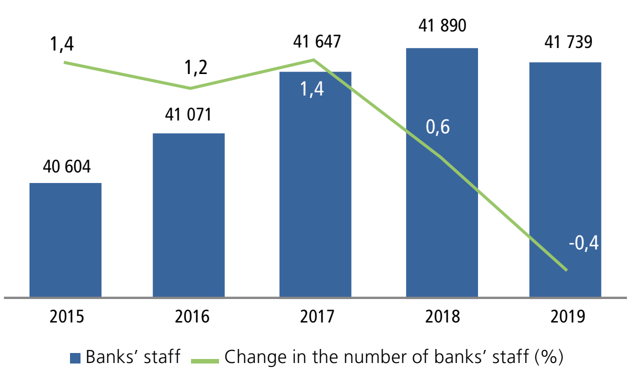
Chart 10: Change in ATMs



V - Staff of credit institutions and similar bodies

At end-December 2019, the staff of credit institutions and similar bodies stood at 57,287, up 1,5 percent compared to 2018[3]. Banks hold a rate of 75 percent of this number, as against 6 percent for finance companies, 14 percent for microcredit associations, and 5 percent for payment institutions.

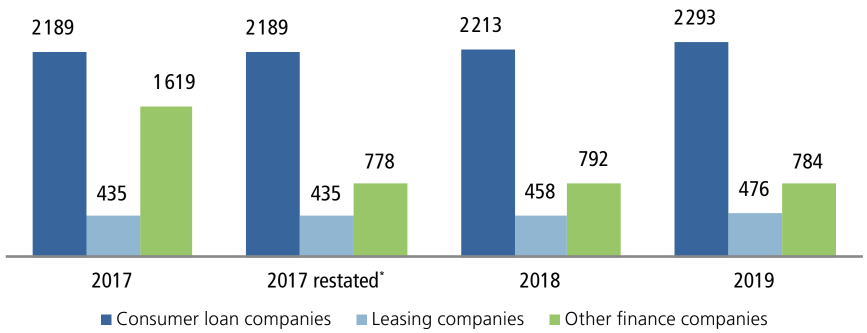
Chart 11: Change in the number of conventional banks' staff in Morocco



3 2018 staff, updated.

Banks' staff number fell by 0,4 percent to 41,739 employees, down 151 agents, reflecting network stability and digitalization of processes. By age, 43 percent of this population fall under the 25-35 age group, followed by the 35-50 age bracket, at 33 percent, and 17 percent for employees over 50. The share of women in the total workforce increased from 47 percent to 50 percent.

Chart 12: Change in the number of the staff of finance companies



Meanwhile, the finance company sector employs 3,553 agents, 90 more than in 2018 (+2.6 percent), the vast majority of which concern consumer credit companies. The latter recorded a 3.6 percent increase in their staff, as opposed to a 3.9 percent increase for leasing companies and a 1 percent decline for other finance companies.

On the other hand, the staff employed by micro-credit associations grew by 1.4 percent in 2019, after a 7.9 percent increase the previous year, thus reaching 7,936 people.

The number of employees of payment institutions increased by 27.6 percent to 2,585 persons in line with the evolution of the network.

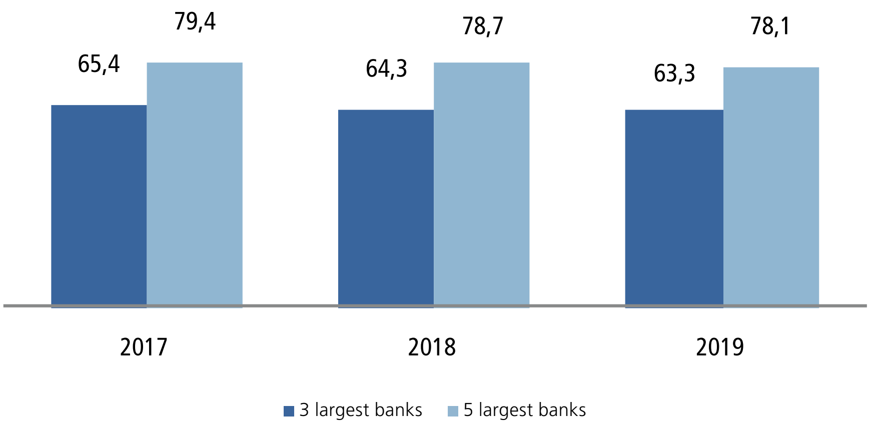
VI - Evolution of Banking concentration

1 - Concentration of banking activity on individual basis

In 2019, the concentration level continued its decline recorded in recent years. The share of the top three banks in the sector's total assets stood at 63.3 percent in 2019, against 64.3 percent a year earlier, and that of the five largest banks stood at 78.1 percent against 78.7 percent.

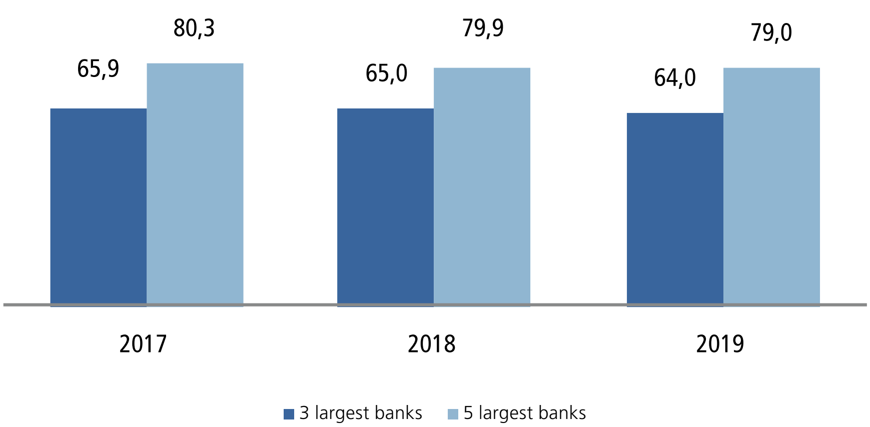
* For reasons of comparability, the 2017 number of staff working in other finance companies was restated to reflect the number of staff employed by payment means management companies that were approved in 2018 as payment institutions.

Chart 13: Concentration of banks' total assets (%)



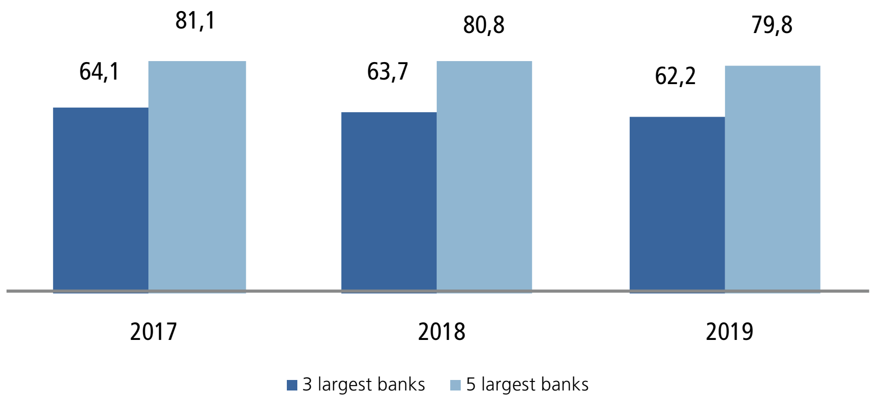
The same trend was recorded in deposits, with almost 64 percent collected by the three largest banks, compared to 65 percent a year earlier. Conversely, the top five banks held a 79 percent share as against 79.9 percent in 2018.

Chart 14: Concentration of banks' deposits (%)



Regarding loans, the three largest banks concentrated 62.2 percent of loans distributed, as against 63.7 percent in 2018, while the five largest banks accounted for 79.8 percent of financing, from 80.8 percent one year ago.

Chart 15: Concentration of loans granted by banks (%)

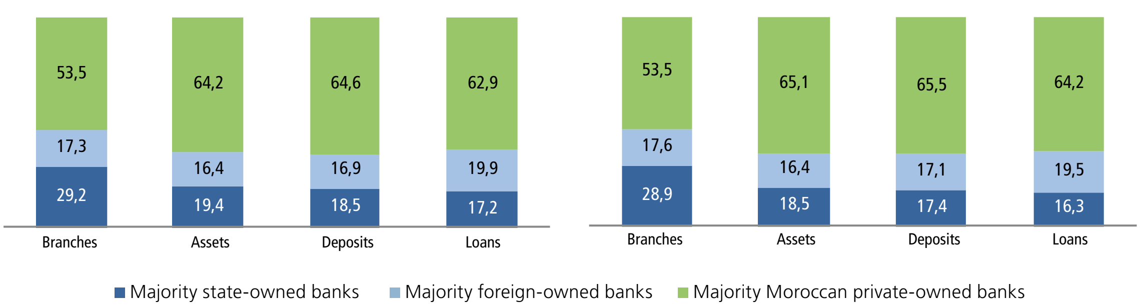


Based on the Herfindahl-Hirshman Index, the concentration level of banks' total assets and loans recorded a slight decrease from 0.17 on year earlier to 0.16, while that of deposits remained almost similar to previous years, at 0.17, reflecting a moderately-concentrated banking market.

By shareholding, privately-owned banks with majority Moroccan capital hold 53.5 percent of the branches, almost unchanged from the previous year. This share shrank by 0.9 point in terms of total assets and deposits to 64.2 percent and 64.6 respectively, and by 1.3 point to 62.9 percent in terms of loans.

Chart 16: Concentration according to the status of banks' shareholding - 2019 (in %)

Chart 17: Concentration according to the status of banks' shareholding - 2018 (in %)



The market share of majority foreign-owned banks stagnated in terms of total assets, at 16.4 percent. Their market share in terms of network and deposits decreased slightly by 0.3 point to 17.3 percent, and by 0.2 point to 16,9 respectively; while it strengthened by 0.4 point to 19.9 percent, in terms of loans.

Majority state-owned banks expanded their market share to 29.2 percent (+0,3 point) in terms of network, to 19.4 percent (+0,9 point) in terms of total assets, to18.5 percent in (+1,1 point) terms of deposits and to 17.2 percent (+0,9 point) in terms of loans.

2 - Concentration of the activity of finance companies

At end-2019, the share of the three largest consumer credit companies in total assets of the sector stabilized at 61 percent. As for the first five companies, their share increased by one point to 87 percent. The 7 companies affiliated to financial institutions hold a share of 95 percent of the total assets.

As for the leasing sector, the top three and five companies accounted respectively for 73 percent and 96 percent at end- 2019, from 74 percent and 96 percent one year earlier.

Chart 18: Concentration of total assets of consumer loan companies (%)

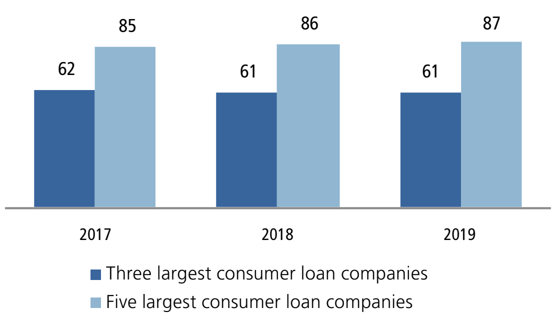
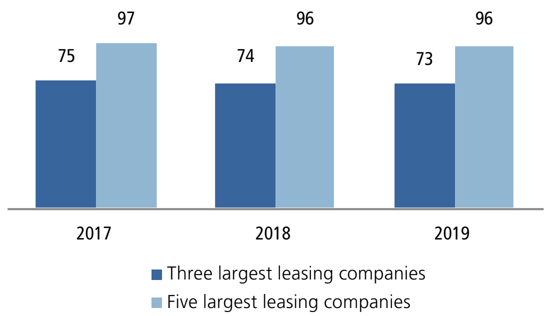


Chart 19: Concentration of total assets of leasing companies (%)



3 - Concentration of the activity of payment institutions specialized in funds transfer

The contribution of the three largest payment institutions in the total amount of funds transfers carried out by intermediary companies increased slightly by 0.4 point to 89.6 percent while that of the five largest institutions remained at around 98 percent.

4 - Concentration of the activity of microcredit associations

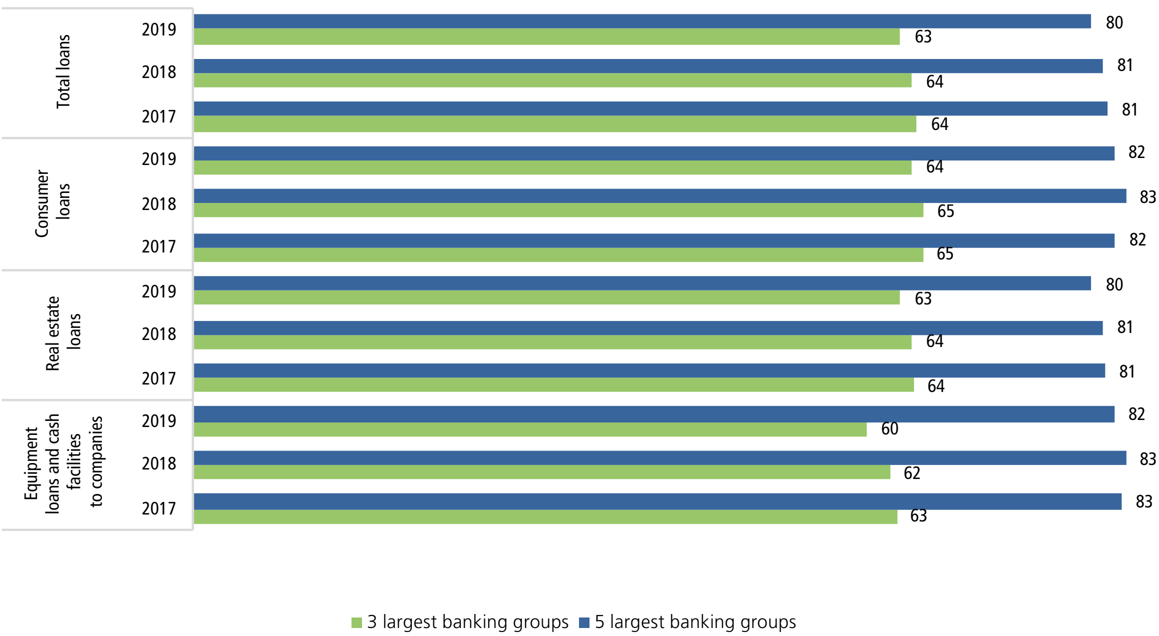
Concentration remained high in the micro-credit sector. The contribution of the three microcredit associations in the distribution of loans stood, at end-2019, at 92 percent while that of the 5 largest associations at 98 percent.

5 - Concentration of banking activities on a consolidated basis

On a consolidated basis, the concentration level of the credit activity decreased compared to 2018, as the shares of the first 3 and 5 banking groups in total loans shrank by one point to 63 percent and 80 percent, respectively.

Analysis by purpose shows that for cash facilities and equipment loans, the share of the top three groups fell by 2 points to 60 percent, while that of the first five groups fell by one point to 82 percent. Regarding real estate loans, these shares dropped by one point to 63 percent and 80 percent respectively. As to consumer loans, the share of the top three and five groups also fell by one point to 64 percent, and 82 percent, respectively.

Chart 20: Change in the concentration of loans on a consolidated basis



CHAPTER 2 - ACTIVITY AND PROFITABILITY OF CREDIT INSTITUTIONS AND SIMILAR BODIES

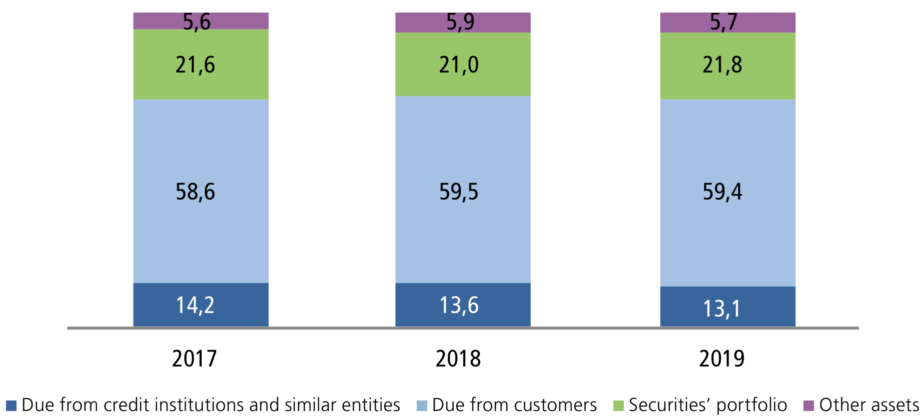
I-Activity and profitability of banks on individual basis

At the end of 2019, the size of the banking sector, measured by its total cumulative assets, stood at 1,414.6 billion dirhams, up by 5.5 percent, the same rate as in the previous year. As a percentage of GDP, it represented 123 percent, one point higher than in the previous year. This trend particularly reflects, on the assets side, higher loans and securities portfolio and, on the liabilities side, an increase in deposits collected from customers and in refinancing on the bond market. Debts to credit institutions slowed down compared to the previous year.

1 - Assets rise was driven by higher customer loans and Treasury bills portfolio

The structure of the banks' total assets has not changed significantly from previous years. Loans and advances to customers are still very important, accounting for 59.4 percent compared with 59.5 percent a year earlier. Loans and advances to credit institutions saw their share fall by 0.5 points to 13.1 percent. Conversely, the share of the securities portfolio increased by 0.8 point to 21.8 percent in 2019.

Chart 21: Structure of banks' assets (%)

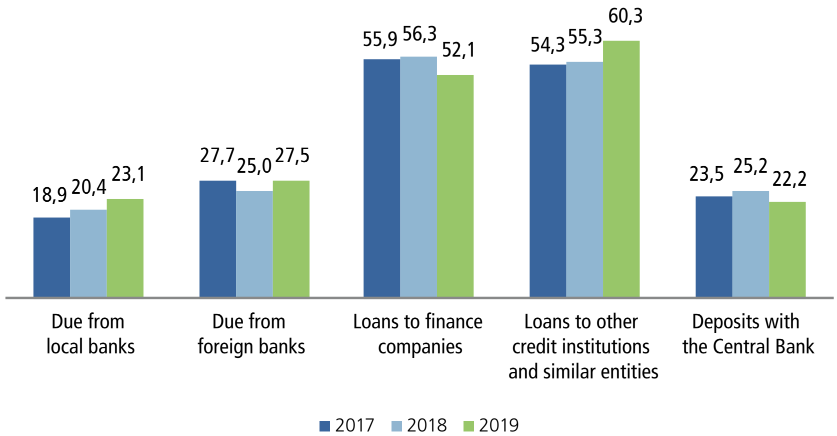


The share of foreign currency banking assets increased by 0.6 point to 8.5 percent, of which nearly 4 percent are realized with non-residents.

1.1 - Rise of dues from credit institutions and similar entities particularly reflects higher interbank loans

After their 1 percent rise in 2018, dues from credit institutions and similar entities increased by 1.7 percent to around 185.3 billion dirhams. This trend covers, on the one hand, higher dues from similar credit institution, from local and foreign banks and, on the other hand, lower claims on finance companies and of deposits with the Central Bank.

Chart 22: Bank claims on credit institutions and similar entities (In billion dirhams)



Claims on local banks, amounting to 23.1 billion, recorded a 13.4 percent increase, after their 7.8 percent rise in 2018. Out of this total, cash loans, subject to fluctuations, grew by 24.3 percent to 13.2 billion dirhams, as against 40 percent. To a lesser extent, financial loans increased by 7.8 percent to 5.6 billion, following a 3.7 percent decline a year earlier. Conversely, securities received under repurchase agreements fell again by 5.7 percent, compared with 23.2 percent the previous year.

As for claims on banks settled abroad, they grew by 10,3 percent to 27.5 billion, after falling 9.8 percent in 2018, due to a 9.5 percent increase in outstanding foreign currency customer accounts. Similarly, the growth in loans granted to other credit institutions and similar entities accelerated to 9 percent to reach 60.3 billion, mainly owing to loans granted to support the activity of subsidiaries located in Tangier Offshore.

After a 7.3 percent increase in the previous year, banks' deposits with the Central Bank fell by 11.9 percent to 22.2 billion at the balance sheet date, mainly as a result of the decrease in the monetary reserve rate to 2 percent in September 2019. Loans granted by banks to finance companies fell by 7.4 percent to 52.1 billion compared with a 0.8 percent increase in 2018, as these companies raised more funds on the bond market.

By type of currency, foreign currency loans to credit institutions and similar entities increased by 11.7 percent to nearly 54.4 billion dirhams, reflecting higher investments with local banks, foreign banks and offshore banks. Conversely, those denominated in dirhams fell by 2 percent to 130.8 billion, after a 4.7 percent increase in 2018.

1.2 - Faster growth in loans to the private sector

Gross outstanding loans reached 931.2 billion dirhams, up 4.5 percent, following the 6.5 percent increase achieved in 2018, when loans to public administrations rose sharply by 82.3 percent under the effect of VAT credit financing operations. Excluding the impact of this financing, loans were up 3.3 percent at the end of 2018. As a percentage of GDP, outstanding loans stood at 81 percent, the same level as the previous year.

Of this total, outstanding loans to non-financial companies increased rapidly to 5.6 percent after having risen by 0.7 percent in 2018. This development stemmed from a 6.4 percent increase to 401.5 billion dirhams for private companies while public companies fell by 0,5 percent to 51.3 billion. As regards loans to households, they slowed to 3.6 percent, after 4.1 percent one year earlier, to reach around 294.5 billion dirhams.

Overall, credits to the private sector amounted to around 801 billion dirhams, up 4.8 percent, after 2.4 percent the previous year, while the growth rate of those intended for the public sector went from 39.8 percent to 3 percent in 2019, as 2018 was marked by banks' refinancing operations of the VAT credit arrears of companies.

Chart 23: Change in loans granted by banks (%)

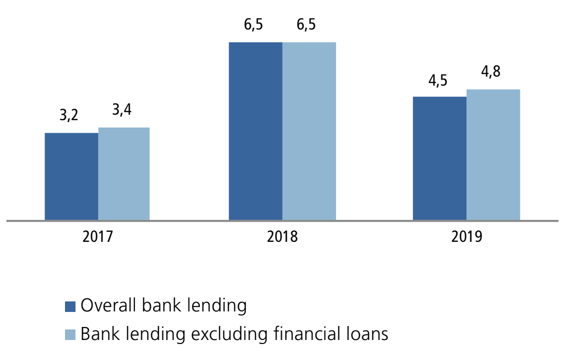
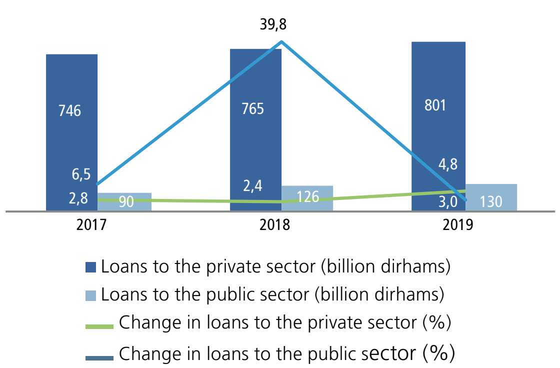


Chart 24: Bank loans to public and private sectors



By sector of activity, loans to primary sector rose by 8,9 percent, bringing its share in total loans to 4,1 percent.

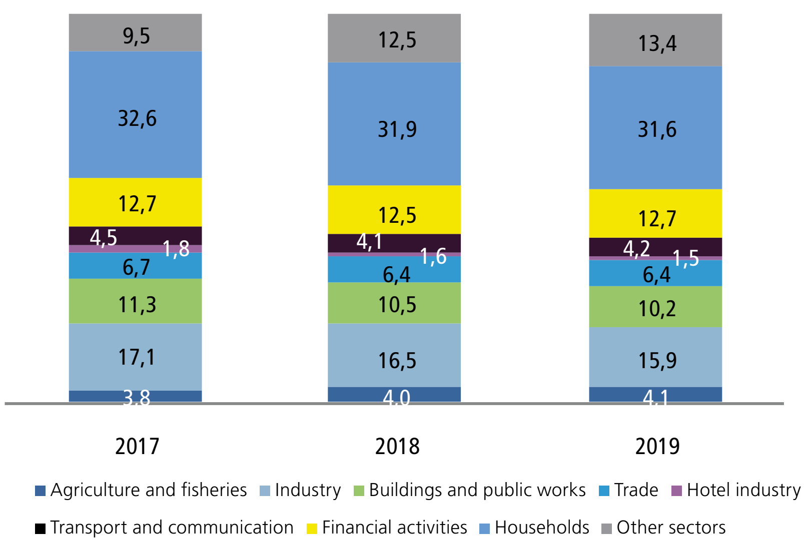
The industrial sector benefited from outstanding loans of 148,1 billion, up 0.6 percent compared to last year, as its share in the total credit fell to 15,9 percent. This trend mainly covers increases of 22.8 percent in loans to extractive industries, 4.9 percent in credit to the metallurgic industries, 8.8 percent in lending to the textile, clothing and leather industries, 0,7 percent to food and tobacco industries, and 0,7 percent to chemical industries. On the other hand, respective drops of 13,3 percent and 4,3 percent were recorded in loans to companies in the sector of "other manufacturing industries" and "energy and water production".

After its 0.8 percent drop in 2018, loans to the buildings and public works sector rose by 1.7 percent to 95.2 billion.

In the tertiary sector, the growth of credits granted to the trade sector accelerated to 4.8 percent, as opposed to 0.8 percent a year earlier, while those granted to the transport and communication sector increased by 9.2 percent to 39.5 billion dirhams, bringing its share in the total credits to 4.2 percent.

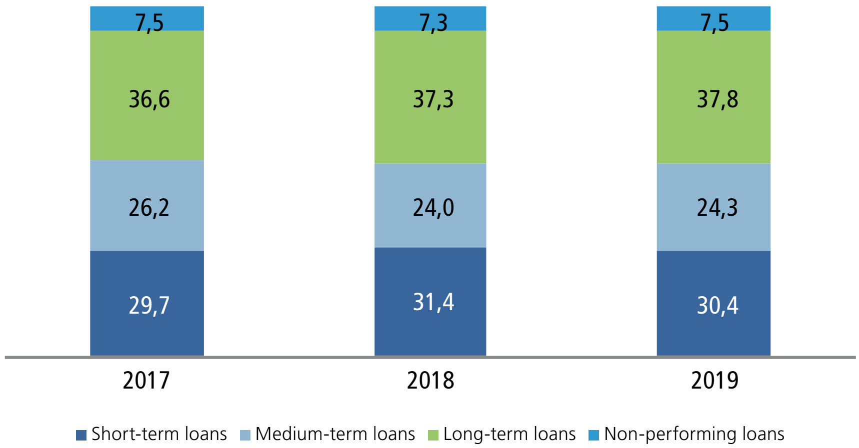
Conversely, the hotel sector, with a stable share of 1.5 percent, fell again to 13.9 billion, representing -4.7 percent.

Chart 25: Sectoral breakdown of loans by disbursement granted by banks (%)



Short-term loans grew by 1.1 percent, slowing down from the previous year (12.9 percent). As a result, their share in the total fell by one percentage point to 30,4 percent. In addition, the growth rate of outstanding medium and long-term loans speeded up to 6 percent compared with 3.8 percent in 2018 due to the growth in real estate and equipment loans, which rose from 2.7 percent to 3.4 percent to 476.2 billion dirhams. Their share in the total thus increased by 0.8 point to 62.1 percent between 2018 and 2019.

Chart 26: Structure of loans by disbursement granted by banks based on their term (%)

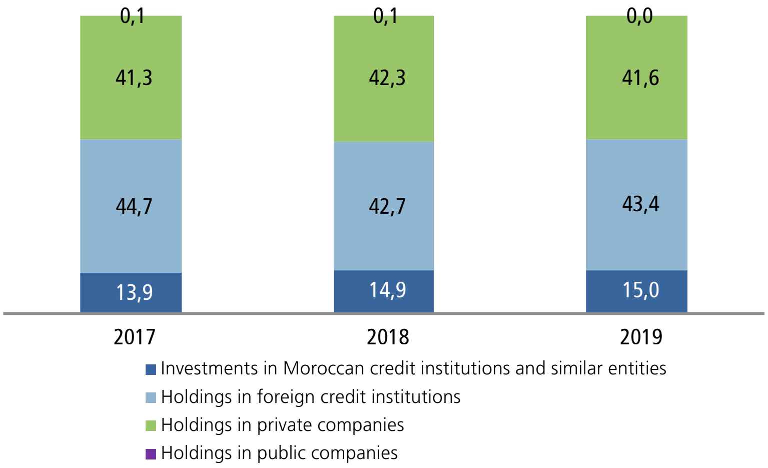


1.3 - Securities portfolio strengthened against a backdrop of relatively moderate credit growth

At the end of 2019, the outstanding amount of the securities portfolio held by banks reached 310.3 billion dirhams, up 10 percent. Thus, its share strengthened to 21.8 percent of total banking assets.

Analysis based on purpose accounting shows that the trading securities portfolio grew by 10 percent to 173.6 billion dirhams, as against 7.4 percent a year earlier. This trend is due to a 13.1 percent increase to 102.6 billion in Treasury bills and the 8.1 percent rise in property securities to 63.2 billion. Similarly, the investment Securities portfolio rose by 15.7 percent to 47 billion, in line with the 10.9 percent rise in Treasury bills, 28.2 percent in property securities and 23.4 percent in other debt securities. On the investment securities side, they increased by 7.1 percent to 34.5 billion, also as a result of an 8.4 percent increase in Treasury bills. The equity portfolio grew by 7.1 percent to 55.3 billion.

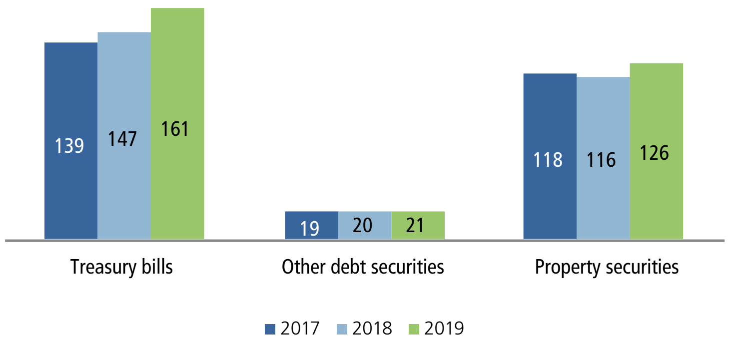
Chart 27: Breakdown of the banks' equity portfolio by type of counterparty (%)



Breakdown securities portfolio by legal nature shows a 9.5 percent increase in Treasury bills to 161.1 billion dirhams, bringing its weight to 53 percent of the total portfolio and 11.6 percent of banking assets.

The portfolio of other debt securities, mainly made up of bonds and negotiable debt securities, rose by 4.3 percent to 20.8 billion dirhams, while property securities held by banks, all portfolios combined, increased by 8.6 percent, after a 1.8 percent drop in 2018. However, their share in the overall portfolio contracted by 0.5 point to 40.5 percent.

Chart 28: Evolution of banks' securities portfolio according to their legal nature (in billion dirhams)

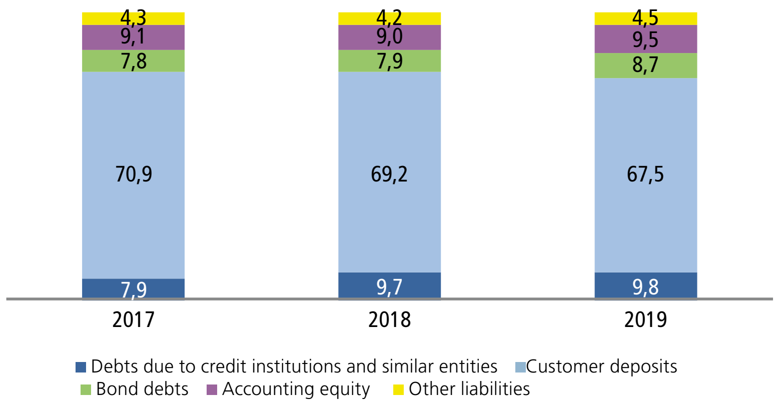


Outstanding depreciation provisions on the securities portfolio increased by 3.2 percent to 2.4 billion dirhams. Nearly 91 percent of these provisions are allocated to cover equity securities and similar assets.

2 - Banking liabilities showed a faster growth in bond debts and a stable trend in customer deposits

Deposits collected from customers continued to grow at a steady rate of 2.9 percent, while bond debt increased by 16.2 percent. Moreover, equity and debts to credit institutions increased by 10.5 percent and 6 percent respectively. As a result, the share of customer deposits fell by 1.7 point to 67.5 percent, in favour of bond debt and equity, which rose by 0.8 point and 0.5 point to 8.7 percent and 9.5 percent respectively. Debts to credit institutions stabilized at 9.8 percent.

Chart 29: Structure of banks' liabilities (%)

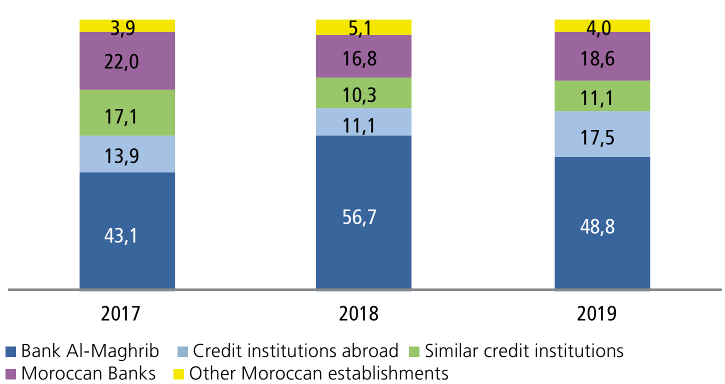


Foreign currency-denominated liabilities collected from non-residents account for less than 2 percent of total banking liabilities.

2.1 Use of advances from the Central Bank decreased at the end of 2019

After having risen by 30 percent in 2018, debts to credit institutions and similar entities increased by 6 percent to 138 billion dirhams in 2019.

Chart 30: Breakdown of banks' debts to credit institutions by category of counterparty (%)



Banks' resort to advances from Bank Al-Maghrib shrunk by 8.8 percent to 67.3 billion, due to an easing of liquidity pressures at the end of the year, particularly following the liberalization of the monetary reserve by 2 points in September 2019, reducing their share of debts to credit institutions to 48.8 percent. This outstanding amount is made up of 7-day advances up to 65 billion dirhams, against 67 billion in 2018 and of guaranteed loans granted within the framework of the VSME financing program for 2.3 billion, unchanged compared to the previous year.

Against a backdrop of rising fiduciary circulation, interbank debts increased by 16.8 percent to 25.6 billion, after falling by 0.5 percent a year earlier. Cash borrowings rose by 28.4 percent, financial borrowings by 10.6 percent and securities sold under repurchase agreements by 2.4 percent. Borrowings from related credit institutions increased by 13.6 percent to 15.3 billion, in line with the increase in foreign currency financing from offshore banks.

As for debts to credit institutions abroad, they increased by 66.2 percent to 24.1 billion, notably with foreign banks. Debts with these institutions thus increased by 73.2 percent to 20 billion dirhams.

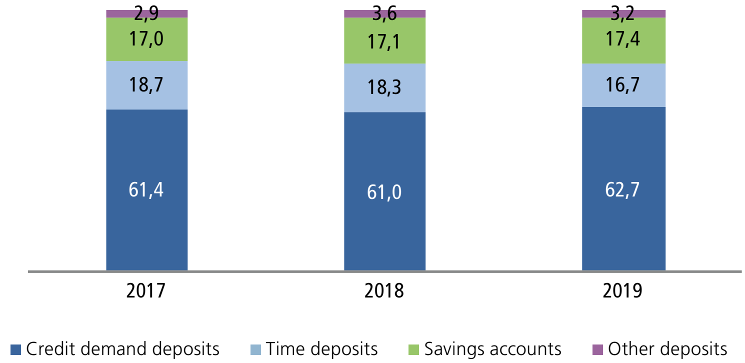
Out of total debts to credit institutions and similar entities, dirham-denominated debts, which amounted to 94.6 billion dirhams, fell by 6.1 percent, while debts in foreign currencies, which account for nearly 31 percent of the total, increased by 46.9 percent to 43.4 billion dirhams.

2.2 The slowdown in the liabilities collected from customers reflects diverging trends

In 2019, deposits collected from customers totaled 954.5 billion dirhams, showing a 2.9 percent increase, unchanged from the previous year. As a result, the average loan-to-deposit ratio stood at 98 percent. Representing 97.5 percent of the total, dirham denominated deposits rose by 2.7 percent against 3.3 percent in 2018 and those in foreign currencies increased by 9.5 percent after a 10.7 percent decline.

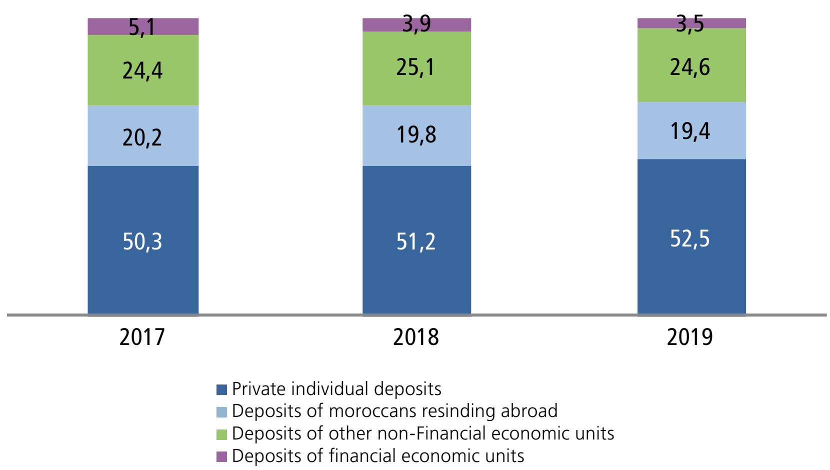
By category, demand deposits improved by 5.7 percent to 598.7 billion dirhams and deposits in the form of savings accounts increased by 4.6 percent to nearly 166 billion. Term deposits, with an outstanding amount of around 159 billion, fell by 6.3 percent, after having increased by 0.9 percent one year earlier further to an exceptional operation. Other deposits, consisting mainly of volatile securities sold under repurchase agreements, declined by 6.9 percent, a 24.5 percent increase in 2018, to 30.7 billion. As a result, the share of time deposits fell again to 16.7 percent, in favour of demand deposits and savings accounts, whose respective shares increased to 62.7 percent and 17.4 percent.

Chart 31: Change in the share of various categories of deposits with banks (%)



By economic unit, deposits by resident individuals rose 5.5 percent to 499.1 billion dirhams, as against 4.6 percent at the end of 2018, driven by the higher demand deposits, deposits in savings account , and time deposits by 5.8 percent, 5 percent, and 6.3 percent, respectively. Deposits by individual residents in foreign currencies rose by 2.8 percent, after increasing by 0.6 percent in 2018, although their share of total deposits by individual residents remained limited to 1 percent.

Chart 32: Structure of deposits with banks by economic unit (%)



Meanwhile, deposits of Moroccans residing abroad, representing 19.4 percent share of the total, saw their growth increase to maintain at 0.9 percent at the end of 2019, to reach 184.8 billion dirhams in connection with the downturn of their by 3.4 percent. This change is mainly due to the increase in demand deposits and savings accounts of 1.9 percent and 1.4 percent. On the other hand, time deposits by Moroccans residing abroad contracted by 0.8 percent, to 57.4 billion. As for their foreign currency deposits, they fell sharply by 28.6 percent, after an improvement of 9.9 percent in 2018, maintaining the share in their total deposits in limited to 0.5 percent.

As for other non-financial economic agents, deposits of private companies posted a 2.1 percent increase to 185.1 billion dirhams. demand deposits, which account for 75.3 percent, increased by 7.6 percent to 139.3 billion, which more than offset the 11.9 percent drop in time deposits to 23.4 billion. Deposits by public enterprises fell by 19.1 percent to 20.6 billion dirhams.

As for financial units, mainly made up of UCITS «Undertakings for collective investment in transferable securities», insurance companies and social security organizations, their deposits, rather volatile, have totaled 33.6 billion dirhams, marking a drop of 8.2 percent, after 20.4 percent the previous year. Taken separately, UCITS deposits, made up of nearly 78 percent of term deposits, fell by 16.3 percent to 15.2 billion, against 30.2 percent in 2018. Insurance company deposits, which account for 16 percent of the resources collected from financial agents, increased by 7.4 percent to 5.2 billion, of which 60 percent were demand deposits while 26 percent are made of time deposits.

2.3 - Banks continue to extend the maturity of their liabilities by resorting further to private debt market

Total outstanding bonded debt rose by 16.2 percent to 122.5 billion dirhams, bringing its share in total liabilities close to 8.7 percent. This increase reflects a 21.3 percent rise in the outstanding amount of debt securities issued to 74.9 billion, and to the 9 percent increase recorded in subordinated debts to 47.6 billion; issued as part of meeting the solvency prudential rules.

Chart 33: Change in banks' bonded debts (billion dirhams)

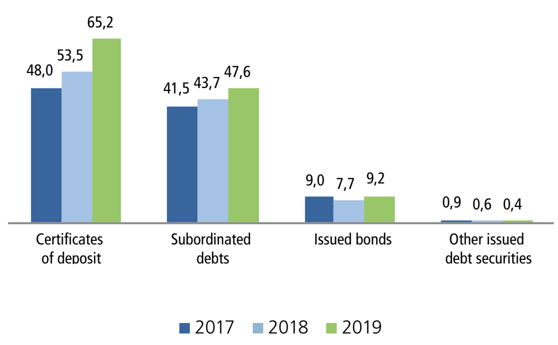
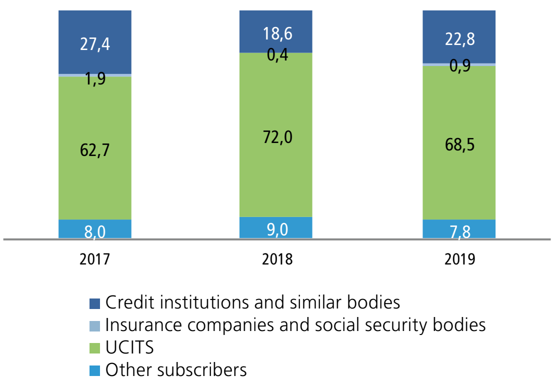


Chart 34: Outstanding certificates of deposit by type of subscribers (%)

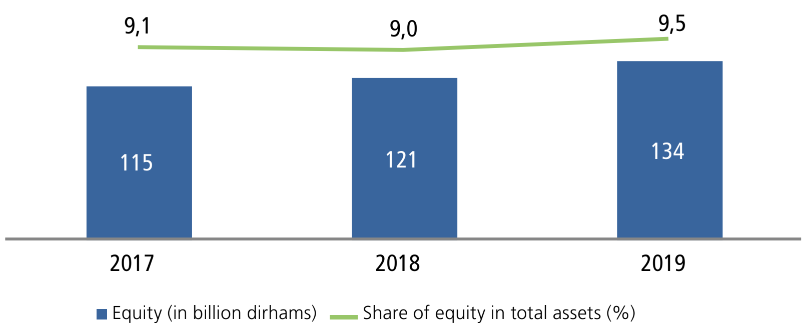


The increase in debt securities issued reflects a 22 percent rise in the outstanding certificates of deposit. The latter are held 68.5 percent by UCITS, 22.8 percent by credit institutions and similar entities and 7.8 percent by private individuals. Besides, maturity of these liabilities saw their duration lengthening. Thus, securities with a maturity of more than 2 years represent 39 percent of the total, as against 61 percent for securities maturing in less than 2 years, while they accounted for 35 percent and 65 percent respectively in the previous year.

2.4 - Banks' equity capital growth accelerated

After rising 5.1 percent in 2018, banks' equity speeded up by 10.5 percent. They totaled 134 billion dirhams, representing an increase of 0.5 point to 9.5 percent in liabilities. This acceleration covers operations of capital increase and conversion of dividends into shares for prudential purposes.

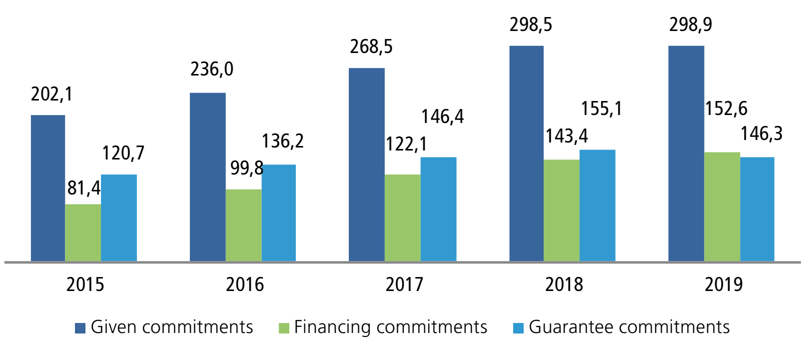
Chart 35: Change of banks' accounting equity



3 - Commitments given by banks stabilized

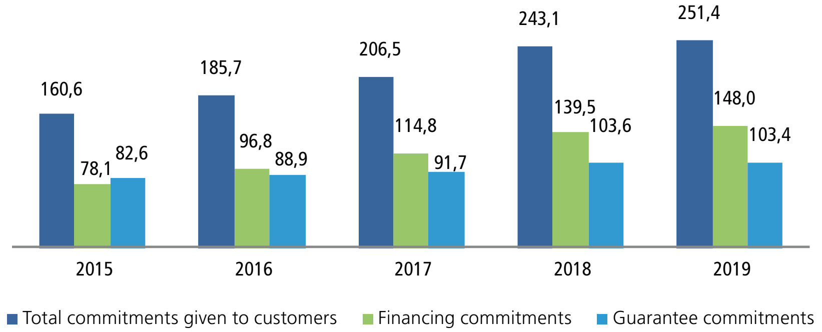
Exposures in the commitments of banks' off-balance sheet mainly consist of given or received guarantee and financing commitments, as well as commitments on foreign exchange operations and derivatives.

Chart 36: Commitments given to banks (billion dirhams)



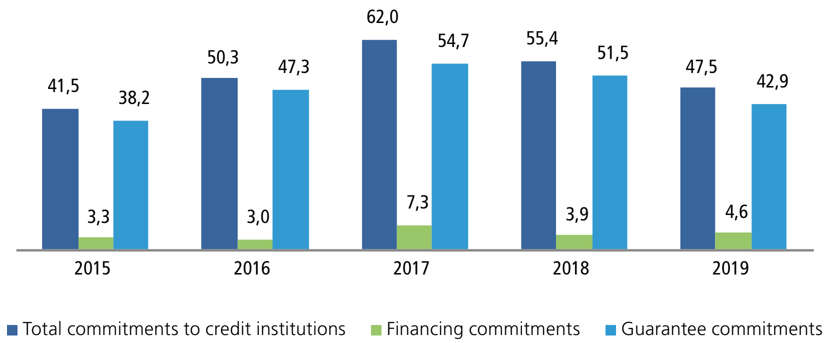
Commitments given by banks rose by 0.1 percent to 298.9 billion dirhams, as against 11.2 percent in the previous year, reflecting respective higher commitments of financing by 6.4 percent to 152.6 billion and a 5.7 percent decrease in guarantee commitments to 146.3 percent billion.

Chart 37: Change in commitments given by banks to customers (billion dirhams)



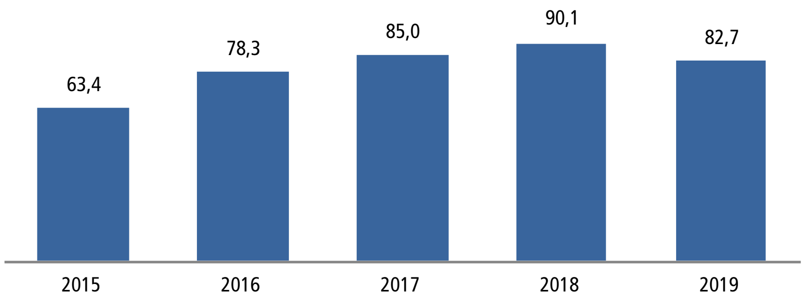
Commitments to customers, representing 84 percent of the total given commitments, grew by 3.4 percent to 251.4 billion dirhams. Financing commitments, accounting for 59 percent, rose by 6.1 percent to about 148 billion, while guarantee commitments shrank by 0.2 percent to 103.4 billion dirhams.

Chart 38: Commitments given by banks to credit institutions (billion dirhams)



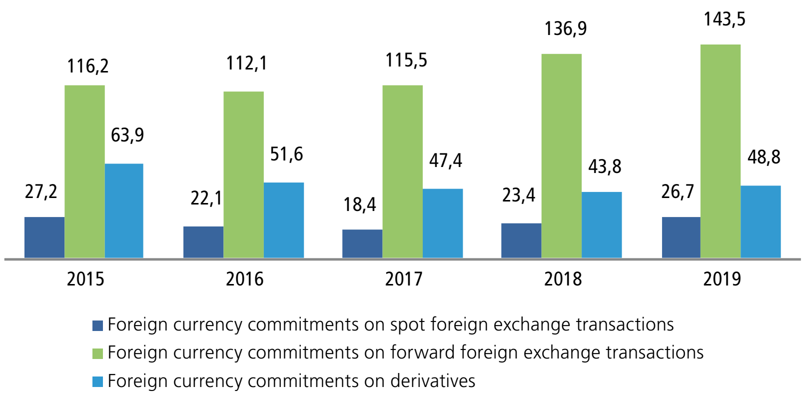
Commitments given to credit institutions and similar entities fell by 14.3 percent to 47.5 billion. This trend covers a 16.8 percent decrease to 42.9 billion for guarantee commitments and an 18.9 percent rise in financing commitments to 4.6 billion dirhams.

Chart 39: Change in commitments received from banks (billion dirhams)



On the other hand, commitments received shrank by 8.3 percent to 82.7 billion dirhams, due to the decrease in guarantee commitments by 8.4 percent to 79.4 billion dirhams and in financing commitments by 5.4 percent to 3.3 billion dirhams.

Chart 40:Change in commitments on exchange transactions and derivatives (billion dirhams)



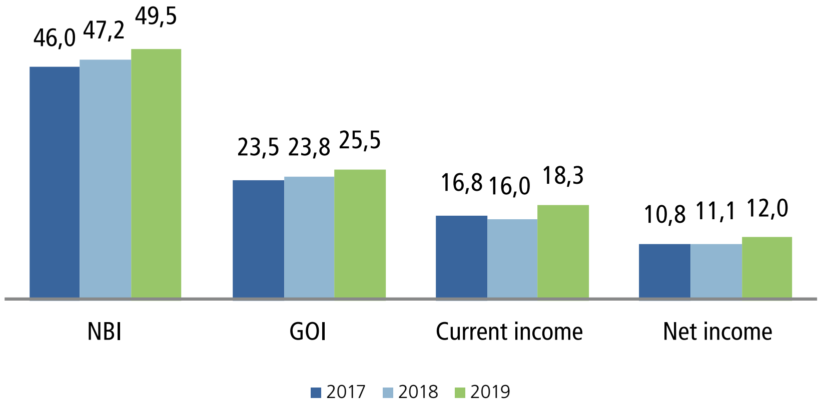
After having increased by 28 percent the previous year, commitments on spot foreign exchange operations recorded a 14 percent growth to 26.7 billion dirhams. As for forward exchange transactions, their volume progressed by 5 percent to cover customers' import needs.

Further to their 7.6 percent decrease, commitments on derivatives, corresponding to hedging transactions or transactions carried out on behalf of customers; rose by 11.3 percent to a notional amount of nearly 48.8 billion dirhams. This trend mainly reflects increases of 13.3 percent to 24.1 percent in foreign exchange instruments and by 66.6 percent to 6.4 percent in commitments on interest rate instruments.

4 - Profitability of banks benefited from higher net banking income and lower cost of risk

For the 2019 financial year, banks' profitability was boosted by buoyant non-interest income and lower cost of risk.

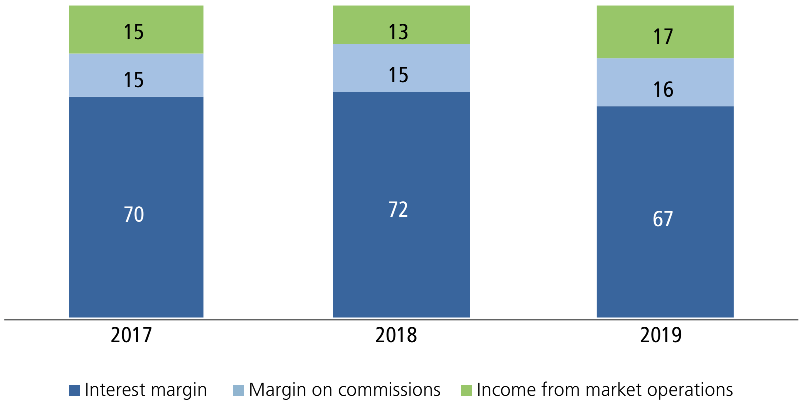
Chart 41: Banks' intermediate operating balances (billion dirhams)



4.1 - The change in net banking income is driven by the recovery in income from market operations

Net banking income (NBI) stood at 49.5 billion dirhams, up 4.9 percent, as against 2.7 percent a year ago. Its components showed differing trends, as the deceleration in the interest margin was offset by a dynamism in other revenues.

Chart 42: Structure of the net banking income (%)



With a share of 67 percent of the NBI, the interest margin slowed down by 0.7 percent to 32.4 billion dirhams, after 4.4 percent in 2018. Thus, the net interest income on customer transactions, which is the main component of the interest margin, increased by 1.6 percent to 32.3 billion dirhams, driven by 1.3 percent higher interests received on loans to 40.9 billion and stagnating interests paid on deposits at 8.6 billion dirhams.

Net interest income on transactions with credit institutions and similar bodies dropped anew, by 17.4 percent to 1.1 billion, in conjunction with a 17.4 percent increase in interest paid on loans to 3.4 billion dirhams, particularly from credit institutions in Morocco and abroad.

While remaining negative, the net interest income of debt securities went from a balance of 950 million dirhams to 990 million dirhams. This evolution reflects a 3.4 percent rise in interest paid on issued debt securities from 3.4 percent to 3.6 billion dirhams, together with a 3.4 percent growth of interests received on securities held to 2.6 billion.

On the other hand, the margin on commissions grew 6.1 percent to 7.7 billion, as against 5.3 percent a year earlier, reflecting a 6.2 percent increase in commissions received.

Hence, commissions earned on services totaled 8.2 billion, posting an increase of 5.9 percent, as against 7.4 percent, mainly owing to a growth of 6.8 percent in commissions on means of payment to 2.9 billion. This increase is linked to a 7.3 percent rise in the number of cards in circulation and a 10.4 percent increase in payments by these cards. Commissions on account operation stabilized at 1.6 billion dirhams in a context of increased offer of product packages. Commissions on advice and assistance activities and those on foreign exchange operations increased by 0.7 percent and 13.7 percent respectively to stand at 83 million and 444 million in line with the higher volumes achieved in this activity. Commissions on securities transactions increased by 7.9 percent to 120 million and those received on sales of insurance products by 2 percent to 348 million. On the other hand, commissions on provided services fell by 2.7 percent to 538 million and those received on management and deposit securities by 19.8 percent to 343 million dirhams, due to the weakness of stock market transactions.

For its part, the result of market activities rebounded by 32.2 percent to 8.4 billion dirhams, after the 7.2 percent decline recorded in 2018. This improvement mainly covers a sharp rise in income from trading securities operations by 62.9 percent to 5.6 billion dirhams, mainly due to the fall in bond rates, and a 7.4 percent increase in foreign exchange income to 2.9 billion dirhams. Income from investment securities declined by nearly 12 percent to 224 million dirhams and income from derivatives fell from products a positive balance of 7 million to a negative balance of 261 million dirhams.

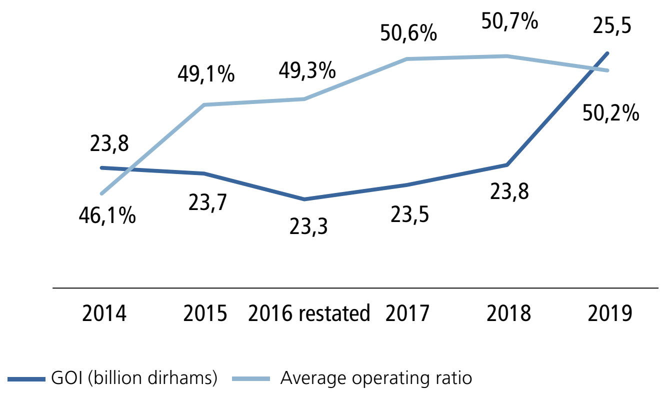
4.2 - Gross operating income grew at a faster rate

At 24.8 billion dirhams, general operating expenses increased by 3.9 percent from 2.9 percent a year earlier. As a result, the average operating ratio fell by 0.5 point to 50.2 percent.

By category, personnel expenses, representing 47.6 percent of general operating expenses, increased by 4 percent to 11.8 billion dirhams, after 2.9 percent in 2018. External expenses rose[4] by 2.6 percent to 9.5 billion dirhams. Meanwhile, depreciation, amortization and provisions of intangible and tangible fixed assets increased by 8.8 percent to reach 2.5 billion dirhams.

4 External expenses primarily comprise maintenance and repair costs, fees and intermediaries, transport and travel expenses and advertising costs.

Chart 43: Change in Banks' GOI and average operating ratio



As a result, the gross operating income (GOI) grew by 6.8 percent to 25.5 billion dirhams, as against 1.4 percent in 2018.

4.3 - Cost of risk declined in 2019

After its 15.9 percent increase in 2018, the cost of risk fell by 8.1 percent to 7.2 billion dirhams. Out of this total, the cost of risk on non-performing loans increased by 7 percent to nearly 6 billion dirhams whilst other allowances net of reversals fell by 45.3 percent, after the 39 percent increase recorded one year earlier, as a result of the higher provisions on sensitive loans and on real estate assets transfer in lieu donation in payment.

Measured as a ratio to GOI, the cost of risk stood at 28.3 percent, as against 32.8 percent a year earlier. Measured as a ratio to outstanding loans, it represented 0.8 percent, as against 0.9 percent.

Chart 44: Banks' cost of risk to GOI

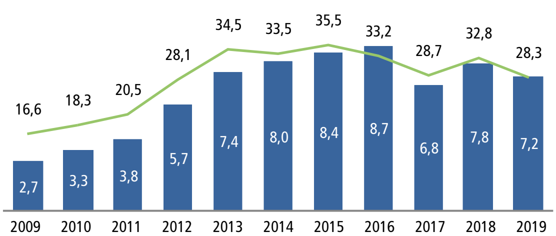
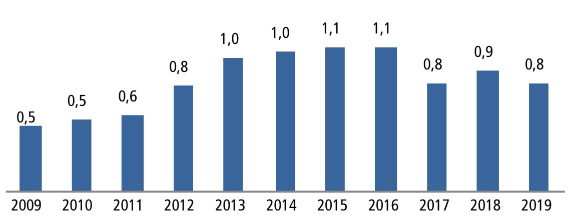


Chart 45: Banks' cost of risk to loans (%)



Cost of risk (billion dirham) Cost of risk to GOI (%)

As a result, the current income significantly increased by 14 percent to 18.3 billion dirhams, following a 4.4 percent decline in 2018. For its part, the non-current income declined from a positive balance of 186 million to a negative balance of 673 million dirhams, due to the effect of the social cohesion contribution introduced in 2019.

In total, the net income of banks stood at 12 billion dirhams, up 8 percent, against 2.9 percent in 2018. The return on assets (ROA) remained stable at 0.9 percent while the return on equity (ROE) declined by 0.1 point to 9.4 percent, reflecting a sharper increase in equity compared to results.

Chart 46: Change in banks' ROA (%)

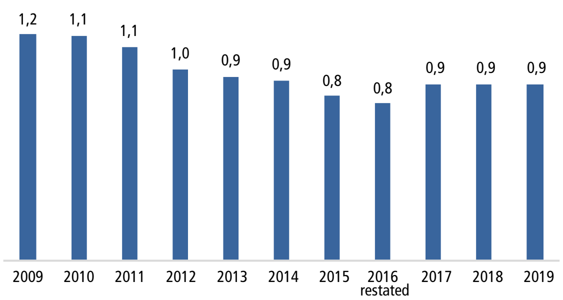
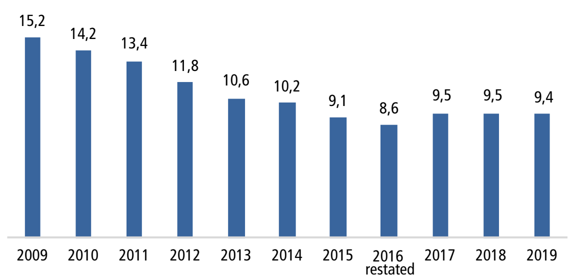


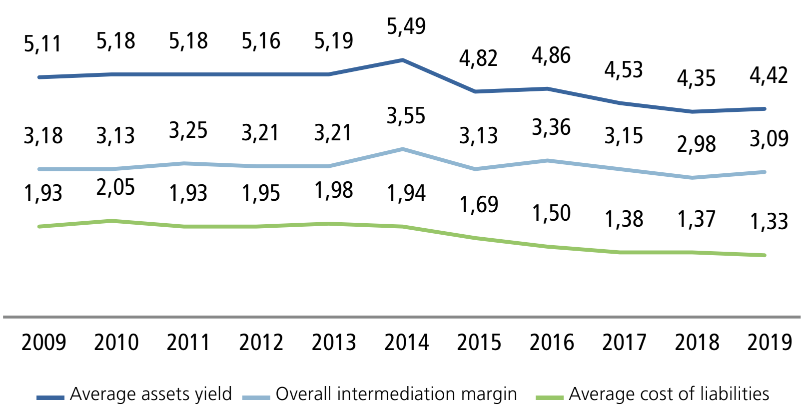
Chart 47: Change in banks' ROE (%)



4.4 - The interest margin on transactions with customers contracted once again

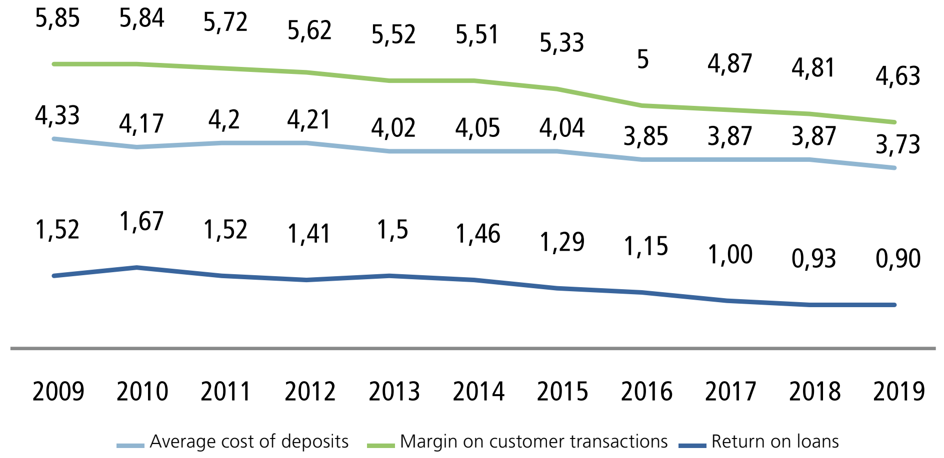
Banks' overall intermediation margin increased by 11 basis points to 3.09 percent, driven by higher average asset yields of 7 basis points to 4.42 percent, while the average cost of liabilities fell by 4 basis points to 1.33 percent.

Chart 48: Banks' overall intermediation margin (%)



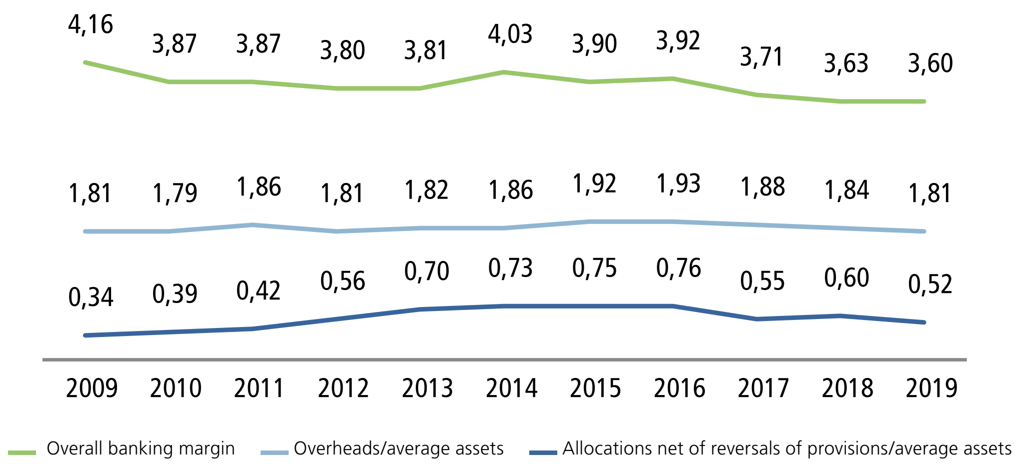
More specifically, the margin on customer transactions fell by 14 basis points to 3.73 percent, as a result of an 18 basis points drop in the average return on loans to 4.63 percent and a weaker decrease, by 3 points, in the average deposit cost to 0.90 percent.

Chart 49: Banks' margin on customer transactions (%)



The overall banking margin, as measured by the ratio of NBI to average assets, fell by 3 percentage basis points to 3.60 percent. It was absorbed by overheads at 1.81 percent, as against 1.84 percent in 2018 and by the cost of risk at 0.52 percent, as against 0.60 percent.

Chart 50: Overall banking margin, overheads and cost of risk (%)



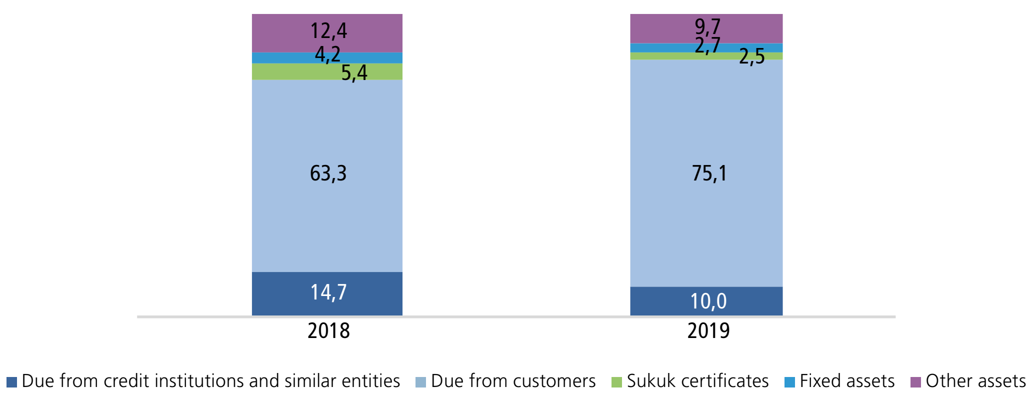
II - Activity and profitability of participatory banks and windows

At the end of 2019, participatory banks and windows recorded a total balance sheet of 12.2 billion dirhams, against 7.1 billion dirhams a year earlier[5]. This evolution is mainly driven by the growth of Murabaha financing to customers whose outstanding amount, excluding pre-established margins[6], has doubled from the previous year to 6.5 billion dirhams.

1 - Outstanding Murabaha participatory financing doubled in 2019

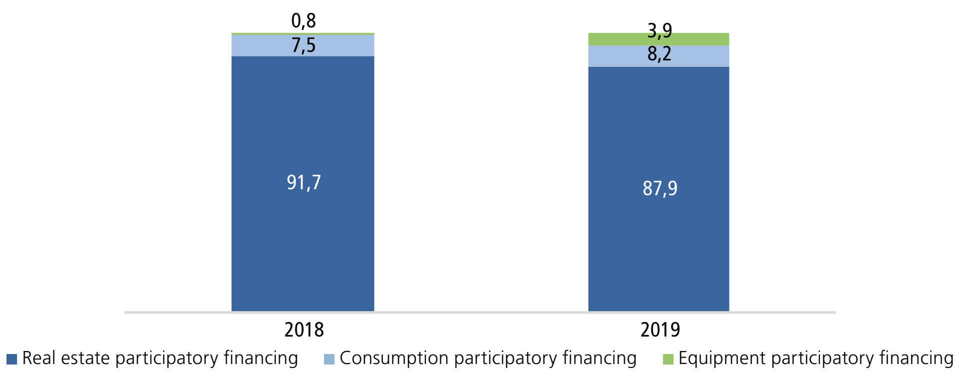
Assets of participatory banks are dominated by Murabaha financing, representing 75.1 percent, compared to 63.3 percent a year earlier. Conversely, receivables from credit institutions and similar entities, which account for 80 percent of the central settlement accounts at Bank Al-Maghrib, represented 10 percent, as against 14.7 percent in 2018.

Chart 51: Assets structure of participatory banks and windows (%)



Real estate Murabaha financings are predominant with about 88 percent of the relevant portfolio.

Chart 52: Change in the portfolio' structures of Murabaha financing (%)



5 2018 figure, revised

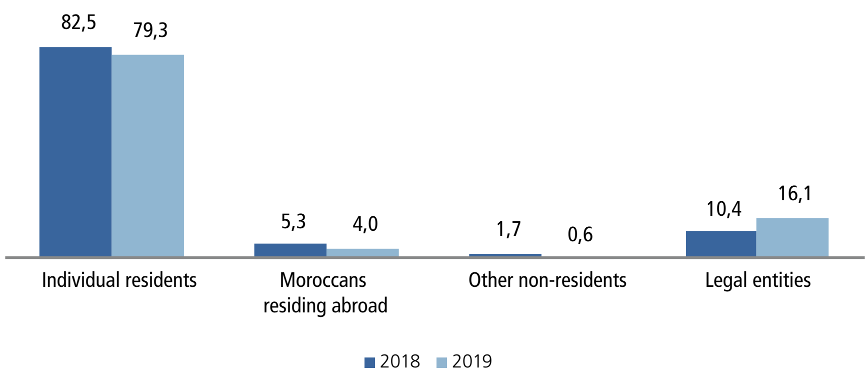
6 Upon the sale of an asset subject to Murabaha, the institution transfers the profit margin realised in the regularisation accounts to be spread on a pro rata temporis basis: At the end of each accounting period, the institution thus recognises as income the proportionate share of the margin relating to that period.

At end-2019, the inventory of assets acquired as part of Murabaha operations[7] continued declining to 5 percent of the total outstanding amount, as against 10 percent in 2018 and 177 percent in 2017, reflecting the dynamic transformation of the inventory into financing.

2 - Participatory banking institutions are refinanced through deposits, liabilities collected from parent companies and through shareholders' equity

In 2019, participatory banking collected 2.6 billion dirhams of demand deposits, up 65 percent compared to the end of 2018. The share of these demand deposits in the total balance sheet remains almost stable at 21 percent. These deposits are mainly held by resident private individuals up to 79.3 percent, albeit with a decline of 3.2 percentage points compared to the previous year, to the benefit of companies whose share increased by 5.7 points to 16.1 percent of the total.

Chart 53: Change in the breakdownreakdown of demand deposits of participatory banks and windows, per economic unit (%)



The year 2019 was marked by the launch of investment deposits, a new investment product that goes in line with participatory finance. Nearly 363 million dirhams of investment deposits were collected after their progressive launch as from the second half of the year. The introduction of these deposits should enable the participatory banking sector to further diversify its liabilities.

7 This concerns the stock of goods acquired by participatory banking institutions and intended to be resold as part of Murabaha contracts.

Box 1: Investment deposits

Investment deposits are governed by chapter 3 of law No.103.21, relating to credit institutions and similar entities and by the circular of the Governor of Bank Al-Maghrib No.2/G/17 on the conditions and modalities relative to investment deposits' collection and investment.

In accordance with the legal and regulatory provisions in force, the investment deposits are invested at term in compliant activities, identified in the form of "investment portfolios". Profits made are shared between the holders of investment deposits and the institution in its capacity as manager (Wakil/Mudarib) or investor (Musharik), according to a contractually agreed distribution key.

The return on investment deposits cannot be predetermined. Losses are charged to the invested capital on a pro rata basis, except in cases of fraud, negligence, mismanagement or failure of the institution to comply with contractual clauses. However, the regulations provide for the possibility of covering this risk of loss through reserves accrued from profits made in previous investment periods.

The product marketed as from June 2019 is an " unrestricted time investment deposit", subject to a standard contract approved by the Higher Council of Ulemas (muslim scholars) on 9 March 2019.

In addition to deposits, participatory banks and windows are required to refinance themselves through their own funds and resources collected from their parent companies.

The book equity capital of participatory banks and windows, excluding the result of the financial year, increased by 2 percent from the previous year to 2.3 billion dirhams, representing 18.7 percent. of total liabilities. Rises in capital and endowment of participatory banks and windows totaled 345 million dirhams for 2019, an overall increase of 13 percent compared to 2018.

Refinancing from parent companies by Wakala Bil Istithmar[8] increased by 92 percent in one year to 2.4 billion dirhams. It accounted for 24.6 percent of the total balance sheet of participatory banks[9], up 4.3 percentage points compared to 2018.

8 An agreement whereby a lender provides funds to the "Wakil" (manager/agent) for the purpose of investing them in a Sharia-compliant activity. No interest can be charged on this contract. Neither the capital invested, nor the remuneration of the investor cannot be guaranteed. Profits realised are paid back to the investor after deduction of the Wakil in return for its management. In the event of losses, such losses shall be borne by the investor, except in cases of fraud or negligence. in particular.

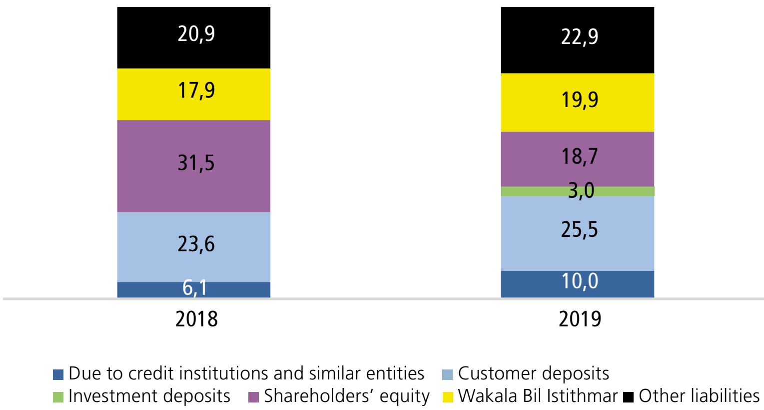
9Excluding participatory windows.

Meanwhile, participatory windows were refinanced through interest-free cash advances from the banks hosting them. At the end of 2019, these advances amounted to 610 million dirhams, i.e. 26.4 percent of the resources of the participatory windows.

The participatory banks were also refinanced through intra-group demand deposits, with a total outstanding amount of 532 million dirhams, i.e. 5.4 percent of their liabilities.

These evolutions brought about a change in the structure of the liabilities of participatory banks and windows.

Chart 54: Liability structure of participatory banks and windows



Growth in advances granted to the windows and intra-group demand deposits of participatory banks led to higher debts to credit institutions and similar entities in the total balance sheet at 10 percent, as against 6.1 percent a year earlier. In addition, the increase in other liabilities, consisting for 80.4 percent of prepaid margins, mainly reflects the development of the Murabaha financing activity.

3 - The profitability of banks and participative windows reflects the importance of investment and start-up costs

The participatory banking institutions ended their second financial year with improved commercial achievements. Their net banking income (NBI) has thus tripled compared to 2018, to reach 202 million dirhams.

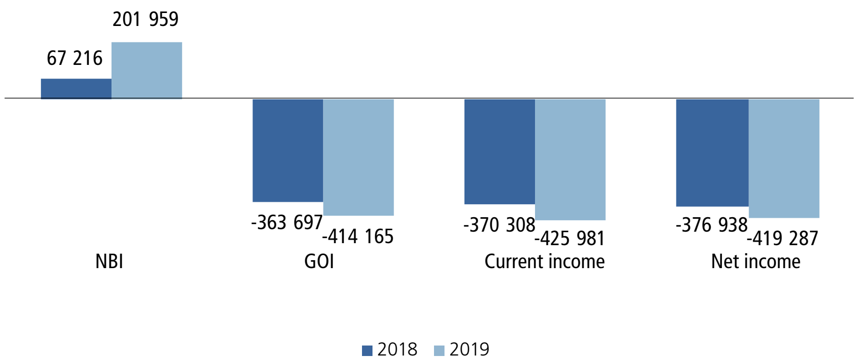
As the main component of the restated NBI[10] with a share of 85%, the margin on Murabaha financing increased by 250% to 236 million dirhams. The margin on commissions increased fivefold to 31 million dirhams, i.e. 11% of the restated NBI.

10 Restated NBI is calculated excluding remuneration paid to principals ("Mouwakil") under the Wakala bil Istithmar and to holders of investment deposits. This restated NBI amounted to 277 million dirhams at the end of 2019.

As for the result of market operations, it amounted to 6 million dirhams. 52% of this result is made up of income from investment securities transactions, 27 percent from trading securities transactions and 21% from foreign exchange transactions.

In spite of the NBI increase, the net income of the sector, while remaining negative, went from a loss of 377 million dirhams in 2018 to 419 million dirhams in 2019.

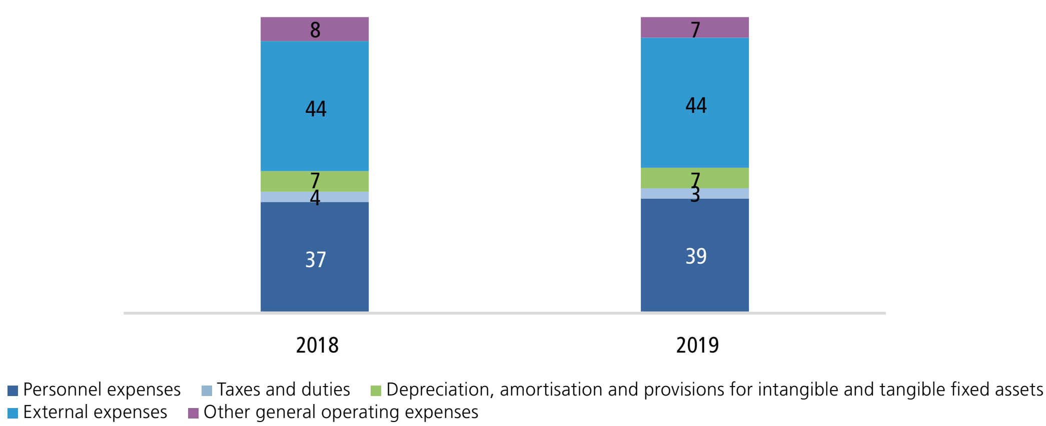
Chart 55: Change in intermediary management balances (in thousand dirhams)



This change is mainly due to a 37 percent increase in general operating expenses to 611 million dirhams, reflecting the investment costs incurred by the launch and development of the activity. The operating ratio thus reached a high level of 303 percent.

External expenses, which represent 44 percent of total general operating expenses, increased by 38 percent to 271 million dirhams. Staff costs, which account for 39 percent of these expenses, increased by 46 percent to 239 million dirhams.

Chart 56: Structure of operating general expenses (%)



The gross operating income, though in deficit, increased by 14 percent to 414 million dirhams in 2019. Meanwhile, the cost of risk increased from 7 million to 4 million dirhams from one year to the other.

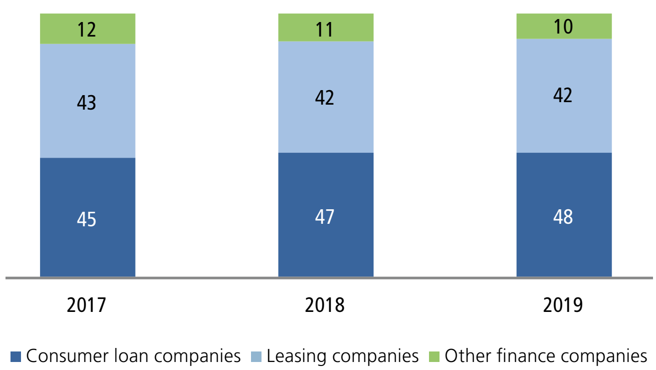
The overall bank margin, measured by the ratio between NBI and assets, increased by 71 basis points to 1.66 percent. It was fully absorbed by the general operating expenses, which represent 5 percent of assets.

III- Activity and profitability of finance companies

1 - Overall, consumer loans granted by finance companies grew at the same pace as in 2018

At the end of 2019, the total assets of finance companies rose by 4.6 percent to 122.5 billion dirhams, against 4.9 percent the previous year. Customer loans, which account for more than 90 percent of assets, increased by 5.5 percent, as against 5.8 percent.

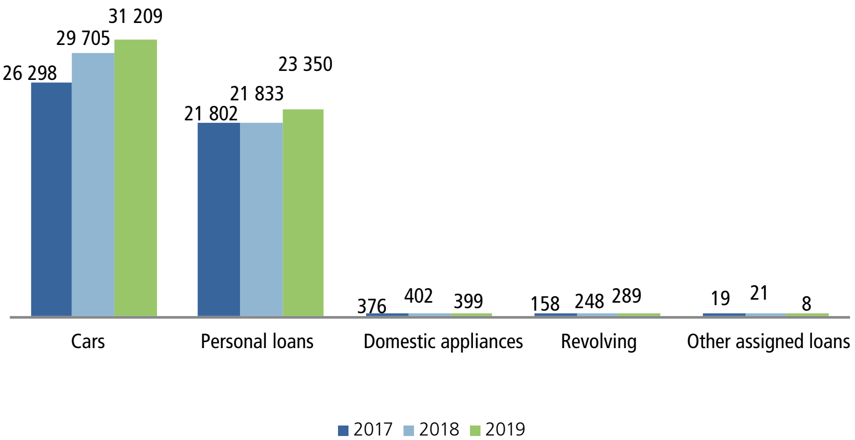
Chart 57: Share of different categories of finance companies in the sector's total assets (%)



In terms of total balance sheet, the share of consumer credit companies increased by one point to 48 percent, at the expense of other financing companies. That of leasing companies held steady at 42 percent.

Activity of consumer credit companies, measured by the total balance sheet, recorded an increase of 6.2 percent against 9.6 percent to 58.6 billion dirhams. Representing 91 percent of assets, gross outstanding loans amounted to 57.5 billion dirhams at the end of 2019, up 7.4 percent against 8 percent one year earlier. This increase covers an acceleration of consumer loans by nearly 9.3 percent to 38.2 billion against 4.2 percent. As for leasing operations with a purchase option, they decelerated by 3.6 percent to 19 billion, compared with 16 percent a year earlier.

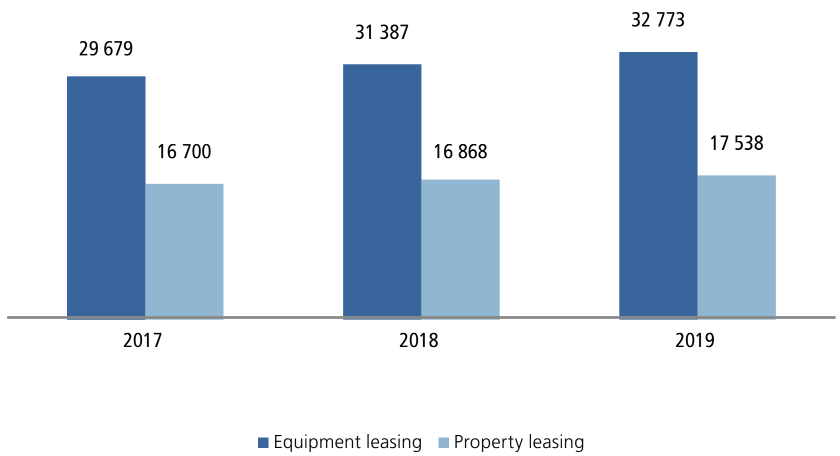
Chart 58: Change in the outstanding consumer loans by type of loan11 (million dirhams)



Representing 42 percent of consumer loans, personal loans grew by around 7 percent to over 23 billion dirhams, after having almost stagnated the previous year. Those granted for the purchase of vehicles, accounting for 57 percent, increased by 5.1 percent instead of 13 percent.

Leasing companies collected total assets of nearly 52 billion dirhams at the end of 2019, up 4.6 percent, as against 3.8 percent at the end of 2018. Gross outstanding loans rose by 4.3 percent at almost the same pace as last year, to reach 54 billion dirhams.

Chart 59: Change in the outstanding amount of equipment and property leasing transactions (million dirhams)



11 Data from the Professional Association of Finance Companies

Equipment leasing operations, representing 65 percent of the total, recorded a 4.4 percent increase in the outstanding amount to 32.8 billion, compared with 5.8 percent at the end of 2018. Real estate leasing operations increased by 4 percent to 17.5 billion, after 1 percent a year ago.

At end 2019, leasing production had increased by 5.8 percent to 16.7 billion[12], of which 78 percent concerned equipment leasing. This increase mainly concerned the financing of industrial machinery and equipment (20 percent). Financing for computers and office equipment and for buildings and public works fell by 34.5 percent and 10.7 percent respectively.

Chart 60: Breakdown of equipment leasing production by type of equipment

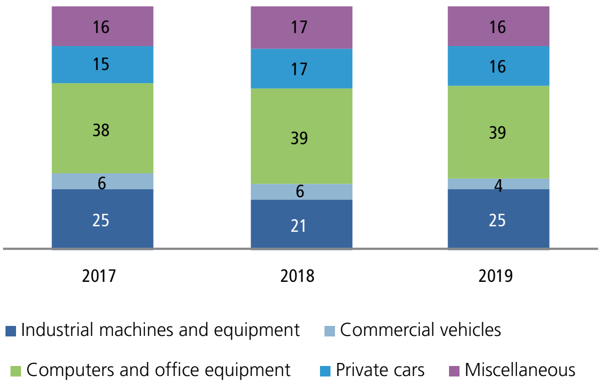
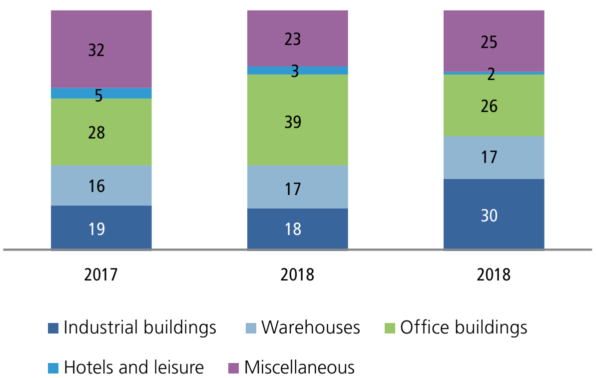


Chart 61: Breakdown of property leasing production by type of financed fixed assets (%)

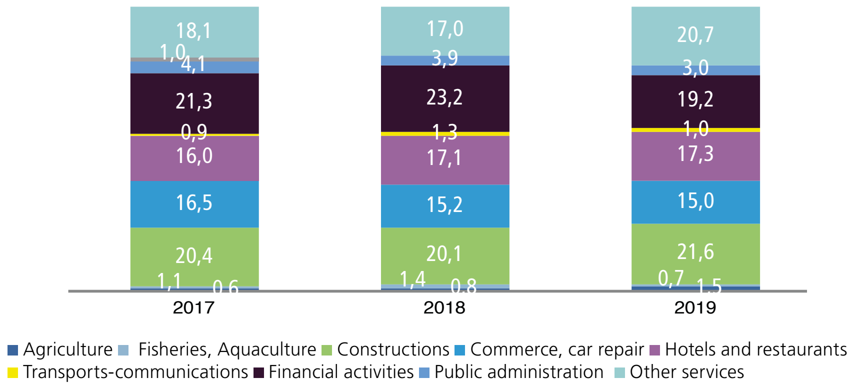


With a share of 22 percent of the leasing production, the financing of the industrial sector rose by nearly 10 percent to 2.8 billion dirhams, reflecting higher financing of the metallurgic, mechanic, electric and electronic sector industries by 52 percent to 431 million dirhams, the sector of electricity, gas and water production and distribution by 28 percent to more than 169 million, the textile, clothing and leather industries sector by 25.2 percent to 240.6 million, chemical and para-chemical products by 21 percent to 317.7 million and of food industries by 6.8 percent to 647 million. On the other hand, extractive industries decreased by 12.3 percent to 214.6 million.

As for the transport and communication sector, whose financing fell by 15.5 percent to 2.5 billion, its share fell by 4 points to 19 percent to the benefit of the industrial and other services sector.

12 Data from The Professional Association of finance companies

Chart 62: Breakdown of Equipment leasing productions by sector of activity (%)



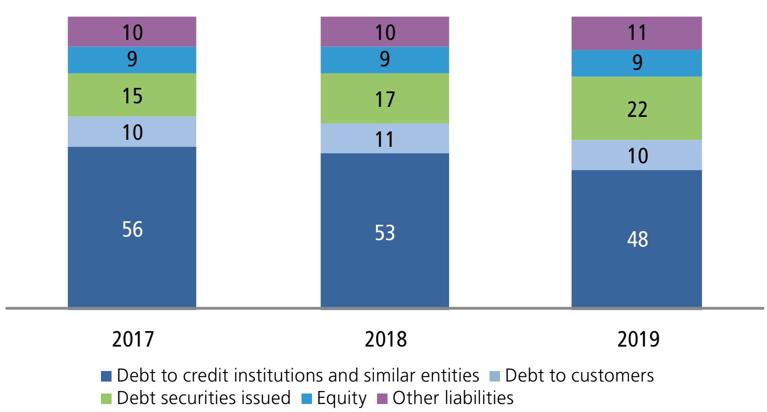
Property leasing production grew by around 20 percent to 3.7 billion, as against 8.1 percent at end 2018. It mainly concerned the financing of industrial buildings (102 percent), followed by miscellaneous buildings (34.4 percent), and warehouses (16.8 percent).

2 - Finance companies expanded their resort to the private debt market

Finance companies continued to strengthen their resort to the private debt market. Outstanding bonds issued by finance companies thus increased by 33.2 percent in 2019 to exceed 26 billion dirhams, after 14.3 percent in 2018, at the expense of debts to credit institutions and debts to customers which fell by 4.9 percent and 1.1 percent respectively. As for shareholders' equity, it increased by 3.1 percent to 11.2 billion dirham, against 5.4 percent a year ago.

As a result, the share of banking indebtedness in liabilities fell by 5 points to 48 percent and the share of debt owed to customers and equity by one point to respectively 10 percent, in favour of debt securities issued, whose share increased to 22 percent.

Chart 63: Change in liabilities of finance companies structure (%)



Consumer credit companies issued 61 percent of finance company bonds, as against 39 percent for leasing companies. UCITS accounted for 77 percent of these bonds, followed by credit institutions and similar entities (21 percent) and private individuals (7.2 percent).

Bank indebtedness of consumer credit companies fell by 5.1 percent to about 18 billion dirhams, after having stagnated in 2018, as their share in liabilities fell by 4 points to 31 percent.

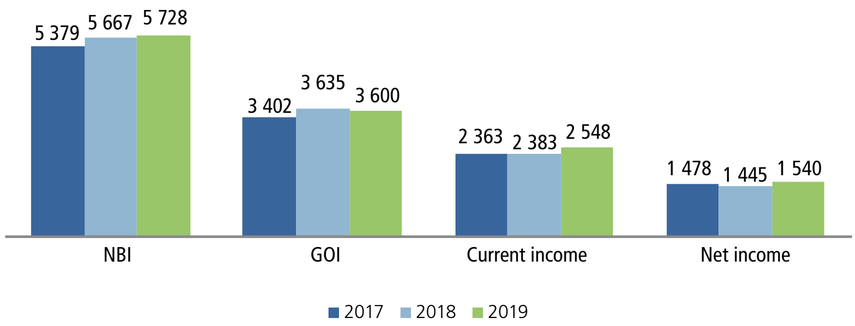
Also, debts to customers, accounting for 17 percent of the total, fell by 3.7 percent to nearly 10 billion. Outstanding debt securities issued, which are held by five consumer credit companies, increased by 25.7 percent to 16.8 billion dirhams. Its share increased by 5 points to 29 percent. Equity capital, representing nearly 11 percent of liabilities, increased by 2.1 percent to 6.3 billion dirhams, against 4.2 percent a year ago.

Banking debts of leasing companies, representing 66 percent of liabilities, decreased by 4.5 percent to 34.5 billion dirhams, against a 2.8 percent increase a year ago. The outstanding amount of debt securities issued jumped by 53.2 percent against 3.8 percent to more than 9 billion dirhams, up 5.5 points to 17.4 percent. As for accounting equity, their share did not change compared to 2018, namely 7 percent. They reported a 6.3 percent increase to 3.6 billion dirhams.

3 - Net income of consumer credit companies strengthened while that of leasing companies declined

After a 2.3 percent decline in 2018, the cumulative net income of finance companies at end-2019 increased by 6.6 percent to 1.5 billion dirhams. This evolution covers a decline in the cumulative income of leasing companies and an improved income of other categories of financing companies.

Chart 64: Change in intermediate operating balances of finance companies (million dirhams)

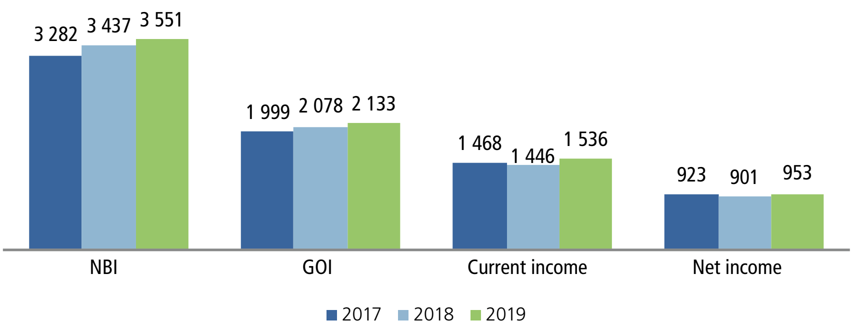


Finance companies generated an overall NBI of 5.7 billion dirhams, posting an increase of 1.1 percent against 5.4 percent in 2018. This deceleration reflects higher commission margin of nearly 9 percent and interest margin of 5.3 percent, while the result of leasing operations fell by 5.8 percent to 3.3 billion, after an increase of 5.2 percent a year ago.

Their general operating expenses increased by 4.8 percent to 2.2 billion dirhams, against 3 percent last year, inducing a one-point increase in the average operating ratio to 38 percent. Their gross operating income amounted to 3.6 billion dirhams, down 1 percent after a 6.8 percent increase in 2018. It was absorbed by the cost of risk at 29.2 percent, as against 34 percent.

The average return on assets (ROA) of these companies increased by 0.1 point to 1.3 percent and the average return on equity (ROE) improved by 0.4 point to 13.7 percent.

Chart 65: Change in intermediate operating balances of consumer loan companies (million dirhams)



By category, consumer loan companies generated a net banking income of around 3.6 billion dirhams. It increased by 3.3 percent as against 4.7 percent in 2018, driven by a 4 percent increase in the interest margin and a 7.6 percent increase in the commission margin. Net income from leasing operations contracted by 19.5 percent as compared to a 0.6 percent increase in 2018, primarily as a result of the decline in the first increased rents[13].

The general operating expenses of these companies grew by 4.1 percent, as against 6 percent, to 1.5 billion dirhams, resulting in an average operating ratio of 41 percent, unchanged from the previous year. Consequently, GOI grew by 2.6 percent to 2.1 billion, from 4 percent last year.

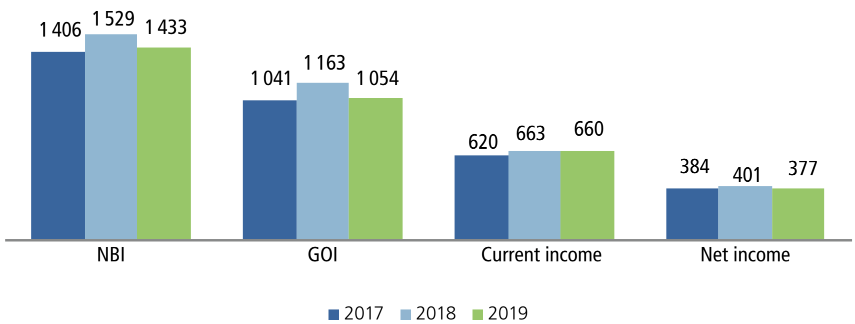
Non-performing loans were up by 5.3 percent against 11 percent a year ago, representing a decline in the cost of risk by 6 percent to more than 597 million dirhams, after a worsening of nearly 20 percent the previous year. It accounted for nearly 28 percent of the GOI, against 30 percent in 2018.

13 The First increased Rent consists of an advance as rent paid by the customer to the finance company, which reduces the amount to be financed by the same amount. For the lessee, the first increased rent reduces the level of future rents and for the lessor, it reduces the amount of risk taken by the lessor in financing a property.

Consequently, the current result posted an increase of 6.2 percent against a 2 percent drop to 1.5 billion and the non-current result, while negative, went from 32.2 to 28.7 million dirhams, owing to expenses related to tax adjustments.

As a result, net income generated by consumer credit companies amounted to 953 million dirhams, up 5.8 percent, after a 2.4 percent decline last year. This resulted in an average return on assets (ROA) of 1.6 percent, unchanged compared to 2018 and an average return on equity (ROE) of 15.2 percent, as against 14.7 percent.

Chart 66: Change in intermediate operating balances of leasing companies (Million dirhams)



Leasing companies recorded a net banking income of 1.4 billion, down 6.3 percent, after its 8.8 percent rise in 2018, due to the 3 percent decrease in the result of leasing operations, to 3 billion, compared to a 4.7 rise in the previous year. The margin on commissions evolved to a positive balance of 3.3 million dirhams.

The general operating expenses of these companies increased by 5.3 percent to reach 391 million dirhams against a 1.1 percent increase, resulting in a deterioration of the average operating ratio by 3 points to 27.3 percent. Under these conditions, the Gross Operating Income fell by 9.4 percent to 1.1 billion dirhams, after a rise of 11.7 percent a year earlier.

As a result of a drop of claims, the cost of risk posted by leasing companies decreased by 20.4 percent after having increased by 18.8 percent in 2018, to reach 393.4 million dirhams, representing 37 percent of gross operating income, against 43 percent in 2018.

Non-current income deteriorated from a deficit balance of 1 million dirhams to 31 million dirhams.

As a result, the overall net income generated by leasing companies declined by 5.9 percent to 377 million dirhams, compared to a 6.4 percent increase in 2018. The average return on assets (ROA) fell to 0.7 percent and the return on equity (ROE) dropped to 10.6 percent.

On the other hand, net income of real estate credit companies increased by 7 percent to more than 113 million dirhams while that of factoring companies rose by 13.8 percent to 39.3 million dirhams. As for guarantee companies, their results went from a deficit balance of 9.7 to a surplus balance of 38.7 million dirhams while the other financing companies recorded a 50 percent bonus in their results to 19.2 million dirhams.

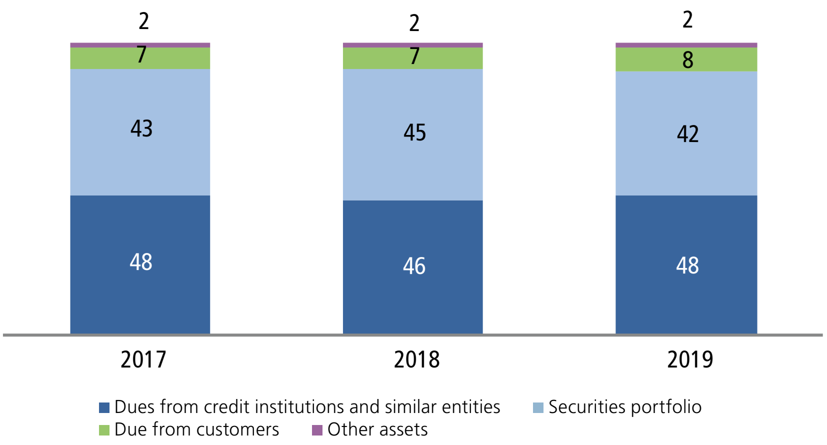
IV - Activity and profitability of offshore banks

The volume of activity of offshore banks, measured by the total balance sheet corresponding to an equivalent dirham value, rose in 2019 by 4.6 percent to 42.3 billion dirhams. This increase occurs after declines of 11.3 percent and 4.6 percent in 2017 and 2018[14] respectively and is related to the rebound of loans to credit institutions by 8.6 percent to 20.2 billion and of the securities portfolio by 12.6 percent to 3.3 billion dirhams.

The outstanding non-performing loans of these banks amounted to 61 million dirhams, representing 0.36 percent of the total loans.

Thus, the share of loans to credit institutions increased by 2 points to 48 percent, the share of the securities portfolio rose by 1 point to 8 percent, while the share of loans to customers fell by 3 points to 42 percent. Other assets stabilized at 2 percent.

Chart 67: Assets structure of offshore banks (%)



Debts of offshore banks to credit institutions and similar entities amounted to 31.9 billion, down 1.6 percent after the 6.3 percent decline recorded in 2018. These debts make up 75 percent of their liabilities, as against 80 percent a year earlier. 70 percent of these debts are made up of liabilities raised from credit institutions in Morocco and 30 percent from foreign credit institutions.

14 2018 revised figures.

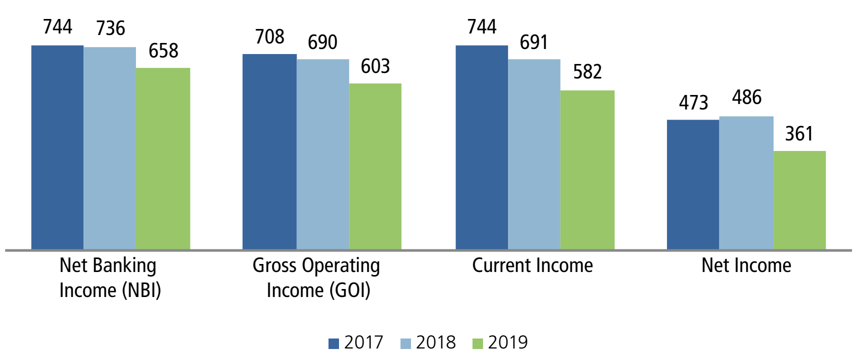
With a 21 percent share of liabilities, deposits collected from customers increased by 37.2 percent following a 1.7 percent drop in 2018 to 8.8 billion, of which about a third is held by non-residents and the remainder by companies based in Tangier offshore.

The accounting equity capital of offshore banks increased by 7.8 percent to 597 million dirhams, since the risks incurred by these banks are mainly covered by the equity capital of parent banks.

Financing commitments given by offshore banks amounted to 748 million dirhams, up 22 percent, under the combined effect of a 99 percent increase in commitments in favour of credit institutions and similar entities to reach 103 million Dirhams and a 14.9 percent rise in commitments in favour of customers to reach 645 million Dirhams.

Their guarantee commitments given were up 7.6 percent to 1.6 billion dirhams, as against 8.1 percent at the end of 2018, due to a 9.3 percent drop in guarantee commitments on behalf of credit institutions and similar entities to 723 million dirhams and a 27.1 percent increase in guarantee commitments on behalf of customers to 881 million dirhams. On the other hand, guarantee commitments received rose by 1.9 percent to 13.6 billion dirhams.

Chart 68: Change in intermediate operating balances of offshore banks (million dirhams)



At end-2019, offshore banks reported a net banking income of 658 million dirhams, down 10.7 percent, as against its 1 percent drop in 2018, mainly due to the decrease by 15.2 percent in interest margins to 585 million and in the commission margins by 5.2 percent to 50 million.

Following the same NBI trend, the net income generated by these banks fell by nearly 25.8 percent to 361 million dirhams, after its 2.8 percent increase in 2018.

V - Activity and profitability of microcredit associations

At the end of 2019, the micro-credit sector comprises 12 associations with a network of 1,787 points of sale and 898 thousand clients, up 0.7 percent, almost half of whom are women.

Loans granted by these associations totaled a gross outstanding amount of 7.5 billion dirhams, posting an acceleration of 9.4 percent, after a 2.5 percent increase in 2018. This resulted in an average outstanding loan of more than 8,000 dirhams, up 8.6 percent compared to 2018. Nearly 96 percent of the credits are granted by the 4 largest associations.

Around 88 percent of these loans are intended for micro-enterprises, the same as in 2018, and 78 percent are located in urban areas compared to 76 percent. The share of individual loans increased by 4 points, from 73 percent to 77 percent.

Outstanding amounts of non-performing loans increased by 12 percent to 228 million dirhams after having declined by 8 percent, resulting in a risk rate of 3.1 percent, almost at the same level as the previous year. The coverage rate of these receivables by provisions stood at 78 percent against 86 percent and the write-off rate of these receivables dropped to 4 percent, as against 5 percent in 2018.

Receivables from credit institutions and similar entities, mainly made up of deposits with banks, declined by 53.3 percent to 376 million dirhams, i.e. 5 percent of total assets.

The debts to credit institutions, representing more than half of the liabilities of micro-credit associations, increased by 5.8 percent to 4.3 billion dirhams, after a 3.8 percent increase one year earlier. 86 percent of these debts are composed of debts to local banks.

The sector of microcredit associations ended the financial year 2019 with a net profit of 216 million dirhams, recording a 15 percent rise after that of 5 percent in 2018, representing a ROA of 2.7 percent and a ROE of 7.5 percent.

The equity capital of these associations fell by 4 percent to 2.7 billion dirhams, representing 34 percent of the liabilities, further to the takeover of associative funds.

VI - Activity and profitability of payment institutions

In 2019, payment institutions numbered 19, including four that recently started their operations during the year and one payment institution pending operation.

These establishments held a total balance sheet of about 2.7 billion dirhams, up 14 percent from 2018. On an equal basis, the increase stands at 8 percent. Their shareholders' equity[15] stood at 756 million dirhams against 637 million dirhams and their indebtedness fell by 5 percent to 593 million dirhams.

15 Excluding profit.

In terms of profitability, the net banking income generated by payment institutions rose by 9 percent to 949 million dirhams and their net income improved by 4 percent to 166 million dirhams. On an equal basis, the sector's income amounted to 174 million dirhams, up 9 percent. The new structures suffered losses related to the start-up costs of their activity.

1 - Funds transfer activity

The volume of fund transfers transiting through payment institutions increased by 10 percent to 29.3 billion dirhams. Considering that these transfers originate from abroad, they are carried out through foreign correspondent platforms (Money Transfer Operators).

The breakdown by origin of the international fund transfers operated by these companies shows a predominant share of Europe (64 percent) and the Gulf countries (20 percent) which has stabilized compared to 2018. The share of North America has increased by one point to 10 percent at the expense of that of Africa (4 percent).

The top 10 sending countries account for 86 percent of transfers.

Chart 69: Breakdown of transfers of international funds received via payment institutions, by source (%)

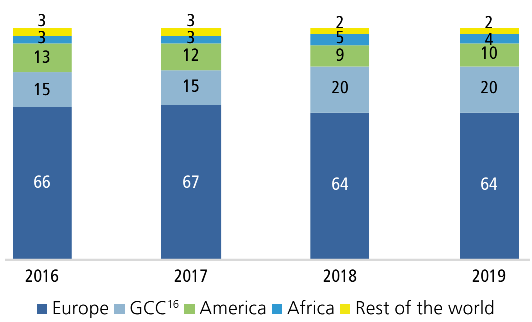
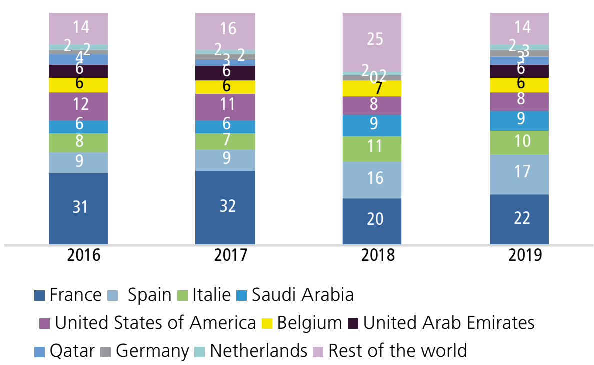


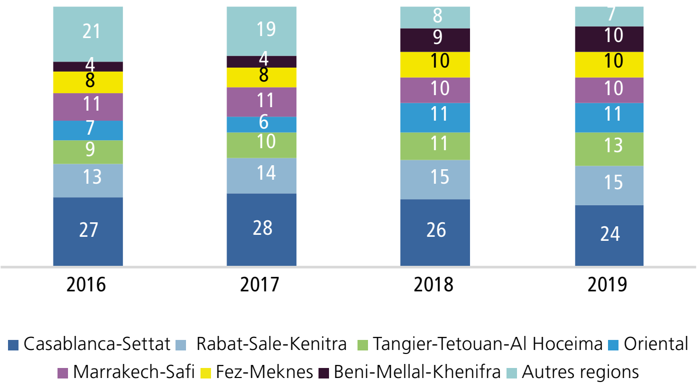
Chart 70: Breakdown of transfers of international funds received via payment institutions, by sending country (%)



Nearly half of these transfers were intended for the three major regions of Casablanca-Settat, Rabat-Sale-Kenitra and Tangier-Tetouan-Al Hoceima.

16 GCC: Gulf Cooperation Council

Chart 71: Share of regions receiving transfers from international funds via payment institutions (%)



With regard to national transfers made by these companies, their volume totaled nearly 34.8 billion dirhams at the end of 2019, as against 32.7 billion a year earlier (+6 percent). Of this total, 24.3 percent are issued from Casablanca, as against 20 percent in 2018.

Chart 72: Share of cities transmitters national transfers mades via payement institutions %

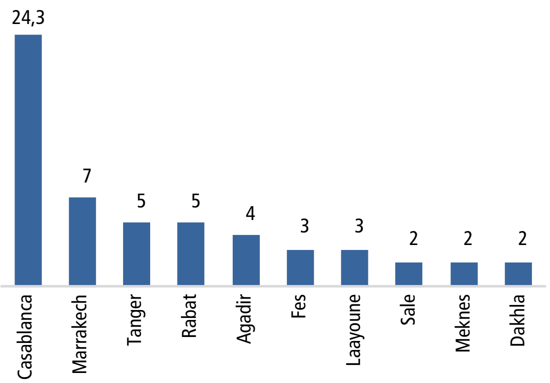
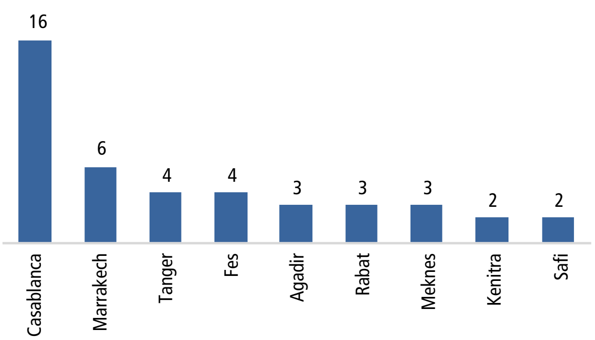


Chart 73: Share of cities receiving national transfers made via payment institutions (%)



2 - Payment activity

Among the 19 payment institutions, 15 have been authorized to offer payment products and services, six of which have started this new payment activity. At the end of 2019, these institutions opened 514,827 payment accounts, in addition to 371,116 electronic accounts (m-wallets) launched by banks, in addition to mobile payment products.

Chart 74: Breakdown of M-wallets opened in 2019

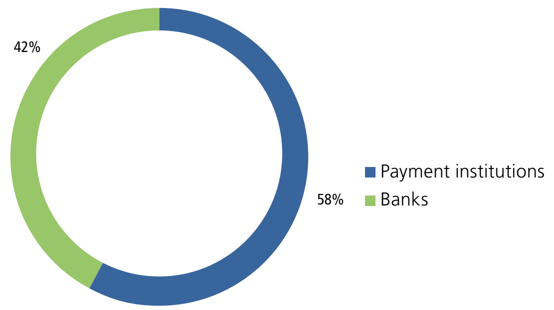
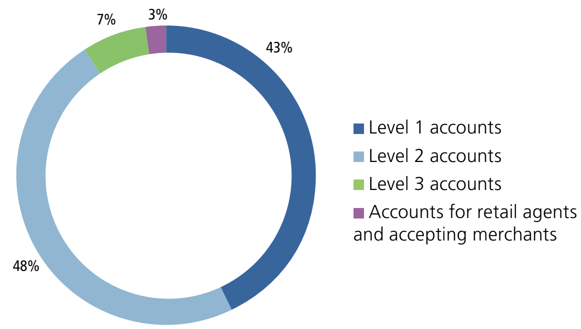


Chart 75: Number of payment accounts opened in 2019, by category



As far as banks are concerned, almost all m-wallets, backed by bank accounts, are held by private individuals. Accounts held by accepting merchants stood at 1,151.

As for payment institutions, level 2 accounts (holding a balance of less than 5,000 DH) account for 48 percent of open accounts, followed by level 1 accounts (balance <200 DH) for 43 percent. Level 3 accounts make up 7 percent of these accounts. As for the accepting merchants and retail agents, they opened 11,236 accounts.

Since the beginning of their activity, payment institutions collected 81.8 million dirhams through deposits in payment accounts.

Mobile transactions, mainly money transfers between individuals, amounted to 14.6 million dirhams for transactions operated through payment institutions and 17.6 million dirhams for those operated through banks.

At end 2019, the balance of payment accounts stood at 9.7 million dirhams distributed among level 3 accounts (64 percent), level 2 accounts (21 percent), level 1 accounts (1 percent) and those held by traders and retail agents (14 percent).

VII - Activity and profitability of banking groups

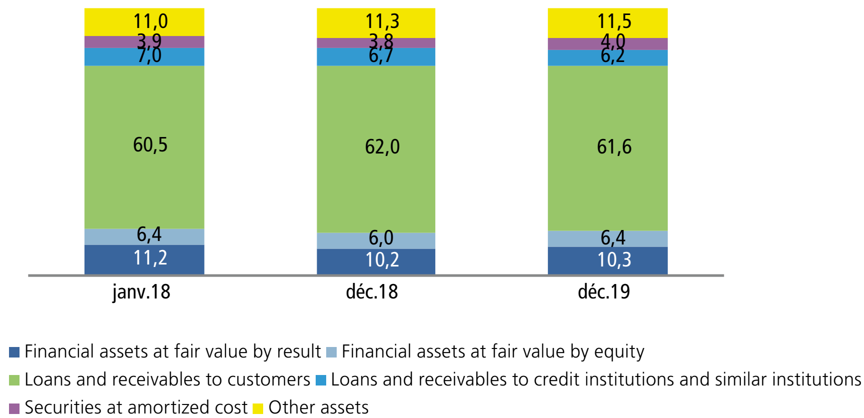
Analysis of activity and profitability on a consolidated basis is drawn up from the financial statements, prepared in accordance with IFRS, by 11 banking groups, which represent 97 percent market share on a social basis. This analysis allows to integrate the activity and results of the banks carried out by the companies they control in Morocco and abroad.

1 - The balance sheet structure of the banking groups was broadly maintained

At end 2019, the total balance sheet of the 11 banking groups stood at 1,793 billion dirhams, up 7.2 percent year-on-year[17] , after 5.5 percent the previous year[18].

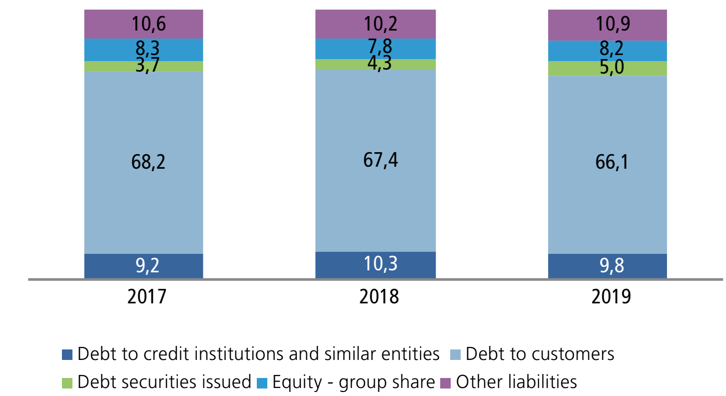
Unchanged, assets of the banking groups are mainly made up of loans and receivables from customers (62 percent), followed by financial assets at fair value through profit or loss (10 percent) and financial assets at fair value through equity (6 percent).

Chart 76: Structure of banks' assets according to IFRS 9 - on a consolidated basis (%)



Customer deposits are mostly made of liabilities (66 percent), albeit down by about 1.3 percent, followed by dues to credit institutions (10 percent). The share of equity strengthened to 8 percent of liabilities.

Chart 77: Structure of banks liabilities-on a consolidated basis (%)



17 Data for 2018 and 2017 modified further to the integration of two new banking groups (Al Barid Bank and CFG Bank).
18 Change calculated between 1 January and 31 December 2018 to neutralise the impact of the application of IFRS9

1.1 - Growth in the banking groups' assets reflects an upsurge in customer loans and receivables and in the securities portfolio.

At the end of 2019, loans and advances to customers increased by 6.5 percent, compared with 8.1 percent the previous year. The securities portfolio grew by 13.5 percent. Meanwhile, loans and receivables from credit institutions and similar institutions increased by 0.5 percent, following a stagnation one year earlier.

1.2 - Increase of resources collected was driven by higher customer deposits, debt securities issued and shareholders' equity.

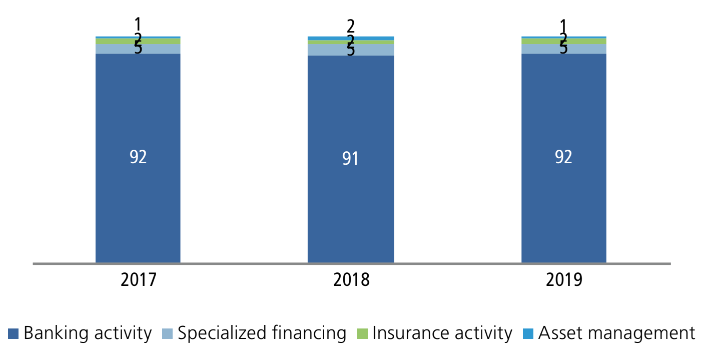
Resources collected from customers increased by 5.2 percent, after 3.5 percent in the previous year. Meanwhile, debts to credit institutions decreased by 1.6 percent compared to 17.3 percent, mainly due to the decline in recourse to refinancing from the Central Bank on the local market. As for debt securities issued, they posted a marked increase of almost 24 percent after 21.3 percent.

Meanwhile, shareholders' equity, which had fallen by 1.3 percent in the previous year due to the application of IFRS 9 standard, increased again in 2019 by 12.4 percent to 146.6 billion dirhams.

1.3 - Unchanged business structure of the banking groups' activities, with predominance of the banking activity

The consolidated activity of the banking groups covers the businesses relating to the banking activities in Morocco as well as those carried out abroad through subsidiaries or branches, the sectors of insurance and asset management as well as specialized financing. It is dominated by the banking component, which accounts for nearly 92 percent, up one point from the previous year, at the expense of asset management which fell to 1 percent. The share of insurance and specialized financing activities stabilized at 2 percent and 5 percent, respectively.

Chart 78: Breakdown of the total assets of the banking groups by business (%)



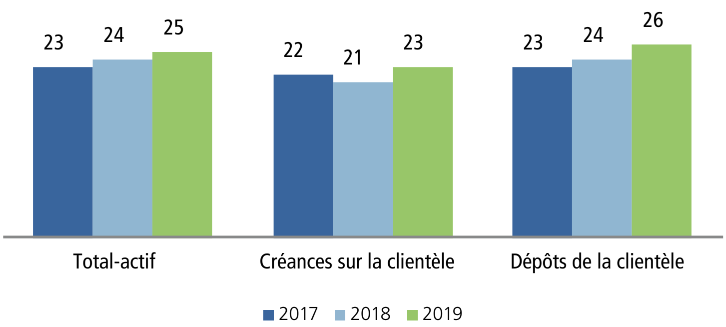
1.4 - Accelerated growth of groups activities abroad, further to their expanded implementation

At the end of 2019, total assets of the foreign subsidiaries of the 3 Moroccan cross-border banking groups grew by 13 percent to 320.5 billion dirhams, contributing on average 25 percent to the consolidated total assets, against 24 percent in 2018, as a banking group acquired 3 banks in Africa.

In terms of loans, international activity speeded up to 15.4 percent to 179.2 billion dirhams, and grew, on a comparable basis, by 9.9 percent, up from 4.3 percent a year earlier. As a result, its share in the consolidated total credit increased by 2 points to 23 percent.

Deposits collected by foreign-based subsidiaries amounted to 219.6 billion, up 15 percent and 6.9 percent, on a comparable basis, from 5.6 percent a year earlier, or a 26 percent share of total deposits of the 3 banking groups.

Chart 79: Contribution of the banking subsidiaries abroad to the main balance headings of the three cross-border banking groups (%)

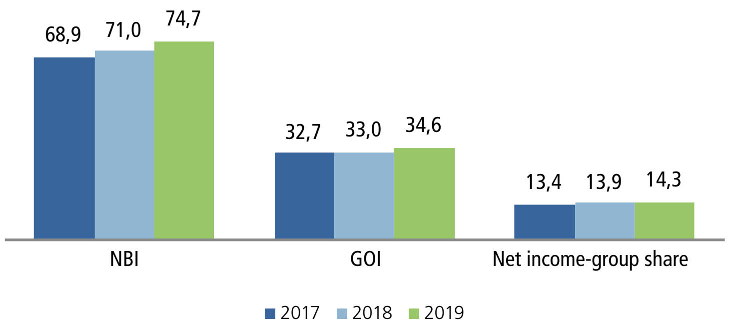


2- Net income of banking groups increased owing to the rebound in market result and the easing of the cost of risk.

The combined consolidated net profit of the eleven banking groups[19] at the end of 2019 slowed down again, reflecting slower interest margins, while market results recovered significantly due to decreasing bond rates. Fee and commission margin accelerated slightly, while the cost of risk improved again.

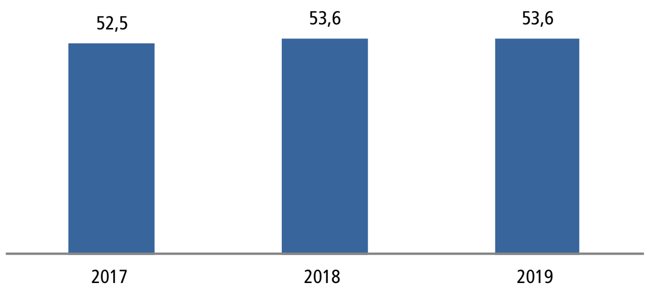
19 Data for 2017 and 2018 have been updated following the integration of two new banking groups.

Chart 80: Change in banks' intermediary balances, on a consolidated basis (billion dirhams)



Net banking income amounted to 74.7 billion dirhams, up 5.1 percent against 3.2 percent last year. This evolution reflects a rebound in the result of market operations by 19.9 percent against a drop of 11.2 percent. As for the interest margin and the margin on commissions, they increased by 2.2 percent and 7.2 percent, against 6.4 percent and 6.6 percent respectively recorded the previous year.

Chart 81: Banks' average operating ratio, on a consolidated basis (%)



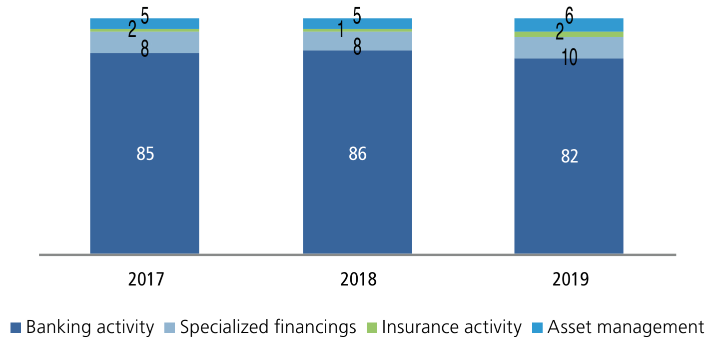
General operating expenses increased by 5.2 percent to nearly 40 billion dirhams, compared to 5.4 percent at the end of 2018. As a result, the average operating coefficient stabilized at 53.6 point and the gross operating income (GOI) rose 5.1 percent to 34.6 billion dirhams.

On the other hand, the cost of risk fell again by 3.7 percent to 8.8 billion, instead of 5.6 percent, absorbing 25.4 percent of GOI, as against 27.7 percent in the previous year.

Overall, the eleven banking groups ended the 2019 financial year with a net profit (group share) of 14.3 billion, up 2.7 percent against 4.1 percent. Return on assets (ROA) remained stable at 0.8 percent whilst return on equity (ROE) fell by one point to 9.7 percent.

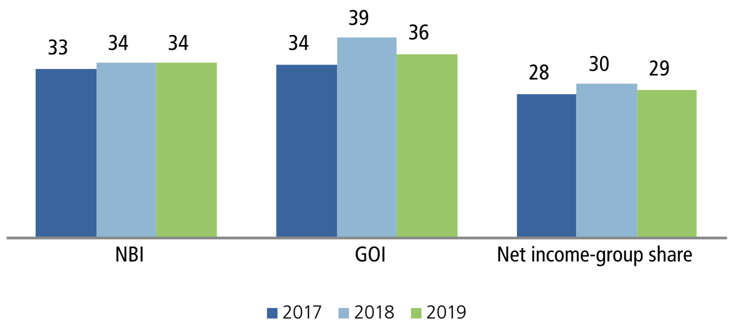
By business line, banking activities contributed 82 percent to net profit group share, down 4 points compared with 2018 in favour of asset management, specialized financing and insurance activities, whose share increased to 6 percent, 10 percent and 2 percent respectively.

Chart 82: Contribution of the different business lines in the net income-Group share of the bank groups (%)



International activity generated a 4.7 percent increase in net banking income to 18.8 billion dirhams. Its contribution to the NBI of the 3 banking groups stabilized at 34 percent and the contribution to the net income- group share stood at 29 percent, instead of 30 percent.

Chart 83: Contribution of the foreign subsidiaries in the main income headings of 3 cross-border banking groups



The net income-group share generated abroad by the three banking groups slowed down to 0.8 percent to 3.2 billion dirhams, mainly due to the 43 percent higher cost of risk.

CHAPTER 3: BANKING RISKS

In 2019, the growth rate of loans granted to companies accelerated, while the loss ratio has remained at the same level as the previous year.

In turn, the concentration risk to which banks are exposed continued to diminish, with a ratio of large exposures to equity capital equalling 2.4 times, as opposed to 4 times a decade ago.

In terms of solvency, the banks' capital base has been strengthened, making them more resilient to potential shocks.

On the other hand, the banks' need for liquidity in dirhams increased during the year, in a context of higher circulation of banknotes and slight drop deposits by Moroccans residing abroad. In this context, Bank Al-Maghrib reduced the level of the monetary reserve by 2 points to 2 percent and maintained its liquidity injection operations in the same proportions as last year.

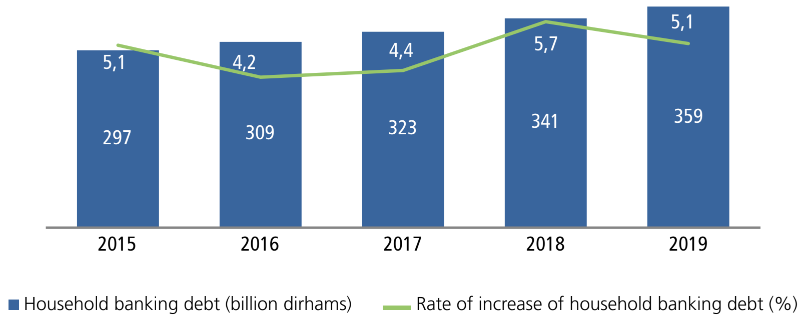
The developments below examine credit risk in its various components by analysing changes in the indebtedness of non-financial agents, households and companies, non-performing loans and major risks. This chapter also reviews changes in the solvency and liquidity of banks as well as their exposure to interest rate risk.

I - Household bank indebtedness

Since 2005, Bank Al-Maghrib has been conducting a survey of banks and consumer loan companies to monitor changes in household bank indebtedness. The 15th survey, which covered the Financial year 2019, covered a sample of 8 banks and 10 consumer loan companies, with a market share of 95 percent in terms of housing loans and 98 percent for consumer loans.

This survey complements the monthly regular monitoring of consumer and housing loans while enriching it with information on beneficiaries' profile based on age, income, socio-professional category and geographical location.

Chart 84: Change in household bank indebtedness



At the end of December 2019, outstanding household bank debt[20] posted a 5.1 percent increase against 5.7 percent in 2018 to stand at 358.6 billion dirhams, representing nearly 35 percent of credit institutions' loans, down by one point compared to the previous year. In relation to the Gross Domestic Product (GDP), this outstanding amount stood at 31 percent, a stable level during the last few years.

The share of consumer loans in households' bank indebtedness increased by one point to 37 percent while housing loans fell by one point to 63 percent.

Banks hold around 84 percent of this indebtedness, unchanged from the previous year.

1 - Housing finance

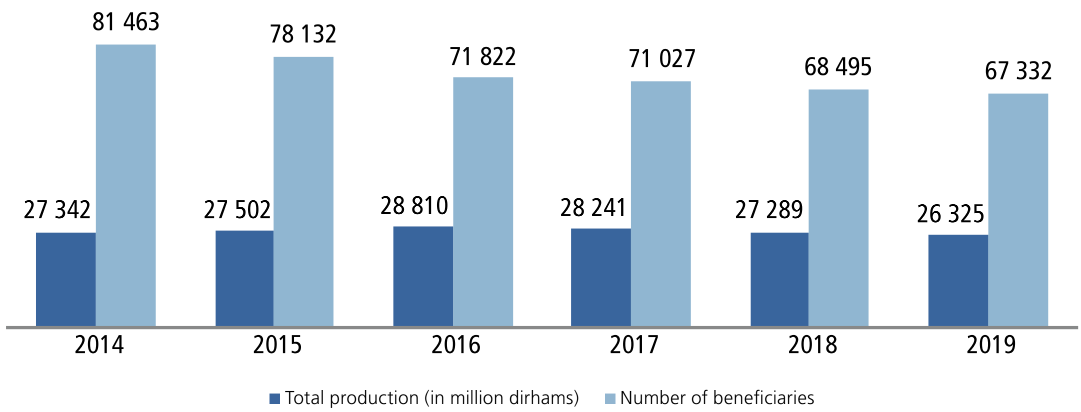
Outstanding of financing for housing amounted to 226.3 billion dirhams[21] , up 3.8 percent compared to 5 percent a year earlier. Out of this total, real estate Murabaha financing amounted to 5.7 billion dirhams.

1.1 - Characteristics of housing loans

After the 3 percent decline recorded in 2018, the production of housing loans contracted again by 3.5 percent to nearly 26.3 billion dirhams in 2019, against a background marked by a 10.8 percent drop in the number of real estate transactions. This decline concerned loans supported by the State (-35 percent), with free loans[22] increasing by 2 percent.

20 Including debt contracted with participating institutions in the form of Murabaha.
21 Including participatory real estate financing in the form of Murabaha
22 Free loans correspond to loans not supported by the State.

Chart 85: Change in housing loans production and number of beneficiaries

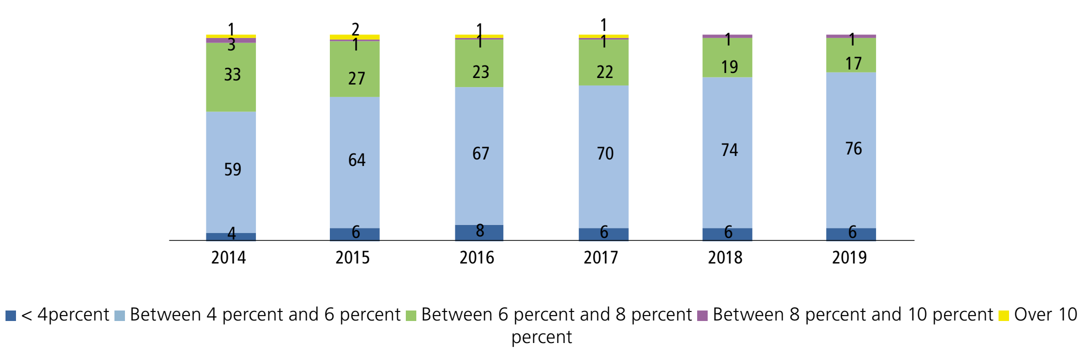


At the same time, the number of recipients fell again by 1.7 percent to nearly 67,300 customers, reflecting a drop of 35 percent for loans supported by the State and 11 percent for free loans.

The average credit amount in 2019 amounted to 391,000 dirhams, down by 7,000 dirhams compared to the previous year.

Outstanding free loans, representing a share of 82 percent, rose by 1.1 percent, as against 6 percent. Outstanding loans supported by the State fell by 2.1 percent following a 0.9 percent increase in 2018. They amounted to 38.5 billion dirhams, including 20.6 billion dirhams for FOGALEF[23] and FOGALOGE[24], 16.1 billion dirhams for FOGARIM[25] and 1.8 billion dirhams for low-cost housing.

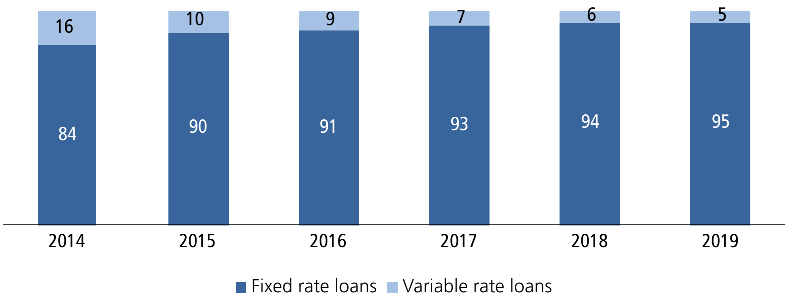
Chart 86: Change in outstanding housing loans according to the range of rates applied (%)



23 Loan guarantee fund to finance access to home ownership for members of the Mohammed VI Foundation for the Promotion of Social Action in Education and Training.
24 Housing Loan Guarantee Fund for Public Sector Staff.
25 Guarantee fund for irregular and modest incomes

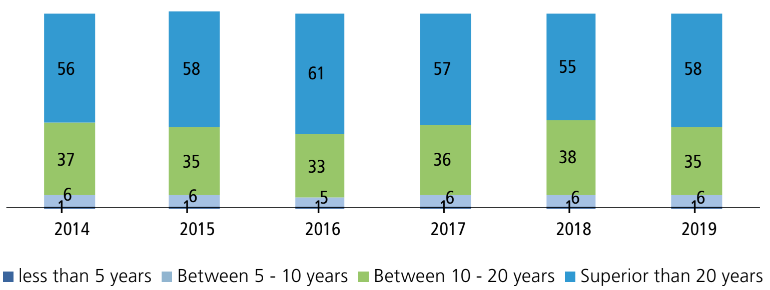
The average interest rate applied to housing loans stood at 4.45 percent, down 48 basis points compared to 2018. The share of loans with an interest rate of less than 6 percent increased by 2 points to 82 percent, to the detriment of those with higher rates.

Chart 87: Breakdown of outstanding housing loans into fixed and variable rates (%)



The share of fixed-rate housing loans increased anew to stand at 95 percent in terms of outstanding amounts, one point higher than in 2018. In terms of production, this share stabilised at 98 percent.

Chart 88: Change in outstanding housing loans according to the initial maturity (%)



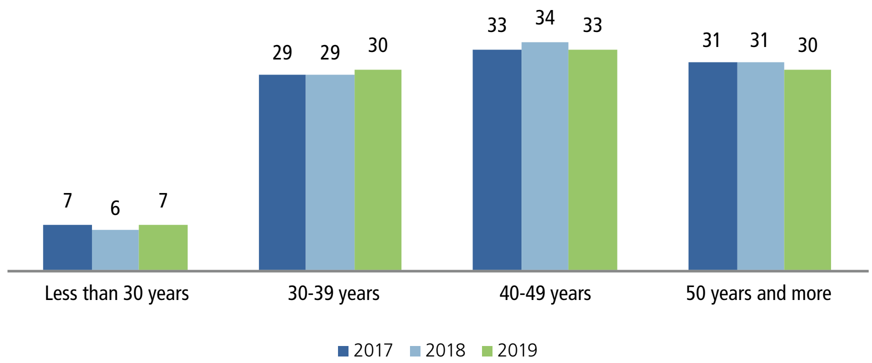
The share of housing loans granted with an initial maturity of more than 20 years widened by 3 points to 58 percent, at the expense of loans maturing between 10 and 20 years, which contracted by 3 points to 35 percent. This resulted in an average initial duration of nearly 20.1 years, compared with 19.8 years one year earlier.

1.2 - Profile and characteristics of housing loan beneficiaries

The profile of housing loan Idem is analysed based on age, income, socio-professional category and place of Résidence.

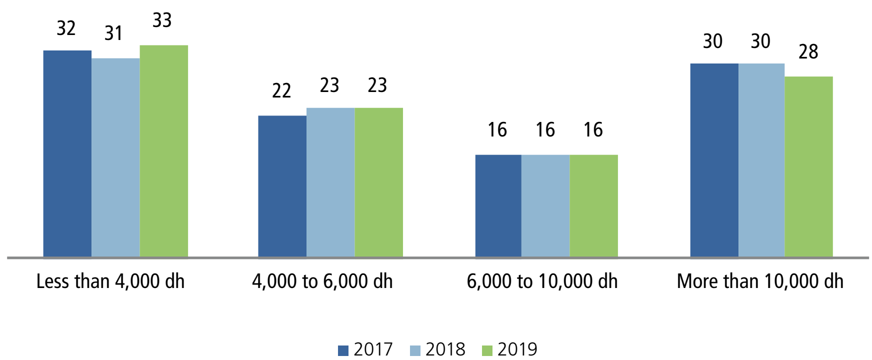
Based on age, people over 40 have concentrated almost 63 percent of the total number of files, compared to 30 percent for people aged between 30 and 40 years, while people under 30 represent no more than 7 percent.

Chart 89: Breakdown of the number of housing loans files by age (%)



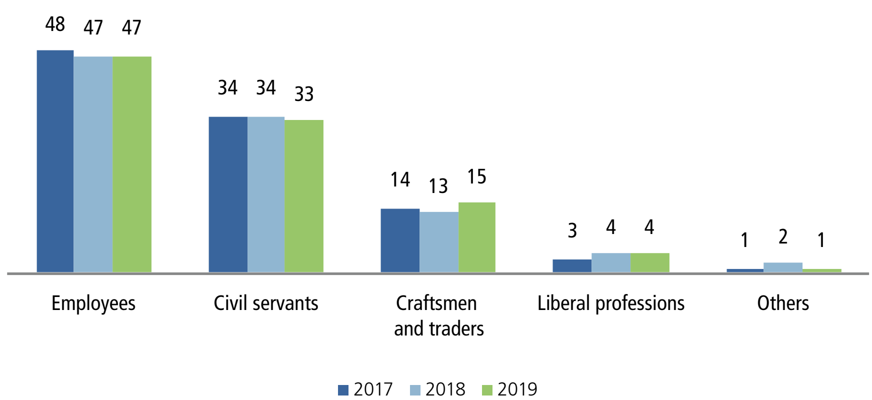
By income, people earning less than 4,000 dirhams held 33 percent of the number of credit files, up two points to the detriment of people earning more than 10,000 dirhams, whose share fell to 28 percent.

Chart 90: Breakdown of the number of housing loans files based on income (%)



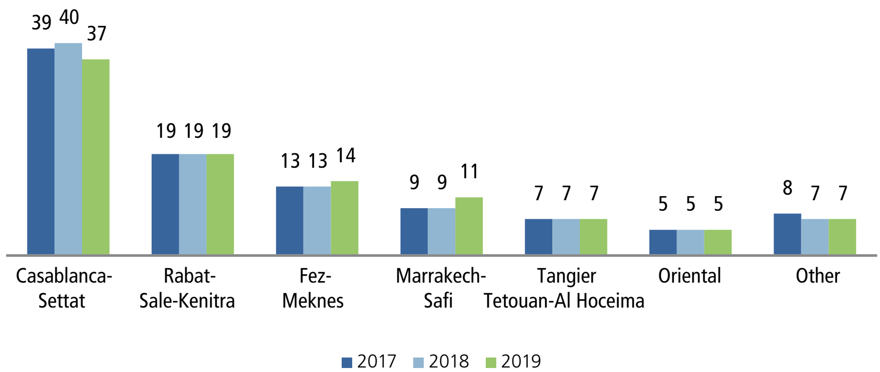
Based on the socio-professional category, employees and civil servants continue to hold respectively around 47 percent and 33 percent respectively, while craftsmen and traders hold 15 percent of the credit.

Chart 91: Breakdown of the number of loan files by socio-professional category (%)



By geographical distribution, about 37 percent of housing loans beneficiaries are concentrated in the region of Casablanca-Settat, down by 3 points, followed by the region of Rabat-Sale-Kenitra, representing 19 percent of borrowers.

Chart 92: Geographic breakdown of the number of housing loan files (%)



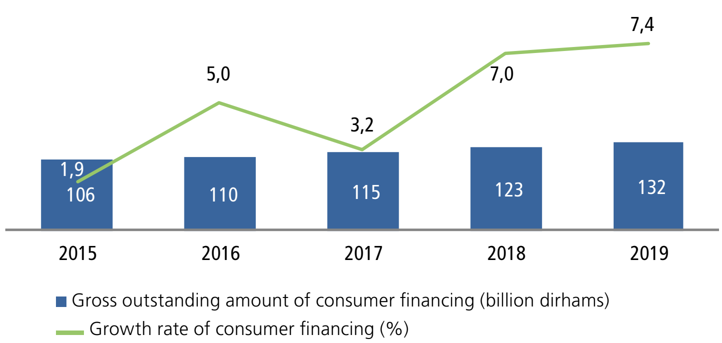
2 - Consumption financing

2.1 - Change in outstanding consumer

Outstanding consumer loans amounted to 132 billion dirhams, marking a 7.4 percent increase, from 7 percent in 2018. This trend concerns both loans distributed by consumer credit companies (+7.4 percent against 8 percent) and banks26 (7.4 percent against 6,2 percent).

The outstanding participatory financings granted in the form of Murabaha for the purchase of vehicles amounted to 776 million dirhams.

Chart 93: Change in gross outstanding of consumer financing



26 Including account overdrafts and other loans to individuals.

No change was noted in the structure of consumer loans by maturity. The share of loans with a maturity of more than 5 years remained at 75 percent while that of loans maturing in less than 3 years stabilised at 5 percent.

Chart 94: Change in the outstanding consumer loans by initial maturity (%)

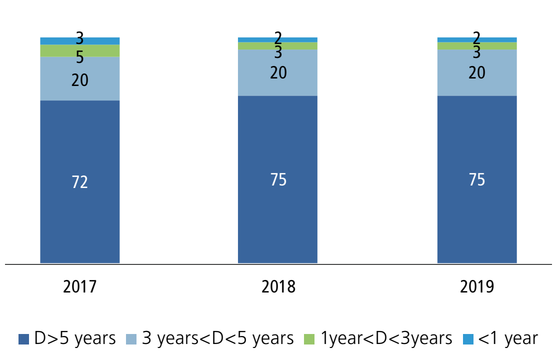
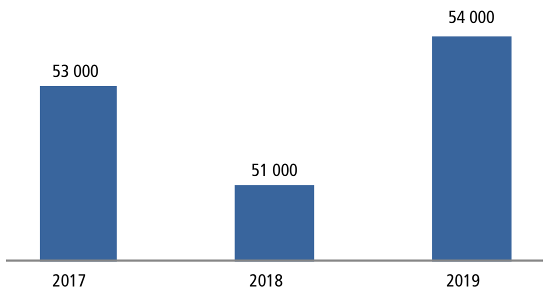


Chart 95: Change in the average amount of consumer loans files (dirhams)



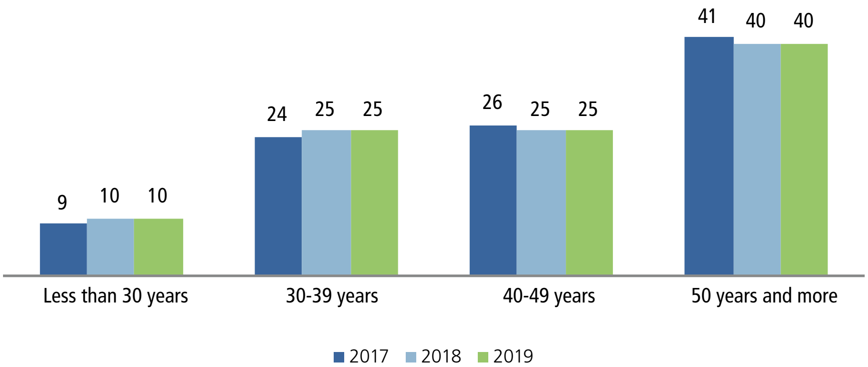
The average amount of consumer loans reached 54,000 dirhams, up 3,000 dirhams from one year to the next.

2.2 - Profile and characteristics of consumer loans beneficiaries

Just like housing loans, the profile of beneficiaries of consumer loans is defined on the basis of age, income, socio-professional category and Résidence.

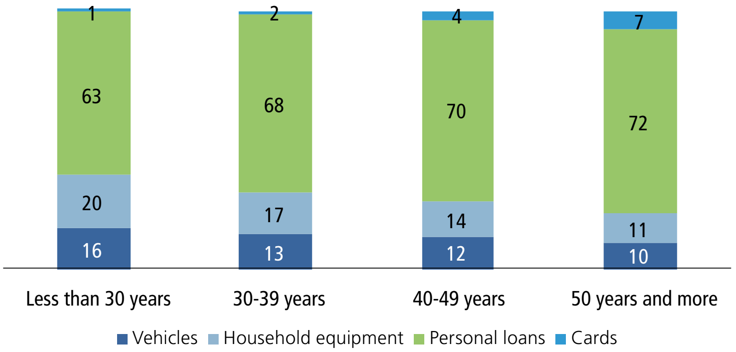
No change occurred in the distribution of the number of credit files by age. Recipients over 50 years of age accounted for 40 percent of the number of files, while those under 30 years of age accounted for 10 percent.

Chart 96: Breakdown of the number of consumer loans files by age (%)



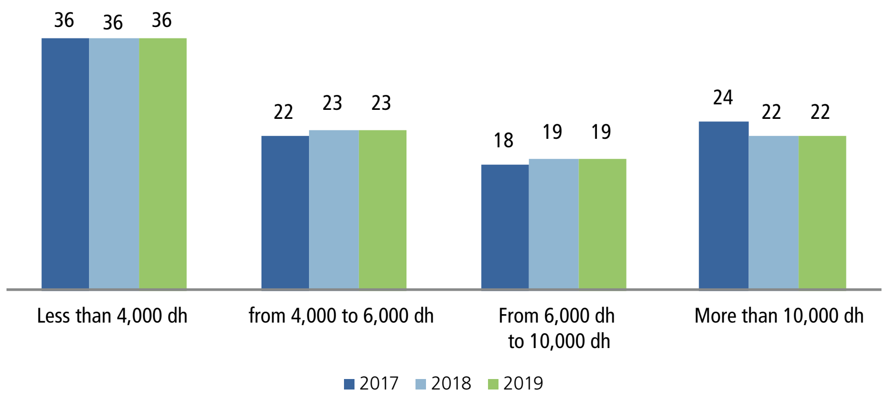
In terms of the number of files, personal loans are still the most common type of credit used by all age groups, with a 70 percent share. Conversely, revolving cards represent 7 percent of credit taken out by people over 50 and only 1 percent by people under 30.

Chart 97: Breakdown of the number of consumer loans files by age and type of loan (%)



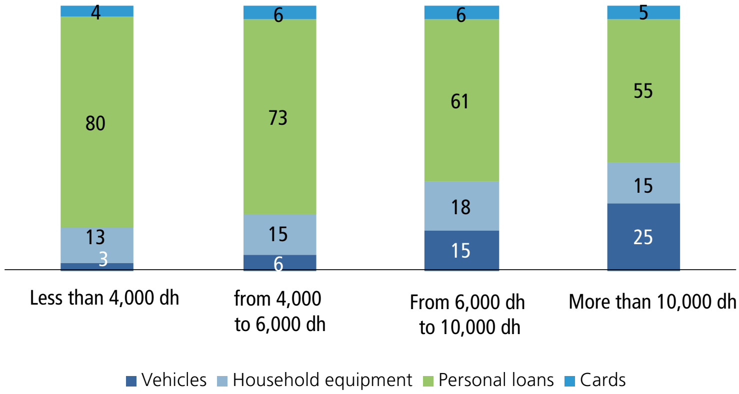
Based on income, people earning less than 4,000 dirhams account for almost 36 percent of credit files, compared to 23 percent for those making between 4,000 and 6,000 dirhams and 41 percent for those earning more than 6,000 dirhams.

Chart 98: Breakdown of the number of consumer loan files by income (%)



Personal loans continue to be the most widely used type of credit across all income ranges. The lowest income earners have the highest share (80 percent compared to 75 percent in 2018) while the highest income earners hold a higher share of loans for the purchase of vehicles (55 percent, the same level as the previous year).

Chart 99: Breakdown of the number of consumer loans files by income and type of loan (%)



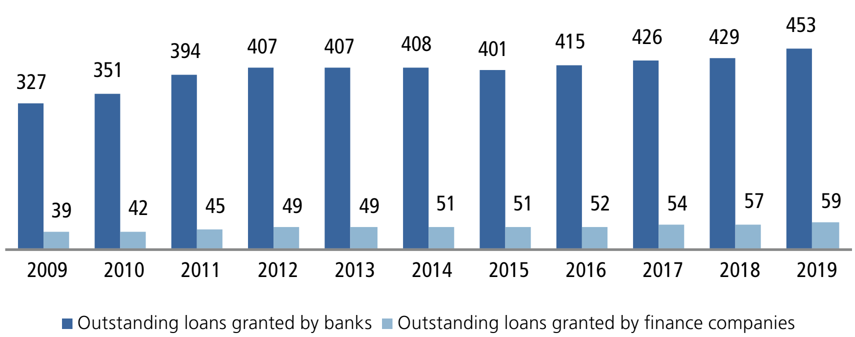
Employees and civil servants held stable shares of 49 percent and 34 percent in 2019. The remainder is held by retirees (7 percent), craftsmen and traders (5 percent) and liberal professions (5 percent).

By geographical location, recipients of consumer loans are mostly settled in urban agglomerations of Casablanca (29 percent instead of 30 percent) and Rabat (18 percent instead of 19 percent).

II - Change in banking indebtedness of non-Financial companies'

In 2019, banking indebtedness of non-financial companies accelerated to 5.4 percent, compared with 1.2 percent in 2018. It stood at 511.8 billion dirhams, representing a stable share in the total credits at 51 percent.

Chart 100: Outstanding amount of disbursement loans granted to non-financial companies (billion dirhams)



Representing 88 percent of total corporate financing, Loans granted by banks accelerated to 5.6 percent, after 0.7 percent in the previous year, in favour of private companies, whose outstanding amounts increased by 6.4 percent to reach nearly 401.5 billion, after a 0.2 percent increase in 2018. Conversely, those intended for public companies fell by 0.5 percent after a 4.4 percent increase to 51.3 billion.

Loans granted by corporate finance companies increased by 4.4 percent to 59 billion, compared to 4.7 percent a year earlier, mainly due to higher operations of financing via leasing (+ 4.2 percent).

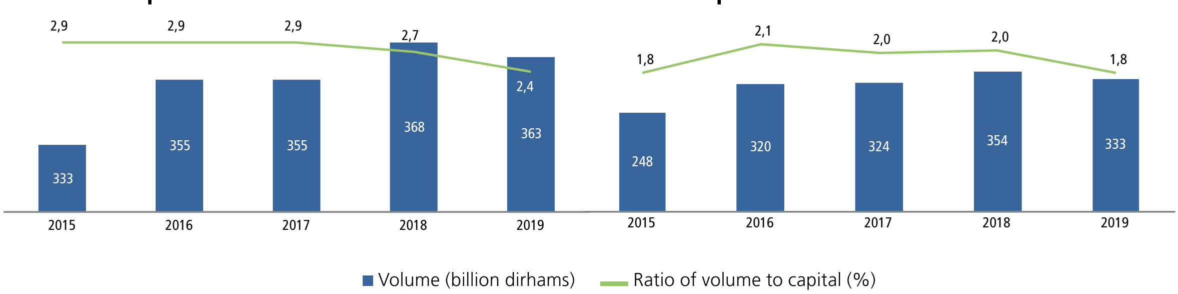
Data collected from banks and finance companies indicate that the share of loans granted to VSMEs[27] equalled 37 percent of total loans to businesses, thus posting an improvement compared to previous years.

III - Change in banks' major risks

At end-December 2019, banks' commitments to major risks[28] fell by 1.5 percent to 363 billion dirhams, representing 2.4 times their capital on a social basis, compared to 2.7 times in 2018. Out of this total, balance sheet commitments, totaling nearly 275 billion dirhams, are up 4.2 percent from last year. Meanwhile, off-balance sheet exposures, particularly in the form of financing and guarantee commitments, cumulating 85 billion dirhams, recorded a decline of 11.5 percent over the same period.

Chart 101: Change in banks' large credit exposures - on individual basis

Chart 102: Change in banks' large credit exposures - on consolidated basis



Excluding the exposure of banks vis-a-vis their subsidiaries, the commitments of banks vis-a-vis large groups fell to 285 billion dirhams, representing 1.9 times their equity capital on a social basis.

27 Defined based on a turnover below 175 million dirhams.
28 Beneficiary or group of beneficiaries of a loan whose outstanding amount is greater than or equal to 5% of a bank's equity capital.

The sectoral breakdown of major risks reveals that non-bank financial groups account for 28 percent, followed by banks (13 percent), beneficiaries operating in the extractive industry (9 percent), manufacturing industry (9 percent) and energy (7 percent).

On a consolidated basis, the commitments of banking groups vis-a-vis major risks fell by 5.9 percent to 333 billion dirhams, accounting for 1.8 times their shareholders' equity, against 2 times in 2018.

The declines observed also benefited from the strengthened prudential capital of banks.

IV - Change in non-performing loans

Considering the economic situation, the non-performing loans of banks posted a growth rate of 7.1 percent, against 3.7 percent a year earlier, to reach 70 billion dirhams. As a result, the loss ratio increased by 0.2 point to 7.5 percent at the end of 2019. This evolution reflects a more sustained increase in non-performing loans to households compared to those granted to non-financial businesses.

Chart 103: Change in banks' non-performing loans - individual basis

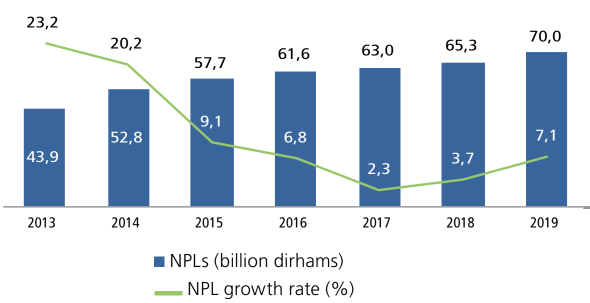
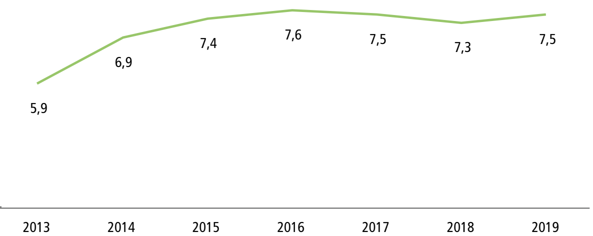


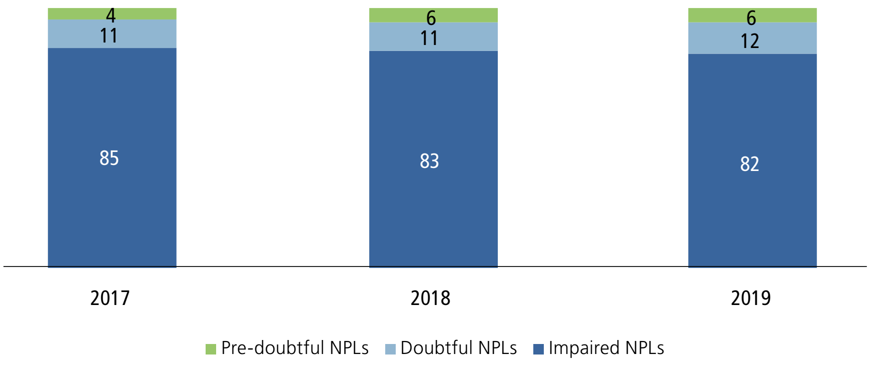
Chart 104: Change in rate of non-performing loans- individual basis (%)



By level of risk, pre-doubtful loans recorded an increase of 4.6 percent[29] to 4.3 billion dirhams and doubtful loans grew by 22.1 percent to 8.5 billion dirhams. Impaired loans, for their part, recorded an increase of 5.4 percent to 57.2 billion dirhams. Consequently, the share of doubtful loans increased by one point to 12 percent, to the detriment of compromised loans which dropped by one point to 82 percent. The share of pre-doubtful loans remained at 6 percent from one year to the other.

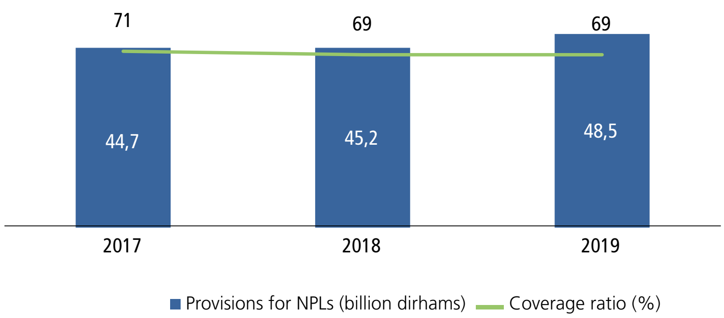
29 2018 data were updated.

Chart 105: Change in the structure of banks' NPLs by category-Individual basis (%)



Provisions for non-performing loans rose by 7.3 percent, leading to a provisioning rate of 69 percent at end- 2019. This rate stood at 77 percent for the category of impaired claims, 50 percent for doubtful debts and 9 percent for pre-doubtful debts, as against 76 percent, 50 percent and 12 percent respectively.

Chart 106: Coverage rate of banks' non-performing loans - on a social basis



In addition to specific provisions, general provisions to cover loans which are sensitive to the economic situation amounted to 10.7 billion dirhams, up 15.6 percent. These provisions represent 1.2 percent of sound credits as against 1.1 percent in 2018.

On the other hand, non-performing loans worn by finance companies increased by 5.2 percent to 11.8 billion dirhams, thus stabilizing the risk rate at 9.9 percent. These receivables are covered by provisions amounting to 72 percent.

On a consolidated basis, non-performing loans to customers of the 11 banking groups totaled 101 billion dirhams, up 8.2 percent from end 2018, revealing an increase of 0.1 point to 8.5 percent in the risk ratio.

Chart 107: Change in NPLs and risk rate on a consolidated basis

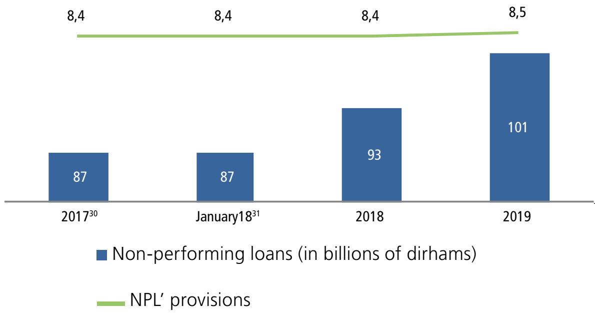
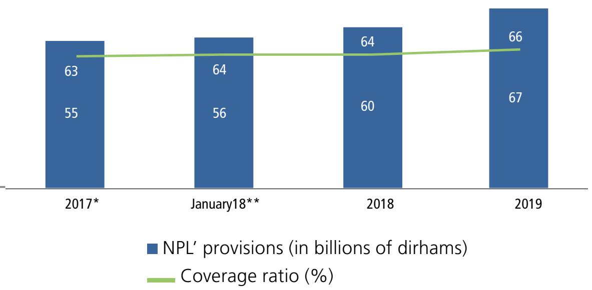


Chart 108: Coverage rate of NPLs held by banks - on a consolidated basis



Provisions for banking groups increased by 11.6 percent, compared with 10 percent a year earlier. They amounted to 67.1 billion dirhams. As a result, the coverage ratio rose by 2 points to 66 percent compared to 2018.

At the end of 2019, sensitive loans meeting the criteria of IFRS 9 have been provisioned at an average rate of 15 percent. Healthy loans that do not present a vulnerability index are covered by provisions averaging 0.8 percent.

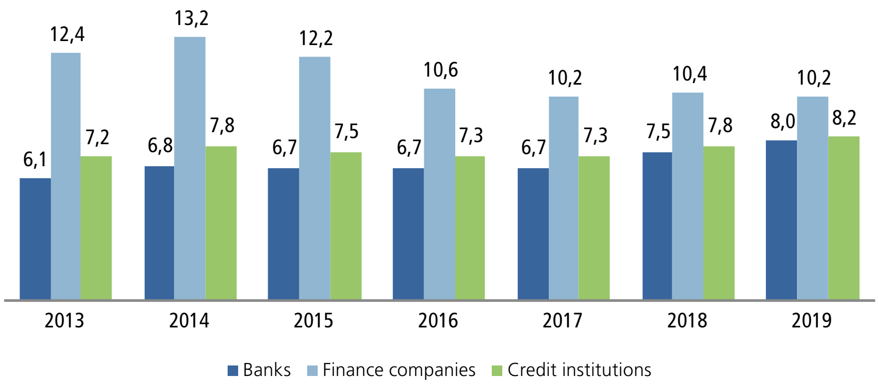
NPLs carried by foreign subsidiaries, particularly in Sub-Saharan Africa, totaled 18.6 billion dirhams, with a risk ratio rising by 0.5 point to 10.1 percent. The coverage ratio of these receivables by provisions improved by 5 points from the end of 2018 to 75 percent.

1 - Non-performing loans held on households

During 2019, the growth rate of outstanding non-performing loans from banks and consumer credit companies to households declined slightly to 10.4 percent to 29.6 billion, compared with 14.1 percent a year earlier, leading to a rise in the risk ratio by 0.4 point to 8.2 percent year-on-year. This change reflects a drop in this rate by 0.4 point to 8.3 percent for resident households and by 0.5 point to 7.8 percent for non-resident households. The coverage ratio of these receivables by provisions stood at 62 percent.

30 Provisions of 2016 and 2017 have been recalculated without taking into account collective provisions for reasons of comparability.
31 Date of first application of IFRS 9 standard.

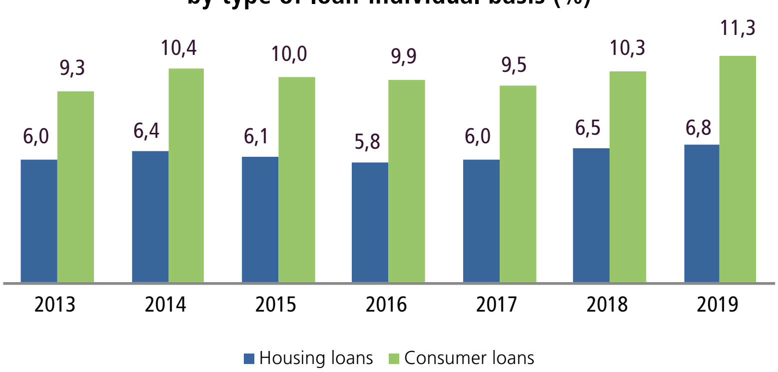
Chart 109: Change in non-performing loans on households - individual basis (%)



NPLs from banks to households rose by 11.8 percent to 23.7 billion, after a 15.1 percent increase a year earlier, representing a risk rate of 8 percent, as against 7.5 percent in 2018. The rate of their coverage by provisions stood at 58 percent compared to 61 percent in 2018, reflecting an increased share of more collateralised housing loans.

Non-performing loans held by consumer credit companies slowed down to 5.3 percent, equal to 5.9 billion dirhams, against 10.6 percent the previous year, leading to a reduced risk rate to 10.2 percent against 10.4 percent in 2018. The coverage ratio of these receivables by provisions increased to 76 percent, up one point from one year to another.

Chart 110: Change in NPLs rate of banks and consumer loan companies on households, by type of loan-individual basis (%)

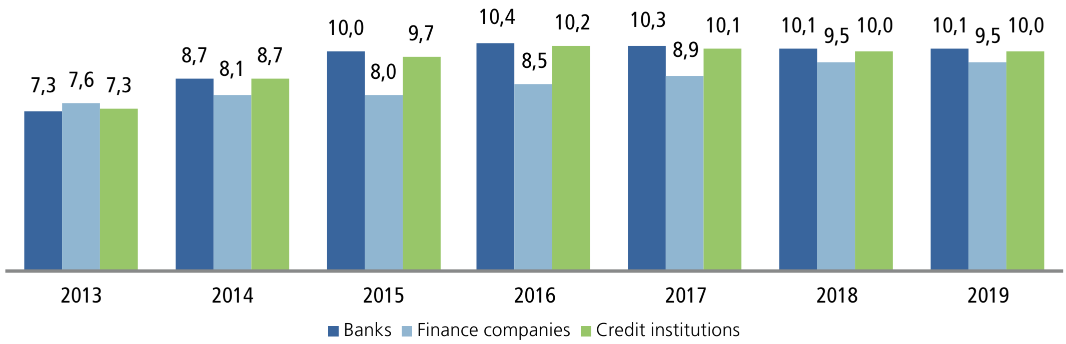


The risk ratio stood at 6.5 percent for housing loans and 11.3 percent for consumer loans, compared to 6.5 percent and 10.3 percent respectively in 2018.

2-NPLs held on non-financial enterprises

Overdue receivables held on non-financial companies picked up by 5.4 percent instead of 0.2 percent in 2018 to reach 51.2 billion dirhams. The rate of non-performing loans thus stabilized at 10 percent. These receivables were covered by provisions up to 74 percent, up by one point compared to the previous year.

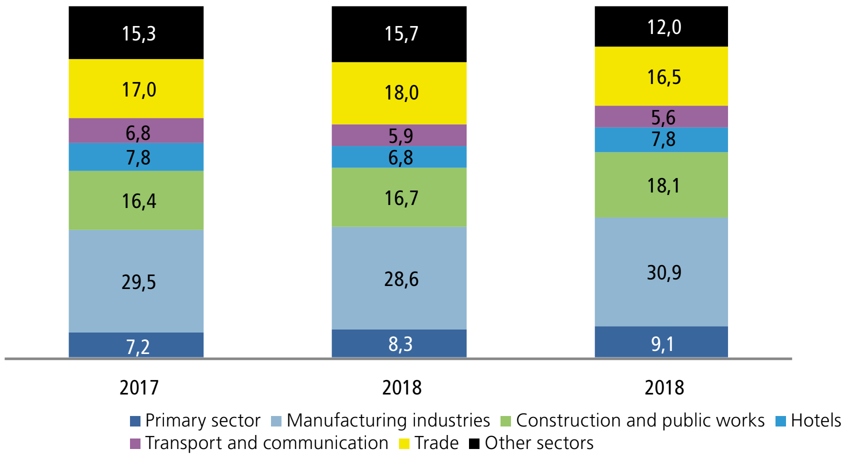
Chart 111: Change in the rate of NPLs held on non-financial enterprises-individual basis (%)



Outstanding NPL loans held by banks on non-financial enterprises grew 5.5 percent to 45.6 billion, representing a risk ratio of 10.1 percent, unchanged compared to end 2018. A share of 75 percent of these loans is covered by provisions.

By sector, the breakdown shows that non-performing loans in the primary sector increased by 14.2 percent and accounted for 10.6 percent of loans granted to this sector. Those held on companies operating in the industrial sector grew by 12.9 percent, after a 3.7 percent drop in the previous year, leading to a risk ratio of 16.4 percent as against 14,4 avant in 2018. On the other hand, non-performing loans held on the construction Construction and public works sector, which includes real estate development, speeded up to 12.9 percent after their 1 percent rise. As a result, the loss ratio of the sector increased by 0.9 point to 8.6 percent.

Chart 112: Breakdown, by sector, of NPLs on non-financial enterprises-individual basis (%)



After a 5.1 percent rise in 2018, outstanding non-performing loans in the trade sector dropped by 4.1 percent, for a loss ratio of 12.5 percent, as against 13.6 percent.

Outstanding NPL's for the hotel sector rebounded again by 20.9 percent after declining by 13.7 percent in 2018. As a result, the loss ratio increased by 4.7 points to 25.3 percent.

Conversely, NPLs of the transport and communication sector dropped further by 0.3 percent, following the 14.1 percent fall observed a year earlier. Its risk rate stood at 6.4 percent, as against 7 percent.

Chart 113: Change in non-performing loans on enterprises by sector of activity - individual basis (billion dirhams)

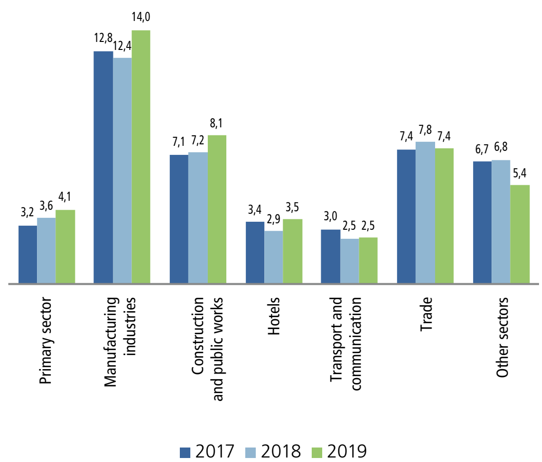
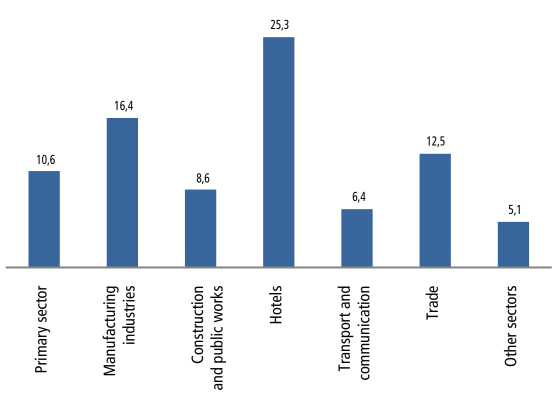


Chart 114: Non-performing loans rate of banks on non-financial enterprises, by sector of activity - individual basis (%)

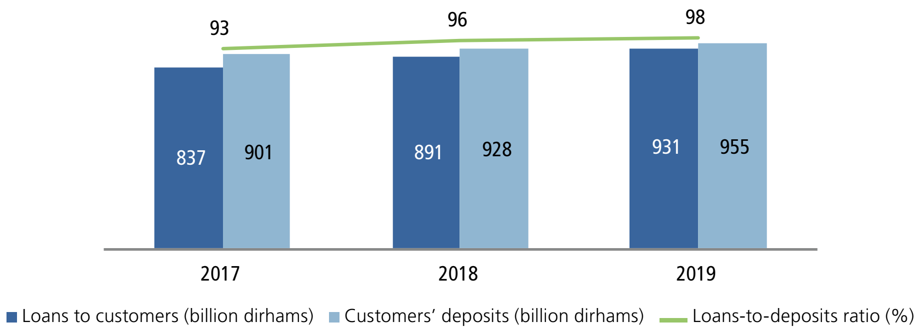


Meanwhile, financing companies recorded outstanding non-performing loans to non-financial companies of 5.6 billion, down 4.5 percent after 11.9 percent in 2018. These receivables accounted for 9.5 percent of total loans granted to this segment, the same level as the previous year. 69 percent of these loans were covered by provisions, up one percentage point.

V - Change in Banks' liquidity

In 2019, banks' need for liquidity in dirhams increased for the second year running, while loans increased by 4.5 percent and deposits by 2.9 percent. The employment coefficient[32] thus increased by 2 points to reach 98 percent. Adjusted for certificates of deposit, this ratio remained at 91 percent year-on-year.

Chart 115: Change in deposits, loans and loans-to-deposits ratio

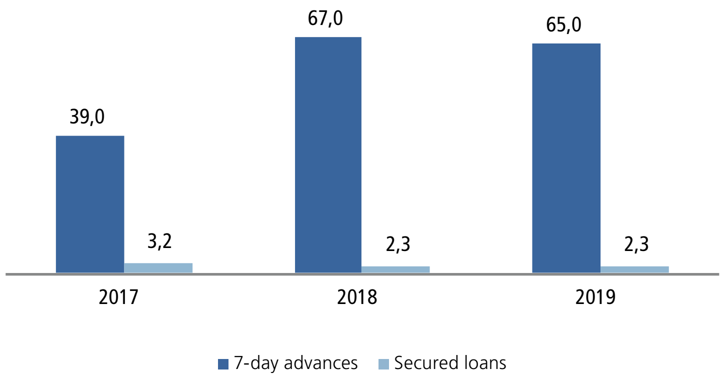


In this context, Bank Al Maghrib reduced the monetary reserve rate by two points to 2 percent and maintained its liquidity injection operations, notably through 7-day advances, the volume of which slightly decreased by 3 percent to 65 billion at the end of 2019, while refinancing under loans secured by claims on VSMEs were maintained at the same level, namely 2.3 billion dirhams.

Outstanding refinancing with Bank Al-Maghrib represents 4.8 percent of the liabilities of the banking sector. This share varies across banks from 0.5 percent to 10 percent.

32 Loan to deposit ratio.

Chart 116: Outstanding 7-day advances and secured loans of Bank Al-Maghrib (billion dirhams)



The average daily outstanding amount of unsecured borrowings on the interbank market stood at 7.6 billion dirhams, down 6.5 percent from the average of the previous year.

Banks' net position in the repo market, excluding operations with Bank Al-Maghrib, generated a net lending position of 24.4 billion dirhams, as against 16.4 billion dirhams in 2018, due to the combined effect resulting from the 6.8 billion rise of values received in repurchase agreements, and the 1.1 billion drop of values given in repurchase agreements.

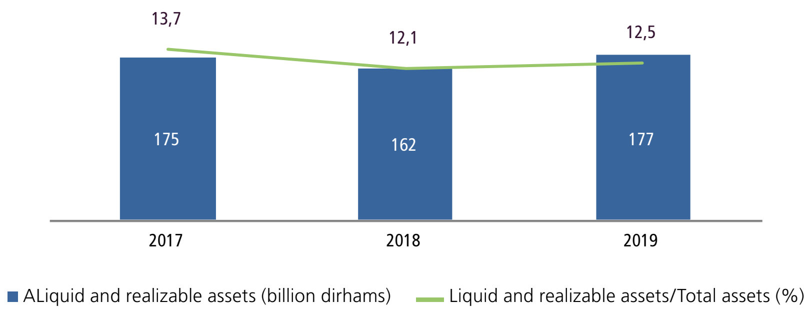
In addition to customer and interbank liabilities, debt securities issued increased by 21.3 percent, representing 5.3 percent of banks' liabilities as opposed to 6.7 percent and 4.6 percent respectively last year. In terms of maturity, the duration of these liabilities increased. Thus, securities with a maturity of more than 2 years represent 47 percent of the total against 53 percent for securities maturing in less than 2 years, compared to 43 percent and 57 percent respectively the previous year.

In turn, longer maturing subordinated debts recorded a new rise of 9.0 percent, after the 5.3 percent rise observed in 2018 to 47.6 billion Dirhams.

Overall, nearly 44 percent of the banks' assets consist of short-term assets and 56 percent of medium- and long-term ones, compared with 45 percent and 55 percent respectively in 2018. As for their liabilities, 57 percent of them are made up of non-maturing liabilities, 21 percent of short-term liabilities and 22 percent of medium- and long-term ones, compared with 57 percent, 23 percent and 20 percent respectively one year earlier.

Liquid and realizable assets of banks, made up of cash, deposits at Bank Al-Maghrib, interbank transactions, Treasury bills and certificates of deposit, totaled 177 billion dirhams at the end of 2019, up 8.7 percent. The share of these assets in the total stood at 12.5 percent against 12.1 percent one year earlier.

Chart 117: Change in banks' liquid and realizable assets



The portfolio of Treasury bills held by banks increased by 9.5 percent to 161.1 billion dirhams, after a 5.6 percent increase one year earlier.

The liquidity coverage ratio (LCR)[33] generated by banks shows an average level of 159 percent, compared with 135 percent in 2018, reflecting a comfortable level of liquidity for banks in relation to the regulatory minimum of 100 percent.

On the foreign currency liquidity side, liabilities, valued in dirham equivalent, amounted to 63 billion dirhams at the end of 2019. They mainly consist of cash and financial borrowings (62 percent) and demand deposits (30 percent). As for foreign currency assets, they totaled 116 billion dirhams in equivalent value. They essentially come in the form of treasury and financial loans granted to credit institutions (30 percent), financing in favour of customers (22 percent) and also deposits with foreign correspondents (11 percent).

Chart 118: Banks' liabilities in currency

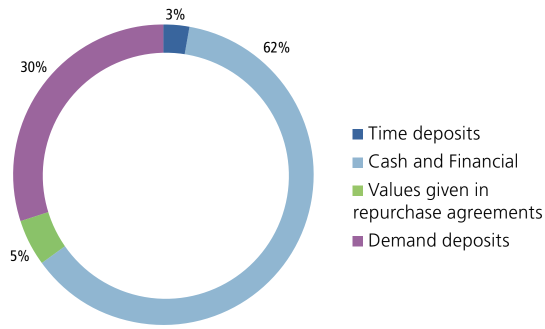
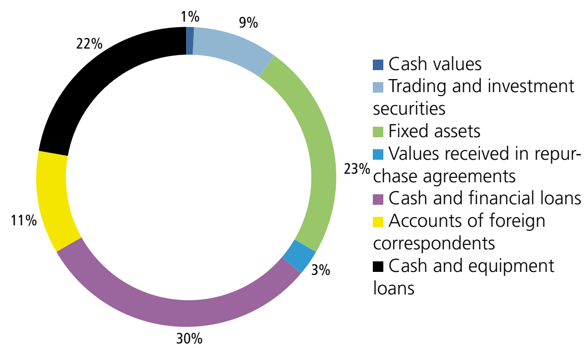


Chart 119: Banks' assets in currency



33 This ratio measures the proportion of high quality, liquid assets held by banks to cover cash outflows over a one-month period in the event of a crisis.

VI - Change in banks' solvency

1 - Change in net weighted risks

At the end of 2019, banks' net weighted risks amounted to 992 billion dirhams, up by almost 6 percent against 3 percent at the end of 2018. These risks are made up of 84 percent of net weighted risks under credit risk, 9 percent under operational risk and 7 percent under market risk, against 85 percent, 9 percent and 6 percent respectively one year earlier.

Chart 120: Change in banks' total net weighted risks (in billion dirhams) - individual basis

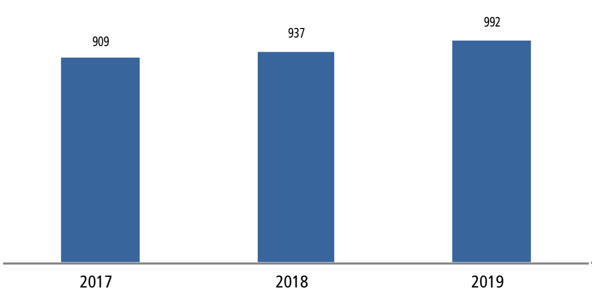
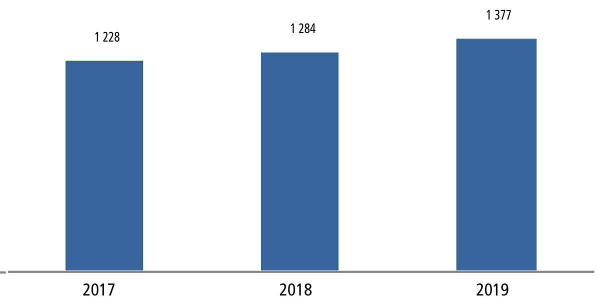


Chart 121: Change in banks' total net weighted risks (in billion dirhams) - consolidated basis



On a consolidated basis, these risks amounted to 1,377 billion dirhams, maintaining the same breakdown as the previous year, at 85 percent for credit risk, 10 percent for operational risk, and 5 percent for market risk.

1.1 - Credit risk

Credit risk-weighted net assets, calculated using the so-called "standard" basel II approach, correspond to risk-weighted exposures for balance sheet and off-balance sheet, calculated after application of risk mitigation techniques. They reached 831 billion dirhams, up 4.9 percent as against 3.8 percent in 2018.

Chart 122: Change in credit risk-weighted exposures (billion dirhams) - on individual basis

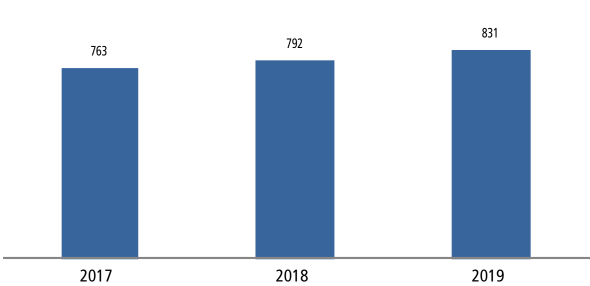
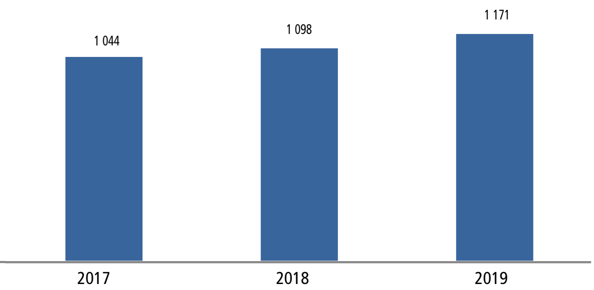


Chart 123: Change in credit risk-weighted exposures (billion dirhams) - on consolidated basis



On a consolidated basis, these risks totaled 1,171 billion dirhams, up 6.7 percent, as against 5.2 percent a year earlier.

1.2 - Market risks

Market risk-weighted net assets totaled nearly 73 billion dirhams at end-December 2019, up 23.4 percent, after the 6.7 percent fall recorded a year earlier, due to the higher portfolio of transaction securities.

Chart 124: Change in market risk-weighted exposures (in billion dirhams) - on individual basis

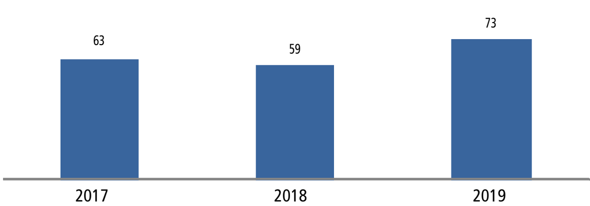
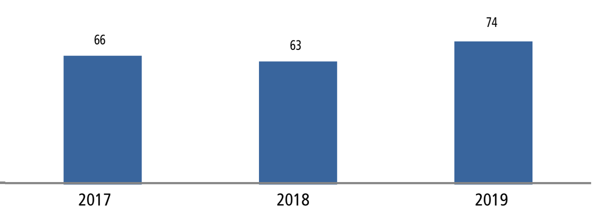


Chart 125: Change in market risk-weighted exposures (in billion dirhams) - on a consolidated basis



On a consolidated basis, these exposures amounted to 74 billion dirhams, up 18.6 percent.

1.3 - Operational risks

Most banks determine the operational risk exposure by using the basic indicator approach. This exposure is valued at 88 billion, up 3.3 percent, due to the change in the net banking income.

Chart 126: Change in operational risk-weighted exposures (in billion dirhams) - on an individual basis

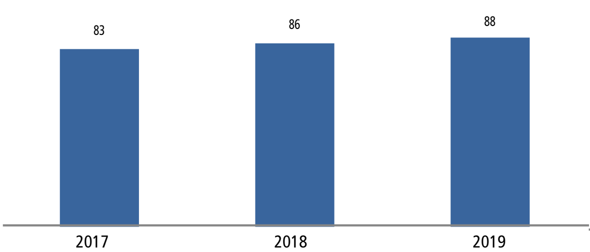
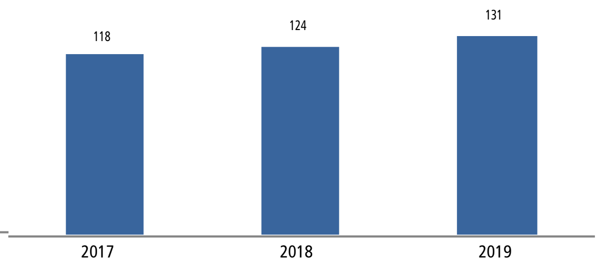


Chart 127: Change in operational risk-weighted exposures (in billion dirhams) - on a consolidated basis



On a consolidated basis, these risks stood at 131 billion dirhams in total, up 5.9 percent.

1.4 - Change in banks' prudential capital

At the end of 2019, the total prudential capital of banks amounted to 155 billion dirhams, up by nearly 17 billion dirhams compared to December 2018, representing +12 percent.

Chart 128: Change in banks' capital and solvency ratio - on individual basis

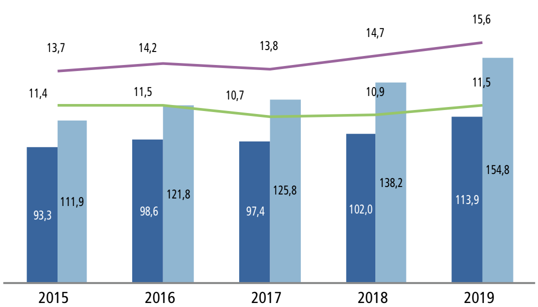
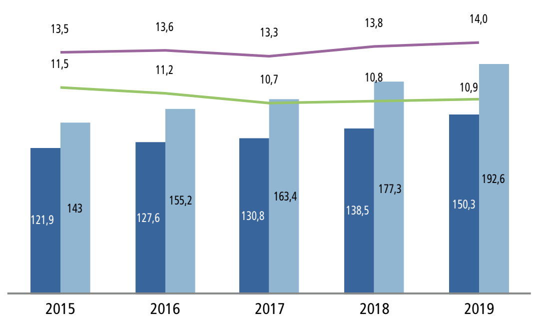


Chart 129: Change in banks' capital and solvency ratio - on consolidated basis



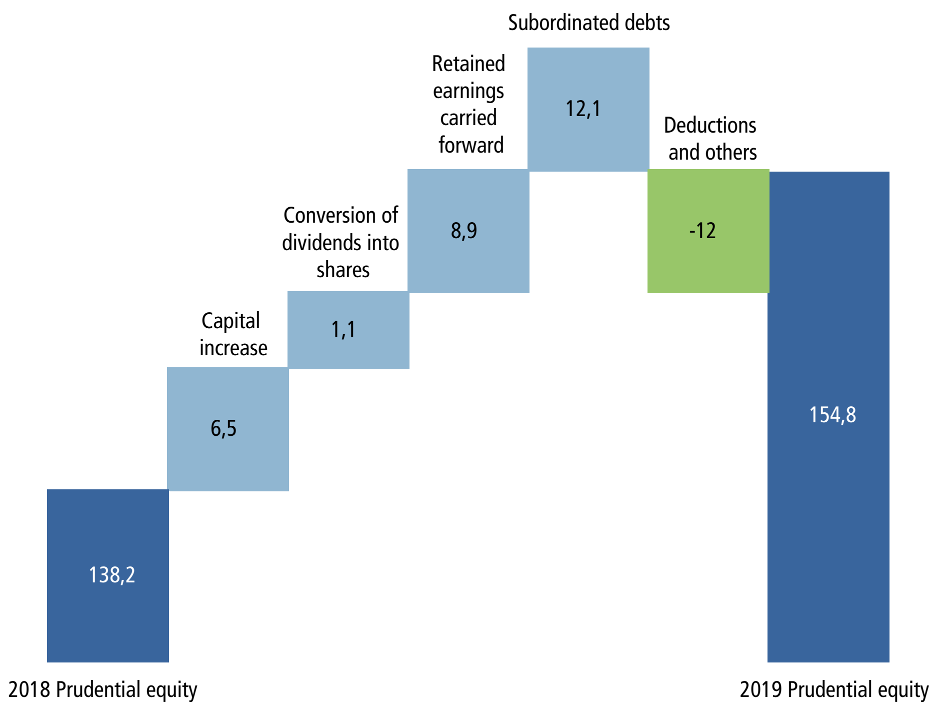
Tier 1 capital (in billion dirhams)
Prudential equity (in billion dirhams)
Average core tier 1 ratio (%)
Average solvency ratio (%)

This consolidation reflects capital increases for an amount of 6.5 billion dirhams, conversions of dividends into shares for 1.1 billion dirhams and the carry forward of retained earnings for 8.9 billion dirhams.

At the same time, banks issued subordinated debts for an additional amount of 12 billion dirhams.

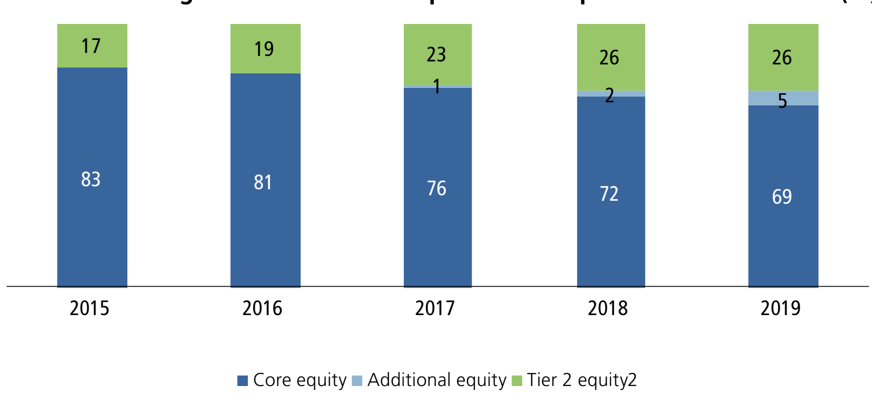
The dividend distribution rate stood at 54 percent in 2019 against 46 percent the previous year.

Chart 130: Prudential capital evolution (in billion DH)



Prudential equity is divided into Tier 1[34] capital for an amount of 114 billion dirhams, i.e. 74 percent, of which nearly 94 percent constitutes core capital, and Tier 2[35] capital for an amount of 41 billion dirhams, i.e. 26 percent.

Chart 131: Change in the structure of prudential capital - individual basis (%)



34 Consisting of core capital and additional capital. The first category comprises the share capital or endowment issued by the institution, reserves, profit results and certain equity instruments of mutual groups. The second category is made up of perpetual instruments which may include a repayment option at the exclusive initiative of the borrower and which may be exercised under certain conditions.

35 Tier 2 equity includes debt instruments with an initial maturity of at least 5 years, the revaluation surplus, a share of unrealised capital gains on investment securities, subsidies, special guarantee funds, provisions for general risks, the positive amounts resulting from the processing of expected losses and the positive unrealised reserves from operations of leasing or rental with purchase option.

The average solvency ratio, which refers to the volume of equity capital to the sum of weighted net assets, reached 15.6 percent, well above the minimum threshold of 12 percent set by the prudential regulations in force. This ratio has significantly strengthened by around 90 basis points compared to end 2018.

The Tier 1 capital ratio stood at 11.5 percent for a regulatory minimum of 9 percent, up 60 points compared with end 2018. The average Core Tier 1 capital ratio, whose numerator includes only the capital used to absorb losses on a going concern basis, amounted to 10.8 percent against a regulatory minimum of 8 percent, representing an increase of 10 basis points.

On a consolidated basis, the prudential and Tier 1 capital of banks increased respectively by 8.6 percent to 192.6 billion dirhams and 8.5 percent to 150 billion dirhams. The average solvency ratio stood at 14 percent, up by 20 basis points and the average ratio of Tier 1 capital reached 10.9 percent, against 10.8 percent a year earlier.

VII - Analysis of banks' interest rate risk profile

Interest rate risk is defined as the current or future risk weighing on the projected net margin and the economic value of a bank's capital, due to adverse movements in interest rates affecting interest-sensitive positions in the banking portfolio.

The interest rate risk inherent in the banking book is measured using the so-called interest rate gap positions method. This method consists of carrying out a projected outflow of balance sheet and off-balance sheet items, which are sensitive to changes in this rate by maturity segment and then determining a net exposure for each of these maturities.

Overall, banks have proved resilient in an economic and financial environment notably characterised by the continued fall in interest rates. Nevertheless, depending on their interest rate profile and the duration of their assets and liabilities, they may be exposed to interest rate risk in the event of lower or higher interest rates. Most banks are exposed to a risk in the event of rising interest rates on their portfolios at the end of 2019.

In the short term, rising interest rates would lead to lower net interest margin for banks whose short-term rate-sensitive liabilities exceed short-term rate-sensitive assets.

Short-term interest-sensitive assets and liabilities cover, on the one hand, assets and liabilities whose remuneration is variable or revisable and, on the other hand, fixed-rate assets and liabilities maturing within a one-year time horizon.

On the basis of a static approach to measuring interest rate risk and its flow in assets and liabilities over the coming years, banks are undertaking regulatory stress test scenarios simulating a parallel shock of interest rates of 200 bps.

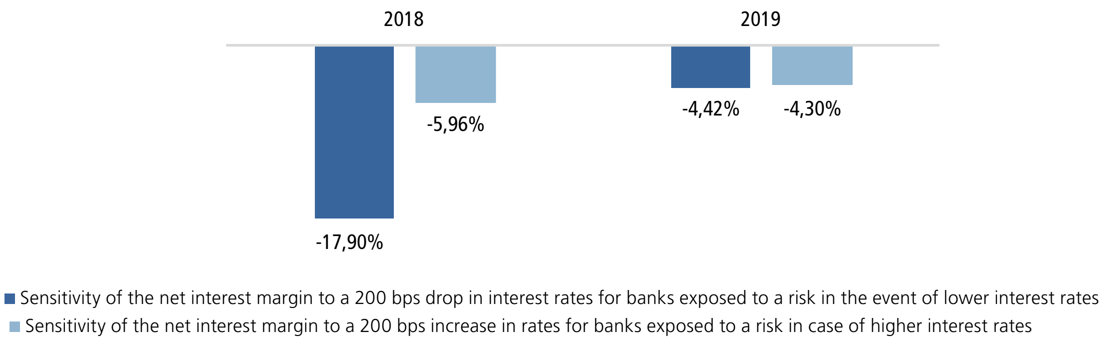
At the end of 2019, a scenario involving such a large increase in interest rates would result, for banks exposed to higher interest rates, in lower average short-term net interest margins of -4.98 percent compared with -5.32 percent in 2018. For banks exposed to short-term interest rate risk in the case of lower rates, a shock of -200 basis points would lead to a -1.73 percent contraction in their net interest margin, as against -2 percent in 2018.

Movements in interest rates could lead to a depreciation in the economic value of assets and liabilities over the medium to long term whose magnitude dépends on the level of their duration.

For most banks, the economic value of assets depreciates more than the economic value of liabilities in the event of a rate increase. In case of a parallel rate shock of +200 basis points, the depreciation of the economic value of shareholders' equity would amount to -4.30 percent in 2019 on average for banks exposed to upside interest rate risk.

In the case of banks exposed to medium and long-term interest rate risk due to a fall in interest rates, the risk arising from a 200-basis point is equivalent to a depreciation of -4.42 percent of the economic value of the equity in 2019.

Chart 132: Change in Sensitivity of thebanks' net interest margins to a 200 bp change in interest rates



PART 2

SUPERVISION FRAMEWORK OF CREDIT INSTITUTIONS AND SIMILAR BODIES

CHAPTER 1: CHANGE OF LEGAL AND REGULATORY FRAMEWORK OF CREDIT INSTITUTIONS AND SIMILAR BODIES

During 2019, the Bank finalized new regulations governing participatory finance, financial integrity and consumer protection. Other reforms are underway with regard to prudential regulation.

I - Participatory Finance

In 2019, the Bank pursued its support for the development of participatory finance industry continued to finalize the contractual and regulatory framework. Accordingly, it granted the Central Guarantee Fund (CCG) a license to carry out, through a dedicated window, the activities of participatory guarantee and sought to facilitate the development of financing and savings product contracts and their labelling by the Higher Council of Ulemas. The regulatory framework for this activity was also completed by the drafting of the circular on the operation of the Deposit Guarantee Fund of participatory banks.

1- License for exercising participatory guarantee

As part of the measures intended to address the needs of banks and participatory windows in terms of guarantee and co-financing products for low- or irregular-income populations and fostering the financing of Entrepreneurship and TPME, Bank Al-Maghrib granted its approval to the CCG, on 22 April 2019, to implement, through a new window called "Sanad Tamwil", transactions under Title III of the Banking Act relating to the participatory guarantee. This agreement also covered the participatory financing activity.

2- Circular relating to the terms and conditions governing the operation of participatory banks' deposit guarantee fund

In October 2019, Bank Al-Maghrib issued a circular relating to the conditions and modalities of operation of the deposit guarantee fund of participatory banks, which was submitted to the opinion of the Higher Council of Ulemas, on 8 November 2019. This circular covers the following main provisions:

- Setting a standard annual contribution rate which may not exceed 0.25 percent of the deposits and other repayable funds collected. Like conventional banks, a rate of 0.2 percent has been set for participatory banks by circular letter.
- Definition of deposits and other repayable funds eligible for the guarantee of this fund which include guarantee deposits, Hamish Al-Jiddiya, profit equalisation reserves, reserves for investment risk when due and sums due as representation of any means of payment issued by the institution, excluding investment deposits.

- Definition of the resources of this fund and the requirement that their investment operations comply with the Shariah Committee for Participatory Finance and the fundamental principles of sound and prudent management.
- Requirement to separate the collection of contributions under the collective deposit guarantee fund of participatory banks from those made under the collective deposit guarantee fund of conventional banks.

This fund is managed by the Management Company of the Guarantee Fund.

3- Contractual framework

As part of its support to market players, Bank Al-Maghrib accompanied the GPBM in producing the following contracts with a view to labelling them:

- **Unrestricted Investment Deposit Agreement:** The Unrestricted Investment Deposit Agreement was labelled by the Higher Council of Ulemas in March 2019. This product refers to the funds collected by the participatory banks from their clients to be invested in investment projects agreed with the clients and whose remuneration depends on the proceeds of these investments. These deposits are backed by the assets of the participatory bank.
- **Extension of the Wakala Bil Isthitmar to legal entities other than credit institutions:** This extension, labelled in December 2018 and marketed in 2019, aims to allow participatory institutions to diversify their resources and raise more funds from investors other than the banking sector.

Wakala Bil Istithmar is a contract whereby the "Mouwakil" (donor/principal) provides funds to the "Wakil" (manager/agent) to be invested in a Shari'ah compliant activity. There is no guarantee of either the capital invested or the remuneration of the "Mouwakil". Profits are paid back to the Mouwakil after deduction of the Wakil's remuneration, in return for its management. On the contrary, losses are borne by the Mouwakil, except in the event of fraud, negligence, mismanagement or non-compliance with the contractual clauses.

- **Ijara Mountahiya Bittamlik contract to finance residential real estate:** This is a contract whereby a participatory bank rents out a specific real estate property owned by that bank to a client for a legally permitted use. At the end of the rental period, ownership of the leased property is transferred to the customer according to the terms and conditions agreed between the parties.
- **Contract relating to Salam**: This is a contract according to which one of the two parties, participatory bank or customer, makes an advance payment of the full price of a good whose characteristics are defined in the contract, to the other party who undertakes to deliver a given quantity of the said good within an agreed period.
- **Contractual documentation relating to the Central Guarantee Fund:** In order to promote and facilitate access to participatory financing for households wishing to acquire

their housing or to entrepreneurs for the financing of their projects, Bank Al-Maghrib has accompanied the CGF in the process of submitting and examining the contractual documentation of guarantee, financing and support products to the Higher Council of Ulemas. The four products, which have been scheduled by the CGF, concern the financing of housing and of VSMEs, just like conventional finance.

Box 2: Participatory guarantee products of the CGF labelled compliant in 2020

Damane Iskane: This product is used to guarantee the financing granted by participatory financial institutions for the acquisition of housing.

Damane Moukawala: it aims to guarantee the financing granted by banks and participatory windows to implement projects for creating and developing businesses, particularly VSMEs.

Tamwil Mouchtarak: it is dedicated to the joint financing of business investment programs between the CGF's "Sanad Tamwil" window and banks and participatory windows.

Da'am Iskane: it consists in taking over part of the margin of the financing granted by the participatory financial institutions in the form of a donation/da'am to finance access to housing.

- **GSIMT contractual documentation:** During 2019, exchanges with the Group for a Moroccan Interbank Teleclearing System (GSIMT) were pursued and allowed the structuring of solutions to adapt the financial security system of the SIMT to the specificities of the participatory banking activity. The main adjustments particularly involved establishing a permanent guarantee fund for participatory banks and windows, adapting the modalities of contribution to the said fund and amending the internal rules regarding sanctions in the event of default by a participant. This contract was labelled by the Higher Council of Ulemas on 27 January 2020.

II- Easing of capital requirements for VSEs receivables

As part of the national initiatives launched during the 4^{CGF} quarter of 2019 to improve VSE's access to bank financing, Bank Al-Maghrib initiated a reform that came into force at the beginning of 2020, to amend the regulations in force. Hence, this reform introduced a prudential support factor designed to reduce the credit risk capital requirements of credit institutions for VSE financing.

This support factor allows to reduce by 28 percent the capital requirements to be set aside by credit institutions as coverage for exposures to VSEs.

III- Approved texts on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

As part of its efforts to address the observations made in the MENAFATF report on the national AML/CFT device, adopted and published on 25 June 2019, Bank Al-Maghrib amended and completed the circular on the due diligence incumbent on credit institutions and similar bodies. It also issued two directives dealing respectively with the risk-based approach and the methods for identifying and understanding business relationships, beneficial owners and occasional customers.

The Bank also developed a guide on AML/CFT requirements for Micro-Credit Associations to enhance understanding of their due diligence obligations and assist them in implementing national AML/CFT measures.

1- Circular relating to the obligation of vigilance incumbent on credit institutions and similar bodies

In order to better align its regulatory framework with the FATF standards, Bank Al-Maghrib amended the circular No. 5/W/2017 relating to the due diligence obligation in October 2019 to introduce the following requirements:

- identifying the beneficial owner for legal arrangements;
- extending the provisions on filling in an identification form to cover all new business relationships, including occasional ones;
- considering, within the framework of the risk-based approach, the results of the National Risk Assessment conducted by Morocco regarding money laundering and terrorism financing;
- the obligation to implement freezing measures and to comply with the prohibitions on carrying out transactions with specific persons and entities, as provided for by the provisions of Act 43-05 on combating money laundering;
- the obligation for institutions using mandataries to include them in their AML/CFT arrangements and to monitor their compliance with these arrangements;
- Applying appropriate vigilance measures with regard to business relationships or their beneficial owners, when the institution doubts the veracity or relevance of their identifying

data and proceeding to terminate such business relationships in the event of failure to comply with these measures

- incorporating legal entities established in offshore areas with high-risk business relationship profiles
- extending the information to be provided by subsidiaries and branches to their group's audit function;
- the obligation to communicate information relating to customers, accounts, operations, transactions or unusual activities, by the group to its branches and subsidiaries and vice versa, when relevant and appropriate for risk management.

2- Directive on identifying and knowledge of business relationships, occasional customers and beneficial owners

In October 2019, Bank Al-Maghrib issued a directive specifying the methods for identifying and knowledge of clients in business relations, occasional customers and beneficial owners. The provisions of this Directive concern:

- defining the criteria for distinguishing business relationships and occasional customers in internal procedures;
- details on applying the rules relating to identification, verification and knowledge, bearing in mind the nature of the counterparty;
- drawing up a list of the activities considered to be at risk of money laundering and terrorism financing and requiring them to consider the origin of the funds and their destination;
- setting up the modalities for verifying the identity of the beneficial owner and presenting examples of schemes for identifying the beneficial owner of a legal person;
- Checking the existing links between the customer, and, where applicable, the beneficial owner, and any third party intervening or likely to intervene in a business relationship;
- Clarifying the obligations regarding the implementation of international financial sanctions.

3- Directive relating to the implementation of the risk-based approach to the due diligence obligations incumbent on credit institutions and similar bodies

In October 2019, Bank Al-Maghrib issued a directive relating to the implementation of the risk-based approach to the due diligence obligations incumbent on credit institutions and similar bodies. This directive clarifies the following aspects:

- the purpose of implementing a risk-based approach and its validation and results by the governance bodies;
- the measures to be taken to implement this approach, particularly in terms of classifying and scoring risks and implementing vigilance measures adapted to each risk level;
- taking the approach into account in profiling and adapting the monitoring thresholds to the identified risk levels.

4- Guide on the requirements applicable to Micro-Credit Associations with regard to the fight against money laundering and terrorism financing

Bank Al-Maghrib drafted a guide outlining the requirements for Micro-Credit Associations in the fight against money laundering and terrorism financing. This guide is intended to adapt the key elements of circular No.5/W/2017 to the specificities of MCAs. It aims at specifying the main components of an internal vigilance and monitoring device, which allows for a legally compliant and effective management of money laundering and terrorism financing risks. These components cover the organizational risk management system, the vigilance measures with regard to business relationships and their beneficial owners, the monitoring of transactions and the relationship with the Financial Intelligence Processing Unit.

IV - Protecting customers and promoting banking competition

The Bank pursued its efforts to strengthen customer protection and to anchor it in the strategic priorities of reporting institutions. Consequently, it set the rules for issuing raised hands on collateral in order to reduce the processing time and the number of related disputes.

In line with its actions aimed at strengthening banking competition, the Bank issued a new directive on banking mobility with a view to enhancing the effectiveness of the conventional system adopted by banking operators in 2017. It also drew up a cooperation agreement with the Competition Council, concluded at the beginning of 2020, to strengthen the joint action of the two authorities.

1- Directive on the conditions and modalities of securities raised hands guaranteeing bank financing

Bank Al-Maghrib issued, in October 2019, a directive on the conditions and modalities of securities raised hands guaranteeing bank financing. This text has provided for the systematic delivery of the raised hands, within a maximum period of 30 working days, as soon as the credit is fully repaid by the client of the concerned credit institution. Information on this deadline must be posted in the branch and included in the contractual documents of the guarantee. The credit institution must provide itself with procedures governing the issuance of raised hands as well as an information system enabling the issuance process to be triggered automatically.

Bank Al-Maghrib scheduled the entry into force of this text on 10 May 2020. This date was extended to 10 August 2020, further of the lockdown imposed by the Covid-19 crisis.

2- Directive on banking mobility

In October 2019, Bank Al-Maghrib issued a directive on banking mobility. As part of strengthening customer protection and stimulating competition between banks, this directive aims to improve the terms and conditions that banks must observe to facilitate inter-bank transfers of accounts and related transactions.

This Directive stipulates that the actions to be carried out within this framework shall henceforth fall exclusively on the originating and host banking institutions, whose roles are defined, thereby freeing customers from the operational process.

It recommends banks to automate mobility by setting up an inter-bank platform to ensure efficient, secure, fast and smooth processing of mobility requests.

The directive provides for coordination between the mobility support units of the host bank and the originating bank in order to settle any disputes that may arise from mobility.

A quarterly reporting is planned in order to record the number of mobilities handled and the dysfunctions encountered with a view to taking appropriate remedial action.

V- Current draft texts

Bank Al-Maghrib finalized a set of draft regulatory texts in 2019 on prudential and participatory finance. In view of the Covid-19 crisis, the Bank decided to postpone their adoption until the 4th quarter of 2020.

1- Current texts covering the activity of participatory banks and windows

1.1 - Adaptation of the circular relating to the short term liquidity ratio

As part of efforts to develop prudential texts relating to participatory banks and windows, the circular issued by Bank Al-Maghrib under No.15/G/13 relating to the short term liquidity ratio of banks is currently being revised to cover the specificities of participatory banking activity.

In compliance with the requirements of the Basel Committee and the IFSB, the most important changes concern the inclusion of the Sukuk and other equivalent securities among high-quality liquid assets. It also concerned the necessity to take into account specific instruments, such as investment deposits, resources collected from customers in the form of Wakala Bil Isthitmar or Hamish Al Jiddiya, in securing their funding requests.

1.2 - Draft circular on classifying receivables of participatory banks and windows

Bank Al-Maghrib drew up a draft circular on classifying and provisioning receivables held by participatory banks. This draft, shared for consultation with the industry, deals with the specificities of participatory products, while ensuring aligned processing of participatory and conventional finance.

2- Regulatory reforms related to credit risk management

Bank Al-Maghrib multiplied consultations in order to finalize reform of receivables classification and provisioning. It also sought to complete the project relating to managing the risks inherent to real estate assets acquired by banks through payment dations and deferred sales.

2.1 - Reforming classification of receivables

Following consultations with the banking sector on reforming classification of claims, the Bank decided that the implementation would go through two phases: end of 2022 for the provisions governing non-performing loans and at end of 2024 for the provisions governing sensitive receivables.

In addition, consultations were held with the National Accounting Board (Conseil National de la Comptabilite) around the accounting treatment of the impact of the first-time adoption of Moroccan accounting standards on preparing the parent company financial statements.

2.2- Banks' exposures on assets acquired through payment dations and repurchase agreements

Bank Al-Maghrib finalized the regulatory framework intended to govern these operations in order to mitigate the associated risk. Accordingly, this framework involves introducing dedicated accounting rules, issuing a directive to lay down best practices in terms of governance and management of these transactions and introducing specific prudential treatment of exposures on assets acquired through dations payment in and repurchase agreements.

Alongside this reform, transitional provisions will be put in place to smooth out its impact over a fixed period of time.

3- Financial risks related to climate change and the environment

The international community of central banks and supervisors, including the Network for Greening the Financial System (NGFS), consider environmental issues are considered as a risk to be addressed by regulators within their mandate to ensure the resilience of the financial system.

Within this framework, Bank Al-Maghrib prepared a draft directive, and shared it with the banking industry, with a view to encouraging banks to address the financial risks related to climate change and the environment in their governance and strategies, to understand and assess them and to build their capacities in this area. This regulatory project calls on banks to develop the system for managing these risks in line with the strengthening of the banking sector's expertise on the subject, in order to consider the complexity of this type of risk and its new nature.

4- Monitoring the use of Cloud Computing

During 2019, the Bank carried out a specific survey on the use of Cloud Computing by banks. The survey identified the expected potentialities as well as the related constraints and challenges from the perspective of the banking industry.

As a result of this survey, a draft directive was prepared to regulate the use of this solution by credit institutions. This draft, drawn up on the basis of an international benchmark, constitutes a reference of best practices enabling these institutions to control the risks of cloud outsourcing.

5- Handling difficulties of credit institutions

The Ministry of Economy, Finance and Reform of the Administration (MEFRA) and Bank Al-Maghrib continued, in 2019, their work to set up a legal regime for banking resolution in accordance with international standards. This new framework aims to provide Bank Al-Maghrib with the necessary powers and instruments to ensure an orderly handling of bank defaults, particularly systemic ones, to define the resolution procedure, and to introduce new financing mechanisms aimed at minimizing the recourse to public support.

6- Completeness the Basel III framework

In 2019, Bank Al Maghrib began completeness of the Basel III prudential framework, especially the draft circulars relating to transposing the leverage ratio and the Net Stable Funding Ratio (NSFR).

Box 3: Definition of leverage ratio and the NSFR

Leverage Ratio: The leverage ratio completes the risk-weighted capital requirements by providing a safeguard against a significant level of indebtedness of credit institutions. This ratio, set by the Basel Committee at a minimum of 3 percent, restricts the leverage build-up in the banking sector and avoids the effects of leverage reversal on the financial system.

Net Stable Funding Ratio (NSFR): Perceived as the ratio of the amount of stable funding available to the amount of stable funding required, the NSFR requires banks to have a viable funding structure. Set at a minimum of 100 percent, this ratio aims to limit short-term wholesale funding and to strengthen the assessment of funding risk for all balance sheet and off-balance sheet items.

In order to strengthen the provisions relating to the implementation of the internal capital adequacy assessment process known as "ICAAP" for banks, Bank Al-Maghrib finalized the overhaul of Directive 45/G/07 enacted on this subject in 2007 and submitted it for consultation to the banking industry.

This overhaul aims to provide banks with a proportionate and credible framework to help maintain the continuity of their activities, ensure adequate capitalization to cover risks, absorb losses and follow a sustainable strategy, even during extended periods of stress.

VI- The Bank's contribution to drafting other texts

As part of its efforts to help VSME's access to financing, the Bank contributed to legal and regulatory reforms related to this purpose. It contributed to works aiming to raising the micro-credit ceiling from 50,000 dirhams to 150,000 dirhams in order to cover the VSE segment.

Furthermore, the Bank joined the working group in charge of finalizing the Personal Property Security Act and the Crowdfunding Act and its implementing legislation.

As part of the process of implementing the standard for the automatic exchange of information relating to financial accounts in tax matters drawn up by the OECD, the Bank was also called upon to participate in the drafting of a decree setting out the rules for identifying the tax Résidences of account holders.

1- property securities Law

As part of the strategy aiming at promoting businesses' access to financing, Bank Al-Maghrib contributed to finalizing the law reforming property Securities law. This text seeks to strengthen the legal and institutional framework relating to personal property securities as well as the national business environment.

Key contributions of this text, adopted by the parliament on April 1, 2019, include establishing a national electronic security interests registry, introducing new methods of achieving security interests and introducing the mechanism whereby creditors can be represented through collateral agents. Accordingly, the Bank coordinated interactions with the banking sector to prepare for the entry into operation of the aforementioned registry.

2- Implementing texts of the law on collaborative financing

In order to promote the financing of projects which have a strong social and human development impact and to strengthen the attractiveness of Morocco's financial center, a law relating to "crowdfunding" collaborative financing was adopted by the Parliament on 11 February 2020. It appointed Bank Al-Maghrib as supervisor of "loans" and "donations" activities.

The Bank actively contributed to finalizing this law, alongside the Treasury and External Finance Department and the Moroccan Authority for Capital Markets. It also worked on drafting its implementing texts.

3- International Standard for the Automatic Exchange of Financial Account Information for Tax Purposes, developed by the OECD

For some years now, Morocco has embarked on implementing the Standard for the Automatic Exchange of Financial Account Information for Tax Purposes, developed by the OECD. In this regard, it signed the Convention on "Mutual Administrative Assistance in Tax Matters" in 2013 and the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information in June 2019.

Bank Al-Maghrib and other financial sector regulators contributed to the draft decree steered by the General Tax Directorate, setting the rules for financial institutions to identify the tax Résidences of account holders and the natural persons who control them, as well as for reporting the financial accounts of non-residents.

It also raised the awareness of credit institutions and similar bodies with a view to preparing for these new requirements as soon as they come into force.

CHAPTER 2: BANKING SUPERVISION ACTIVITY

Bank Al-Maghrib is in charge for supervising all credit institutions and similar entities. As such, it issues the licenses and authorizations necessary for the banking activity, enacts the prudential and accounting rules, monitors institutions under its supervision, penalizes institutions infringing legal and regulatory provisions, deals with banking difficulties and contributes to protecting customers of credit institutions and similar entities.

This year, with regard to prudential supervision, Bank Al-Maghrib paid particular attention to following up the quality of banking assets and their coverage by provisions. The Bank's control activities also focused on the compliance with prudential requirements as well as the tools of governance, risk management, and cybersecurity. As concerns financial integrity, the Bank intensified its monitoring and control activities as promoted dialogue with financial actors and partners. It also consolidated its cooperation with regard banking control with regulators of countries hosting Moroccan banks.

Besides, the Bank reinforces its measures taken with regard to customer protection.

Another key event in 2019 was the launch of Bank Al-Maghrib's new strategic plan 2019-2023.

I- 2019-2023 strategic plan: Strategic guidelines related to banking supervision

As part of its 2019-2023 strategic plan, the Bank set itself the strategic objective of generating a more inclusive and competitive model of economy financing and consolidating its banking regulation modes, as well as ensuring resilience of economic actors, especially systemic ones.

As part of its first objective, the Bank intends to contribute to further strengthen its tools meant to support VSMEs and micro enterprises, speed up financial inclusion promote green finance and reinforce protection of credit institutions customers.

For its second objective, the Bank plans to increase its capacities in order to raise new challenges with regard to regulation and control.

As such, the banking supervision function adapted its organization by setting up:

- **a new division in charge of protecting the customers of credit institutions**, with the aim of structuring this activity as a full-fledged process, just like prudential supervision, with its separate purpose and which must include regulatory and supervisory activities.
- **a green finance unit** in charge of conducting the studies and work necessary to set up a framework for regulating environmental risks, contribute to the implementation of the financial sector's roadmap for green finance and contribute to regional and international groups.

- **a unit of regulatory monitoring** of national and international standards governing the banking sector.

II- Banking supervision Activity

In 2019, control operations in Bank Al-Maghrib covered 90 credit institutions and similar entities, including 19 conventional banks, 3 of which have a participatory window, 5 participatory banks, 27 finance companies, 6 offshore banks, 12 micro-credit associations, 19 payment institutions, the Deposit and Management Fund (CDG) and the Central guarantee fund (CGF).

1- Licences and approvals

After consulting the Credit Institutions Committee (CEC), Bank Al-Maghrib granted in 2019:

- Prior approval to two Moroccan banks for increasing their shareholding in the capital of subsidiaries in Africa;
- Prior approval for the implementation of restructuring operations of participations held by two banks;
- Prior approval to a Moroccan bank for opening a representative office in Copenhagen.
- Approval to a foreign bank for opening of representative office in Morocco;
- License to a finance company to extend its activities to include leasing operations;
- Prior approval to a finance company to change of indirect control;
- License to establish three payment institutions offering payment account-backed payment services.
- License to extend the activities of a payment institution specialized in money transfer to include account-backed payment services.
- A new license to a payment institution further to the restructuring of its capital;
- Prior license to the CGF to exercise, through a participatory window, of the activities provided for in Title III of the banking law on participatory finance.

Besides, the Bank investigated 19 files relating to appointing auditors for 10 banks, 5 finance companies, 2 payment institutions, a micro-credit association and the CCG.

The Bank also approved the nomination of 55 administrators and 34 leaders in 37 credit institutions, allocated among 14 conventional banks, 3 participatory banks, 4 offshore banks, 12 finance companies, including 5 specialized in consumer credit and 5 in leasing, and 4 payment institutions, including 1 specialized in funds transfer.

In addition, it investigated requests from credit institutions for the outsourcing of back-office processing activities.

2 - Onsite and offsite control activities

As part of its monitoring of institutions subject to its supervision, Bank Al-Maghrib adopts an approach based on permanent control, on the basis of documents submitted periodically by these institutions, in addition to ad hoc onsite control missions. These missions, in both forms, is based on a risk-based approach focusing on the areas of vulnerability of credit institutions by means of a credit institution rating system. Following these controls, action plans are implemented by the institutions to address the recommendations of Bank Al-Maghrib.

Supervisors in charge of offsite control assess the internal control and risk management systems of credit institutions and evaluate their financial and prudential status in accordance with legal and regulatory requirements. They also monitor the compliance with prudential ratios and follow up on the change in the activity of credit institutions. This work is based on the statutory accounting, financial and prudential statements periodically transmitted by credit institutions as well as on the annual internal control reports they draw up. It also relies on the reports sent by auditors on the Financial statements, the regulated agreements and their assessments of the adequacy and efficiency of the internal control system of the banking institutions audited by them.

Based on an annual program adjusted to take account of changes and risk areas, off-site auditors hold meetings with representatives of the key functions of credit institutions, particularly those in charge of overall risk management, finance, audit, compliance and permanent control.

Meetings are also held with bank leaders to discuss their strategic orientations.

Collected information is supplemented and adjusted by data obtained during on-site control missions. The purpose of these missions is to assess aspects of the management of the institutions that cannot be measured remotely, to ensure the reliability of the information communicated to Bank Al-Maghrib and to further analyse the risks incurred. On-site control operations may be general or thematic.

For 2019, offsite control operations covered all the risk areas of reporting credit institutions, with a stronger focus on asset quality, monitoring of liquidity, interest rate and market risks, and cyber-risks. Similarly, the observation of prudential ratios represents a regular monitoring point.

On the other hand, Bank Al-Maghrib carried out 28 on-site control missions, including 3 of a general nature and 2 joint missions with the banking commission of the West African Monetary Union (UMOA), covering 2 subsidiaries of 2 Moroccan banking groups located in Mali and Senegal. The remainder of the missions were thematic in nature. These concerned assessments of assets quality, cross-border risk management, market risk management system and foreign currency asset-liability management, the internal control system, the accounting system, the information security systems, cybersecurity as well as the AML/CFT system.

2.1 - Governance mechanism of credit institutions and similar bodies

Bank Al-Maghrib continued monitoring the compliance of credit institutions with regulatory texts related to governance, namely the directive issued in 2014 on banking governance, the circular relating to independent directors enacted in 2016 and those related to the audit and risk committees enacted in 2018.

As such, attention was particularly given to the composition and functioning of the administration and management bodies and of the entities thereto.

2.2 - Overall risk management

The Bank continued to pay close attention to the quality of the credit portfolio and its coverage by appropriate provisions. To this end, it encouraged banks to strengthen credit monitoring, notably through better management of overruns on authorized credit lines and proactive management of receivables presenting signs of difficulties.

Moreover, the current and expected levels of non-performing loans have prompted Bank Al-Maghrib to explore measures that could reduce bank balance sheets and help give a new impetus to credit supply. Within this framework, the Bank decided to launch a study on solutions aimed at identifying and removing constraints in terms of debt recovery and defining the prerequisites for setting up a secondary market for non-performing loans.

Concerning liquidity, Bank Al-Maghrib continued to monitor the profile of each bank by reviewing regulatory ratios, the quality and quantity of collateral that can be mobilized in a stress test situation, the strategies for covering additional needs, as well as liquidity crisis management plans. Meetings were held with banks on these issues.

With regard to operational risk management, cyber-risks have been given increased vigilance due to their resurgence at the international and national levels, particularly in the financial sector. In this respect, the Bank reviewed the annual reports on intrusion tests communicated by credit institutions and strengthened the on-site controls conducted in this area.

The Bank has closely followed the evolution of the participatory financing market during this year and has called on the banks concerned to ensure an appropriate assessment of their risks to ensure a sustainable development of this activity.

With the gradual launch of the offer of payment accounts, the Bank invited payment institutions to deploy risk management, control and compliance mechanisms to secure this activity against any inherent risks.

2.3 - Supervision of cross-border banking activities

In 2019, two new agreements on banking supervision, exchange of information and general cooperation have been concluded with the Central Bank of Egypt and the Bank of Mauritius, bringing their total number to 15 agreements covering 27 countries of presence.

During this year, the 5th meeting of the Africa Committee was held under the chairmanship of the Governor of Bank Al-Maghrib and with the participation of the 3 cross-border banking groups, in order to assess the evolution of the macroeconomic conditions of the countries in which Moroccan banks are established, their presence on the continent, the evolution of the activity, profitability and risks of their subsidiaries and branches.

For the 6th year running, the colleges of supervisors of the three Moroccan banking groups established abroad have been organized to examine the financial and prudential situation of these groups, their strategies and risk management, particularly in view of the changes in the economic and regulatory environment in Morocco and in the host countries.

At the same time, the Bank continued to monitor the harmonization of risk management, internal control and AML/CFT systems through the network of subsidiaries of banking groups in Africa as well as in the Moroccan parent companies, particularly through the conduct of two joint control missions relating to cross-border Supervision.

In this context, it called upon the parent banks to implement measures to remedy the situation of certain subsidiaries in terms of prudential supervision, internal control, information systems and operational risk management.

Ad-hoc exchanges of information with certain host country supervisory authorities were organized to monitor the implementation of the recommendations made in the above-mentioned areas.

2.4 - Internal crisis recovery plans

In 2019, the Bank received, for the second year, the internal crisis recovery plans of systemic banks. These ex-ante plans aim to define, in hypothetical cases of default, the solutions that the latter intend to implement to restore their situation, in response to possible extreme shocks, in order to limit the impact on the financial system and without generating additional costs for the State and the taxpayer.

These plans are subject to an iterative review process with the banks. Although the banks have made progress compared to the first year conducted in 2018, areas for improvement have been identified.

In this respect, Bank Al-Maghrib submitted its observations to the banks concerned and expressed its expectations in this area, with a view to meeting all the requirements in this matter.

2.5. Bank Al-Maghrib's following checks operations

Following on-site and off-site controls, corrective action plans were implemented by the institutions to take charge of Bank Al-Maghrib's recommendations. These action plans are monitored for their implementation.

This year, Bank Al-Maghrib issued disciplinary sanctions against 3 microcredit associations, 2 banks and an offshore bank and fined 1 bank and 2 payment institutions. These sanctions concerned offences related to flaws in the anti-money laundering system, prudential regulations and risk management.

III- Financial integrity

Bank Al-Maghrib ensures that credit institutions comply with the obligations relating to AML/CFT (Anti-Money Laundering and Terrorism Financing). It ensures the compliance and effectiveness of preventive measures put in place by credit institutions and the effective implementation of due diligence obligations.

With a view to reflecting its strong commitment to complying with international AML/CFT standards, Bank Al-Maghrib embarked, besides consolidating the regulatory framework, on a series of monitoring, support and dialogue actions in this area. It revised the annual AML/CFT questionnaire submitted from credit institutions in order to reflect the new regulatory provisions and ensure that they have been integrated by reporting institutions into their AML/CFT risk management system. Risk profiles of credit institutions were assessed through analysis of the responses to this questionnaire, the compliance reports drawn up by these institutions and the information collected from the heads of their compliance functions at dedicated meetings.

Bank Al-Maghrib also provided support to those involved in complying with the new requirements in terms of due diligence. Monthly awareness workshops on money laundering and terrorist financing risks were thus organized for the benefit of reporting institutions. Other quarterly workshops were also held jointly with the Financial Intelligence Processing Unit.

It also organized a workshop on 17 and 18 July 2019 on the topic of People Politically Exposed, countries at risk, targeted financial sanctions and the prevention and control of money laundering and terrorist financing risks related to new technologies. The workshop was attended by compliance officers from reporting institutions and representatives of the financial sector supervisory authorities and the Financial Intelligence Processing Unit.

This year, intensified cooperation has led to the establishment of a regular exchange of information between Bank Al-Maghrib and the Financial Intelligence Processing Unit on suspicious transaction reports made by the banking system. Similarly, heightened coordination has been established in this area between Bank Al-Maghrib, the Moroccan Capital Markets Authority, the Insurance and Social Security Supervisory Authority and the Foreign Exchange Office.

Domestically, a report on the National Assessment of Money Laundering and Terrorist Financing Risks was published this year. The assessment highlighted the money laundering and terrorist financing risks faced by the financial and non-financial sectors and helped to design a risk-based national strategy based on the optimal allocation of resources to address the identified threats and vulnerabilities. Within this framework, Bank Al-Maghrib chaired the working group dealing with the specificities of the financial sector.

In April 2019, the mutual evaluation report of the national AML/CFT system conducted in 2018 by the MENAFATF was approved. With regard to the banking sector, this report highlighted the strong points of Bank Al-Maghrib's AML/CFT supervision system, notably the sound understanding by the regulator of the risks of money laundering and terrorist financing, its risk-based supervision and its actions to monitor the enforcement of Bank Al-Maghrib's recommendations by the reporting entities. It also emphasized the maturity of the banking sector in this area, while stressing the good understanding of these risks by reporting entities and the effectiveness and proportionality of their vigilance measures to the risks incurred.

However, it issued recommendations that enabled the Moroccan authorities, including Bank Al-Maghrib, to put in place a national roadmap whose actions have been implemented. At the same time, Bank Al-Maghrib, alongside the other financial sector regulators, namely the Moroccan Capital Markets Authority, the Insurance and Social Security Supervisory Authority and the Foreign Exchange Office, adopted a sectoral roadmap on the fight against money laundering and terrorist financing which focuses on cooperation and collaboration measures.

IV- Protecting customers of credit institutions

Bank Al-Maghrib placed the protection of credit institution consumers among the priorities of its five-year strategic plan 2019-2023 and set up a dedicated division for this purpose.

In this context, it stepped up its on-site inspections of supervised institutions with regard to compliance with the provisions of Law 31-08 enacting consumer protection measures and handling customer complaints.

As regards the processing of complaints from customers of credit institutions, the Bank also strengthened partnerships with the Moroccan Center for Banking Mediation (CMMB) by adopting a framework governing the transfer to this body of complaints eligible for banking mediation. It also endeavoured to boost the scope of intervention of this center with a view to initiating a new chapter in its development, while at the same time ensuring the close monitoring of the center's activities.

This year, the Bank co-organized a 2nd workshop with the National Commission for Personal Data for banks to discuss the modalities of implementing the personal data protection framework and the General Personal Data Regulations (RGDP) within the supervised institutions.

Concerning banking competition, the Bank signed a Cooperation Agreement with the Competition Council in order to promote relations with this institution and set out the terms of collaboration. Alongside this, it conducted studies on measures aiming to enhance transparency and comparability of bank pricing.

At the end of the year, together with the GPBM, it launched a project to set up a code of ethics for debt collection, which will set out the principles and values to be observed in order to ensure the deployment of sound debt collection practices. This code should govern the activities carried out directly by the banks and their subsidiaries as well as those outsourced to specialised service providers.

1 - Control activity

In 2019, Bank Al-Maghrib carried out specific on-site inspections targeting customer protection issues. In this context, it ensured compliance by credit institutions with the provisions of the law on consumer protection as regards real estate and consumer credit. Control missions carried out on site also covered a review of credit institutions' arrangements for processing the complaints from their customers, checking that the provisions of Article 503 have been implemented of the Commercial Code governing accounts closing, the application of the variability clause, the application of the interest rates, the time limits for issuing the release of guarantees and the regularization of erroneous information on Credit Bureau files.

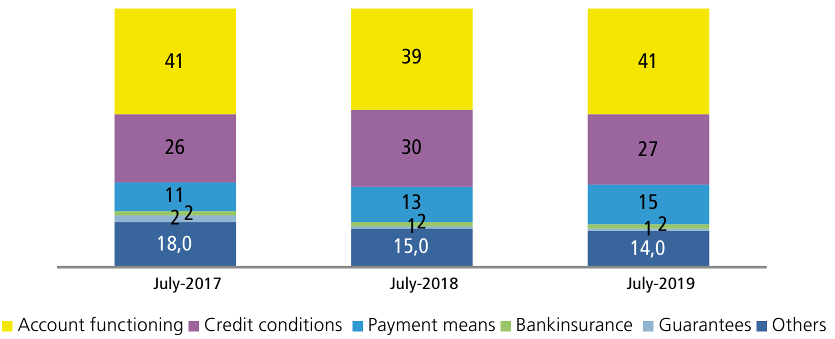
2 - Handling complaints from customers of credit institutions

In 2019, the Banking Supervision Department handled 596 complaints from customers of credit institutions, as against 800 in 2018.

As part of enhancing cooperation between Bank Al-Maghrib and the CMMB, claim files eligible for banking mediation are transferred to the said center for processing. This transfer has been effective since the fourth quarter of 2019 and has resulted in 114 claims being assigned to the CMMB for investigation and mediation.

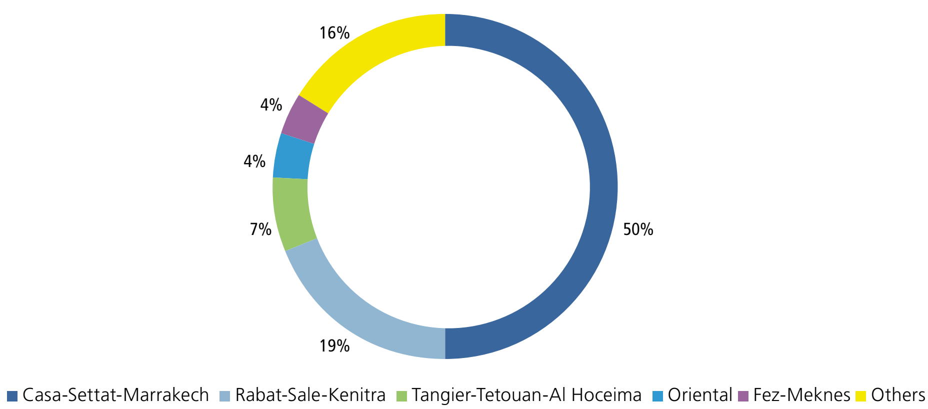
Among the complaints handled by the Banking Supervision Department covered accounts operation, representing nearly 41 percent of the total, of which 43 percent concerned the closing of accounts. Complaints relating to credit conditions accounted for 27 percent and those relating to means of payment, particularly the use of cheques, accounted for 15 percent.

Chart 133: Breakdown, by category, of complaints filed to Bank Al-Maghrib by credit institutions customers (%)



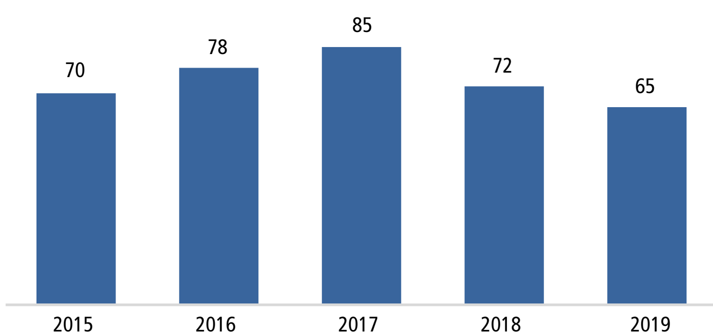
More than 95 percent of the claims received came from individual customers in 2019, compared to 92 percent a year earlier. Most grievances emanate from plaintiffs living in the Casablanca region, at 50 percent as against 43 percent in 2018.

Chart 134: Breakdown, by region, of complaints filed to Bank Al-Maghrib by credit institutions customers-2019



Around 65 percent of the claims were settled in favour of complainants, as against 72 percent in 2018.

Chart 135: Settlement ratio in favour of complainants of claims filed by credit institutions customers to Bank Al-Maghrib (%)



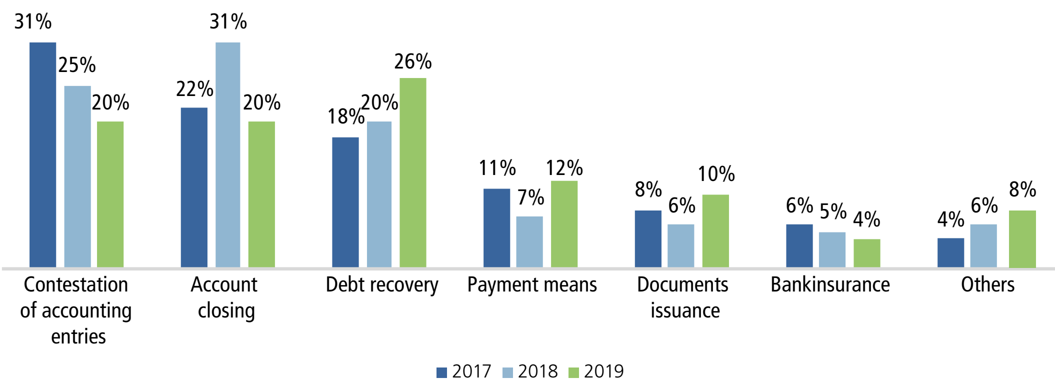
3 - Banking mediation activity

In 2019, the CMMB received 1,458 complete cases for litigation amounts corresponding to nearly 180.4 million dirhams. Of this total, 645 cases were successfully resolved, representing 44 percent. 315 files did not result in a transactional mediation agreement, accounting for 22 percent. 232 are awaiting a response from credit institutions, i.e. 16 percent, and 175 files are being processed.

As per their typology, disputes received mainly concerns debt recovery (26 percent), disputes over accounting entries (20 percent), accounts closure (20 percent), means of payment (12 percent), the issuance of documents (10 percent) and bankinsurance (4 percent).

Banking mediation requests are mainly formulated by individual customers (93%) and concern 87% of transactions with banks and 12% with finance companies. Nearly 58% of the claimants are located in the Casablanca region.

Chart 136: Change in the typology of files submitted to banking mediation 2019



V - Supporting the digitization of financial services

Among its strategic orientations for 2019-2023, Bank Al-Maghrib has identified the promotion of the digitalization of financial services considering its positive impact on the access to and use of these services. In this context, the Bank conducted a survey among banks in March 2019 focusing on digital transformation and technological innovations. This survey allowed to review the current situation and to identify the main challenges for the banking sector and its supervision. It emerged that banks have begun their digital transformation, by creating dedicated organizational structures and opening up more and more to the fintech ecosystem and have committed to adapting their information systems to digitalize the customer interface as well as their internal processes and organization to make them more efficient.

The results of this study also highlighted how banks view the impact of digital technology on financial services, the degree of maturity of technological innovations, current or planned projects and programs, as well as the associated risks and regulatory expectations.

Based on these elements, the Bank could identify priority actions to be carried out in this area, particularly in terms of regulations. These priorities focused specifically on supporting remote account opening, the use of the Cloud and building cyber resilience. They also involve the contribution of the Central Bank, alongside the authorities and stakeholders, to setting up an ecosystem for identifying and authenticating users of financial services, improving the operational framework for electronic signatures and developing a national Fintech ecosystem.

In this respect, a monitoring exercise and a process of experience exchange with other banking regulators was conducted to grasp the options adopted internationally and those that could be envisaged in the Moroccan case. Studies and benchmarks have also been carried out with regard to remote account opening at the regulatory and operational levels and the implications in terms of the fight against money laundering and terrorist financing.

With regard to the use of the Cloud, a study has been carried out among banks to investigate the challenges, opportunities and risks of its use in the banking sector.

Bank Al-Maghrib also contributed to the project initiated by the General Directorate of Information Systems Security (DGSSI) aimed at reviewing the law on electronic data exchange.

Besides, a dialogue has been established with the stakeholders of the national digital ecosystem in particular with the Digital Development Agency, the DGSSI and the CNDP in order to identify areas of collaboration and promote the necessary prerequisites to digitalize the national economy.

VI - Efforts to strengthen mechanisms to support VSME and micro-enterprises

1 - Second tripartite meeting Bank Al-Maghrib/ GPBM/ General Confederation of Enterprises of Morocco (CGEM) on financing the economy

In April 2019, Bank Al-Maghrib held the 2nd edition of the tripartite meeting with the GPBM and the CGEM on "Corporate financing: assessment and prospects". This edition comes after the 1st meeting held in 2016 under the theme "How to strengthen the understanding between banks and business". The objective was to review the commitments taken at the end of the first edition with the aim of improving enterprises financing and support and propose new measures.

Key recommendations emerging from this meeting, submitted to the Ministry of Economy, Finance and Reform of the Administration, aimed to:

- to curb the problem of payment delays which handicap the Moroccan economy and to reduce inter-company credit, which has reached considerable outstanding amounts;

- further increase the impact of the public credit guarantee system through enhanced institutional and financial means to promote the optimal deployment of its new offer;
- set up a coordinated and unifying approach to promotion procedures, information, guidance, support and assistance in financing VSME, developed notably by Maroc PME, the Central Guarantee Fund, and the Regional investment centers to boost the business fabric;
- encourage companies and contractors to make greater use of alternative financing mechanisms, including Factoring and Confirming;
- create a public fund to restructure companies in order to help them deal with their economic difficulties, through recapitalization and/or financial restructuring, in order to preserve the national industrial tool and the assets, minimize economic and social costs and reduce unproductive assets in bank balance sheets.

2 -Special Support Program for Enterprises' Financing "PIAFE"

The actions aimed at promoting the financing of VSEs gained new impetus and all stakeholders were mobilized after the speech given by His Majesty King Mohammed VI on 11 October 2019, urging the banking sector to enhance its contribution to the current development dynamic of our country.

Pursuant to the Royal guidelines, the Bank is fully committed, alongside the Ministry of the Economy, Finance and Reform of the Administration, to developing a program dedicated to supporting and financing entrepreneurship. In this respect, a fund with an initial envelope of 6 billion dirhams, over a period of 3 years, has been set up by the State and the banking sector.

The resources of this fund have been reinforced by an additional 2 billion dirhams granted by the Hassan II Fund for Economic and Social Development and dedicated to the financing of economic activities in the rural world. The management of this fund has been entrusted to the Central Guarantee Fund.

Within this framework, a financing offer denominated "Intelaka" was launched, at very advantageous conditions, to support the creation of companies. This offer targets self-employment and professional integration project-holders, young companies, and the activities of small and medium-sized enterprises exporting to Africa. It is designed to cover the investment and operating needs of eligible project holders. It is guaranteed by the Business Financing Support Fund.

As such, Bank Al-Maghrib has developed a new mechanism for unlimited refinancing, at a preferential rate of 1.25 percent, covering all bank loans granted through this program, whether investment or operating loans. It also eased, as an incentive, the prudential capital requirements applicable to banks and covering credits granted to VSEs.

At the same time, the Bank rallied alongside the Ministry of the Interior, the Ministry of Finance, the banking sector and other public and private partners to prepare the outlines of a regional support offer to help entrepreneurs create their business, make it sustainable and facilitate their access to financing.

In addition, a partnership agreement has also been signed between Credit Agricole du Maroc and Al Barid Bank relating to the financial inclusion of rural populations to support the emergence and development of the entrepreneurial fabric in rural areas. This agreement enshrines collaboration between the two public banks around three axes: territorial coverage, support for financial inclusion and specific financing for very small and medium-sized enterprises.

VII - Promoting sustainable green finance

As part of its new five-year strategic plan 2019-2023, Bank Al-Maghrib once again included green finance as one of its strategic priorities, thereby confirming its commitment to further support the development of sustainable finance and to accelerate the efforts of the banking sector to finance a decarbonized and sustainable economy. Within this framework, the Bank initiated a set of actions based on capacity building, promotion of dialogue and cooperation as well as technical and regulatory components.

Thus, in terms of organization, Bank Al-Maghrib set up this year a unit dedicated to green finance within the Banking Supervision Department as well as an internal task force composed of experts in prudential regulations and banking supervision.

It thus pursued its efforts to raise awareness of financial risks related to climate change and to the environment among national stakeholders and embarked on harmonizing good practices in this area at the international level.

This year, Bank Al-Maghrib has fully contributed to the work of the Network of Central Banks and Supervisors for the Greening of the Financial System (NGFS), as a member of its steering committee and of the three technical groups dealing with micro-prudential supervision practices of environmental risks, the macroeconomic dimension of these risks and the role of central banks in the promoting green finance.

It thus communicated the findings of this network to the African Central Banks. In June 2019, the Bank expressed its support for the principles of transparency on climate-related financial risks issued by the Task Force on Transparency of Climate-related Financial Risks (TCFD) falling under the Financial Stability Board (FSB).

As part of the process of coordinating and monitoring the implementation of the national roadmap for sustainable finance in the financial sector, Bank Al-Maghrib continued the dialogue with the banks and systematically included this item on the agenda of the periodic meetings with the GPBM.

At the regulatory level, Bank Al-Maghrib drew up a draft Directive setting out the principles to be implemented by credit institutions to grasp and manage financial risks related to the environment and to climate in the conduct of their activities.

Box 4: Morocco's transition to the "advanced" stage in developing green finance

The initiatives taken by Bank Al-Maghrib, coupled with the efforts undertaken by the Moroccan Capital Markets Authority (AMMC), allowed Morocco to move from the "development" to the " advanced " stage with regard to the development of sustainable finance.

Thus, the report published in October 2019 by the international network of sustainable banks (SBN), to which Bank Al-Maghrib is a member, highlighted the Bank's commitment to implementing the "finance-climate" roadmap for aligning the Moroccan banking sector with sustainable development objectives and the orientations of the Moroccan Capital Markets Authority for the development of sustainable bonds, among the inspiring practices in terms of strategic alignment and promotion of green financial products for SBN members. The network also praised the efforts undertaken by the Bank to enact a directive on the management of climate-related financial risks.

VIII - Consultation with professional associations

In 2019, Bank Al-Maghrib held meetings with the professional associations of credit institutions and similar bodies to review the implementation of the roadmaps adopted as part of its approach promoting consultation and exchange on reforms and issues of direct or indirect interest to stakeholders.

Exchanges with the GPBM tackled several subjects related to the national and international economic situation and its impact on the development of banking activity, the reform of the exchange rate regime, the regulatory reforms in progress, particularly those relating to credit risk, the financing of VSMEs, financial inclusion, payment systems and means, digital finance, green finance and bank/customer relations. Discussions particularly focused on monitoring compliance of the sector with the recommendations of the evaluation mission of the national AML/CFT system carried out by MENAFATF. During the fourth quarter of 2019, discussions focused on implementing the Royal Directives issued in Her Majesty's speech of 11 October 2019.

Discussions with the Professional Association of Finance Companies focused on the development of consumer credit and leasing activities, due diligence, compliance with the legal framework for consumer protection and commercial practices in the sector.

Besides the evolution of the sector's activity and risks, exchanges with the National Federation of Microcredit Associations covered the pricing policy, the evolution of the legal and regulatory framework and the role of the sector in the National Strategy for Financial Inclusion as well as the issues of governance and due diligence.

As for its exchange with the Professional Association of Payment Institutions, it particularly focused on developments in the sector, the monitoring of the start-up of payment activities and measures to strengthen due diligence measures.

IX - International cooperation

During 2019, the Bank strengthened its cooperation with other central banks and international financial institutions. Among other things, it organized, jointly with these partners, events and seminars in Morocco, participated in events abroad and exchanged experiences with its counterparts.

Within this framework, the Bank co-organized, with the International Monetary Fund, the regional conference for Africa and the Middle East on digital transformation and the implementation of the Bali Fintech Program.

This event was attended by a large number of participants from central banks as well as regional and international institutions and provided an opportunity to exchange views on aspects related to the technological revolution and its implications on the financial sector as well as the challenges it raises for central banks in particular.

In June 2019, Bank Al-Maghrib supported and took part in the international seminar for the greening of the African financial system co-organized by Casablanca Finance City Authority (CFCA) and the Research Center for the Development of Green Finance at Tsinghua University in China. The seminar covered topics such as international initiatives and partnerships for sustainable finance in Africa, the commitment and progress of African countries in green finance and the importance of a green banking and bond market for Africa.

Also, Bank Al-Maghrib and the Alliance for Financial Inclusion (AFI) organized the international conference on green inclusive finance, on 30 October 2019. This conference was an opportunity for regulators to discuss the contribution of the financial sector and inclusive finance to fighting the climate change effects. The conference brought together 40 countries from five continents and covered emerging policies to promote green and inclusive finance and the role of these policies in contributing to global climate action by sharing the experiences of AFI member countries and the latest international developments in this regard.

In addition, Bank Al-Maghrib took part in several events and manifestations held by international and regional financial organizations on various subjects covering notably participatory finance, banking supervision and the deposit guarantee system.

With respect to participatory finance, Bank Al-Maghrib participated in the 3rd working group meeting of the Islamic Financial Services Board (IFSB) and the International Association of Deposit Insurers (IADI) and also took part in the Annual General Meeting of the Organization for Auditing and Accounting of Islamic Financial Institutions (AAOIFI) held in Bahrain.

On the prudential front, Bank Al-Maghrib participated, in June 2019 in Cairo, in the conference of the community of African banking supervisors, falling under the Association of African Central Banks. It also participated in the biannual meetings of the Arab Supervisors Committee and working groups supported by the Arab Monetary Fund. In October 2019, the Bank also took part in the annual meeting of the Group of Francophone Banking Supervisors. At the end of this meeting, it was agreed that Bank Al-Maghrib would chair this group in 2020 and 2021.

In the area of banking resolution, the Bank took part in the 9th Conference on Banking Resolution and Crisis Management held in September in Basel and attended the 58th Executive Board Meeting of the International Association of Deposit Insurers (IADI).

International cooperation was also enhanced through exchanges of experience with the Peers. In this regard, Bank Al-Maghrib received in 2019:

- Two study visits to the Central Bank of West African States (BCEAO). The first delegation was received to prepare a crisis simulation exercise in the West African Monetary Union (WAMU) area and the second visit focused on the various activities of banking supervision.
- A delegation from the Central Bank of the Republic of Guinea for a study visit devoted to the regulatory reporting of credit institutions.
- A delegation from the Central Bank of Qatar to attend a workshop on "Takaful", organised with the participation of the Insurance and Social Security Supervisory Authority.

X - Human resources of banking supervision

At end-December 2019, the number of the Banking Supervision Department employees totaled 103. Nearly two thirds of the staff are in charge of controlling credit institutions and similar entities, 24 percent are responsible for regulatory work and studies and 10 percent are assigned to support activities.

About 72 percent of this workforce is aged below 45 years, 59 percent have over 5 years of seniority and half are female. 83 percent of the staff in the Banking Supervision Department hold a degree of no less than five years' higher education.

Bank Al-Maghrib grants, as usual, a paramount importance to in-service training of supervisors, amidst a permanent evolution of national and international banking regulations and supervisory practices as well as the emergence of new trends and risks.

During 2019, the bank continued its endeavour to provide trainings, particularly with a view to strengthening the capacities of supervisors. Around 81 percent of the staff of the Banking

Supervision Department has benefited from at least one training course. This year, the training plan covered 126 actions covering in particular to prudential regulations, IFRS 9, interest rate risks and asset-liability management, operational risk management and regulation of the money transfer market. A particular focus was placed on areas such as the fight against money laundering and the financing of terrorism, participatory finance, banking resolution and the handling of difficulties encountered by credit institutions, as well as sustainable finance and digital finance.

A special training program for banking supervisors has been implemented to consolidate and enhance the operational skills of staff in charge of credit institutions supervision and control, accounting and prudential regulations, processing license requests, banking studies and risk analysis, as well as banking resolutions.

The Banking Supervision Department hosted 25 trainees in 2019, including 11 for end-of-study internships.

In preparation for the Bank's anti-corruption certification, all staff members of the Banking Supervision Department received training on risk management relating to corruption and business ethics.

Box 5: Certification of the anti-corruption management system in 2019

As part of the ongoing process of enhancing the integrity and ethics of its staff, the Bank has adopted an integrated and structured anti-corruption system. In October 2019, it was awarded ISO 37001 certification for its Anti-Corruption Management System for all its business and support processes.

The anti-corruption management system is built around the following main components:

- An anti-corruption policy published internally and externally;
- A risk management system specific to the Bank's activities;
- Continuous awareness-raising and training activities;
- An ethics alert system for staff and partners.

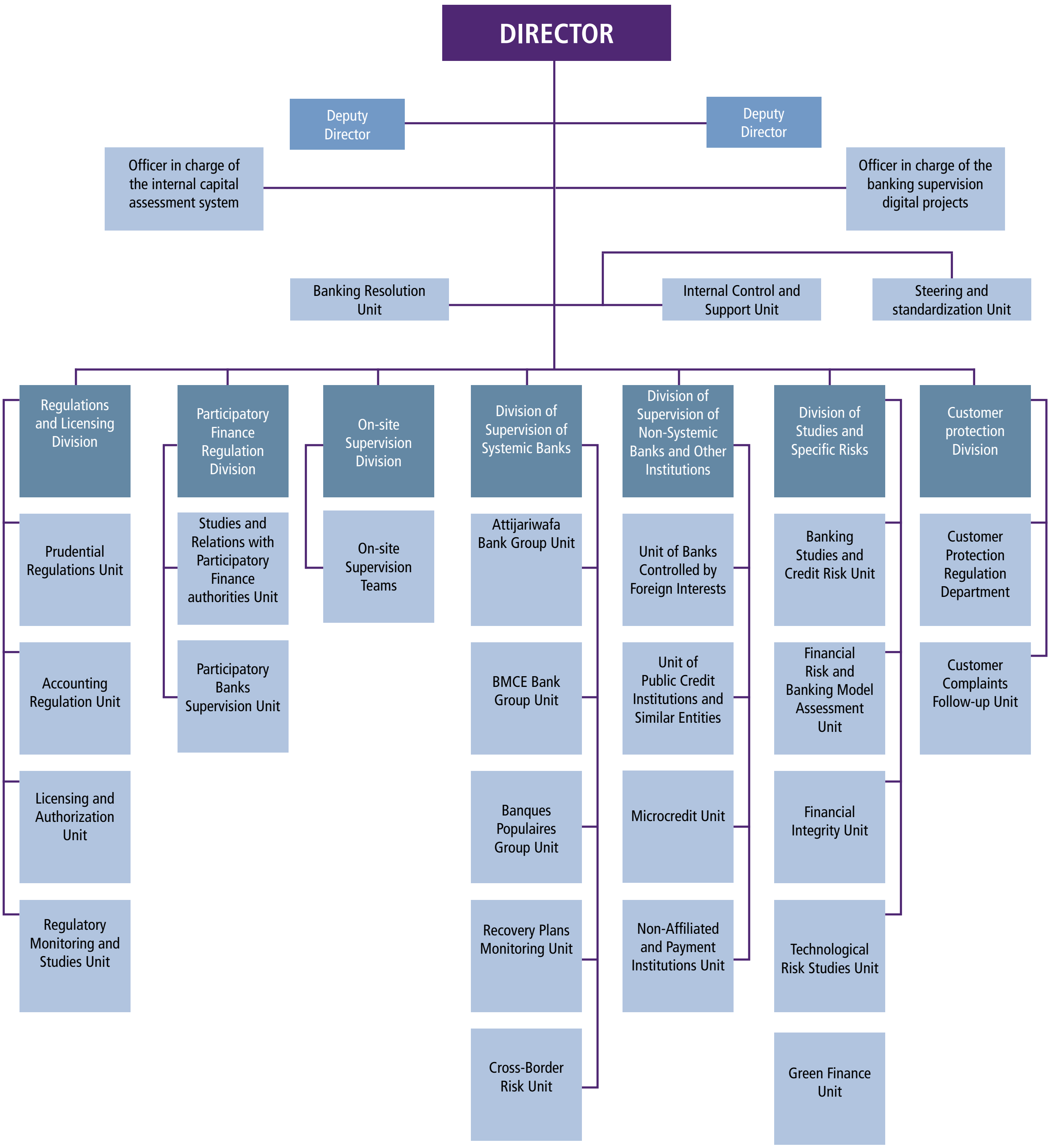
Through this system, Bank Al-Maghrib also aims to contribute actively, alongside all the actors of the financial sector, to the dynamics of the fight against corruption in line with the relevant national strategy.

بنك المغرب

APPENDICES

Appendix 1

Organizational chart of the Banking Supervision Department



Appendix 2

List of approved credit institutions - December 2019

Banks

Name	Head office address
AL BARID BANK	798, Angle Boulevard Ghandi et Boulevard 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 CENTER SUD	Avenue Hassan II - Agadir
BANQUE POPULAIRE DE FEZ-MEKNES	Avenue des FAR, B.P 276 - Ville nouvelle - Fès
BANQUE POPULAIRE DE LAAYOUNE	9, Boulevard Mohamed V - Laâyoune
BANQUE POPULAIRE DE MARRAKECH - BENI MELLAL	Avenue Abdelkrim Khattabi - Marrakech
BANQUE POPULAIRE DE NADOR-AL HOCEIMA	113, Boulevard Al Massira - Nador
BANQUE POPULAIRE D'OUJDA	Boulevard Derfoufi - Oujda
BANQUE POPULAIRE DE RABAT-KENITRA	3, Avenue de Tripoli - Rabat
BANQUE POPULAIRE DE TANGIER-TETOUAN	76, Avenue Mohamed V - Tangier
CDG CAPITAL	Place Moulay El Hassan - Immeuble Mamounia. - Rabat
CREDIT AGRICOLE DU MAROC « CAM »	2, Avenue d'Alger - Rabat
CFG BANK	5-7, Rue Ibnou Toufail - Casablanca
CITIBANK MAGHREB	Lotissement Attaoufik- Imm. I - Ensemble immobilier Zenith Millenium -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 »	Angle Avenue Ben Barka et Avenue Annakhil - Hay Ryad Rabat
MEDIAFINANCE	27, Boulevard Moulay Youssef, 20060 - Casablanca
SOCIETE GENERALE MAROCAINE DE BANQUES « SGMB »	55, Boulevard Abdelmoumen - Casablanca
UNION MAROCAINE DE BANQUES « U.M.B »	36, Rue Tahar Sebti - Casablanca
BANCOSABADELL	Twin center, Tour ouest, 12eme étage - Casablanca
CAJA DE AHORROS Y PENSIONES DE BARCE-LONA « CAIXA BANK S.A»	179, Boulevard d'Anfa - Casablanca
CAJA DE AHORROS Y PENSIONES DE BARCELONA « CAIXABANK, S.A. »	179, Boulevard d'Anfa - Casablanca

Participatory Banks and Windows

Name	Head office address
UMNIA BANK	397, Route El Jamia - Casablanca
BANK AL YOUSR	162, angle Boulevard Anfa et rue Moliere
BANK ASSAFA	4, rue Sanaa - Casablanca
AL AKHDAR BANK	Angle Avenue Alger et rue d'Oran, Hassan - Rabat
BANK AL-TAMWEEL WA AL-INMA	157, Avenue Hassan II - Casablanca
ARREDA	48-58, Boulevard Mohamed V - Casablanca
NAJMAH	26, Place des Nations Unies - Casablanca
DAR AL-AMANE	55, Boulevard Abdelmoumen - Casablanca
SANAD TAMWIL	Center d'affaires, Bd Ar Ryad - Hay Ryad - Rabat

Consumer loan companies

Name	Head office address
VIVALIS SALAF	369, Boulevard Zerktouni - Casablanca
DAR SALAF S.A	207, Boulevard Zerktouni -Casablanca
RCI FINANCE MAROC S.A	44, Bd Khaled Bnou Loualid - Aïn Sebaa - Casablanca
SALAFIN	Zenith Millenium, Immeuble 8, Sidi Maarouf-Casablanca
SALAF AL MOUSTAKBAL S.A.	20, Boulevard de La Mecque - Laâyoune
SOCIETE DE FINANCEMENT D'ACHATS A CREDIT « SOFAC-CREDIT »	57, Boulevard Abdelmoumen - Casablanca
SOCIETE DE FINANCEMENT NOUVEAU A CREDIT « FNAC »	Sahat Rabia Al Adaouia, Résidence Kays Agdal - Rabat
SOCIETE D'EQUIPEMENT DOMESTIQUE ET MENAGER « CREDIT EQDOM »	127, Angle Bd Zerktouni et rue Ibnou Bouraîd - 20100 Casablanca
SOCIETE NORDAFRICAINE DE CREDIT « SONAC »	29, Boulevard Mohamed V - Fès
AXA CREDIT	122, 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
WAFASALAF	72, Angle rue Ram Allah et Boulevard Abdelmoumen - Casablanca

Real-estate loan companies

Name	Head office address
ATTIJARI IMMOBILIER	2, Boulevard Moulay Youssef - Casablanca
WAFA IMMOBILIER	112, Angle boulevard Abdelmoumen et rue Rembrandt - Casablanca

Factoring companies

Name	Head office address
ATTIJARI FACTORING	2, Boulevard Moulay Youssef - Casablanca
MAROC FACTORING	63, Boulevard Moulay Youssef - Résidence Adriana 1er étage - CP 20 060 - Casablanca

Leasing companies

Name	Head office address
BMCI - LEASING	Lotissement La Colline II, Lot N°3, Route de Nouaceur - Sidi Maarouf - Casablanca
COMPAGNIE MAROCAINE DE LOCATION D'EQUIPEMENT « MAROC- LEASING »	57, Angle Rue Pinel et Boulevard Abdelmoumen - Casablanca
CREDIT DU MAROC LEASING ET FACTORING	48 - 58 Boulevard 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	39-41, Angle Boulevard Moulay Youssef & rue Abdelkader El Mazini, 20 100 - Casablanca
CAM LEASING	1, Place Bandoeng-Casablanca

Surety companies

Name	Head office address
FINEA	101, Boulevard Abdelmoumen - Casablanca

Other financing companies

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

Appendix 3

List of offshore banks

Name	Head office address
ATTIJARI INTERNATIONAL BANK (ATTIJARI I.B B.O.S)	58, Boulevard Pasteur, Tangier
BANQUE INTERNATIONALE DE Tangier -BANQUE OFFSHORE (B.I.T B.O.S)	Angle Avenue Mohamed V et Rue Moussa Bnou Noussair, Tangier
BMCI -BANQUE OFFSHORE- GROUPE BNP (BMCI B.O.S)	Zone franche de Tangier, Route de Rabat - Tangier
SOCIETE GENERALE Tangier OFFSHORE (S.G.T O.S)	58, Avenue Mohamed V, Tangier
SUCCURSALE OFFSHORE DE LA BMCE (SUCCURSALE O.S BMCE)	Zone Franche, Port de Tangier, BP 513, Tangier
CHAABI INTERNATIONAL BANK OFFSHORE (CIB BANQUE OFFSHORE)	Lot 45 D Zone franche d’exportation, Route de Rabat - Tangier

Appendix 4

List of microcredit associations

Name	Head office address
AL AMANA MICROFINANCE	40, Rue Al Fadila, quartier industriel, Q.Y.M, Rabat 10 000
ASSOCIATION AL KARAMA POUR LE MICRO-CREDIT (AL KARAMA)	38, Bd Abdelmounen Appt 23, 4éme étage Hassan Rabat
ASSOCIATION ISMAILIA POUR LE MICRO-CREDIT (AIMC)	115, Boulevard Lahboul-BP 2070 Meknes
ATTADAMOUNE « ASSOCIATION MAROCAINE DE SOLIDARITE SANS FRONTIERES »	1, Rue Abi Dar El Ghoufari-Quartier Prince Heritier-1er étage Fes
ASSOCIATION MAROCAINE OUED SEROU POUR LE MICRO-CREDIT (AMOS)	Rue Oued Sbou, Hay Ettakadoum-El Kbab Khenifra
ATIL MICRO-CREDIT - IZDIHAR MICROFINANCE	Avenue Hassan II N° 70-Résidence Paloma Blanca-1er étage N° 1 Tétouan
MICROFINANCE FONDATION BANQUE POPULAIRE POUR LE MICRO-CREDIT « FBPMC »	3, Rue Docteur Veyre-Résidence Patio Casablanca
FONDATION « ARDI » MICRO-CREDIT	Avenue Hassan 2, Hay Ibn Sina, rue Iran-Temara Center
FONDATION MICRO CREDIT DU NORD	N° 6, Rue Rachid Réda, Résidence Hayat 2 entresol, appt. N° 34 Tangier
FONDATION AL BARAKA	Im. Saraya angle Br Riad et Av. Alarz Hay Riad Rabat 10100
BAB RIZK JAMEEL	82, Rue Soumaya, Angle Boulevard Abdelmoumen, CASABLANCA
INSTITUTION MAROCAINE D'APPUI À LA MICRO-ENTREPRISE (INMAA)	Angle Rue Maamora et Rue Reine Elizabeth II, Immeuble A 2eme étage appt. 2 Kenitra

Appendix 5

List of payment institutions

Name	Head office address
CENTER MONETIQUE INTERBANCAIRE	Espace porte d'Anfa, 8, Angle Bd d'Anfa et Avenue Moulay Rachid -20050 Casablanca
NAPS SA	16, Abdelhak Ben Mahyou, Palmier - Casablanca
WAFA CASH	15, Rue Driss Lahrizi - Casablanca
CASH PLUS	1, Rue des Pléiades - Quartier des Hopitaux- Casablanca
MAROC TRAITEMENT DE TRANSACTIONS "M2T"	Immeuble Espace Perla, La Colline, Sidi maarouf, lot n°22 -Casablanca
BARID CASH	202, Boulevard Roudani - Casablanca
WANA MONEY	Lotissement colline 2, Sidi Maarouf -Casablanca
MAYMOUNA SERVICES FINANCIERS	Immeuble Saraya angle Br Riad et Av. Alarz Hay Riad Rabat, 10100
EUROSOL	Résidence Ahssan Dar, Appart 3 et 4, Av Hassan II Rabat
DAMANE CASH	18, Angle Boulevard Lalla Yacout et Rue Mohammed Belloul (ex Pégoud) - Casablanca
MEA FINANCES SERVICES	Résidence Hadi n°27, Rue Salim Cherkaoui. 6eme étage -Casablanca
TRANSFERT EXPRESS	282, Boulevard de la Resistance et Angle Rue de Strasbourg -Casablanca
MONEYON MAROC	52, Boulevard Zerktouni Espace Erreada - Casablanca
MT CASH IAM	Avenue Annakhil, Hay Riad - Rabat
ORANGE MONEY MAROC	Lotissement la colline, Immeuble les 4 temps, 6eme étage, Sidi Maârouf, Casablanca
FAST PAYMENT SA	3, Rue Berne, Angle Zerktouni - Casablanca
DIGIFI	Lotissement Attawfik, Rue 1 et 3 Californie, Sidi Maârouf -Casablanca
LANA CASH	187 Avenue Hassan II - Casablanca
SOGEPAIEMENT	55, Boulevard Abdelmoumen - Casablanca

Other Institutions

Name	Head office address
CAISSE DE DEPOT ET DE GESTION	Place Moulay el Hassan - Rabat
CAISSE CENTRALE DE GARANTIE	Boulevard Ar Ryad, Hay Ryad - Rabat

Appendix 6

Change in the number of credit institutions and similar entities

	2014	2015	2016	2017	2018	2019
Banks	**19**	**19**	**19**	**19**	**19**	**19**
Banks with majority foreign capital (*)	**7**	**7**	**7**	**7**	**7**	**7**
Banks with majority public capital	5	5	5	5	5	5
Participatory banks				5	5	5
Finance companies	**34**	**34**	**33**	**32**	**28**	**27**
Consumer credit companies	16	16	15	14	12	12
Leasing companies	6	6	6	6	7	7
Real estate credit companies	2	2	2	2	2	2
Guarantee companies	2	2	2	2	2	1
Factoring companies	**2**	**2**	**2**	**2**	**2**	**2**
Payment means management companies	**3**	**3**	**3**	**3**	**0**	**0**
Other companies	3	3	3	3	3	3
Off-shore banks	6	6	6	6	6	6
Micro-credit associations	13	13	13	13	13	12
Payment institutions	**10**	**10**	**10**	**9**	**13**	**19**
Other institutions (**)	**2**	**2**	**2**	**2**	**2**	**2**
Total	**84**	**84**	**83**	**86**	**86**	**90**

(*) including 3 with a participatory window
(**) including 1 with a participatory guarantee window

Appendix 7

Change in bank assets (Morocco activity)

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due from Moroccan credit institutions and similar entities	180 290	182 171	185 255	1,7
Due from customers	744 578	798 042	839 137	5,1
Portfolio of securities	**274 187**	**281 063**	**308 068**	**9,6**
Including treasury bills	139 203	147 111	161 103	9,5
Fixed assets	**35 377**	**38 411**	**40 606**	**5,7**
Other assets	**36 661**	**41 429**	**41 569**	**0,3**
Total assets	**1 271 093**	**1 341 116**	**1 414 634**	**5,5**

Headings net of depreciation and provisions

Appendix 8

Change in bank liabilities (Morocco activity)

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	**100 199**	**130 243**	**138 016**	**6**
Customer' déposits	**901 412**	**927 808**	**954 541**	**2,9**
Bond debt	**99 354**	**105 412**	**122 470**	**16,2**
- Debt securities issued	57 875	61 738	74 857	21,3
- Subordinated debts	41 479	43 675	47 612	9
Equity	**115 428**	**121 303**	**134 082**	**10,5**
Net Income	**10 830**	**11 147**	**12 041**	**8**
Other liabilities	**43 870**	**45 203**	**53 484**	**18,3**
Total liabilities	**1 271 093**	**1 341 116**	**1 414 634**	**5,5**

Appendix 9

Change of banks' portfolio of securities

Gross amount in million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Trading securities	**146 991**	**157 817**	**173 575**	**10,0**
Held-for-sale securities	**53 367**	**40 591**	**46 973**	**15,7**
Investment securities	**28 339**	**32 216**	**34 493**	**7,1**
Equity stakes and similar assets	**46 742**	**51 620**	**55 301**	**7,1**
Total portfolio of securities	**275 439**	**282 244**	**310 341**	**10,0**

Appendix 10

Change in assets of participatory banks and windows

In million dirhams

	2018	2019	Change 2018/2019 (%)
Due from credit institutions and similar entities	**1 035**	**1 217**	**18**
Due from customers	**4 472**	**9 130**	**>100**
Sukuk certificates	**380**	**309**	**-19**
Fixed assets	**298**	**325**	**9**
Other assets	**876**	**1 170**	**33**
including assets acquired under participatory financings	431	417	-3
Total assets	**7 061**	**12 151**	**72**

Appendix 11

Change in bank liabilities and participatory windows

In million dirhams	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	**431**	**1 212**	**>100**
Customer' deposits	**1 665**	**3 096**	**86**
Investment deposits received	**0**	**363**	**-**
Wakala Bil Istithmar	**1 262**	**2 420**	**92**
Equity	**2 226**	**2 267**	**2**
Net Income	**-377**	**-419**	**-11**
Other liabilities	**1 854**	**3 212**	**73**
including prepaid margins	1 347	2 582	92
Total liabilities	**7 061**	**12 151**	**72**

Appendix 12

Change in finance companies' assets

In million dirhams

	2017	2017 restated	2018	2019	Change 2018/2019 (%)
Due from credit institutions and similar entities	6 224	5 918	4 885	4 586	-6,1
Due from customers	99 002	98 974	104 760	110 540	5,5
Portfolio of securities	1 699	1 429	1 308	1 312	0,3
Fixed assets	1 384	1 045	1 319	1 332	1
Other assets	4 558	4 373	4 892	4 744	-3,0
Total assets	112 867	111 739	117 164	122 514	4,6

Headings net of depreciation, and provisions

Appendix 13

Change in the liabilities of finance companies

In million dirhams

	2017	2017 restated	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	62 656	62 367	62 491	59 419	-4,9
Due to customers	10 958	10 931	12 474	12 338	-1,1
Debt securities issued	17 336	17 336	19 817	26 405	33,2
Equity	10 713	10 343	10 902	11 243	3,1
Net Income	1 666	1 478	1 445	1 540	6,6
Other liabilities	9 538	9 284	10 035	11 569	15,3
Total liabilities	112 867	111 739	117 164	122 514	4,6

Appendix 14

Changes in assets of consumer loan companies

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due from credit institutions and similar entities	**616**	**774**	**712**	**-8,0**
Due from customers	**45 726**	**49 532**	**53 202**	**7,4**
Including lease with purchase option	15 804	18 331	18 973	3,5
Portfolio of securities	**17**	**229**	**431**	**88,1**
Fixed assets	**675**	**889**	**906**	**1,7**
Other assets	**3 319**	**3 740**	**3 309**	**-11,5**
Total assets	**50 353**	**55 164**	**58 560**	**6,2**

Headings of depreciation and provisions

Appendix 15

Changes in the liabilities of consumer credit companies

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	**19 073**	**19 138**	**18 163**	**-5,1**
Due to customers	**8 580**	**10 152**	**9 780**	**-3,7**
Debt securities issued	**11 117**	**13 391**	**16 835**	**25,7**
Equity	**5 883**	**6 128**	**6 256**	**2,1**
Net Income	**923**	**901**	**953**	**5,8**
Other liabilities	**4 777**	**5 454**	**6 573**	**20,5**
Total liabilities	**50 353**	**55 164**	**58 560**	**6,2**

Appendix 16

Change in assets of leasing companies

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Fixed assets in leasing	**46 380**	**48 254**	**50 311**	**4,3**
Other Claims to customers	**223**	**318**	**272**	**-14,6**
Portfolio of securities	**268**	**18**	**18**	**3,1**
Other assets	**1 074**	**1 181**	**1 453**	**23,0**
Total assets	**47 945**	**49 772**	**52 054**	**4,6**

Items nets of depreciations and provisions

Appendix 17

Changes in the liabilities of leasing companies

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	**35 161**	**36 142**	**34 518**	**-4,5**
Due to customers	**522**	**583**	**673**	**15,4**
Debt securities issued	**5 710**	**5 926**	**9 078**	**53,2**
Equity	**3 176**	**3 411**	**3 564**	**6,3**
Net result	**384**	**401**	**377**	**-7,8**
Other liabilities	**2 992**	**3 309**	**3 844**	**16,8**
Total liabilities	**47 945**	**49 772**	**52 054**	**4,6**

Appendix 18

Change in assets of offshore banks

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due from credit institutions and similar entities	**20 524**	**18 649**	**20 244**	**8,6**
Claims to customers	**18 536**	**18 263**	**17 887**	**-2,1**
Portfolio of securities	**2 901**	**2 970**	**3 345**	**12,6**
Other assets	**696**	**537**	**813**	**51,9**
Total assets	**42 657**	**40 419**	**42 289**	**4,6**

Headings net of depreciation and provisions.

Appendix 19

Change in liabilities of offshore banks

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	**34 619**	**32 450**	**31 916**	**-1,6**
Customer's deposits	**6 500**	**6 389**	**8 765**	**37,2**
Accounting equity	**641**	**553**	**597**	**7,8**
Other liabilities	**897**	**1 027**	**1 011**	**-1,5**
Total liabilities	**42 657**	**40 419**	**42 289**	**4,6**

Appendix 20

Change in the assets of micro-credit associations

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due from credit institutions and similar entities	**655**	**806**	**376**	**-53,3**
Due from customers	**6 437**	**6 608**	**7 245**	**9,6**
Fixed assets	**251**	**231**	**237**	**2,6**
Other assets	**227**	**271**	**291**	**7,4**
Total assets	**7 570**	**7 916**	**8 149**	**2,9**

Headings net of depreciation and provisions.

Appendix 21

Change in liabilities of micro-credit associations

In million dirhams

	2017	2018	2019	Change 2018/2019 (%)
Due to credit institutions and similar entities	**3 938**	**4 088**	**4 326**	**5,8**
Equity and similar	**2 780**	**2 846**	**2 733**	**-4**
Other liabilities	**852**	**982**	**1 090**	**11**
Total liabilities	**7 570**	**7 916**	**8 149**	**2,9**

Appendix 22

Change in banks' assets on a consolidated basis

In million dirhams

	2017	1st January.18, 1st application of IFRS9 standard	2018	2019	Change 2018/2019 (%)
Financial assets at fair value by result	**154 103**	**177 686**	**170 288**	**184 049**	**8**
Financial assets held for sale	**129 241**				
Financial assets at fair value by equity	**9 496**	**102 061**	**100 664**	**115 234**	**14**
Due from customers	**974 746**	**959 272**	**1 036 718**	**1 104 341**	**7**
Due from credit institutions and similar entities	**111 699**	**111 468**	**111 351**	**111 898**	**0**
Held-to-maturity investments	**47 352**				
Securities at amortized cost	**2 661**	**62 006**	**63 213**	**71 747**	**14**
Other assets	**167 868**	**172 853**	**190 811**	**205 665**	**8**
Total	**1 597 166**	**1 585 345**	**1 673 044**	**1 792 935**	**7,2**

Appendix 23

Change in banks' liabilities on a consolidated basis

In millions of dirhams

	2017	Jan-18	2018	2019	Change 2018/2019 (%)
Financial liabilities at fair value by result	**2 560**	**2 566**	**553**	**875**	**58,2**
Due to credit institutions and similar entities	**146 729**	**146 729**	**172 079**	**174 836**	**1,6**
Due to customers	**1 089 684**	**1 089 684**	**1 127 636**	**1 185 803**	**5,2**
Debt securities issued	**59 172**	**59 172**	**71 751**	**88 955**	**24,0**
Equity-share of the group	**132 052**	**121 363**	**130 393**	**146 599**	**12,4**
including net income	13 363	3 512	13 910	14 292	2,7
Other liabilities	**166 969**	**165 830**	**170 633**	**195 867**	**14,8**
Total liabilities	**1 597 166**	**1 585 345**	**1 673 044**	**1 792 935**	**7,2**

Appendix 24

Banks' aggregate balance sheet - Morocco Activity
As at December 31, 2019

In thousands of dirhams

ASSETS	31/12/2018	31/12/2019
Cash values, central banks, Public Treasury and Postal Checks Service	**41 880 882**	**39 168 367**
Loans to credit institutions and similar entities	**157 306 876**	**163 249 885**
. Demand	26 880 102	33 179 387
. Time	130 426 774	130 070 498
Due from customers	**766 748 398**	**808 568 276**
. Consumer loans and participatory financing	233 094 032	247 194 322
. Equipment loans and participatory financing	204 721 215	213 502 090
. Real estate loans and participatory financing	261 696 731	269 338 732
. Other loans and participatory financing	67 236 420	78 533 132
Factoring loans	**31 293 319**	**32 113 500**
Trading and held-for-sale securities	**199 287 620**	**220 604 067**
. Treasury bills and similar values	118 428 153	130 010 485
. Other debt securities	16 918 069	20 734 552
. Sukuks certificates	334 291	247 206
. Title deeds	63 607 107	69 611 824
Other assets	**23 249 902**	**21 433 955**
Investment securities	**32 200 771**	**34 480 423**
. Treasury bills and similar values	28 682 974	31 092 776
. Other debt securities	3 517 797	3 387 647
. Sukuk certificates		
Equity securities and similar assets	**49 574 290**	**53 140 237**
Shareholding in related companies	39 236 623	45 717 644
Other equity securities and similar assets	6 275 907	7 422 593
Moudaraba and Moucharaka securities		
Subordinated loans	**1 161 128**	**908 345**
Deposits placed		**360 000**
Fixed assets for leasing and rental	**2 078 587**	**2 686 667**
Fixed assets in Ijara	**1 365**	**1 275**
Intangible fixed assets	**5 072 236**	**6 245 714**
Tangible fixed assets	**31 260 431**	**31 673 645**
Total assets	**1 341 115 805**	**1 414 634 356**

In thousands of dirhams

LIABILITIES	31/12/2018	31/12/2019
Central banks, Treasury, Postal Checks Service	**88**	**16**
Due to credit institutions and similar entities	**130 242 855**	**138 016 243**
. Demand	13 622 119	15 734 589
. Time	116 620 736	122 281 654
Customers' deposits	**927 807 733**	**954 540 796**
. Creditor demand deposits	566 333 922	598 726 209
. Savings accounts	158 759 868	166 025 547
. Time deposits	169 723 274	159 061 093
. Other creditor accounts	32 990 669	30 727 947
Due to customers on participatory products		**1**
Debt securities issued	**61 737 706**	**74 857 366**
. Negotiable debt securities	53 473 562	65 245 676
. Bond loans	7 662 179	9 240 509
. Other debt securities issued	**601 965**	**371 181**
Other liabilities	**30 176 879**	**37 188 585**
Provisions for risks and expenses	**15 025 681**	**16 295 351**
Regulated provisions	**1**	
Subsidies, allocated public funds and special guarantee funds	**3 227 708**	**3 380 329**
Subordinated debts	**43 674 743**	**47 612 387**
Received investment deposits		
Reevaluation gaps	**420**	**420**
Reserves and premiums related to capital	**89 846 820**	**98 870 303**
Capital	**25 537 592**	**27 199 629**
Shareholders. Unpaid capital (-)	**-48 000**	**-48 000**
Retained earnings (+/-)	**3 031 720**	**5 063 226**
Net income before appropriation (+/-)	**-293 156**	**-383 377**
Net income for the year (+/-)	**11 147 015**	**12 041 082**
Total liabilities	**1 341 115 805**	**1 414 634 356**

In thousands of dirhams

OFF-BALANCE SHEET	31/12/2018	31/12/2019
COMMITMENTS GIVEN	**306 817 471**	**305 564 810**
Financing commitments to credit institutions and similar entities	3 869 546	4 602 407
Financing commitments to customers	139 514 000	147 982 095
Guarantee commitments to credit institutions and similar entities	51 505 271	42 852 720
Guarantee commitments to customers	103 633 340	103 416 019
Securities bought under repurchase agreements	4 071 378	3 876 444
Other securities to deliver	4 223 936	2 835 125
COMMITMENTS RECEIVED	**90 324 465**	**84 609 715**
Financing commitments received from credit institutions and similar entities	3 476 358	3 288 819
Guarantee commitments received from credit institutions and similar entities	66 550 273	54 387 827
Guarantee commitments received from the State and sundry guarantee institutions	20 122 285	25 012 408
Securities sold under repurchase agreements		
Other securities to receive	175 549	1 920 661
Moucharaka and Moudaraba securities to receive		

Appendix 25

Banks' Aggregate operating balances statement - Morocco activity from January 1 to December 31, 2019

In thousands of dirhams

	31/12/2018	31/12/2019
+ Interests and related income	47 195 699	48 033 385
- Interests and related expenses	14 982 709	15 609 436
Interest margin	**32 212 990**	**32 423 949**
+ Income on participatory financing		
- Expenses on participatory financing		
Margin on participatory financing		
+ Income on fixed assets leasing and rentals	517 104	673 302
- Expenses on fixed assets leasing and rentals	471 444	619 568
Income from leasing and rental transactions	**45 660**	**53 734**
+ On fixed assets in Ijara	196	199
- Expenses on fixed assets in Ijara	90	90
Income of Ijara operations	**106**	**109**
+ Commissions received	8 172 881	8 675 819
- Commissions paid	917 461	977 263
Margin on commissions	**7 255 420**	**7 698 556**
± Income on trading securities' transactions	3 429 657	5 588 133
± Income on investment securities' transactions	254 652	223 893
± Income on foreign exchange transactions	2 665 234	2 862 917
± Income on derivatives transactions	12 886	-260 681
Income from market operations	**6 362 429**	**8 414 262**
± Income from Moudaraba and Moucharaka securities		
+ Other banking income	3 935 715	3 791 389
- Other banking expenses	2 600 397	2 854 090
± SHARE OF HOLDERS OF INVESTMENT DEPOSIT ACCOUNTS		
NET BANKING INCOME	**47 211 817**	**49 527 996**
± Income on financial fixed assets transactions	-135 446	-90 042
+ Other non-banking operating income	878 892	1 289 541
- Other non-banking operating expenses	192 486	424 226
- General operating expenses	23 919 156	24 843 419
GROSS OPERATING INCOME	**23 843 621**	**25 459 850**
± Allocations net of provisions for non-performing loans and commitments by signature	-5 574 792	-5 964 022
± Other allocations net of reversals of provisions	-2 253 501	-1 233 080
CURRENT INCOME	**16 015 328**	**18 262 748**
EXTRAORDINARY INCOME	**186 293**	**-672 840**
- Income tax	5 054 606	5 548 827
Net income for the year	**11 147 015**	**12 041 081**

Appendix 26

Aggregate balance sheet of participatory banks and windows
As at December 31, 2019

In thousands of dirhams

ASSETS	31/12/2018	31/12/2019
Cash values, central banks, Public Treasury and Postal Checks Service	**825 966**	**1 114 531**
Loans to credit institutions and similar entities	**303 095**	**264 058**
. Demand	285 486	256 404
. Time	17 609	7 654
Due from customers	**4 472 228**	**9 129 793**
. Cash and consumer loans and participatory financings	333 711	744 792
. Equipment loans and participatory financing	37 708	356 606
. Real-estate loans and participatory financing	4 090 303	8 001 586
. Other loans and participatory financing	10 506	26 809
Factoring loans	0	0
Trading and held-for-sale securities	**379 515**	**268 718**
. Treasury bills and similar values	0	0
. Other debt securities	0	0
. Sukuks certificate	379 515	268 718
. Title deeds	0	0
Other assets	**782 050**	**1 007 725**
Investment securities	**0**	**40 700**
. Treasury bills and the like	0	0
. Other debt securities	0	0
. Sukuks certificates	0	40 700
Equity securities and similar assets	**0**	**0**
Participation in similar companies	0	0
Other equity securities and similar assets	0	0
Moudaraba and Moucharaka securities	0	0
Subordinated loans	**0**	**0**
Investment deposits placed	**0**	**0**
Fixed assets for leasing and rental	**0**	**0**
Fixed assets in Ijara	**0**	**0**
Intangible fixed assets	**105 926**	**106 958**
Tangible fixed assets	**192 419**	**218 284**
Total assets	**7 061 199**	**12 150 766**

In thousands of dirhams

LIABILITIES	31/12/2018	31/12/2019
Central banks, Treasury, Postal Checks Service	**0**	**0**
Due to credit institutions and similar entities	**431 128**	**1 211 601**
. Demand	431 128	537 446
. Time	0	674 155
Customers deposits	**1 663 347**	**3 095 691**
. Creditor demand deposits	1 548 065	2 557 090
. Savings accounts	0	0
. Time deposits	0	0
. Other creditor accounts	115 282	538 601
Due to customers on participatory income	**77 260**	**107 562**
Debt securities issued	**0**	**0**
. Negotiable debt securities	0	0
. Bond loans	0	0
. Other creditor accounts	0	0
Other liabilities	**1 771 728**	**3 090 802**
Provisions for risks and expenses	**5 532**	**13 700**
Regulated provisions	**0**	**0**
Subsidies, allocated public funds and special guarantee funds	**0**	**0**
Subordinated debts	**0**	**0**
Received investment deposits*	**1 261 535**	**2 783 297**
Reevaluation gaps	**0**	**0**
Reserves and premiums related to capital	**0**	**0**
Capital	**2 590 000**	**2 935 000**
Shareholders. Unpaid capital (-)	**-175 000**	**-49 000**
Retained earnings (+/-)	**-188 930**	**-618 600**
Net income before appropriation (+/-)	**0**	**0**
Net income for the year (+/-)	**-376 938**	**-419 287**
Total liabilities	**7 061 199**	**12 150 488**

*Including amounts received by Wakala Bil Istithmar

In thousands of dirhams

OFF-BALANCE SHEET	31/12/2018	31/12/2019
COMMITMENTS GIVEN	**96 905**	**686 994**
Financing commitments to credit institutions and similar entities	0	0
Financing commitments to customers	96 905	686 994
Guarantee commitments to credit institutions and similar entities	0	0
Guarantee commitments to customers	0	0
Securities bought under repurchase agreements	0	0
Other securities to deliver	0	0
COMMITMENTS RECEIVED	**240 000**	**450 000**
Financing commitments received from credit institutions and similar entities	240 000	450 000
Guarantee commitments received from credit institutions and similar entities	0	0
Guarantee commitments received from the government and sundry guarantee institutions	0	0
Securities sold under repurchase agreements	0	0
Other securities to receive	0	0
Moucharaka and Moudaraba securities to be received	0	0

Appendix 27

Banks and participatory windows' Aggregate Loss and Profit statement from January 1 to December 31, 2019

Thousands of dirhams

	31/12/2018	31/12/2019
+ Interests and related income	0	0
- Interests and related expenses	3	0
Interest margin	**-3**	**0**
+ Gains on participatory financing	67 722	237 250
- Expenses on participatory financing	100	793
Margin on participatory financing	**67 622**	**236 457**
+ Gains on fixed assets leasing and rentals	0	0
- Expenses on fixed assets leasing and rentals	0	0
Income from leasing and rental transactions	**0**	**0**
+ Gains on fixed assets in Ijara	0	0
- Expenses on fixed assets in Ijara	0	0
Income from Ijara operations	**0**	**0**
+ Commissions received	6 660	33 645
- Commissions paid	725	2 711
Margin on commissions	**5 935**	**30 934**
± Gains on trading securities' transactions	0	1 503
± Gains on investment securities' transactions	-553	2 908
± Gains on foreign exchange transactions	89	1 191
± Gains on derivatives transactions	0	0
Income from market operations	**-464**	**5 602**
± income from operations on Moudaraba and Moucharaka securities	0	0
+ Other banking income	4 872	8 199
- Other banking expenses	2 508	4 192
± SHARE OF HOLDERS OF INVESTMENT DEPOSIT ACCOUNTS	-8 238	-75 041
Net banking income	**67 216**	**201 959**
± Gains on financial fixed assets transactions	0	0
+ Other non-banking operating income	16 894	5 485
- Other non-banking operating expenses	2 740	10 189
- General operating expenses	445 067	611 420
Gross operating income	**-363 697**	**-414 165**
± Allocations net of provisions for non-performing loans and commitments by signature	-1 146	-3 648
± Other allocations net of reversals of provisions	-5 465	-8 168
Current income	**-370 308**	**-425 981**
Extraordinary income	**-6 375**	**873**
- Income tax Net income for the	255	-5 821
Net income for the year	**-376 938**	**-419 287**

Appendix 28

Aggregate balance sheet of finance companies
As at December 31, 2019

Thousands of dirhams

ASSETS	31/12/2018	31/12/2019
Cash values, central banks, Public Treasury and Postal Checks Service	**252 770**	**124 471**
Loans to credit institutions and similar entities	**4 884 543**	**4 585 843**
- Demand	1 613 275	1 498 357
- Time	3 271 268	3 087 486
Due from customers	**33 829 926**	**36 905 581**
- Overdraft facilities and consumer loans	29 362 747	32 127 510
- Equipment loans	1 307 159	1 786 890
- Real-estate loans	1 710 914	1 504 571
- Other loans	1 449 106	1 486 610
Factoring loans	**4 344 063**	**4 351 460**
Trading and held-for-sale securities	**1 037 818**	**1 053 660**
- Treasury bills and the like		0
- Other debt securities	200 172	400 171
- Title deeds	837 646	653 489
Other assets	**4 640 087**	**4 618 897**
Investment securities	**232 222**	**220 720**
- Treasury bills and the like	219 722	208 220
- Other debt securities	12 500	**12 500**
Equity securities and similar assets	**37 852**	**38 073**
Subordinated loans		**0**
Fixed assets for leasing and rental	**66 585 592**	**69 283 097**
Intangible fixed assets	**693 071**	**712 020**
Tangible fixed assets	**625 607**	**619 933**
Total assets	**117 163 551**	**122 513 755**

In thousands of dirhams

LIABILITIES	31/12/2018	31/12/2019
Central banks, Public Treasury, Postal Checks Service	**62 491 027**	**59 419 056**
Due to credit institutions and similar entities	5 176 498	7 142 043
- Demand	57 314 529	52 277 013
- Time	**12 473 830**	**12 337 660**
Customers deposits	1 034 941	1 071 904
- Creditor demand deposits		
- Savings accounts	187 609	314 673
- Time deposits	11 251 280	10 951 083
- Other creditor accounts	**19 817 292**	**26 404 658**
Debt securities issued	18 471 211	23 558 701
- Negotiable debt securities	1 319 093	2 814 512
- Bond loans	26 988	31 445
- Other debt securities issued	**8 213 593**	**9 487 564**
Other liabilities	**591 167**	**665 971**
Provisions for risks and expenses	**15 253**	**17 954**
Regulated provisions	**125 061**	**70 660**
Subsidies, allocated public funds and special guarantee funds	**1 105 750**	**1 326 562**
Subordinated debts		
Reevaluation gaps	**5 170 475**	**5 274 676**
Reserves and premiums related to capital	**3 722 604**	**3 760 605**
Capital	**-25 000**	**0**
Shareholders. Unpaid capital (-)	**2 034 057**	**2 208 076**
Retained earnings (+/-)	**-16 571**	
Net income before appropriation (+/-)	**1 445 013**	**1 540 313**
Net income for the year (+/-)	**117 163 551**	122 513 755
Total liabilities		

Appendix 29

Aggregate Loss and Profit statement of finance companies from January 1 to December 31, 2019

In thousands of dirhams

	31/12/2018	31/12/2019
+ Interest and related income	3 757 782	3 862 756
- Interest and related expenses	2 846 247	2 903 068
Interest margin	**911 535**	**959 688**
+ Gains on fixed assets leasing and rentals	21 152 461	22 187 897
- Expenses on fixed assets leasing and rentals	17 688 069	18 923 339
Income from leasing and rental transactions	**3 464 392**	**3 264 558**
+ Commissions received	1 266 488	1 373 157
- Commissions paid	138 926	144 829
Margin on commissions	**1 127 562**	**1 228 328**
± Income on trading security transactions	11 352	18 589
± Income on investment security transactions	10 842	28 347
± Income on foreign exchange transactions	-2 167	270
± Income on derivatives transactions		0
Income from market operations	**20 027**	**47 206**
+ Other banking income	147 247	241 732
- Other banking expenses	3 934	13 403
Net banking income	**5 666 829**	**5 728 109**
± Income on financial fixed asset transactions	13	13
+ Other non-banking operating income	44 745	49 030
- Other non-banking operating expenses	3 529	5 844
- General operating expenses	2 073 167	2 171 725
GROSS OPERATING INCOME	**3 634 891**	**3 599 583**
± Allocations net of reversals of provisions for non-performing loans and commitments by signature	-1 210 591	-968 190
± Other allocations net of reversals of provisions	-41 024	-83 493
CURRENT INCOME	**2 383 276**	**2 547 900**
EXTRAORDINARY INCOME	**-35 910**	**-57 900**
- Income tax	902 353	949 686
Net income for the year	**1 445 013**	**1 540 314**

Appendix 30

Aggregate balance sheet of consumer loan companies
As at December 31, 2019

In thousands of dirhams

Assets	31/12/2018	31/12/2019
Cash values, central banks, Public Treasury and Postal Checks Service	**177 076**	**81 746**
Loans to credit institutions and similar entities	**774 011**	**712 116**
- Demand	752 504	685 312
- Time	21 507	26 804
Due from customers	**30 886 027**	**33 846 770**
- Overdraft facilities and consumer loans	28 848 944	31 289 631
- Equipment loans	829 170	1 253 108
- Real-estate loans	12 364	12 486
- Other loans	1 195 549	1 291 545
Factoring loans	**314 139**	**382 715**
Trading and held-for-sale securities	**200 836**	**400 835**
- Treasury bills and similar values		0
- Other debt securities	199 961	399 960
- Title deeds	875	875
Other assets	**3 562 578**	**3 227 432**
Investment securities	**12 500**	**12 500**
- Treasury bills and similar values		**0**
- Other debt securities	12 500	**12 500**
Equity securities and similar assets	**16 004**	**18 004**
Subordinated loans		**0**
Fixed assets for leasing and rental	**18 331 469**	**18 972 339**
Intangible fixed assets	**517 631**	**528 595**
Tangible fixed assets	**371 865**	**376 332**
Total assets	**55 164 136**	**58 559 384**

In thousands of dirhams

Liabilities	31/12/2018	31/12/2019
Central banks, Public Treasury, Postal Checks Service		**0**
Due to credit institutions and similar entities	**19 137 852**	**18 163 238**
- Demand	1 292 884	1 415 259
- Time	17 844 968	16 747 979
Customers' deposits	**10 152 072**	**9 780 471**
- Creditor demand deposits	19	**0**
- Savings accounts		**0**
- Time deposits		**0**
- Other creditor accounts	10 152 053	9 780 471
Debt securities issued	**13 391 360**	**16 834 934**
- Negotiable debt securities	13 391 360	15 331 081
- Bond debts		1 503 853
- Other debt securities issued		0
Other liabilities	**4 448 555**	**5 374 764**
Provisions for risks and expenses	**124 889**	**141 009**
Regulated provisions	**15 253**	**17 954**
Subsidies, allocated public funds and special guarantee funds		**0**
Subordinated debts	**865 649**	**1 038 086**
Reevaluation gaps		**0**
Reserves and premiums related to capital	**3 667 785**	**3 743 598**
Capital	**1 759 481**	**1 797 482**
Shareholders. Unpaid capital (-)		**0**
Retained earnings (+/-)	**700 364**	**715 004**
Net income before appropriation (+/-)		**0**
Net income for the year (+/-)	**900 876**	**952 844**
Total liabilities	**55 164 136**	**58 559 384**

Appendix 31

Aggregate Operating balances statement of consumer loan companies from January 1 to December 31, 2019

Thousands of dirhams

	31/12/2018	31/12/2019
+ Interests and related income	3 254 983	3 405 946
- Interests and related expenses	1 153 206	1 221 029
INTEREST MARGIN	**2 101 777**	**2 184 917**
+ Income on fixed assets leasing and rentals	5 431 030	5 961 374
- Expenses on fixed assets leasing and rentals	5 048 168	5 652 987
Income from leasing and rental transactions	**382 862**	**308 387**
+ Commissions received	888 766	968 527
- Commissions paid	74 693	92 476
Margin on commissions	**814 073**	**876 051**
± Income on trading securities transactions	551	7 241
± Income on investment securities transactions		372
± Income on foreign exchange transactions	67	496
± Income on derivatives transactions		0
Income from market operations	**618**	**8 109**
+ Other banking income	141 758	176 577
- Other banking expenses	3 631	2 953
Net banking income	**3 437 457**	**3 551 088**
± Income on financial fixed assets transactions		0
+ Other non-banking operating income	33 822	33 258
- Other non-banking operating expenses	1	1 024
- General operating expenses	1 392 799	1 450 251
Gross operating income	**2 078 479**	**2 133 071**
± Allocations net of reversals of provisions for non-performing loans and commitments by signature	-630 327	-580 002
± Other allocations net of reversals of provisions	-2 084	-17 314
Current income	**1 446 068**	**1 535 755**
Non-current income	**-32 210**	**-28 692**
- Income tax	512 984	554 219
Net Income of the year	**900 874**	**952 844**

Appendix 32

Aggregate balance sheet of leasing companies

As at December 31, 2019

In thousands of dirhams

ASSETS	31/12/2018	31/12/2019
Cash values, central banks, Public Treasury and Postal Checks Service	**8 453**	**346**
Loans to credit institutions and similar entities	**36 693**	**32 651**
- Demand	36 691	32 458
- Time	2	**193**
Due from customers	**105 494**	**55 446**
- Cash and consumer loans	49 821	27 207
- Equipment loans		
- Real-estate loans	9 647	9 323
- Other loans	46 026	18 916
Factoring loans	**212 789**	**216 351**
Trading and held-for-sale securities	**211**	**211**
- Treasury bills and similar value		
- Other debt securities	211	211
- Title deeds		
Other assets	**821 844**	**1 100 905**
Investment securities		
Treasury bills and similar value		
Other debt securities		
Equity securities and similar assets	**18 223**	**18 797**
Subordinated loans		
Fixed assets for leasing and rental	**48 254 123**	**50 310 758**
Intangible fixed assets	**155 218**	**161 885**
Tangible fixed assets	**158 662**	**157 083**
Total assets	**49 771 710**	**52 054 433**

In thousands of dirhams

LIABILITIES	31/12/2018	31/12/2019
Central banks, Treasury, Postal Checks Service		
Due to credit institutions and similar entities	**36 142 103**	**34 517 512**
- Demand	2 796 387	3 991 541
- Time	33 345 716	30 525 971
Customers' deposits	**583 371**	**673 476**
- Creditor demand deposits	137 268	113 656
- Savings accounts		
- Time deposits	187 609	314 673
- Other creditor accounts	258 494	245 147
Debt securities issued	**5 925 986**	**9 078 332**
- Negotiable debt securities	5 079 851	8 227 620
- Bond loans	819 147	819 267
- Other debt securities issued	26 988	31 445
Other liabilities	**2 967 699**	**3 386 581**
Provisions for risks and expenses	**213 192**	**260 942**
- Regulated provisions		
- Subsidies, allocated public funds and special guarantee funds		
Subordinated debts	**144 419**	**196 359**
Reevaluation gaps		
Reserves and premiums related to capital	**1 421 035**	**1 439 605**
Capital	**1 010 095**	**1 010 095**
Shareholders. Unpaid capital (-)	**-25 000**	
Retained earnings (+/-)	**1 004 674**	**1 114 402**
Net income before appropriation (+/-)	**-16 571**	
Net income for the year (+/-)	**400 707**	**377 129**
Total liabilities	**49 771 710**	**52 054 433**

Appendix 33

Aggregate operating balances statement of leasing companies from January 1 to December 31, 2019

In thousands of dirhams

	31/12/2018	31/12/2019
+ Interest and related income	14 469	9 655
- Interest and related expenses	1 531 569	1 539 891
INTEREST MARGIN	**-1 517 099**	**-1 530 236**
+ Income on fixed assets leasing and rentals	15 683 683	16 226 523
- Expenses on fixed assets leasing and rentals	12 634 675	13 270 352
Income from leasing and rental transactions	**3 049 008**	**2 956 171**
+ Commissions received	5 253	8 329
- Commissions paid	9 294	5 074
Margin on commissions	**-4 042**	**3 255**
± Income on trading securities transactions		**0**
± Income on investment securities transactions		**209**
± Income on foreign exchange transactions	-2 499	-138
± Income on derivatives transactions		**0**
Income from market operations	**-2 499**	**71**
+ Other banking income	4 155	5 052
- Other banking expenses	273	882
Net banking income	**1 529 250**	**1 433 431**
± Income on financial fixed assets transactions		**0**
+ Other non-banking operating income	9 102	14 450
- Other non-banking operating expenses	3 319	3 102
- General operating expenses	371 584	391 135
Gross operating income	**1 163 449**	**1 053 644**
± Allocations net of reversals of provisions for non-performing loans and commitments by signature	-473 740	-335 255
± Other allocations net of reversals of provisions	-26 440	-58 121
Current income	**663 269**	**660 268**
Non-current income	**-1 040**	**-30 677**
Income tax	261 523	252 462
Net income for the year	**400 707**	**377 129**

Appendix 34

Consolidated balance sheet of the eleven banking groups
As at December 31, 2019

In thousands of dirhams

ASSETS	31/12/2018	31/12/2019
Cash values, central banks, Treasury and Postal Cheques Service	**65 034 018**	**71 540 800**
Financial assets at fair value by result	**170 287 931**	**184 049 115**
- Financial assets held for trading	156 243 849	162 047 997
- Other financial assets at fair value through profit or loss	14 044 082	22 001 118
Hedging derivatives	**136**	**612 661**
Financial assets held-for-sale	**0**	**0**
Financial assets at fair value by equity	**100 663 832**	**115 234 229**
- Debt instruments recognized at fair value through recyclable shareholders' equity	58 288 068	67 231 816
- Equity instruments recognized at fair value through non-recyclable shareholders' equity	11 599 536	12 096 943
- Financial assets accounted for at fair value through recyclable equity (Insurance)	30 776 228	35 905 470
Securities at the amortized cost	**63 212 605**	**71 747 388**
Due from credit institutions and similar entities	**111 351 245**	**111 898 459**
Due from customers	**1 036 717 941**	**1 104 341 248**
Asset revaluation gap on interest hedged portfolios	**0**	**0**
Held-to-maturity investments	**0**	**0**
Current tax assets	**4 652 510**	**4 519 348**
Differed tax assets	**10 731 317**	**11 102 030**
Adjustment accounts and other assets	**37 514 515**	**35 689 438**
Non-recurrent assets held for sale	**97 044**	**75 125**
Investments in businesses-equity method	**1 661 467**	**1 895 844**
Investment property	**8 966 479**	**9 498 006**
Tangible fixed assets	**41 705 452**	**48 805 179**
Intangible fixed assets	**6 897 522**	**7 415 987**
Goodwill	**13 550 106**	**14 510 580**
Total assets	**1 673 044 120**	**1 792 935 437**

In thousands of dirhams

LIABILITIES	31/12/2018	31/12/2019
Central banks, Public-Treasury, Postal cheques Service	**1 309 570**	**1 003 416**
Financial liabilities at fair value by result	**553 395**	**875 210**
Financial liabilities held for transaction	553 395	875 210
Financial liabilities at fair value by result on option	0	0
Hedging derivatives	**0**	**0**
Due to credit institutions and similar entities	**172 078 838**	**174 835 828**
Due to customers	**1 127 636 035**	**1 185 802 735**
Debt securities issued	**71 750 653**	**88 955 340**
Liability reevaluation gaps on hedged interest portfolios	**0**	**0**
Current tax liabilities	**4 746 135**	**6 044 997**
Differed tax liabilities	**5 740 755**	**7 145 018**
Adjustment accounts and other liabilities	**41 902 378**	**56 165 051**
Liabilities linked to non-current assets held for sale	**0**	**0**
Technical provisions of insurance contracts	**34 872 350**	**37 851 356**
Provisions	**11 542 317**	**12 270 507**
Subsidies and similar funds	**3 602 703**	**3 600 298**
Subordinated debts and special guarantee funds	**44 226 100**	**49 773 936**
Equity capital	**153 082 891**	**168 611 745**
Equity - Share of the Group	**130 392 647**	**146 598 901**
Capital and related reserves	79 733 924	90 700 428
Consolidated reserves	35 450 160	39 364 039
Unrealized or deferred gains or losses	1 298 445	2 242 061
Income of the year	13 910 118	14 292 373
Minority Interests	**22 690 244**	**22 012 844**
Total liabilities	**1 673 044 120**	**1 792 935 437**

Appendix 35

Consolidated income statement of the eleven banking groups
As at December 31, 2019

In thousands of dirhams

	31/12/2018	31/12/2019
+ Interest and related income	71 208 777	73 394 982
- Interest and related expenses	22 778 858	23 886 171
Interest margin	**48 429 919**	**49 508 811**
+ Commissions (Income)	15 979 492	16 952 313
- Commissions (Expenses)	2 169 392	2 148 260
Margin on commissions	**13 810 100**	**14 804 053**
+/- Net gains or losses on financial instruments at fair value by result	6 460 605	8 016 358
+/- Net gains or losses on financial assets available for sale	0	0
+/- Net gains or losses on financial instruments at fair value by equity	1 232 891	1 209 742
+/- Net gains/losses resulting from the derecognition of financial assets at amortised cost	3 351	2 174
+ Income of other activities	12 957 847	13 949 361
- Expenses of other activities	11 847 259	12 786 754
Net banking Income	**71 047 454**	**74 703 745**
- General operating expenses	34 383 407	34 722 655
- Depreciation and amortisation excluding intangible and tangible assets	3 703 924	5 341 427
Gross operating income	**32 960 123**	**34 639 663**
- Cost of risk	-9 135 768	-8 798 166
Operating income	**23 824 355**	**25 841 497**
+/- Share of the net income of equity-consolidated companies	132 928	145 024
+/- Net gains or losses on other assets	273 640	138 501
+/- Value change of goodwill	0	0
Income before tax	24 230 923	26 125 022
- Income tax	7 704 910	9 133 071
+/- Net income of discontinued activities or activities being discontinued	0	0
Net income	**16 526 013**	**16 991 951**
Minority shareholdings	**2 615 893**	**2 699 576**
NET INCOME - SHARE OF THE GROUP	**13 910 120**	**14 292 375**

Appendix 36

Core financial soundness indicators- individual basis

	2017	2018	2019
Capital adequacy			
Solvency ratio	13,8	14,7	15,6
Core equity / total weighted risks (CET1)	10,6	10,7	10,8
Non-performing loans net of provisions (as a part of Equity)	15,8	16,5	16,0
Quality of Assets			
Rate of non-performing loans (Non-performing loans/total loans)	**7,5**	**7,3**	**7,5**
Sectoral distribution of loans			
Loans to the primary sector	5,6	5,9	6,4
Loans to the building and public-work sector	11,3	10,5	10,2
Loans to the processing industry	15,3	14,6	13,6
Loans to the general government and local communes	4,9	8,4	8,6
Loans to the trade sector	6,7	6,4	6,4
Loans to the tourist sector	1,8	1,6	1,5
Households	32,6	31,9	31,6
Loans to other sectors	21,8	20,7	21,7
Income and profitability			
Return on assets (ROA)	0,9	0,9	0,9
Return on equity (ROE)	9,5	9,5	9,4
Interest margin / net banking income (NBI)	70,1	71,2	67,5
General operating expenses / NBI	50,6	50,7	50,2
Liquidity			
Liquid assets / total assets	**13,7**	**12,1**	**12,5**
Liquid assets / short-term liabilities	**17,3**	**15,0**	**15,9**
Net open foreign exchange positions / Equity	**7,0**	**6,9**	**3,1**

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