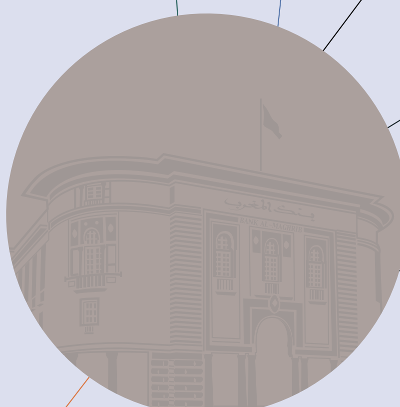
BANK AL-MAGHRIB

Annual report on banking supervision



2020

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Foreword by the Governor

The year 2020 was marked, globally, by the Covid-19 pandemic which caused, by end-December, more than 80 million infections and 2 million deaths. To fight against the spread of the virus, governments introduced restrictive measures, including lockdowns, border closures and travel restrictions. This pandemic in turn led to an economic crisis, with a global recession of 3.6 percent.

In Morocco, the epidemic has affected nearly 440 thousand people and caused nearly 7,400 deaths by the end of 2020. The national economy also suffered due to the protective measures adopted by the authorities, in addition to the impacts of the severe drought that hit the agricultural sector. This situation has resulted in a recession of 6.3 percent.

At the socio-economic level, public authorities reacted quickly by setting up a Special Fund for the Management of the Covid-19 Pandemic, which mobilized 34.5 billion dirhams, to which the banking sector contributed and which provided financial support to businesses and households affected by the crisis. As regards more specifically the measures aiming to support the financing of the economy, moratoriums on loans and cash loans guaranteed by the State have been granted, in addition to direct financial aids that have been channeled to the targeted populations through the network of banks, payment institutions and micro-credit associations, under the auspices of Bank Al-Maghrib.

Against this backdrop, the Bank has, for its part, implemented a common response articulated around several axes.

At the monetary-policy level, the Bank has used all the conventional and non-conventional instruments. It lowered its key interest rate by 75 basis points to 1.5 percent and released the entire mandatory reserve account for banks. It expanded the collateral eligible for the use of liquidity advances and eased its refinancing conditions, particularly for loans to VSMEs. It has also set up refinancing lines through banks to meet the needs of participatory banks and micro-credit associations.

At the prudential level, Bank Al-Maghrib has introduced temporary easing measures relating to the relaxation of the regulatory liquidity buffers until end-June 2020 as well as capital buffers by up to 50 basis points until end-June 2022.

At the same time, Bank Al-Maghrib called on credit institutions to suspend the distribution of dividends for 2019 and invited them to preventively constitute general provisions to provide a cushion against the expected increase in credit risks.

These measures have prevented a contraction in credit, which has increased by 4 percent, reflecting a significant rise in cash loans. Loan loss increased, leading to a 14 percent rise in nonperforming loans and a risk rate of 8.2 percent, compared with 7.5 percent in 2019. The provisioning rate for these nonperforming loans remained stable at 69 percent.

Against this background, the cumulative net income of banks contracted by half on an individual and consolidated basis. With regard to solvency, the solid pre-crisis fundamentals and prudential measures made it possible to maintain capital ratios at 15.7 percent for the average solvency ratio and 11.4 percent for the average Tier 1 capital ratio at the end of 2020.

As regards banking supervision, the Bank had to gear up to the context of the health and economic crisis. In this respect, it has closely monitored the new sources of risk induced by the economic situation and the roll-out by banking actors of the support measures decided by the public authorities.

In this context, it prioritized the day-to-day monitoring of cash withdrawals from banks and the actions taken by them to manage the operational risks induced by the health situation and the massive use of teleworking. Prudential supervision then focused on monitoring the effects of the economic crisis, particularly at the level of the credit portfolio.

Banks have been called upon to conduct two impact studies in coordination with Bank Al-Maghrib, in the 2nd and 4th quarters of 2020. The results of these studies showed overall their good resilience to shock scenarios, confirming the conclusions of the macro-stress tests conducted by the Bank.

In order to provide the banking sector with additional instruments for managing non-performing loans and facilitating their rehabilitation in the crisis context, the Bank, with the support of the World Bank Group, has conducted a study to identify the obstacles to be removed and the levers to be used to create a secondary market for non-performing loans. The Bank is currently working on the implementation of the actions identified with the relevant stakeholders, in order to free up prudential capital and increase the economy's financing potential.

Moreover, the year 2020 was marked by the effective launch in February, on the eve of the pandemic, of the national program for the financing of entrepreneurship, developed by the Ministry of Finance, Bank Al-Maghrib and the banking sector, in execution of the High Royal Instructions. Although it has been interrupted for a long time due to the health crisis, this program has allowed the granting of an outstanding amount of 2.7 billion dirhams to more than 15 thousand beneficiaries.

In the field of participatory finance, the Higher Council of Ulemas labeled the new products "Salam", "Ijara Mountahiya Bittamlik" as well as "Sanad Tamwil", the participatory guarantee of the Central Guarantee Fund.

During the year 2020, the protection of customers has also been at the center of Bank Al-Maghrib's priorities in the context of the crisis. Credit institutions have been called upon to process requests for the extension of the maturity of loans and guaranteed loans with more transparency and speed. Several projects have also been initiated to improve the quality of the bank-customer relationship and promote greater banking competition. These projects include mainly the implementation of a comparator for bank rates and value dates as well as the entry into force of banking mobility and the issuance of guarantee releases after loan repayment.

Moreover, the pandemic crisis has greatly boosted digitalization in financial services, both in terms of the banking offer and users. In this context, the Bank has worked to facilitate the remote opening of payment accounts during the lockdown period and has defined the rules for opening online accounts. A dashboard for monitoring digital financial services has been developed with stakeholders to better assess progress and the necessary accompanying measures.

The Covid-19 crisis, with its global systemic scope, has also reminded us of the need to ensure a rapid and orderly transition to a green and sustainable economy. The climate and environmental emergency calls for immediate mobilization to avoid large-scale shocks that could threaten the balance of natural ecosystems at the global level, which in turn would have systemic impacts on human life at the health, social and economic levels.

Aware that the financial sector should play a key role in this area and concerned about the threats posed by climate risks to financial stability, Bank Al-Maghrib has included the greening of the financial system among its priorities. In this regard, it is committed at the international level to contribute to the actions of the Network for Greening the Financial System (NGFS) and the Alliance for Financial Inclusion (AFI). At the national level, it has launched several projects aimed at establishing the basis for climate risk management at bank-level and promoting the role of the banking sector in the transition towards a green finance that respects environmental imperatives.

All in all, this unprecedented crisis calls on us, we regulators and the banking sector, to adapt to the new paradigms brought about by the pandemic and to seize the opportunities to consolidate financial stability, while catalyzing our efforts to achieve a more inclusive, innovative and sustainable finance.

Highlights of the year 2020

February 10	Meeting with the representatives of the Directorate General for Financial Stability, Financial Services and Capital Markets Union on the European Commission's draft directive on the identification of third countries with insufficient AML/FT arrangements.
February 19	Participation of Bank Al-Maghrib in the cross-sector meeting of the Bank for International Settlements (BIS) on climate risks' assessment and supervision.
February 25	Participation of Bank Al-Maghrib in the 6th meeting of the Steering Committee of the Network of Central Banks for the Greening of the Financial System (NGFS).
March 24	Holding of the meeting of the Board of Directors of the Moroccan Center for Banking Mediation under the chairmanship of the Wali.
March 24	Meeting of the Board of Directors of the Moroccan Deposit Insurance Corporation (SGFG), under the chairmanship of the Wali.
June 19	Participation of Bank Al-Maghrib in the 7th meeting of the NGFS Steering Committee.
July 6	Holding of the 17th meeting of the Financial Stability Committee of Bank Al-Maghrib.
July 6	Holding of the 11th meeting of the Systemic Risk Coordination and Monitoring Committee.
September 9	Holding of the first annual meeting of the AFI working group on inclusive green finance, co-chaired by Bank Al-Maghrib.
September 23	Participation of Bank Al-Maghrib in the 8th meeting of the NGFS Steering Committee.
November 5	Organisation, by Bank Al-Maghrib, of the 6th meeting of the College of Supervisors of the Crédit Populaire du Maroc Group.
November 18	Participation of Bank Al-Maghrib in the 9th meeting of the NGFS Steering Committee.
November 24	Presentation by the Wali to the Finance and Economic Development Commission of the House of Representatives on the measures taken by Bank Al-Maghrib in response to the Covid-19 crisis.
December 4	Organisation, by Bank Al-Maghrib, of the 6th meeting of the College of Supervisors of the BMCE Bank group.
December 7	Holding of the meeting of the Group of the French-speaking Banking Supervisors (GSBF) under the chairmanship of Bank Al-Maghrib.

December 7	Participation of Bank Al-Maghrib in the half-yearly meeting of the Committee of Arab Supervisors supported by the Arab Monetary Bank (AMB).
December 9	Meeting of the Wali with the Board of the Professional Group of Banks of Morocco (GPBM).
December 10	Participation of Bank Al-Maghrib in the 37th meeting of the Islamic Financial Services Board (IFSB).
December 18	Organisation, by Bank Al-Maghrib, of the 7th meeting of the College of Supervisors of Attijariwafa Bank Group.
December 29	Holding of the 18th meeting of the Financial Stability Committee of Bank Al-Maghrib.
December 29	Holding of the 12th meeting of the Systemic Risk Coordination and Monitoring Committee.
December 30	Holding of a meeting between Bank Al-Maghrib and the parliamentary exploratory Commission on credit institutions and similar entities.

Key figures of the banking system

I. Structure of the banking system

- Number of credit institutions and similar entities : 91

- Banks : 24
  - including participatory banks : 5
  - including participatory windows : 3
- Finance companies : 27
- Offshore banks : 6
- Microcredit associations : 12
- Payment institutions : 20
- Other establishments[1] : 2

- Network:

- **Conventional and participatory banks**
  - In Morocco:
    - 6,510 bank agencies, equalling 5,500 inhabitants per counter
    - 7,734 automated teller machines (ATM)
  - Abroad: 51 subsidiaries and 22 branches with 1,710 points of sale
    - including in Africa: 45 subsidiaries and 4 branches
- **Payment institutions: 11,935**
- **Micro-credit associations: 1,770**

- Number of credit institutions and similar entities in Morocco: 56,646

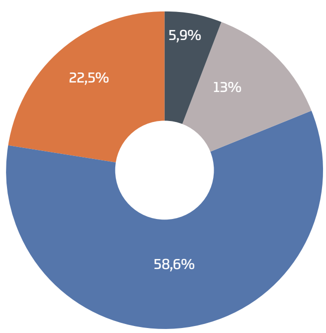
1 Including one guarantee institution with a participatory window.

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

Amount in billion dirhams	2018	2019	2020
Total balance sheet	1,341	1,415	1,491
Loans by disbursement (net of provisions) [1]	854	893	925
Customers' deposits	928	955	1,003
Equity (excluding profit for the year)	121	134	143
Net banking income	47.2	49.5	49.5
Gross operating income	23.8	25.5	26.7
Net income	11.1	12	6.8
Average yield of assets	4.35%	4.42%	4.12%
Average cost of liabilities	1.37%	1.33%	1.21%
Average operating ratio	50.7%	50.2%	50.0%
Return on assets (ROA)	0.9%	0.9%	0.5%
Return on equity (ROE)	9 .5%	9.4%	4.8%
Nonperforming loans ratio (NPL)	7.3%	7.5%	8.2%
NPL coverage ratio	69%	69%	69%

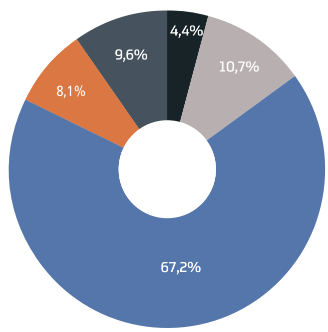
[1] Including loans to finance companies

Structure of banks' assets 2020



- Due from credit institutions and similar entities
- Due from customers
- Securities portfolio
- Other assets

Structure of banks' liabilities - 2020



- Due to credit institutions and similar entities
- Customers' deposits
- Bond debts
- Capital at book value
- Other liabilities

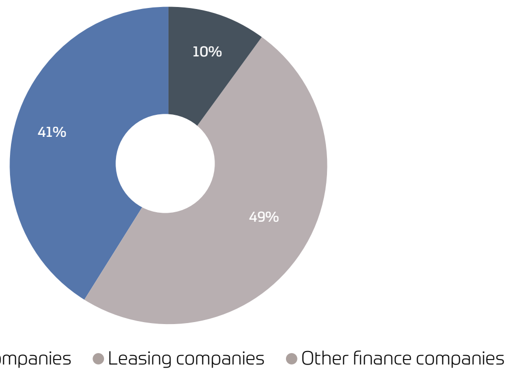
III. Activity and profitability indicators of participatory banks

Amount in million dirhams	2018	2019	2020
Total balance sheet	7,061	12,151	16,787
Loans by disbursement (net of provisions)	3,125	6,519	9,750
Customers' demand deposits	1,548	2,557	3,807
Equity (excluding profit for the year)	2,226	2,312	2,405
Net banking income	67	202	337
Gross operating income	-364	- 414	-321
Net income	-377	-425	-351

IV. Activity and profitability indicators of finance companies

Amount in billion dirhams	2018	2019	2020
Total balance sheet	117	123	121
Loans by disbursement (net of provisions)	105	111	108
Net banking income	5.7	5.7	5.4
Gross operating income	3.6	3.6	3.3
Net income	1,4	1,5	0,2
NPL ratio	9.2%	9.9%	11.8%
Return on assets (ROA)	1.2%	1.3%	0.1%
Return on equity (ROE)	13.3%	13.7%	1.4%

Share of each category of finance companies in total assets - 2020



V. Activity and profitability indicators of offshore banks

Amount in billion dirhams	2018	2019	2020
Total balance sheet	40.4	42.3	38.2
Outstanding loans (net of provisions)	18.3	17.9	16.9
Customers' deposits	6.4	8.8	9.3
Net income	0.5	0.3	0.4

VI. Activity and profitability indicators of microcredit associations

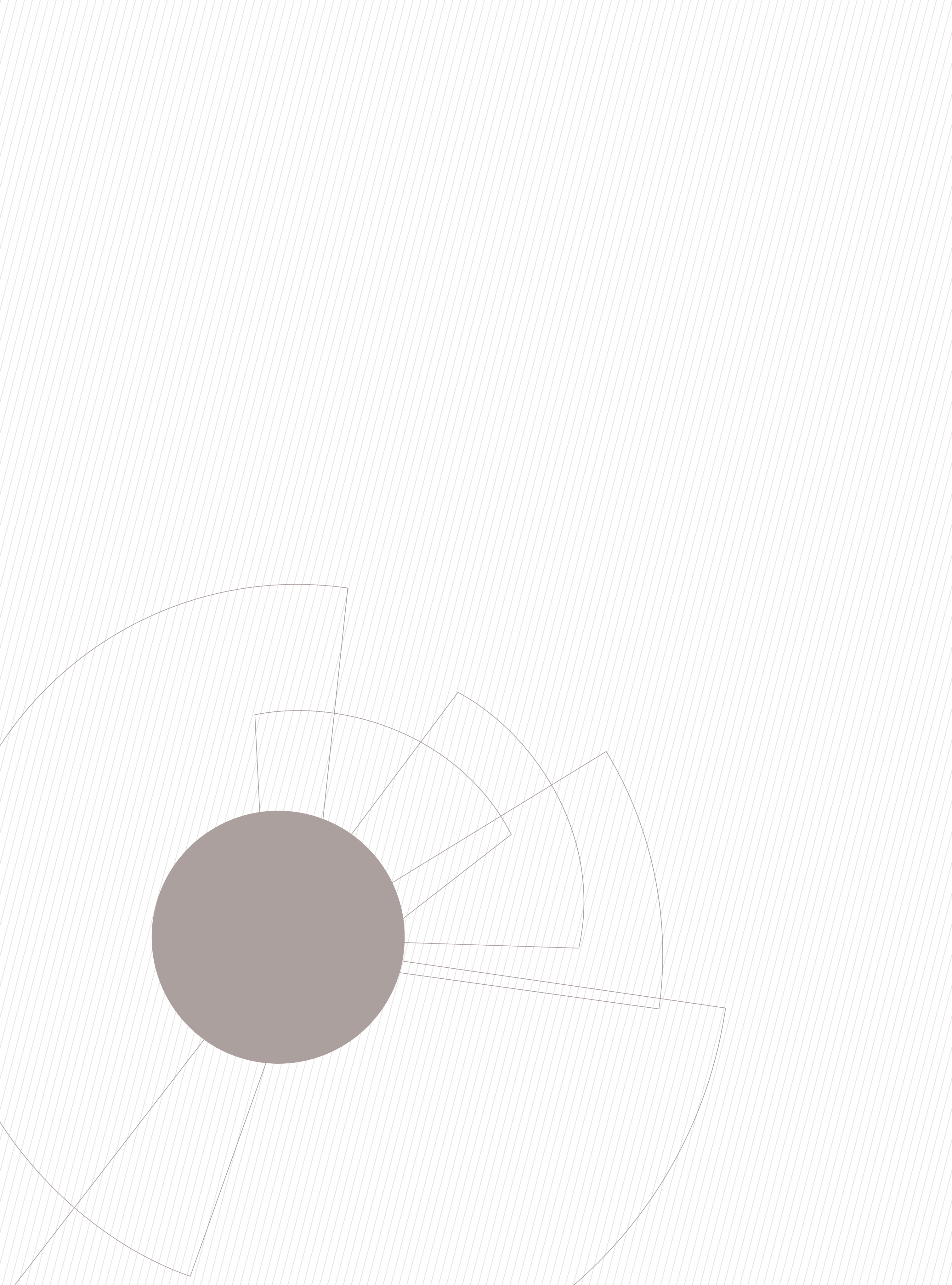
Amount in billion dirhams	2018	2019	2020
Total balance sheet	7.9	8.1	8.6
(Gross) outstanding loans	6.8	7.5	8.1
NPL ratio	3,0%	3.1%	8,3%
Net income	0.19	0.21	-0.24

VII. Activity and profitability indicators of payment institutions

Amount in billion dirhams	2018	2019	2020
Network	4,498	6,024	11, 935
Including own	880	987	1,071
Including agents	3,618	5,037	10,864
Number of payment accounts	59,019	514,827	2,657,384
Accepting traders	8,096	10,895	27,770
Retail agents	-	341	2 432
Volume of transactions carried out via payment accounts	12.7	173.1	1,171.7
Funds transfer volume	59,337	64,056	78,723
Total balance sheet	2,346.8	2,678.7	2,920.6
Net income	159.2	165	56

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

Amount in billion dirhams	2018	2019	2020
Total balance sheet	1,673	1,793	1,884
Loans by disbursement to customers (net of provisions)	1,037	1,104	1,133
Customers' deposits	1,128	1,186	1,253
Equity-group share	130	146.6	146.5
Net banking income	71	75	77
Gross operating income	33	35	33
Net income-group share	13.9	14.3	6.8
Average operating ratio	53.6%	53.6%	56.8%
Return on assets (ROA)	0.8%	0.8%	0.4%
Return on equity (ROE)	10.7%	9.7%	4.6%



Structure, activity, profitability and risks of the banking sector

Part 1

CHAPTER 1.
STRUCTURE OF THE BANKING SYSTEM

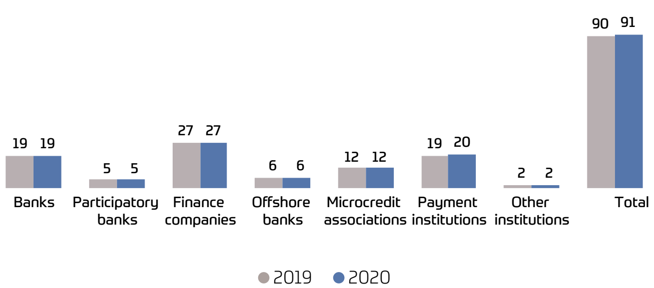
In 2020, the structure of the banking system remained broadly stable, except for the payment institutions' sector, which now counts a new operator with a license to offer payment account-backed services.

Having decelerated in previous years, the banking network declined in 2020, in favour of an increasing use of digital channels

I. Structure and shareholding of the banking system

The number of credit institutions and entities subject to the control of Bank Al-Maghrib totalled 91 institutions in 2020, including 19 conventional banks, 5 participatory banks, 27 finance companies, 6 offshore banks, 12 micro-credit associations, 20 payment institutions, the Deposit and Management Fund (CDG) and the Central Guarantee Fund (CCG). Bank Al-Maghrib's control also covers 4 participatory windows, one of which is specialized in financing guarantees.

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



Out of the 51 credit institutions, 7 banks and 7 finance companies have a majority foreign ownership. The number of institutions with majority state-ownership is 11, including 7 banks and 4 finance companies.

The number of listed credit institutions was still 10 in 2020, including six banks and four finance companies. These institutions represent almost 34 percent of market capitalization, down 2.7 points from last year.

Abroad, the banking groups have 51 subsidiaries and 22 branches in 35 countries, including 27 in Africa, 7 in Europe and one in Asia. They also have 52 representative offices in 17 countries located mainly in Europe.

In Africa, Moroccan banking groups are present through 45 subsidiaries and 4 branches in 10 countries in West Africa (8 of which are in the West African Economic and Monetary Union zone), 6 in Central Africa, 6 in East Africa, 3 in North Africa and 2 in Southern Africa.

In the rest of the world, they are present, through 6 subsidiaries and 18 branches, in 7 countries in Europe and in China.

II. Change in the banking network

After a slight increase of 0.6 percent in 2019, the banking network decreased by 0.4 percent in 2020. Thus, the number of bank branches fell by 29 agencies to 6,510. This change is the result of a decrease of 50 agencies for conventional banks, as part of an effort to optimize their network, and an increase of 21 agencies for participatory banks.

This change comes amid a digitalization wave in the banking sector, with banks making increasing the use of digital channels.

Bank density, measured by the number of inhabitants per branch, reached 5,500 compared to 5,400 a year earlier. The number of branches per 10,000 inhabitants reached 1.8.

Chart 2: Change in the banking network

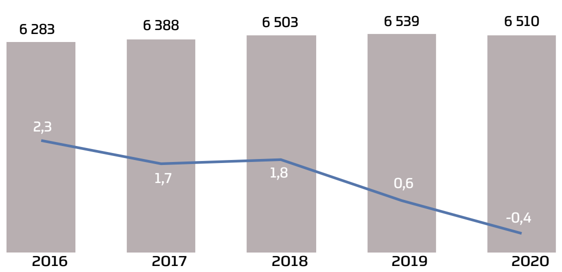
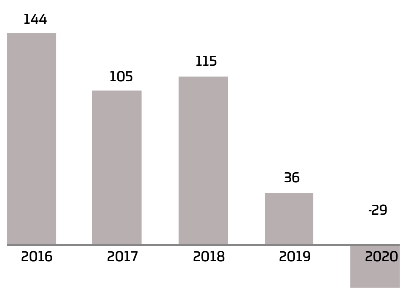


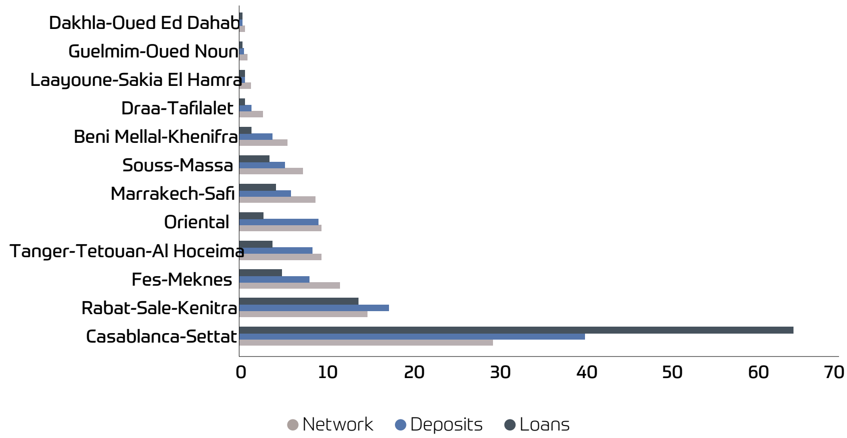
Chart 3: Number of additional branches opened annually



● Number of bank branches — Change in the number of bank branches (in %)

The regional breakdown of bank branches, deposits and loans remained broadly stable in 2020. The Casablanca-Settat region continues to hold the leading position, with a 29 percent share for branches, 39 percent for deposits and 64 percent for loans. It is followed by the region of Rabat-Salé-Kenitra which holds 15 percent of the banking network, 16 percent of deposits and 16 percent of loans. The region of Fez-Meknes comes third, with 11 percent of branches, 8 percent of deposits and 4 percent of loans.

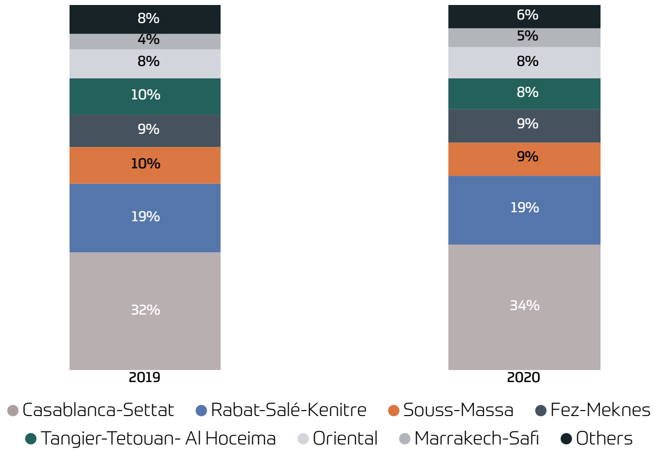
Chart 4: Share of each region in the total banking network, deposits and loans (%)



Regarding Tangier Offshore zone, banks have 5 branches and one subsidiary, unchanged from previous years.

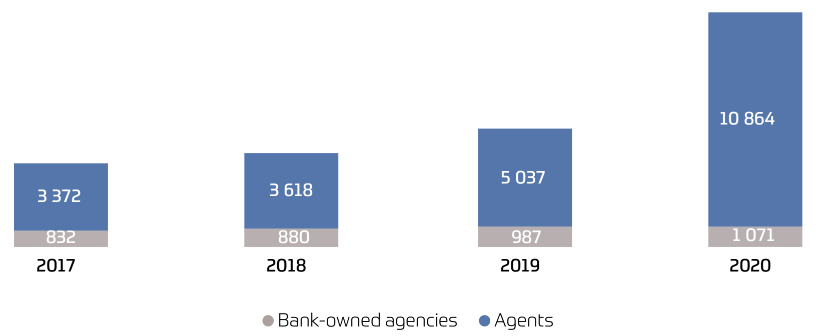
As for participatory banks and windows, their network of branches and dedicated spaces increased to 154 branches against 133 in 2019. Almost 53 percent of this network is located in the region of Casablanca-Settat and Rabat-Salé-Kenitra.

Chart 5: Change in the participatory banking network by region (in %)



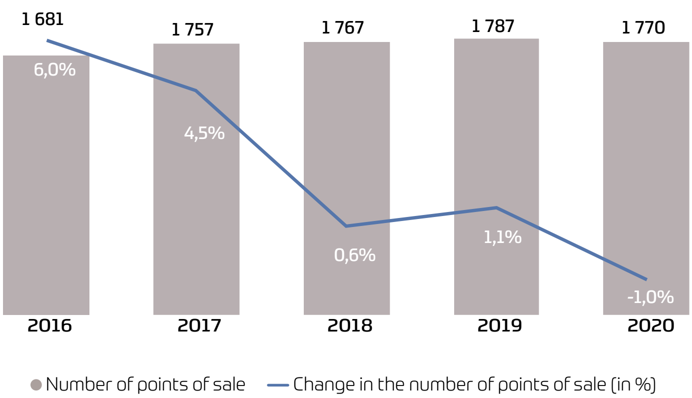
Following the start of the payment services activity by the institutions having the relevant authorizations, the network of payment institutions recorded a significant increase of 98.1 percent, with the opening of 5,911 new points of sale, or an additional 78 bank-owned agencies and 5,827 points of sale of the representative payment agents. The network reached a total of 11,935 points of sale.

Chart 6: Change in the network of payment institutions



As regards the network of microcredit associations, after an increase of 1.1 percent in 2019, this network recorded a decline of 1 percent to 1,770 points of sale in 2020.

Chart 7: Change in the network of micro-credit associations

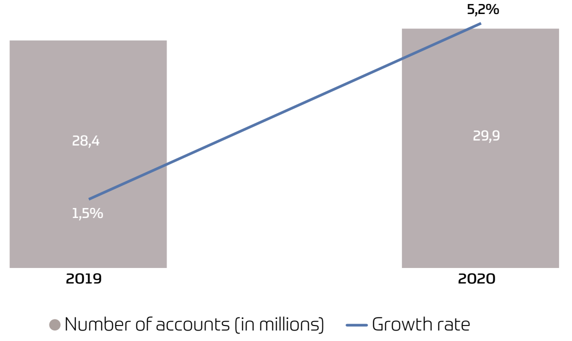


III. Change in the number of bank accounts

At the end of 2020, the number of bank accounts opened on the books of banks recorded an annual increase of 1.5 million (or +5.2 percent), to stand at approximately 29.9 million[2].

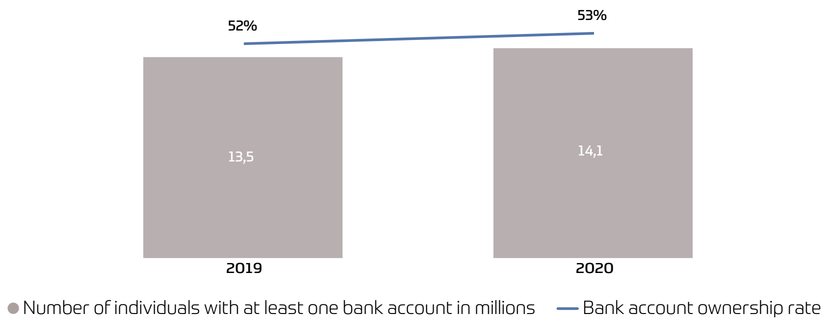
2 Based on data from the central bank accounts.

Chart 8: Change in the number of bank accounts (%)



The number of individuals (excluding Moroccans living abroad) with at least one bank account increased by 4.5 percent year-on-year, to 14.1 million. The bank account ownership rate improved during the year to 53 percent from 52 percent in 2019.

Chart 9: Change in the bank account ownership rate (number of individuals with at least one bank account/population >15 years old)



By gender, the number of men holding at least one bank account stood at 8.8 million at the end of 2020, compared with 8 million in 2019 (+8.2 percent). The number of women holding at least one bank account increased to 5.4 million from 4.9 million a year earlier (+8.8 percent).

IV. Change in bank cards and automated teller machines

The number of bank cards in circulation increased by 6.3 percent to 17.2 million at the end of 2020, most of which continues to be used for cash withdrawals. At the same time, the number of automated teller machines (ATMs) increased by 1.6 percent, after 4.4 percent the previous year, to 7,734 units. As ATMs are generally located at the level of bank branches, this slowdown is linked to the change in the bank branch network.

Chart 10: Change in the number of bank cards in circulation (in millions)

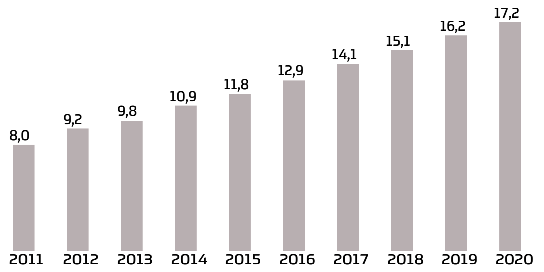
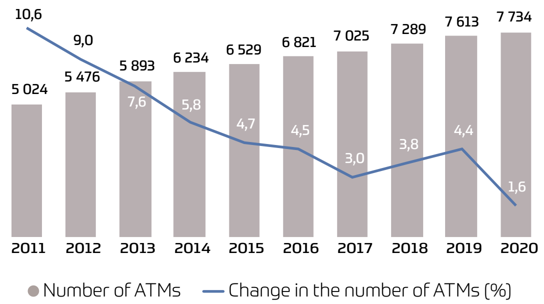


Chart 11: Change in ATMs



V. Change in the number of payment accounts

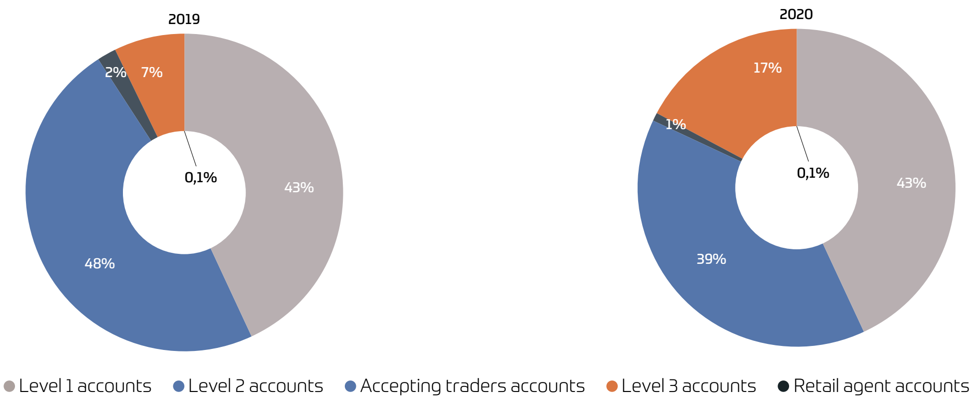
Based on the data collected from the 13 operational payment institutions, the number of payment accounts opened by the end of 2020 totaled 2,687,586 accounts, compared to 526,063 a year earlier, 99 percent of which are held by individuals. This number includes 43 percent for Level 1 accounts, 39 percent for Level 2 accounts and 17 percent for Level 3[3] accounts.

Accepting traders and retail agents opened 30,202 accounts, 98 percent of which were held by the former, compared with 11,236 accounts opened a year earlier.

Out of these accounts, 236,259 are considered active[4], or 8.8 percent of accounts opened at the end of 2020.

3 These accounts are defined in Box 1.
4 An account is considered active if it recorded at least one transaction during the previous quarter.

Chart 12: Share of opened[5] payment accounts, by category, by year



Payment institutions collected 1.2 billion dirhams through payments made to payment accounts, compared to 173.1 million dirhams at the end of 2019, almost 73 percent of which was subsequently withdrawn. The balance of payment accounts stood at 74.8 million dirhams, compared to 9.7 million dirhams at end-December 2019.

In 2020, 91 percent of the transactions carried out on these accounts concerned cash payments and/or withdrawals. Payment transactions made via mobile phones represent 5 percent of overall transactions, against 4 percent for transactions carried out by other means of payment (Internet, card, transfer and direct debit).

For their part, banks opened 730,050 electronic accounts (m-wallets), backed by bank accounts, compared with 371,116 at end-December 2019. Almost all of these m-wallets are held by individuals, with accounts held by accepting traders making up about 1 percent, i.e 9,512 accounts compared with 1,151 accounts in 2019.

5 This is the stock of accounts opened at the closing date.

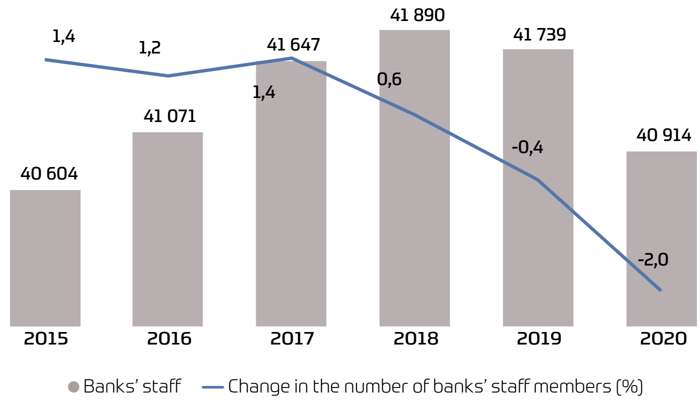
Box 1:
Definition of payment accounts

- **Payment account:** refers to any account held in the name of a payment service user and used exclusively for payment transactions (Article 16 of the Banking Law). There are 3 categories of payment accounts defined according to the ceiling set for them, which determines the vigilance measures applicable to them. Level 1 accounts have a limit of 200 dirhams, Level 2 accounts can have a balance of up to 5,000 dirhams and Level 3 accounts have a limit of 20,000 dirhams. Payment accounts may not be in a debit position at any time.
- **Accepting traders' payment accounts**: these are payment accounts opened by accepting traders with payment institutions in order to make payments to their suppliers and creditors, but also to host payments received from their customers via payment accounts and/or m-wallets.
- **Retail agent's payment account:** Retail agents mandated by payment institutions to offer payment services (opening Level 1 accounts and making cash deposits and withdrawals from payment accounts) are required to open an «agent's payment account» with the mandating institution(s). The retail agent can only carry out the transactions for which it has been mandated within the limit of the available balance of the said account (Article 14 of Bank Al-Maghrib Circular n°6/W/2016).
- **M-wallet:** means of payment issued either on a payment account held by a payment institution or on a bank account held by a bank. With this wallet, the following operations can be carried out in an electronic and digitized way,
  - Money transfers from person to person (P2P);
  - Traders' payment transactions;
  - Cash withdrawals and deposits.

VI. Staff of credit institutions and similar entities

At the end of December 2020, the staff of credit institutions and similar entities stood at 56,646 employees, down 0.9 percent compared to 2019, more than 74 percent of which are employed by banks, 14 percent by micro-credit associations, 6 percent by finance companies, 5 percent by payment institutions and 1 percent by other institutions.

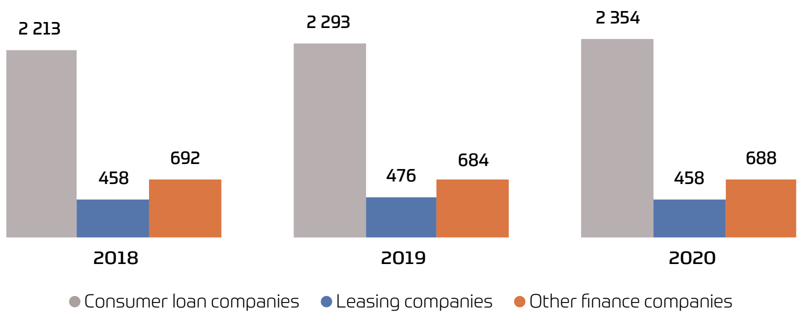
Chart 13: Change in the number of conventional banks' staff members in Morocco



The number of bank employees fell by 2 percent to 40,914, down 825 employees, against a backdrop of contracting banking network, the digitalization of processes and the health crisis. Out of this staff, 42 percent are aged between 25 and 35, 36 percent between 35 and 50 and 18 percent over 50. The share of women in the total staff increased to 53 percent from 50 percent.

The finance companies' sector employed 3,500 staff members, or 47 people more than in 2019 (+1.4 percent), 51 percent of whom are men and 49 percent women. While the staff of leasing companies fell by 3.8 percent, that of consumer credit companies and other finance companies rose by 2.7 percent and 0.6 percent, respectively.

Chart 14: Change in the staff of finance companies

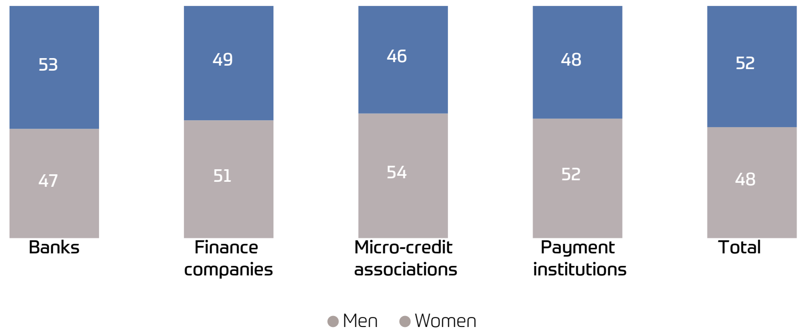


For its part, the number of staff employed by micro-credit associations increased by 0.7 percent in 2020, compared to 1.4 percent one year earlier, to 7,992 persons, 46 percent of whom are women.

Payment institutions employ 2,745 staff members, up 6.2 percent, 52 percent of whom are men and 48 percent women. By age group, 62 percent of the staff members are between 25 and 35 years old, followed by 21 percent for the 35-50 age group and 12 percent for the age group under 25 years.

In total, the breakdown of the staff of credit institutions and similar bodies by gender shows that 52 percent of them are women and 48 percent men.

Chart 15: Breakdown of the staff of credit institutions and similar entities by gender - 2020 (in %)

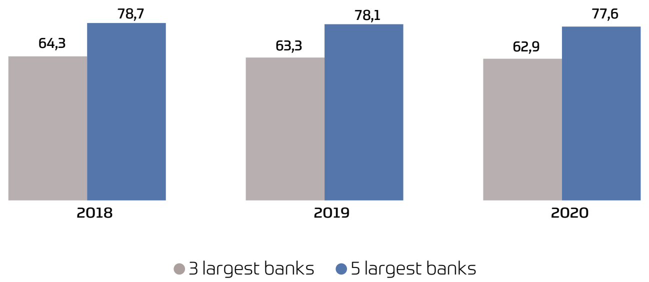


VII. Banking concentration

1. Concentration of banking activity on an individual basis

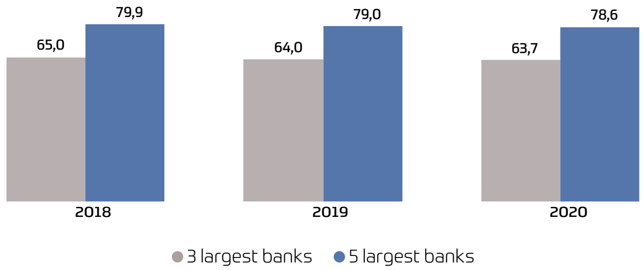
In 2020, the concentration level of the banking activity continued the downtrend started in recent years. The share of the three major banks in the sector's total assets stood at 62.9 percent, compared to 63.3 percent a year earlier, and that of the five largest banks stood at 77.6 percent, compared to 78.1 percent.

Chart 16: Concentration of banks' total assets (%)



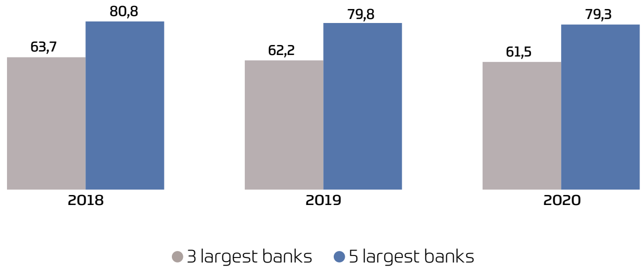
The same trend is recorded for deposits, with the top three banks collecting nearly 63.7 percent of deposits compared to 64 percent a year earlier and the top five holding a 78.6 percent share compared to 79 percent in 2019.

Chart 17: Concentration of banks' deposits (%)



In terms of credit, the top three banks accounted for 61.5 percent of the distributed loans, compared with 62.2 percent in 2019, and the five largest banks accounted for 79.3 percent of the financing, compared with 79.8 percent.

Chart 18: Concentration of loans granted by banks (%)



By shareholding status, privately-owned banks with a majority Moroccan capital hold 54 percent of branches, against 53.5 percent in 2019. This share stands at 64 percent for total assets, 64.4 percent for deposits and 62.3 percent for loans, against 64.2 percent, 64.6 percent and 62.9 percent, respectively, a year earlier.

Chart 19: Concentration according to the status of banks' shareholding - 2020 (in %)

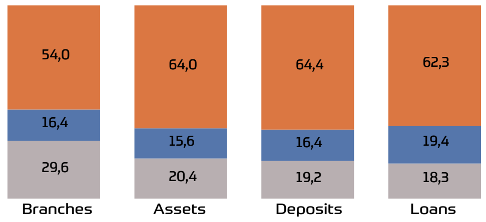
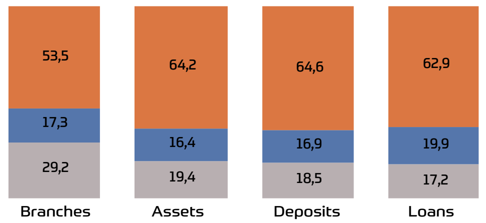


Chart 20: Concentration according to the status of banks' shareholding - 2019 (in %)



Majority state-owned banks Majority foreign-owned banks Majority Moroccan privately-owned banks

The market share of majority foreign and privately-owned banks declined in terms of network to 16.4 percent (-0.9 point), total assets to 15.6 percent (-0.8 point), deposits to 16.4 percent (-0.5 point) and loans to 19.4 percent (-0.5 point).

As to majority state-owned banks, they strengthened their market share in terms of network to 29.6 percent (+0.4 points), total assets to 20.4 percent (+1 point), deposits to 19.2 percent (+0.7 points) and loans to 18.3 percent (+1.1 points).

2. Concentration of the activity of finance companies

At the end of 2020, the share held by the three largest consumer credit companies in the sector's total assets stood at 60 percent, down 1 point year-on-year. The share of the top five companies stabilised at 87 percent. The companies affiliated to financial groups, seven in total, account for 95 percent of total assets, the same share as the previous year.

Chart 21: Concentration of the total assets of consumer loan companies (%)

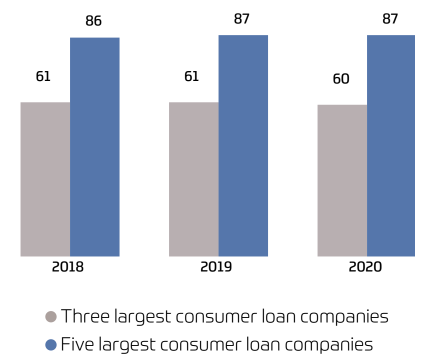
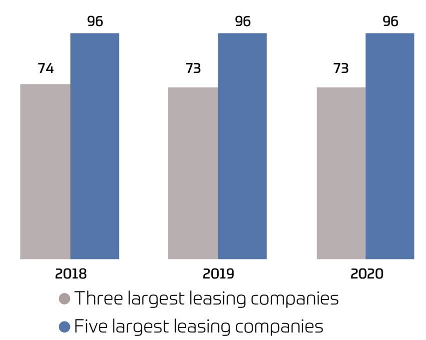


Chart 22: Concentration of the total assets of leasing companies (%)



In the leasing sector, the shares of the top three and five companies were 73 percent and 96 percent respectively at the end of 2020, unchanged from 2019.

3. Concentration of the activity of payment institutions

The contribution of the top three payment institutions to total remittances is relatively stable (89.4 percent in 2020 compared with 89.6 percent in 2019) and that of the top five institutions is down slightly by 0.4 percentage points to 97.6 percent.

Three payment institutions account for almost 77 percent of the volume of transactions on payment accounts, compared with 88 percent for the top five institutions.

4. Concentration of the activity of microcredit associations

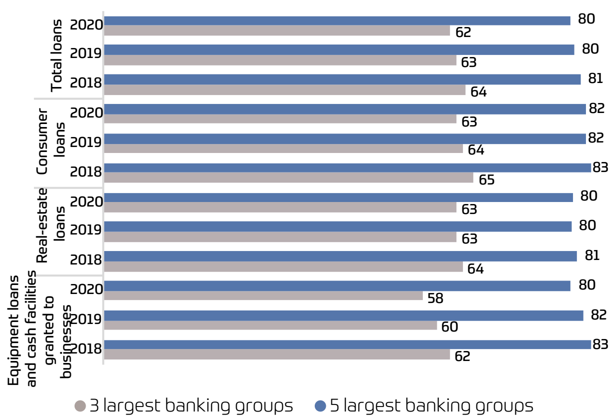
The contribution of the top 3 micro-credit associations to the distribution of loans reached 93 percent at the end of 2020 and that of the top 5 associations 98 percent.

5. Concentration of banking activity on a consolidated basis

On a consolidated basis, the concentration level of the credit activity of the top 3 banking groups fell by one point to 62 percent compared to 2019, while the share of the top 5 groups stabilized at 80 percent.

The analysis by purpose shows that, for cash facilities and equipment loans, the share of groups fell by two points to 58 percent for the first three groups and 80 percent for the first five groups. Concerning real-estate loans, these shares remained stable at 63 percent and 80 percent, respectively. As for consumer loans, the share of the first three groups dropped by one point compared to last year, or 63 percent, while that of the first five groups stabilized at 82 percent.

Chart 23: Change in the concentration of loans on a consolidated basis



CHAPTER 2.
ACTIVITY AND PROFITABILITY OF CREDIT INSTITUTIONS AND SIMILAR ENTITIES

The year 2020 was marked by an unprecedented health and economic crisis, which caused a sharp contraction in the global economy. In Morocco, a general lockdown was imposed in the second quarter of 2020 and health restrictions were maintained for the rest of the year. The national economy was thus severely hit by the results of the protective measures introduced to fight against the virus, in addition to the impact of drought on the performance of the agricultural sector. This resulted in a 6.3 percent recession.

The government and Bank Al-Maghrib have taken a series of accompanying and support measures to limit the impact of the crisis on economic activities.

These measures have made it possible to support bank credit. As to the profitability of banks, it has significantly decreased due in particular to the contraction of some activities during the general lockdown and the increase in the cost of risk.

I. Activity and profitability of banks on an individual basis

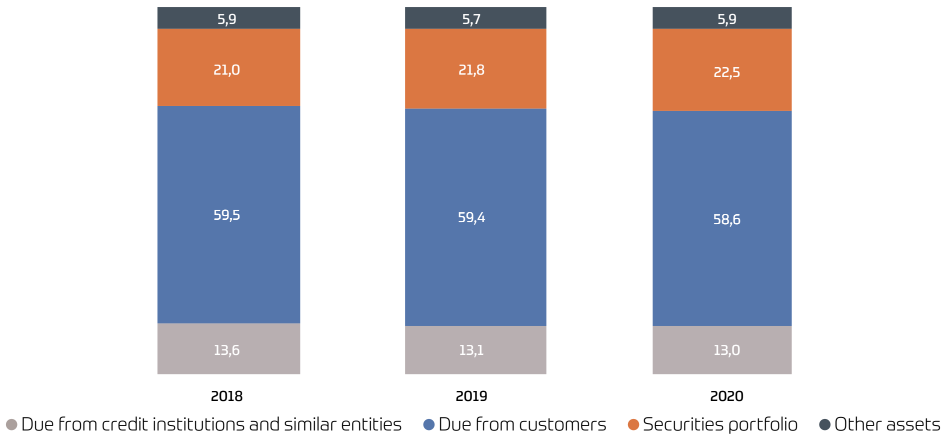
The cumulative assets of banks increased by 5.4 percent, or the same rate as the previous year, to 1,491.4 billion dirhams. As a ratio to the gross domestic product (GDP), it represented 139 percent, with an increase of 16 points compared to the previous year, induced notably by the strong economic recession.

On the assets side, this trend reflects a rise in loans, in particular cash loans, and the securities portfolio. On the liabilities side, it covers the rise of deposits collected from customers and debts to credit institutions.

1. The increase in assets reflects the rise of debt and securities portfolios

The structure of banks' total assets was marked by a decrease in the share of loans to customers by 0.8, to 58.6 percent, and a rise in the securities portfolio by 0.7 point, to 22.5 percent. As regards loans to credit institutions, their share remained at 13.0 percent.

Chart 24: Structure of banks' assets (%)

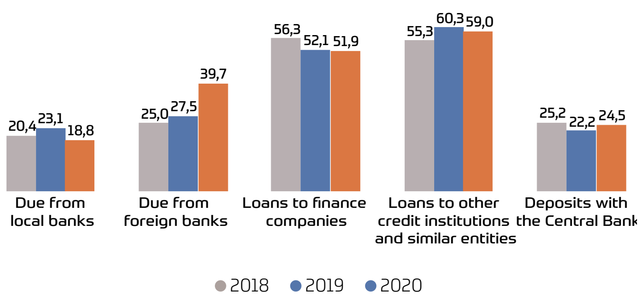


Foreign-currency denominated banks' assets stabilised at 8.6 percent, almost 4.4 percent of which were claims on non-residents.

1.1 The increase in claims on credit institutions and similar entities is mainly due to the rise in claims on foreign banks

After going up 1.7 percent in 2019, claims on credit institutions and similar entities increased by 4.7 percent to nearly 193.9 billion dirhams. This trend covers, on the one hand, an increase in claims on foreign banks and deposits with the Central Bank, and on the other hand, a decrease in claims on local banks, credit institutions and similar entities and finance companies.

Chart 25: Banks' claims on credit institutions and similar entities (In billion dirhams)



Claims on local banks, amounting to 18.8 billion, fell by 18.8 percent after recording a rise of 13.4 percent a year earlier. Out of this total, cash loans, which are volatile in nature, dropped by 24.6 percent to nearly 10 billion dirhams, against a rise of 24.3 percent. As for securities received under repurchase agreements, they contracted again by 25.4 percent, after falling 5.7 percent the previous year. Financial loans amounted to 5.6 billion, a slight increase of 0.2 percent compared to 7.8 percent a year earlier.

Claims on banks with headquarters abroad increased by 44.2 percent to 39.7 billion, following a 10.3 percent rise in 2019, reflecting a 40.6 percent surge in the stock of foreign currency accounts. As to claims on other credit institutions and similar entities, they declined by 2 percent, to 59 billion dirhams.

After falling 11.9 percent in the previous year, banks' deposits with the Central Bank showed, at the closing date, an increase of 10.2 percent to 24.5 billion. As regards loans granted by banks to finance companies, their outstanding amount decreased by 0.4 percent to 51.9 billion against a fall of 7.4 percent in 2019.

By currency type, foreign currency-denominated claims on credit institutions and similar entities increased by 12 percent to nearly 61 billion dirhams, reflecting a rise in investments with foreign banks. To a lesser extent, dirham-denominated ones increased by 1.6 percent to 133 billion, after a 2 percent decrease in 2019.

1.2 Against a backdrop of the crisis, credit granting was backed by State-guaranteed loans

Gross outstanding loans amounted to 969 billion dirhams, with an increase of 4.1 percent, which follows the 4.5 percent rise recorded in 2019. This increase was supported in particular by the State-guaranteed loans granted to meet the cash flow needs of businesses impacted by the effects of the health crisis during the lockdown and to help the recovery of the post-lockdown activity. As a percentage of GDP, this outstanding amount represented 91 percent compared to 81 percent at the end of 2019, or 10 points higher than in 2019, in relation to the strong economic recession recorded in 2020.

To support crisis-hit households and companies, and as part of the measures decided with the authorities, the banking sector granted moratoria on loans, mostly during the second quarter of 2020. After this first phase of moratoria, credit institutions were led, on a case-by-case basis and depending on the nature of the activity, to grant new moratoria.

Box 2:
Credit-support measures implemented in the Covid-19 context

1. Moratorium on bank credits

- From the start of the health crisis, and in accordance with the recommendation of the Economic Monitoring Committee[6], banks, consumer credit companies and leasing companies set up a mechanism to postpone, without fees or penalties, loan and leasing maturities by 3 to 4 months, for the benefit of private and public sector companies, resident individuals and Moroccan expats experiencing difficulties related to the Covid-19 crisis. This measure was subsequently extended for some sectors, notably following the signing of dedicated programme-contracts with the State.
- Since their implementation, these moratoria have concerned, at the end of December 2020, an outstanding loan amount corresponding to an outstanding capital of 116 billion dirhams, or 11.2 percent of the outstanding loans distributed by the various credit institutions. For these loans, the amount of deferred maturities totalled 9.6 billion dirhams. 58 percent of these moratoria benefited households and 42 percent of them companies. For the latter, the loans having benefited from moratoria concern very small and medium-sized enterprises (VSMs) up to 78 percent and large enterprises up to 22 percent. By activity sector, the industrial and hotel and restaurant sectors each accounted for 13 percent of the credits carried over, followed by the transport and communication sector (11 percent), the trade sector (10 percent) and construction (9 percent).

2. State-guaranteed loan programme

The Central Guarantee Fund (CCG) has introduced two types of guaranteed loans:

2.1. Damane Oxygène» guaranteed loans (*)

The cash flow loan called «Damane Oxygène» was set up during the lockdown phase to meet the cash flow needs of SMEs and intermediate-size companies that experienced a drop in activity due to the Covid-19 health crisis. The State guarantee covers for up to 95 percent the exceptional overdrafts intended to meet the current expenses of businesses that cannot be postponed or suspended. The Damane Oxygène loan is granted at the key rate plus a maximum of 200 basis points. It is repayable, in fine, on 31 December 2020. At that date, the beneficiary company has the option of converting the overdraft into a medium-term loan.

At late 2020, this programme covered 49,489 loans for an outstanding amount of 17.7 billion dirhams with a transformation rate of around 44 percent. This rate increased to 94 percent at end-May 2021 after the completion of transformation formalities. SMEs have benefited from up to 63 percent of the outstanding amount, VSEs 24 percent and intermediate-size companies 13 percent. By activity sector, a quarter of the volume of loans authorised was granted to companies operating in the industrial sector, 20 percent in the trade sector and 19 percent in the construction sector.

6 Role and composition are defined in box 14

2.2. «Damane Relance» Guaranteed loans (*)

The «Damane Relance» cash loan was set up during the post-lockdown period to meet the needs of all business categories for the re-launch of their activities. The state guarantee varies between 80 and 90 percent of the amount of the credit granted, depending on the size of the company. The Damane Relance loan is granted at the key rate plus a maximum of 200 basis points. It is repayable over a period not exceeding 7 years, including a maximum 2-year grace period. Specific products have been developed for the hotel and property development sectors.

At the end of 2020, this programme covered 35,245 loans with an outstanding amount of 35.3 billion dirhams. SMEs benefited from 59 percent of the outstanding amount, VSEs 17 percent, intermediate-size companies 10 percent and large enterprises 13 percent. By activity sector, one third of the volume of authorised loans was granted to companies operating in the industrial sector, 23 percent to those in the trade sector and 16 percent to those in the construction sector. The disbursement rate of these loans reached 60 percent at the end of 2020.

(*) Source: CGC data

The year 2020 was also marked by the start of the Support Program for Enterprises' Financing (PIAFE) in February with the launch of a credit offer called Intelaka.

Box 3:
Guaranteed loans for entrepreneurship «Intelaka

In line with the High Directions of His Majesty King Mohammed VI, in his speech of October 11, 2019 at the opening of the autumn parliamentary session, an integrated national program for the support and financing of small businesses and project holders has been set up by the Ministry of Finance and Administration Reform, Bank Al-Maghrib and the Professional Association of Moroccan Banks (GPBM).

Within this framework, a financing offer called «Intelaka», with very advantageous conditions, intended to support the creation of companies, has been set up, targeting 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 for an amount of 6 billion dirhams, including 3 billion provided by the State and as much by banks. Moreover, a financing of 2 billion dirhams was allocated by the Hassan II Fund for Economic and Social Development for entrepreneurship in rural areas.

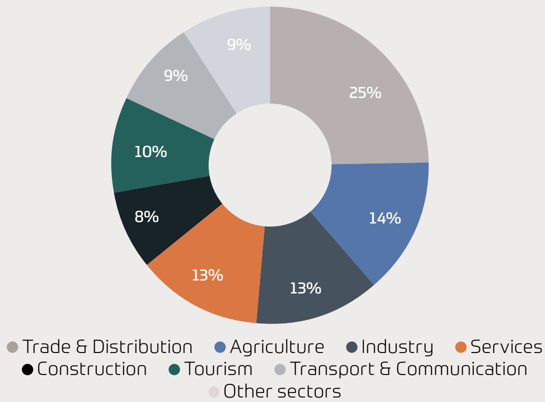
The Intelaka loan is backed by an 80 percent guarantee. The amount of the credit is limited to 1.2 million dirhams. It is granted at a rate of 2 percent for projects in urban areas and 1.75 percent in rural areas. This offer is subject in particular to the following conditions:

- Companies created for a maximum of 5 years on the date of submission of the loan application. This condition does not apply to companies exporting to Africa[7].
- Have a turnover lower than or equal to 10 MDH (excluding tax), realized for operating companies and forecasted for the companies being created.

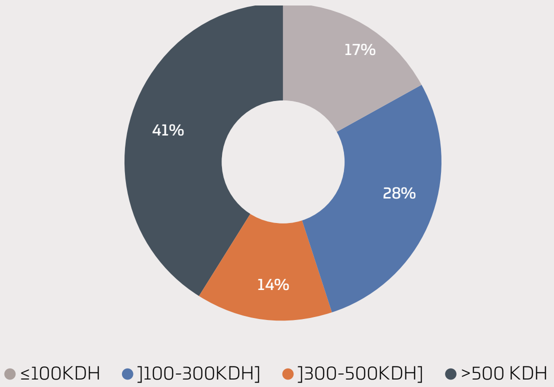
7 Companies eligible for this offer are those that have achieved at least 20% of their turnover from exports to Africa in the last financial year as well as those that can prove that at least 10% of their projected turnover for the current financial year is generated by an export activity to Africa.

At the end of December 2020, the amount of Intelaka loans granted amounted to 2.7 billion dirhams allocated to 15,085 beneficiaries, 84 percent of whom were men and 16 percent women. Projects in urban areas represent 82 percent of the total number, against 18 percent in rural areas. By number of beneficiaries, 59 percent of the financing granted is for an amount lower than or equal to 100 thousand dirhams, 27 percent between 100 thousand and 300 thousand dirhams and the remaining 14 percent of loans exceeding 300 thousand dirhams.

Distribution of Intelaka loans by activity sector at the end of 2020 (*)



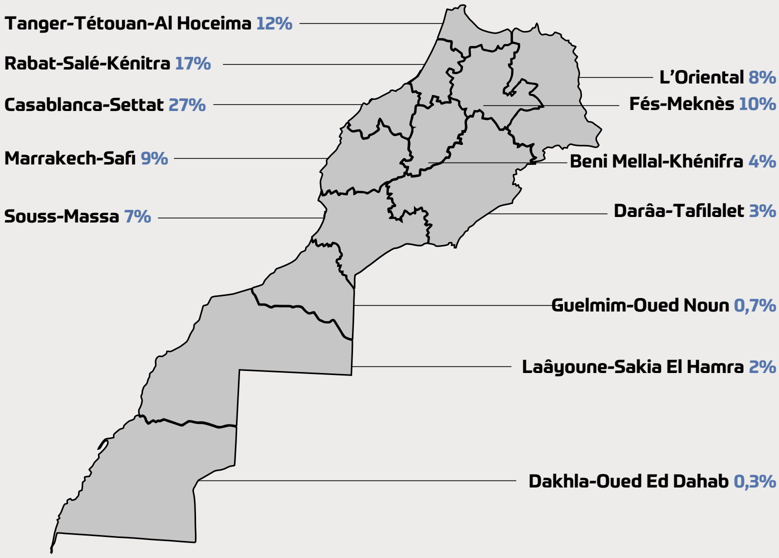
Distribution of Intelaka loans by brackets of credit amounts at the end of 2020 (*)



(*) Source: CCG data

The Intelaka loans granted benefited, in terms of amounts of loan, for up to 55 percent to VSEs and for up to 45 percent to individual entrepreneurs and other natural persons. By object, investment loans represent 90 percent of the financing granted and operating loans 10 percent. By activity sector, 25 percent of the loans were granted to the trade sector, 14 percent to agriculture, 13 percent to industry and services, 10 percent to tourism and 8 percent to construction.

By region, Casablanca-Settat accounted for 27 percent of the loans granted, Rabat-Salé-Kenitra 17 percent, Tangier-Tetouan-Al Hoceima 12 percent and Fez-Meknès 10 percent (*).



The growth rate of outstanding loans to non-financial companies reached 4.3 percent after an increase of 5.6 percent in 2019. This change reflects a rise of 5 percent to 421.7 billion dirhams for private companies and a decrease of 1.9 percent to 50.3 billion dirhams for public companies. Bank loans to households decelerated to 1.8 percent, after 3.6 percent a year earlier, to 299.7 billion dirhams, due in particular to a fall in loans during the general lockdown.

Overall, loans to the private sector stood at nearly 839 billion dirhams, up 4.8 percent, the same pace as the previous year, while those granted to the public sector contracted by 0.4 percent after a 3 percent increase in 2019.

Chart 26: Change in loans granted by banks (%)

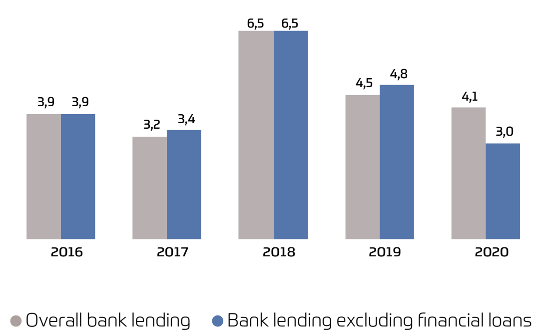
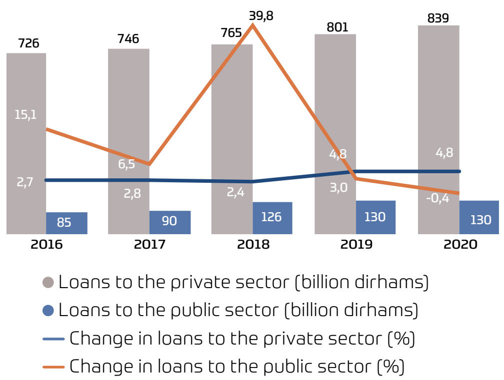


Chart 27: Bank loans to public and private sectors

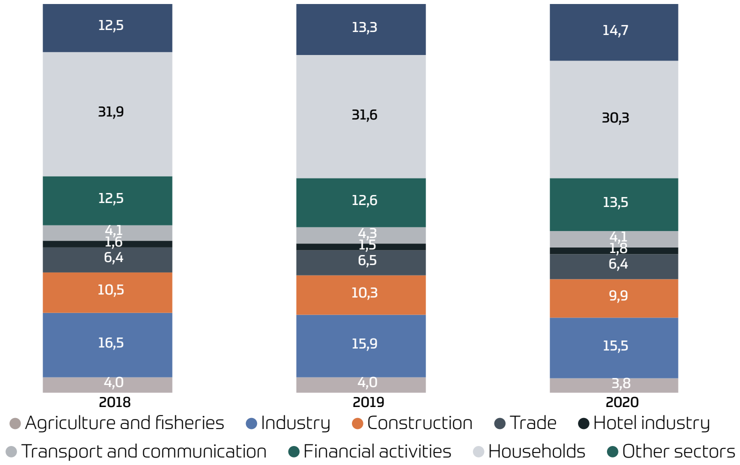


By activity sector, loans to the primary sector fell by 0.6 percent. Its share thus dropped by 0.2 points to 3.8 percent.

At the level of the secondary sector, the industrial sector had an outstanding amount of 150.5 billion, up 1.7 percent compared to the previous year, its share in the total credit having fallen by 0.4 point to 15.5 percent. This change covers an increase in loans to the extractive industries sector by 12.6 percent, to the food and tobacco industries sector by 3.0 percent, and to the textile, clothing and leather sector by 15.7 percent. Loans decreased for the energy and water production sector (-12.6 percent) and the metallurgic industries (-4.8 percent). Loans to the chemical industry remained stable. After an increase of 2.3 percent in 2019, the growth rate of loans to the construction sector, with an outstanding amount of 96.2 billion, decelerated to 0.3 percent.

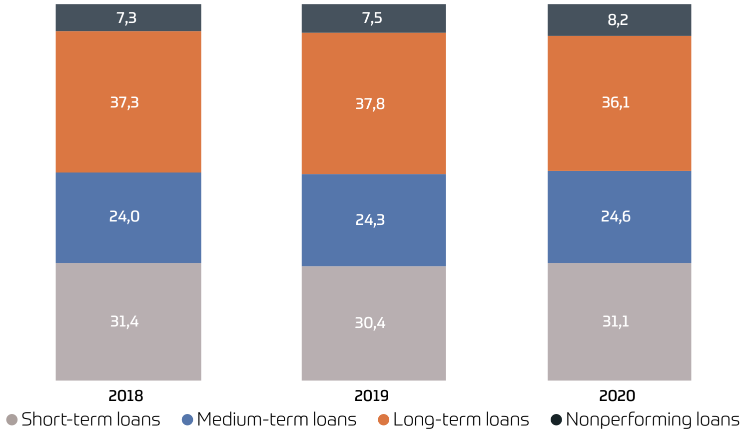
In the tertiary sector, loans granted to the trade sector increased by 2.2 percent to 61.5 billion. Those granted to the transport and communication sector were up 0.4 percent to 39.9 billion dirhams, bringing their share in the total loans to 4.1 percent. Loans to the hotel sector, with a share up 0.3 point to 1.8 percent, increased by 23.3 percent to 17 billion.

Chart 28: Sectoral breakdown of loans by disbursement granted by banks (%)



Short-term loans rose by 6.5 percent in connection with the cash loans introduced in the context of the Covid-19 crisis, with their share in the total increasing by 0.7 percentage points to 31.1 percent. On the other hand, the growth rate of outstanding medium- and long-term loans decelerated to 1.7 percent from 6 percent in 2019. Their share in the total thus fell by 1.4 points to 60.7 percent between 2019 and 2020.

Chart 29: Structure of loans by disbursement granted by banks, broken down by term (%)



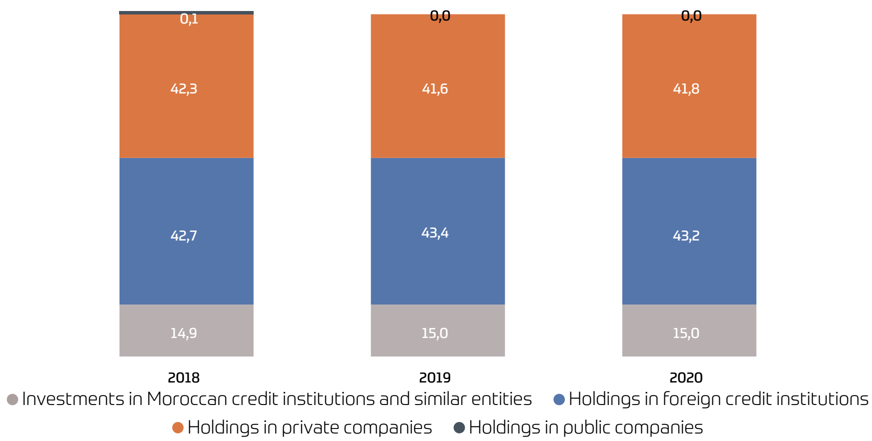
1.3 The securities portfolio of banks increased due to the increase in the portfolio of Treasury bills

At the end of 2020, the gross outstanding securities portfolio held by banks amounted to 337.1 billion dirhams, up 8.7 percent, representing 22.5 percent of total banking assets.

According to creative accounting, the trading portfolio increased by 2.5 percent to 177.9 billion dirhams, after 10 percent a year earlier, reflecting an increase of 0.7 percent to 103.3 billion dirhams in Treasury bills and 7.4 percent to 67.9 billion dirhams in title deeds, while other debt securities declined by 16.7 percent to 6.5 billion dirhams. Similarly, the outstanding amount of investment portfolio increased by 31.2 percent to 61.7 billion, in connection with the 38.4 percent increase in Treasury bills, 40.2 percent in title deeds and 2 percent in other debt securities. Investment securities gained 15.7 percent to 39.9 billion, reflecting a 10 percent rise in Treasury bills and 67.6 percent in other debt securities.

The equity portfolio increased by 4.6 percent to 57.8 billion. This trend reflects an increase of 4.4 percent to 23 billion in holdings in private companies, particularly financial ones. Holdings in Moroccan credit institutions and similar entities increased by 3.6 percent to 8.2 billion dirhams. Holdings in credit institutions abroad increased by 3.6 percent to 23.8 billion dirhams, representing 43 percent of the overall equity portfolio and 16.6 percent of the banks' book equity.

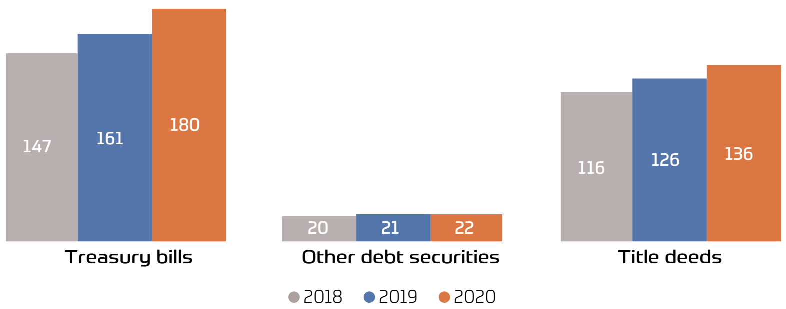
Chart 30: Breakdown of banks' equity portfolio by type of counterparty (%)



The breakdown of the securities portfolio by legal nature indicates an increase of 11.6 percent to 179.8 billion dirhams in Treasury Bills, or 53 percent of the overall portfolio and 12 percent of banking assets.

As regards the portfolio of other debt securities, mainly made up of bonds and negotiable debt securities, it increased by 5.7 percent to 22 billion dirhams, while property securities held by banks, including all portfolios, appreciated by 8.2 percent, against 8.6 percent in 2019. Their share in the overall portfolio is still at 40.3 percent.

Chart 31: Change in banks' securities portfolio according to their legal nature (in billion dirhams)



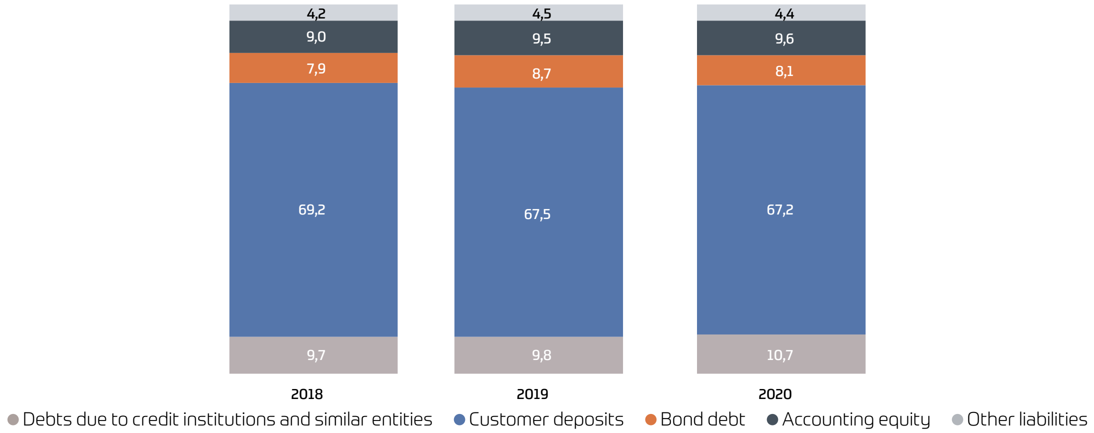
The outstanding depreciation provisions for the securities portfolio increased by 23.2 percent to 2.9 billion dirhams, of which nearly 91 percent were allocated to the coverage of equity securities and similar assets.

2. Banking liabilities strengthened, reflecting an increase in customer-related liabilities and the use of advances from the Central Bank

The growth rate of deposits collected from customers accelerated from 2.9 percent to 5 percent, against the backdrop of a decline in household consumption and some of their expenditure during the period of lockdown and more generally in view of the crisis situation. Debts due to credit institutions and equity increased by 15.5 percent and 6.6 percent respectively, while bond debts declined by 1.3 percent.

Thus, the share of customer deposits in banks' liabilities fell by 0.3 percentage points to 67.2 percent and that of bond debts contracted by 0.6 percentage points to 8.1 percent. On the other hand, the shares of equity capital and debts due to credit institutions increased by 0.1 point, to 9.6 percent, and 0.9 point, to 10.7 percent, respectively.

Chart 32: Structure of banks' liabilities (%)

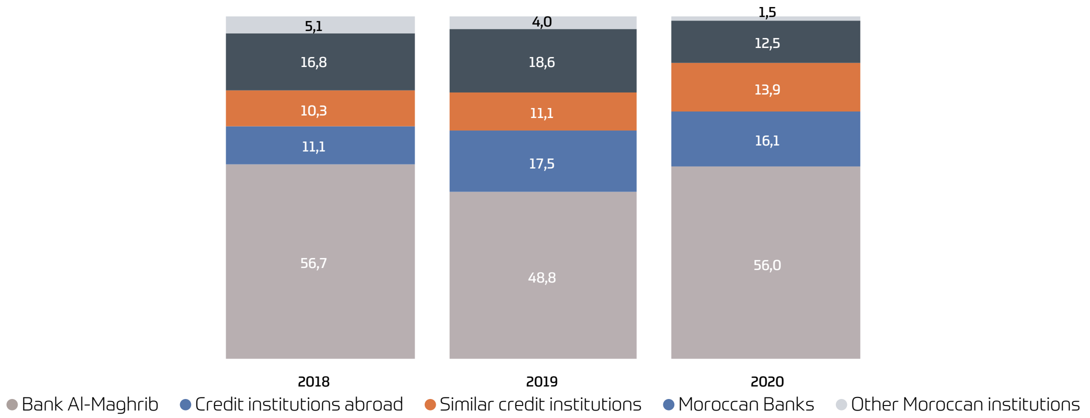


Banks' foreign currency resources collected from non-residents amounted to 1.8 percent of their total resources, compared with 1.9 percent in 2019.

2.1 Debts due to credit institutions and similar entities accelerated due to increased use of advances from the Central Bank

After an increase of 6 percent in 2019, debts due to credit institutions and similar entities were up 15.5 percent, to 159 billion dirhams in 2020.

Chart 33: Breakdown of banks' debts to credit institutions by category of counterparty (%)



Amid the pandemic crisis and pressure on bank liquidity, banks increased their use of advances from Bank Al-Maghrib.

Thus, the outstanding debts due to the Central Bank increased by 232.6 percent to a total of 89.2 billion at the end of 2020, bringing their share in debts to credit institutions to 56 percent. Out of this total, the outstanding 7-day advances dropped to 44.7 billion dirhams, against 65 billion in 2019, to the benefit of the guaranteed loans granted by Bank Al-Maghrib within the framework of the financing program of VSMEs, which increased to 24.3 billion, against 2.3 billion, following the extension of this program to cash loans. Banks had recourse, during this year, to Bank Al-Maghrib's long term advances[8] for 15.3 billion dirhams.

As regards interbank debts, they fell by 22.1 percent to 20 billion, after a rise of 16.8 percent a year earlier. This drop was induced by the decline in cash loans by 33.6 percent, in financial loans by 8.3 percent and in securities given under repurchase agreement by 11.9 percent. Borrowings from similar credit institutions[9] increased by 45.6 percent, to 22.2 billion.

Debts due to foreign credit institutions increased by 6.5 percent to 25.7 billion, of which 21 billion were in the form of debts to foreign banks.

Of the total debts to credit institutions and similar entities, dirham-denominated loans, with an outstanding amount of 120.4 billion, increased by 27 percent, while foreign currency-denominated debts, constituting nearly 24 percent of the total, dropped by 10.4 percent to 38.9 billion dirhams.

2.2 The liabilities collected from customers recorded a dynamic rise reflecting stronger demand deposits

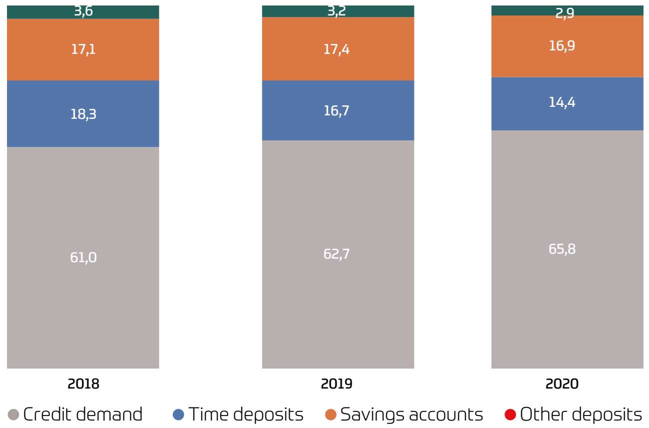
At the end of 2020, deposits collected from customers totalled 1,003 billion dirhams, up 5 percent, after 2.9 percent a year earlier. This resulted in an average loan-to-deposit ratio of 97 percent. With a share of 97.5 percent of the total, dirham-denominated deposits rose by 4.9 percent from 2.7 percent in 2019 and those denominated in foreign currencies gained 9 percent, after a rise of 9.5 percent last year.

By category, demand deposits increased by 10.2 percent to 659.9 billion dirhams and deposits in the form of savings accounts slowed down by 1.9 percent to nearly 169.1 billion, in connection with withdrawals made in the second quarter of 2020 during the lockdown period. Time deposits, with an outstanding amount of nearly 144 billion, fell again by 9.5 percent, after 6.3 percent a year earlier, amid falling interest rates. Similarly, other deposits, consisting mainly of securities given under repurchase agreements of a volatile nature, fell by 3.9 percent, after a drop of 6.9 percent in 2019, to 29.5 billion. As a result, the share of demand deposits increased to 65.8 percent, at the expense of time deposits and savings accounts, whose respective shares contracted to 14.4 percent and 16.9 percent.

8 Corresponding to one to three-month advances.

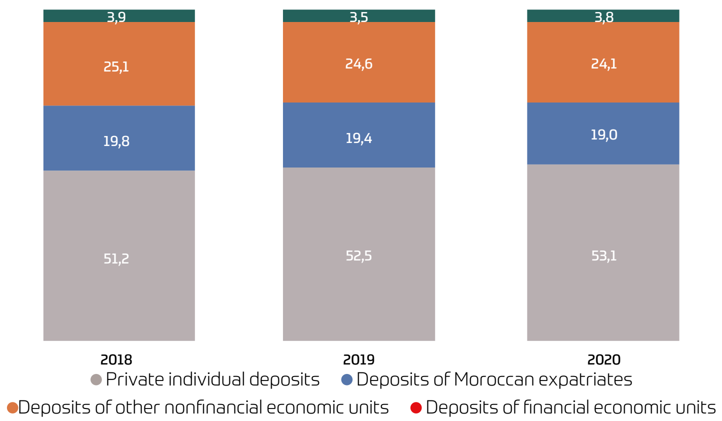
9 Credit institutions comprise offshore banks, micro-credit associations, the Central Guarantee Fund and the Deposit and Management Fund.

Chart 34: Change in the share of various categories of deposits with banks (%)



By economic unit, deposits of resident individuals rose 6.3 percent to 530.7 billion dirhams, as against 5.5 percent at end-2019, due to an increase of 10.6 percent in demand deposits and 1.9 percent in deposits in savings accounts, which offset the 6 percent decrease in time deposits. As regards foreign currency deposits of resident individuals, they improved to 12.8 percent, as against 2.8 percent in 2019; yet their share in the total deposits of resident individuals remained limited at 1.1 percent.

Chart 35: Structure of deposits with banks by economic unit (%)



In parallel, the deposits of Moroccans living abroad, with a share of 19 percent of the total, proved resilient amid the Covid-19 crisis, with an increase of 2.6 percent at the end of 2020, to 189.5 billion dirhams, in conjunction with the good performance of their transfers which rose by nearly 5 percent. This trend covers a rise of 7.7 percent in demand deposits and 2.1 percent in savings accounts, their time deposits having, on the other hand, contracted by 7.5 percent, to 53.1 billion. With a share of less than 1 percent of the total, foreign currency deposits of Moroccans living abroad declined by 3.3 percent, after the 28.6 percent fall in 2019.

Concerning other nonfinancial economic units, deposits of private companies rose by 4.9 percent to 194.2 billion dirhams, driven by a growth in demand deposits, which represent 79 percent of them, by 10.2 percent to 153.5 billion, which more than offset the decline in time deposits by 17.1 percent to 19.4 billion. Concerning the deposits of state-owned enterprises, they dropped by 24.4 percent to 15.5 billion dirhams.

Concerning financial units, mainly made up of UCITS, insurance companies and social security bodies, their deposits increased by 15.9 percent to 38.9 billion dirhams, after a drop of 8.2 percent in the previous year. Out of this total, the deposits of UCITS, made up of time deposits for nearly 72 percent, dropped by 1.4 percent to 14.9 billion and those of insurance companies, representing 22 percent of the deposits collected from financial units, went up 63.1 percent to 8.5 billion, of which 60 percent were demand deposits and 35 percent time deposits.

2.3 The extension of the maturity of banks' liabilities continues thanks to an increased use of subordinated debt issues

The total outstanding bond debts decreased by 1.3 percent to 120.8 billion dirhams, bringing their share in total liabilities to 8.1 percent. This situation covers a decrease in the outstanding debt securities issued by 7.9 percent to 68.9 billion dirhams and an increase in subordinated debts by 9 percent to 51.9 billion dirhams, contributing to the strengthening of prudential equity.

Chart 36: Outstanding banks' bond debts (billion dirhams)

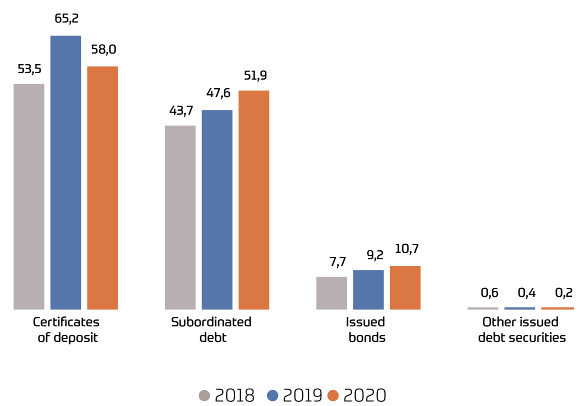
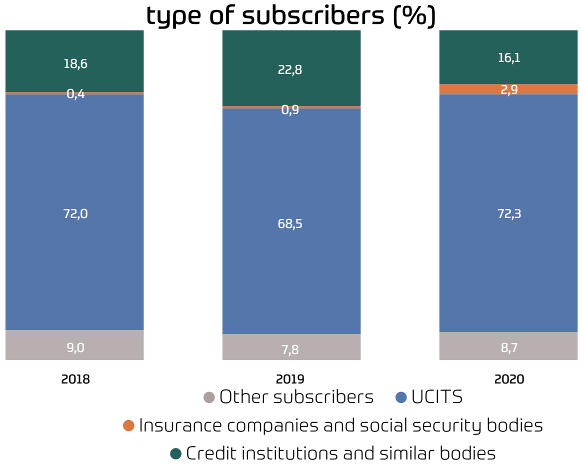


Chart 37: Outstanding certificates of deposit by type of subscribers (%)



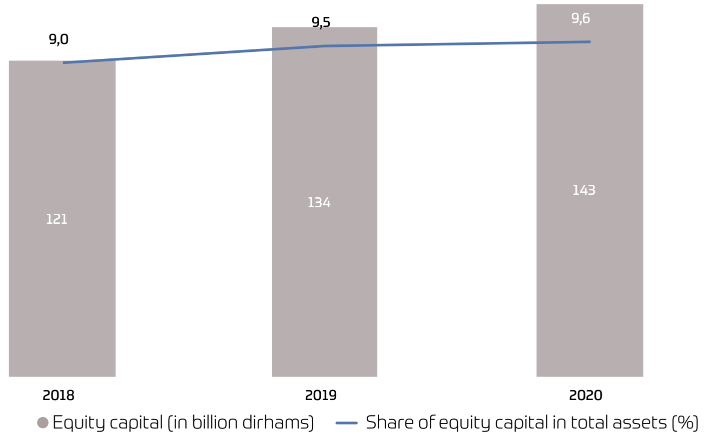
The decline in issued debt securities reflects an 11.1 percent drop in the outstanding amount of certificates of deposit, 72.3 percent of which were subscribed by UCITS, 16.1 percent by credit institutions and similar bodies and 8.7 percent by individuals.

The maturity of these liabilities increased. Thus, securities with a maturity of more than 2 years represented 58 percent of the total as against 42 percent for securities with a maturity of less than 2 years, while they represented 39 percent and 61 percent respectively in the previous year.

2.4 The growth rate of banks' equity capital has slowed down slightly

Despite a 43.2 percent decline in banks' net profit, their equity capital increased by 6.6 percent after 10.5 percent in 2019. They totalled 142.9 billion dirhams; their share in liabilities thus rose 0.1 point to 9.6 percent. This improvement is induced by the measures taken by banks to comply with the request of the Central Bank to suspend the distribution of dividends for the 2019 results until further notice in the context of the Covid-19 crisis.

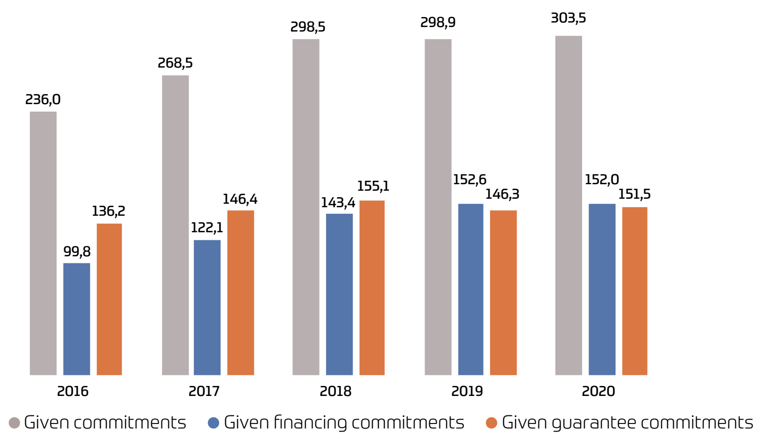
Chart 38: Banks' accounting equity capital



3. Commitments given by banks increased slightly, while received guarantee commitments rose significantly

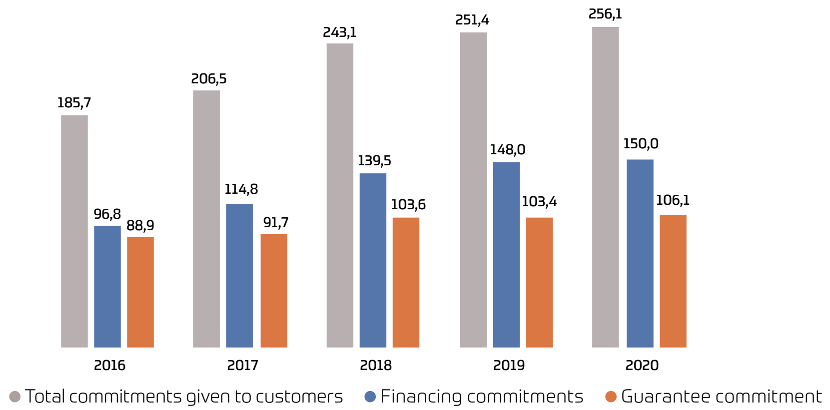
Banks' off-balance sheet exposures consist mainly of given and received guarantee and financing commitments, as well as foreign exchange and derivatives commitments.

Chart 39: Trend in commitments given by banks (billion dirhams)



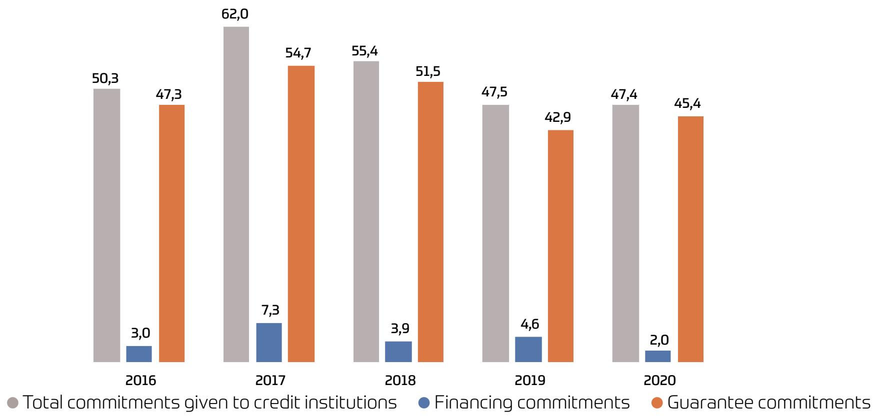
Given commitments rose 1.5 percent to 303.5 billion dirhams, after stagnating the previous year, reflecting an increase in guarantee commitments by 3.6 percent, to 151.5 billion while financing commitments fell by 0.4 percent to 152 billion.

Chart 40: Trend in commitments given by banks to customers (billion dirhams)



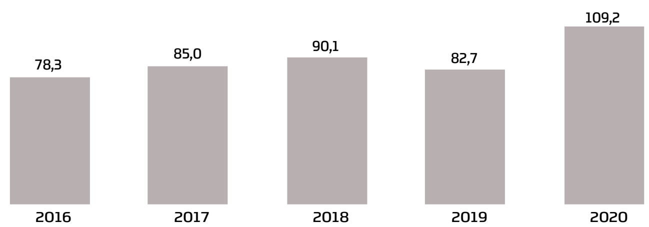
With a share of 84 percent of total commitments given, commitments to customers increased by 1.9 percent to 256.1 billion dirhams. Out of this total, financing commitments rose 1.4 percent to nearly 150 billion dirhams and guarantee commitments rose 2.6 percent to 106.1 billion dirhams.

Chart 41: Trend in commitments given by banks to credit institutions (billion dirhams)



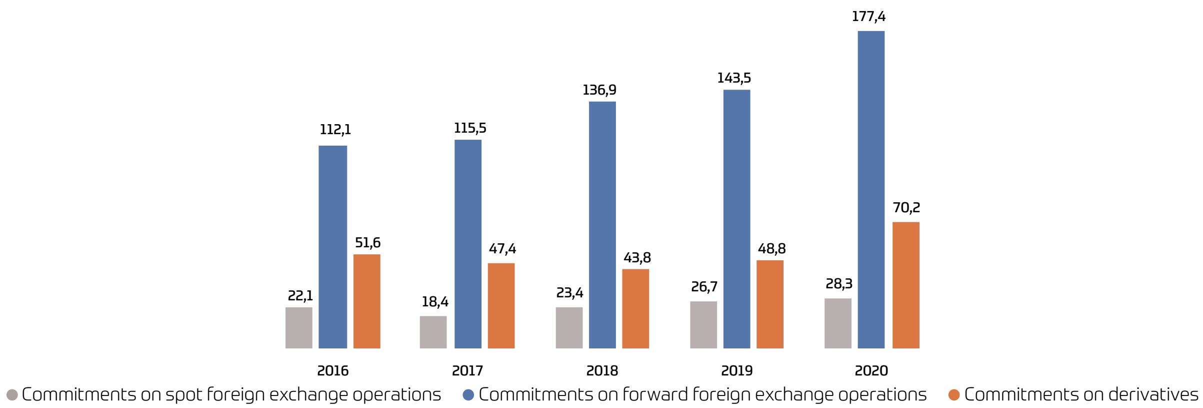
Commitments given to credit institutions and similar bodies stabilized at 47.4 billion dirhams, covering an increase of 6 percent in guarantee commitments to 45.4 billion dirhams, which was offset by a decrease of 56.5 percent in financing commitments to 2 billion dirhams.

Chart 42: Trend in commitments received by banks (billion dirhams)



Received commitments rose by 32.1 percent to 109.2 billion dirhams, due to the increase in received guarantee commitments by 33.8 percent to 106.2 billion dirhams, backed by the Central Guarantee Fund within the framework of guaranteed loans, and the drop in received financing commitments by 8.8 percent to 3 billion dirhams.

Chart 43: Trend in commitments on foreign exchange operations and derivatives (billion dirhams)



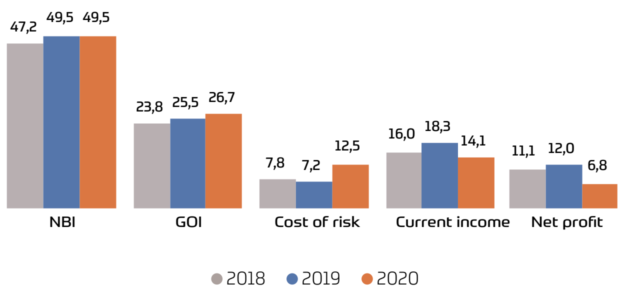
Following an increase of 5 percent a year earlier, the outstanding commitments on forward foreign exchange operations rose by 24 percent, to cover customers' import transactions. The commitments on spot exchange operations increased by 6 percent to 28.3 billion dirhams, after rising 14 percent the previous year.

Commitments on derivatives, corresponding to hedging operations or operations carried out on behalf of customers, increased by 43.9 percent, corresponding to a notional outstanding amount of nearly 70.2 billion dirhams. This trend, following an increase of 11.3 percent in 2019, was mainly driven by a rise in commitments on foreign exchange instruments by 24.4 percent to 29.9 billion dirhams, commitments on interest rate instruments by 90.3 percent to 12.2 billion dirhams and commitments on other instruments by 53.3 percent to 28 billion dirhams. These changes are linked to the recourse of operators to hedging products, in particular through forward exchange contracts.

4. As a result of the crisis, banks' overall results and nearly halved

For the financial year 2020, banks' net profit fell by 43.2 percent, mainly due to the decline in some activities during the lockdown, the increase in the cost of risk and the contributions made to the Special Fund for the Management of the Covid-19 Pandemic.

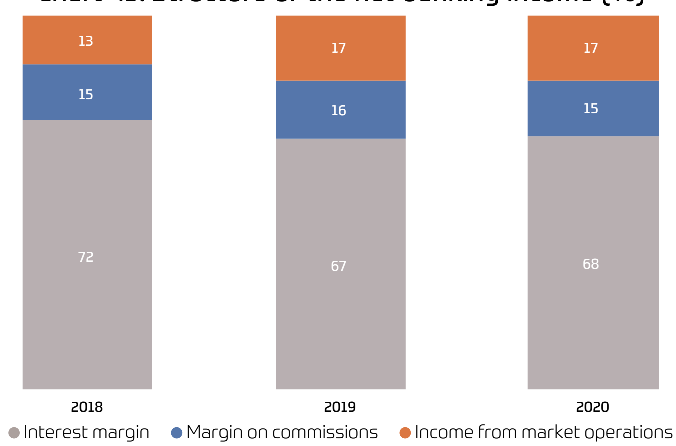
Chart 44: Banks' intermediate operating balances (billion dirhams)



4.1 Net banking income stagnated due to differing trends in its various components

After an increase of 4.9 percent a year earlier, the net banking income (NBI) stabilized at 49.5 billion dirhams, reflecting an increase in the interest margin, a decrease in the margin on commissions and a stagnation of income from market operations.

Chart 45: Structure of the net banking income (%)



With a share of 68 percent of the NBI, the interest margin improved by 3.4 percent to 33.5 billion dirhams, after 0.7 percent in 2019, driven by the margin on customer operations, benefiting from a decrease in the cost of liabilities collected from these customers, and to a lesser extent, from the drop in the net interest cost on securities transactions.

Net interest income on customer operations, the main component of the interest margin, increased by 2.8 percent to 33.2 billion dirhams, reflecting a rise in outstanding loans and a limited increase of 0.2 percent in interest received on loans to 41 billion dirhams, against a backdrop of decreasing key rate and the control of interest rates on State-guaranteed loans in relation to the Covid-19 crisis. As to interest paid on deposits, they dropped by 9.5 percent to 7.7 billion dirhams, owing to the rise in the share of non-interest-bearing deposits to nearly two thirds of deposits, combined with a drop in the interest rates on savings.

The net interest income on operations with credit institutions and similar bodies fell once again by 1.4 percent to 1.1 billion dirhams, reflecting a drop in interest paid on loans by 8.5 percent to 3.2 billion dirhams, more pronounced than that of income received on loans by 6.7 percent to 4.3 billion dirhams.

While remaining negative, net interest income on debt securities decreased from 990 million dirhams to 802 million dirhams. This trend reflects an increase in the interest paid on issued debt securities by 6.9 percent to 3.9 billion dirhams, which was mitigated by a 16.6 percent rise in the interest received on held securities, to 3 billion dirhams.

The decline in some activities due to health protection measures induced a contraction of the margin on commissions by 4.7 percent to 7.3 billion dirhams after an increase of 6.1 percent a year earlier. This decline reflects a 5.9 percent drop in received commissions.

In this regard, commissions earned on services totalled 7.8 billion, down 4.7 percent, after an increase of 5.9 percent, in connection with a decline of 4.1 percent in commissions on means of payment to 2.8 billion. The latter mainly reflects a drop in transactions carried out using international cards in Morocco as well as those carried out using Moroccan cards abroad given the travel restrictions decided in 2020.

On the other hand, commissions received on account operations stabilised at 1.6 billion dirhams. Commissions on credit services dropped by 2.6 percent to 524 million and those on sales of insurance products contracted by 5.4 percent to 330 million. The same applies to commissions on securities transactions, which fell by 12.3 percent to 105 million, and commissions on advisory and assistance activities, which dropped by 5.6 percent to 78 million. In addition, commissions on foreign exchange operations dropped by 29 percent to 315 million dirhams in connection with the contraction of manual foreign exchange operations induced by the restrictions on travel to and from abroad. On the other hand, commissions received on securities under management and in custody increased by 34.3 percent to 461 million dirhams, most of this increase being concentrated on intra-group counterparties.

As regards the result of market activities, it went through several phases in 2020, in line with market developments. Thus, this result first deteriorated sharply at the end of the first quarter when the crisis broke out and health restrictions were announced. This deterioration concerned in particular the equity and mutual fund portfolios in conjunction with the drop in the MASI stock market index, which had reached its lowest level in mid-March, as well as the bond portfolio in connection with a base effect, as the year 2019 has been marked by performances due to the fall in the yield curve.

From June 2020 onwards, the result of market activities rebounded thanks to a gradual recovery of the equity market and the cut in the key rate to 1.50 percent, which had a mechanical effect on the trend of the yield curve for all maturities.

At the end of the year, the result of market activities returned to its pre-crisis level, driven by the continued recovery of the stock market.

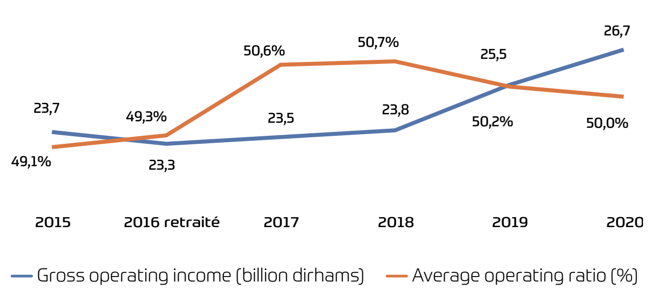
All in all, the result of market activities stabilized at 8.4 billion dirhams, reflecting a drop in the result of transactions on trading securities by 3.3 percent to 5.4 billion dirhams and the result of foreign exchange operations by 1.8 percent to 2.8 billion dirhams. On the other hand, the income of investment securities soared by 47.6 percent to 330 million dirhams and the income of derivatives remained negative but went from 261 million dirhams to 131 million dirhams.

4.2 The operating ratio decreased thanks to the decline in general operating expenses

General operating expenses totalled 24.7 billion dirhams, down 0.4 percent, compared to an increase of 3.9 percent a year earlier. This resulted in an average operating ratio that was up 0.2 percentage points to 50 percent.

The decrease in general operating expenses was induced by the decline in staff expenditure by 0.7 percent to 11.7 billion dirhams, in particular due to the decrease in the number of employees, as well as by the decline in external expenses[10] by 1.6 percent to 9.3 billion dirhams as a result of the drop in expenses related to advertising, publications and public relations as well as transport and travel expenses. Depreciation and provisions for intangible and tangible assets increased by 5.5 percent to 2.6 billion dirhams.

Chart 46: Banks' gross operating income and average operating ratio



Accordingly, the gross operating income (GOI) increased by 4.7 percent to 26.7 billion dirhams, from 6.8 percent in 2019.

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

4.3 The Covid-19 crisis has led to a significant deterioration in the cost of risk

After a decrease of 8.1 percent in 2019, the cost of risk increased by 74.1 percent to 12.5 billion dirhams, reflecting the effects of the Covid-19 crisis on borrowers' solvency. Out of this total, the cost of risk for nonperforming loans rose by 50.6 percent to nearly 9 billion dirhams. The other allocations net of reversals of provisions increased by 187.3 percent, as the banks constituted general provisions as a preventive measure to cover latent risks.

The cost of risk represented 47 percent of gross operating income, compared with 28.3 percent a year earlier. As a percentage of outstanding loans, it reached 1.3 percent compared to 0.8 percent.

Chart 47: Banks' cost of risk to loans (%)

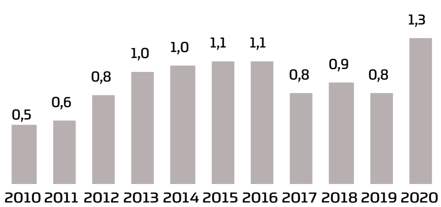
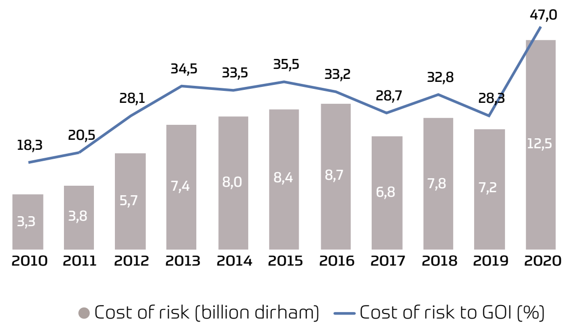


Chart 48: Banks' cost of risk to GOI



As a result, the current income was down 22.6 percent to 14.1 billion dirhams, after a 14 percent increase in 2019. Concerning the non-current income, it remained negative but increased by 673 million to 3 billion dirhams, due to the recognition of expenses related to the contribution of banks to the Special Fund for the Management of the Covid-19 Pandemic.

In total, the net income of banks plummeted by 43.2 percent to 6.8 billion dirhams, following an increase of 8 percent in 2019. As a result, the return on assets (ROA) lost 0.4 points to 0.5 percent and the return on equity (ROE) fell by 4.6 points to 4.8 percent.

Chart 49: Change in banks' ROA (%)

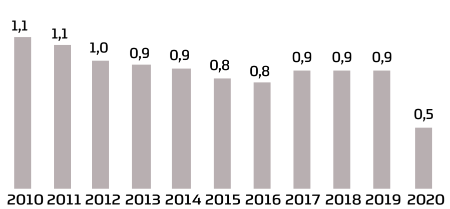
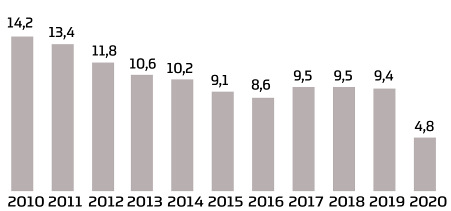


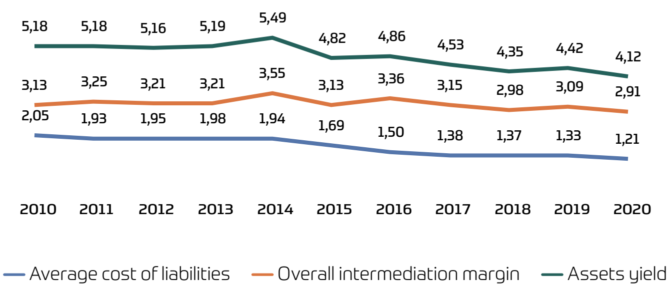
Chart 50: Change in banks' ROE (%)



4.4 The overall intermediation margin has been on a downtrend path

Banks' overall intermediation margin fell by 18 basis points to 2.91 percent, due to a drop in the average assets yield by 30 basis points to 4.12 percent, itself driven by the decline in the yield of loans and securities. At the same time, the average cost of liabilities fell by 12 basis points to 1.21 percent, in connection with the improvement in the average cost of liabilities collected from customers.

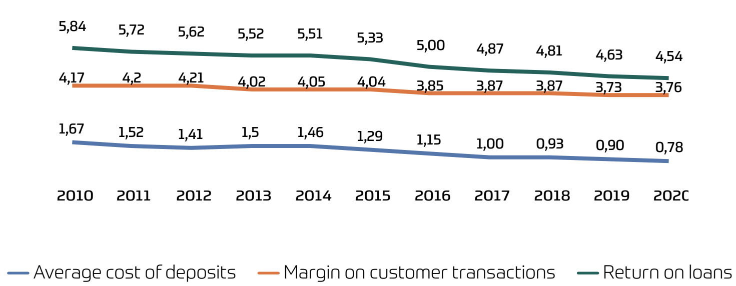
Chart 51: Banks' overall intermediation margin (%)



More specifically, the margin on customer transactions remained virtually unchanged at 3.76 percent compared to 3.73 percent. This trend covers on the one hand:

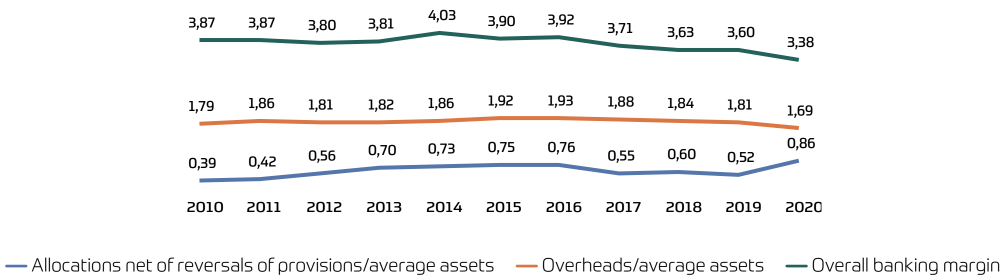
- A decrease in the average yield on loans by 9 basis points to 4.54 percent due to the drop in interest rates in 2020,
- And a reduction in the average deposit cost by 12 basis points to 0.78 percent, itself induced by an increased share of non-interest-bearing demand deposits in the liabilities of banks and the downward trend of interest rates on savings.

Chart 52: Banks' margin on customer transactions (%)



The overall banking margin, measured as the ratio of NBI to average assets, dropped by 22 basis points to 3.38 percent. It was absorbed by overheads for up to 1.69 percent compared to 1.81 percent in 2019 and by the cost of risk for up to 0.86 percent compared to 0.52 percent.

Chart 53: Overall banking margin, overheads and cost of risk (%)



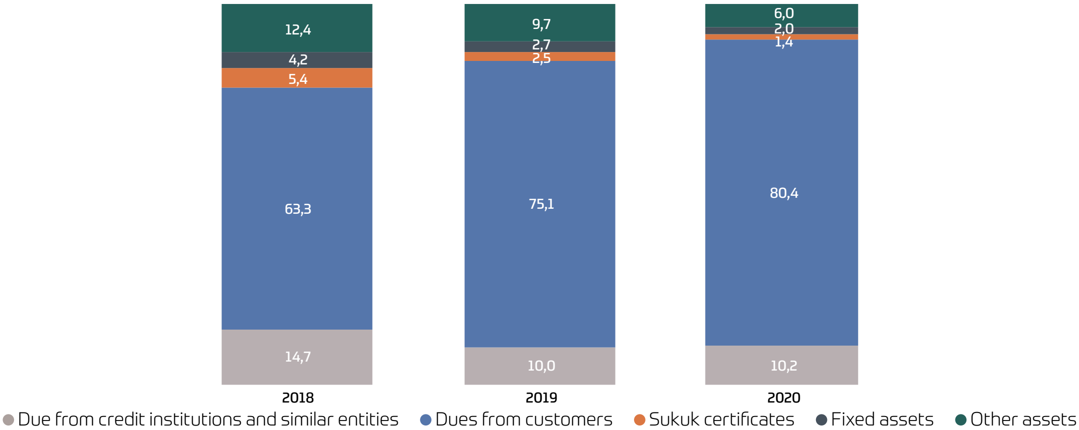
II. Activity and profitability of participatory banks and windows

At the end of 2020, the total balance sheet of participatory banks and windows reached 16.8 billion dirhams, against 12.2 billion in 2019. This increase is linked in particular to the rise in Murabaha financing, whose outstanding amount, excluding pre-established margins[11], went up almost 50 percent to 9.7 billion dirhams, against 109 percent a year earlier.

1. The growth of Murabaha financing continued in 2020 despite the health crisis

The share of Murabaha financing in the assets of participatory banking institutions increased from 75 to 80 percent between 2019 and 2020. The share of dues from credit institutions and similar bodies remained unchanged at 10 percent, the bulk of which was made up of deposits in the central settlement accounts with Bank Al-Maghrib.

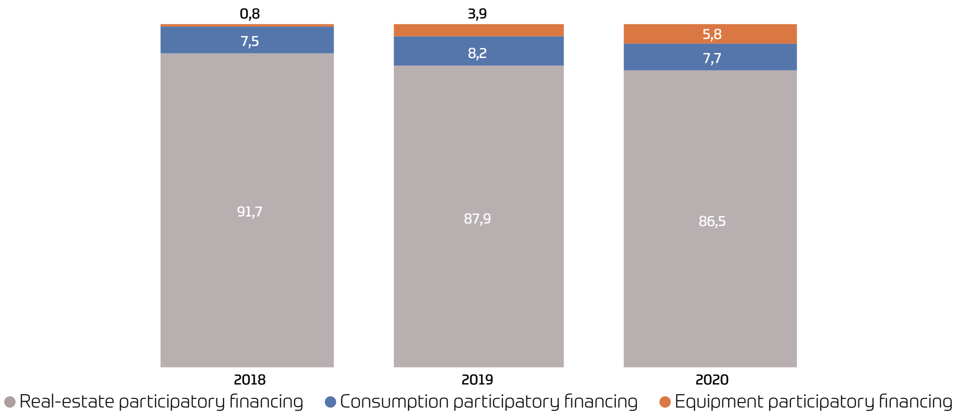
Chart 54: Assets structure of participatory banks and windows (%)



The financing portfolio is composed for up to 86 percent of real-estate Murabaha financing, 8 percent of consumption Murabaha financing and 6 percent of equipment Murabaha financing.

11 Upon the sale of an asset under Murabaha, the institution transfers the profit margin realized in the prepayment accounts to be spread on a pro rata temporis basis: at the end of each accounting period, the institution thus recognizes as income the share of the margin relating to that period.

Chart 55: Composition of the participatory finance portfolio (%)

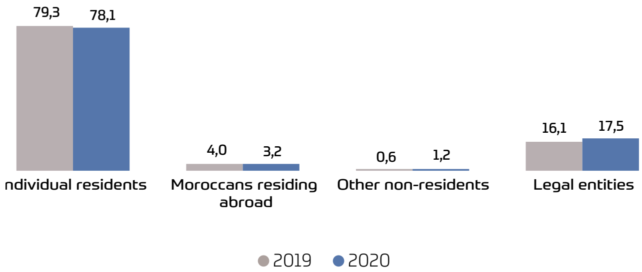


The stock of assets acquired under Murabaha[12] stood at 408 million dirhams. It represented 3.0 percent of the total outstanding financing[13] at the end of 2020, as against 4.5 percent in 2019.

2. In addition to deposits, participatory banks and windows continued to be refinanced through resources collected from parent companies

In 2020, demand deposits collected by the participatory banking sector totalled an outstanding amount of 3.8 billion dirhams, with an annual increase of 49 percent. They represented 23 percent of liabilities, as against 21 percent a year earlier. These deposits were held for up to 78.1 percent by resident individuals, 3.2 percent by Moroccans living abroad and 17.5 percent by legal entities.

Chart 56: Breakdown of demand deposits of participatory banks and windows, by economic unit (%)



As to investment deposits, launched in 2019, they grew by 172 percent to 988.7 million dirhams, or 5.9 percent of liabilities.

12 This is the stock of goods acquired by participatory banking institutions and intended for resale under Murabaha contracts.
13 Including pre-established margins.

In addition to customer deposits, participatory banks and windows are refinanced mainly through their equity capital and resources collected from the parent companies, in the form of Wikala bil Istithmar[14] contracts, intra-group demand deposits for participatory banks and interest-free liquidity advances for participatory windows.

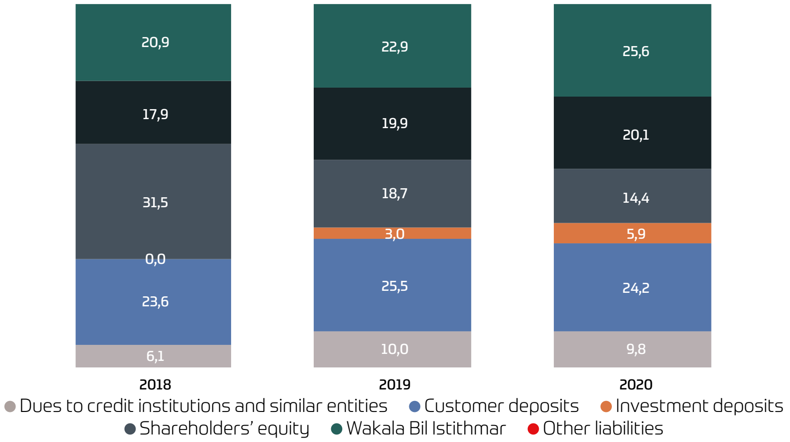
The book equity capital of participatory banks and windows, excluding the income for the financial year, increased from one year to another by 6 percent to 2.4 billion dirhams, or 14.4 percent of liabilities. This rise of 143 million dirhams resulted from the combined effect of the increase, on the one hand, of the share capital of participatory banks from 720 million dirhams to nearly 3.6 billion dirhams and the worsening, on the other hand, of the negative retained earnings of the participatory banking sector from 426 million dirhams to 1 billion dirhams and the amount of unpaid capital from 151 million dirhams to 200 million dirhams. The capital injections made by participatory banks were mainly intended to counter the effect of deficit in order to maintain book equity capital above the minimum regulatory threshold of 200 million dirhams. The capital endowments of participatory windows stagnated at 695 million dirhams.

The outstanding refinancing of participatory banks with parent companies by Wikala Bil Istithmar increased by 40 percent in one year, to 3.4 billion dirhams. It represented 25.2 percent of the total liabilities of participatory banks, against 24.6 percent in 2019.

Participatory banks also resorted to refinancing through intra-group demand deposits, with a total outstanding amount of 465.3 million dirhams at the end of 2020, or 3.5 percent of the liabilities of these banks, against 5.4 percent a year earlier.

The advances received by participatory windows increased by 93 percent in one year to 1.2 billion dirhams. This amount represented 35 percent of their liabilities, with an increase of 8.6 percentage points compared to 2019.

Chart 57: Liability structure of participatory banks and windows (in %)



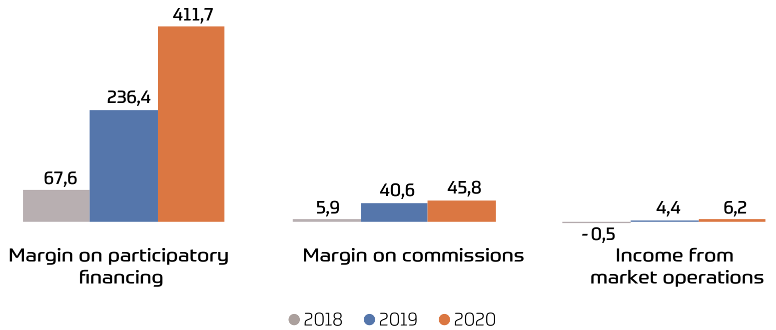
14 A contract whereby a donor makes funds available to the "Wakil" (manager/agent) to invest them in a Shariah-compliant activity. No interest can be charged on this contract. Neither the capital invested, nor the remuneration of the investor can be guaranteed. Profits made are paid back to the investor after deduction of the Wakil's 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.

The share of pre-established margins in other liabilities remained stable at 80 percent, or 22 percent of total liabilities.

3. The participatory sector continues to generate a deficit, although it is on the decrease

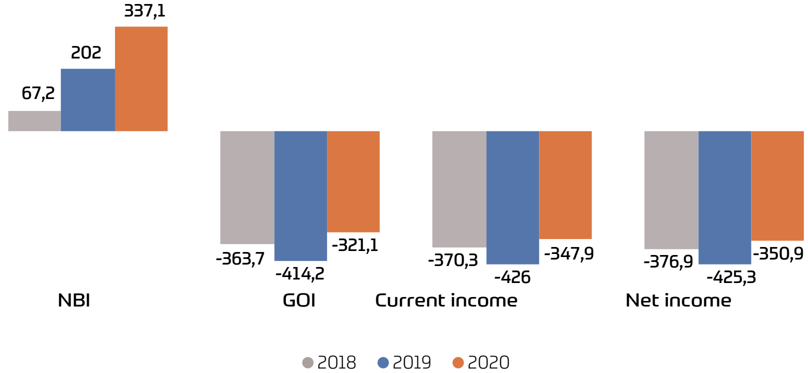
In 2020, the net banking income (NBI) of the participatory sector rose to 337.1 million dirhams, as against 202 million dirhams a year earlier, with an increase of 67 percent. After deducting the return paid to the "Mouwakil "[15] under the Wakala Bil Istithmar contracts and to the holders of investment deposits, the "restated NBI"[16] amounts to 464.2 million dirhams, up 60 percent in one year.

Chart 58: Structure of the restated net banking income (in millions of dirhams)



The change in the NBI was driven by the increase of the margin on participatory financing by 74 percent to 411.7 million dirhams, or 89 percent of the restated NBI. For its part, the margin on commissions increased by 13 percent to 45.8 million dirhams, or 10 percent of the restated NBI. The result of market operations, made entirely from foreign exchange operations, increased by 39 percent to 6.2 million dirhams, against 4.4 million dirhams a year earlier.

Chart 59: Change in Intermediary management balances (in thousand dirhams)

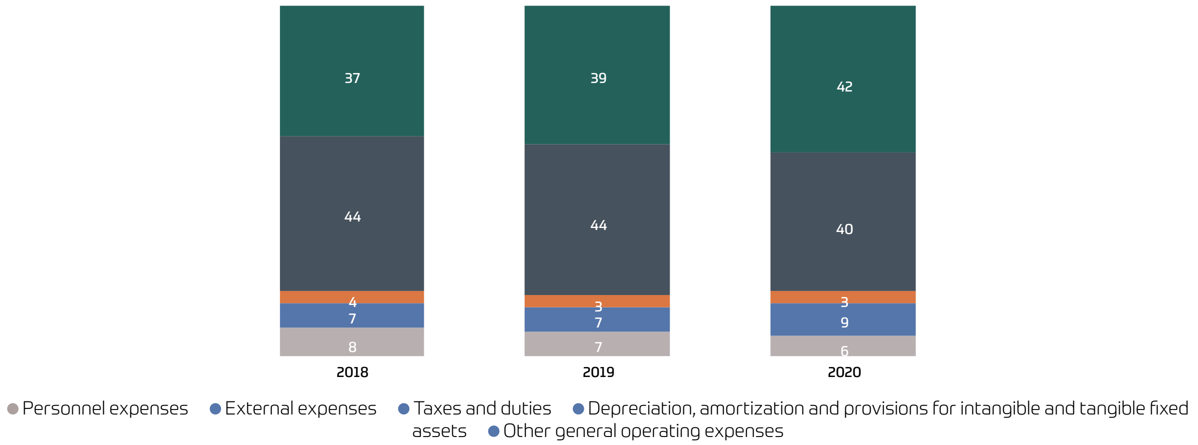


15 Principals (capital providers) in the framework of Wakala Bil Istithmar contracts.

16 The restated NBI is the NBI achieved by the institution before dividing the share of the holders of investment deposits and principals ("Mouwakil") under the Wakala bil Istithmar contracts.

As to general operating expenses, their growth rate slowed down to 8 percent, after 37 percent in 2019. Their amount totalled 659.4 million dirhams, of which nearly 42 percent were personnel expenses and 40 percent external expenses. As a result, the average operating ratio improved to 196 percent, compared to 303 percent last year.

Chart 60: Structure of the operating general expenses of participatory banks and windows (%)



The gross operating income remained negative but decreased by 22 percent to -321.1 million dirhams. The cost of risk more than doubled to 26.8 million dirhams. In view of these developments, the deficit of participatory banks and windows decreased by 18 percent[17] to -350.9 million dirhams.

The overall banking margin, measured by the ratio between the NBI and assets, went up by 35 basis points to 2.01 percent. It was entirely absorbed by overheads which represented 3.93 percent of assets at the end of 2020.

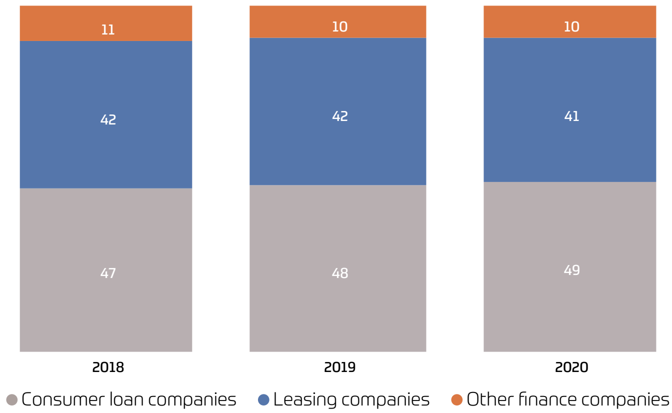
III. Activity and profitability of finance companies

1. The activity of finance companies decelerated for consumer loans and contracted for leasing companies

At the end of 2020, total assets of finance companies decreased by 1.5 percent to nearly 121 billion dirhams, as against an increase of 4.6 percent in 2019. Out of this total, the outstanding customer loans, representing about 90 percent of assets, fell by 2.3 percent against a rise of 5.5 percent.

17 The net income for the year 2019 was updated.

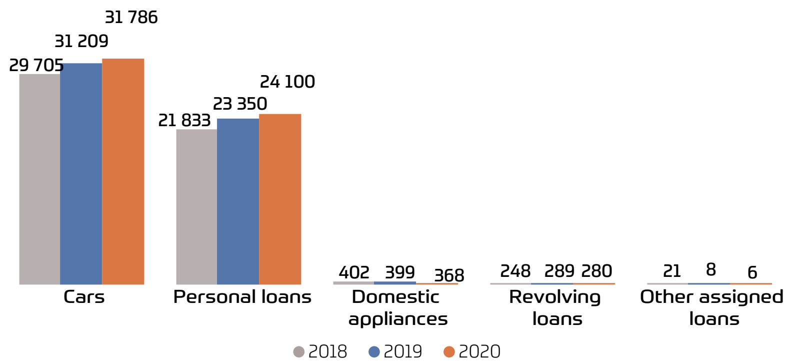
Chart 61: Share of different categories of finance companies in the sector's total assets (%)



In terms of total balance sheet, the share of consumer loan companies increased by one point to 49 percent, at the expense of leasing companies.

The volume of activity of consumer loan companies, as measured by the total balance sheet, rose 0.7 percent from 6.2 percent, to 59 billion dirhams. Representing 90 percent of the assets, the gross outstanding amount of loans at the end of 2020 stood at 59.4 billion dirhams, up 3.3 percent from 7.4 percent, a year earlier. Out of this total, consumer loans increased by 4.1 percent to 39.8 billion and leasing operations with purchase option by 1.6 percent to 19.6 billion dirhams.

Chart 62: Change in the outstanding consumer loans granted by specialized companies by type of loan (million dirhams)



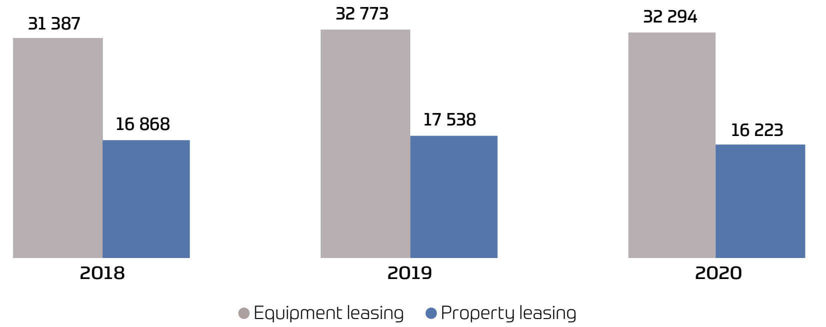
Personal loans[18], accounting for 43 percent of loans, rose by 3.2 percent to more than 24 billion dirhams compared to 7 percent. Loans for the purchase of vehicles, representing a share of 56 percent, increased by 1.8 percent from 5.1 percent in 2019.

As for leasing companies, their total assets dropped 4.1 percent to nearly 50 billion dirhams, compared to an increase of 4.6 percent in 2019. The same trend was also observed at the level of loans, whose gross outstanding amount fell by 3 percent to 52.5 billion dirhams, against an increase of 4.3 percent in 2019.

18 Data from the Professional Association of Finance Companies

The outstanding amount of equipment leasing operations, representing 67 percent of the total, contracted by 1.5 percent to 32.3 billion, against an increase of 4.4 percent at the end of 2019. Real estate leasing operations fell by 7.5 percent to 16.2 billion, compared with a 4 percent increase a year ago.

Chart 63: Change in the outstanding amount of equipment and property leasing transactions carried out by specialized companies (million dirhams)



In 2020, leasing production fell by 31 percent to 11.5 billion[19], 82 percent of which corresponds to equipment leasing. This decline concerned all the credit purposes: the financing of machinery and industrial equipment (-36 percent), construction (-35 percent), computers and office equipment (-28 percent), commercial vehicles (-27 percent) and passenger cars (-19 percent).

Chart 64: Breakdown of equipment leasing production by specialized companies, by type of equipment

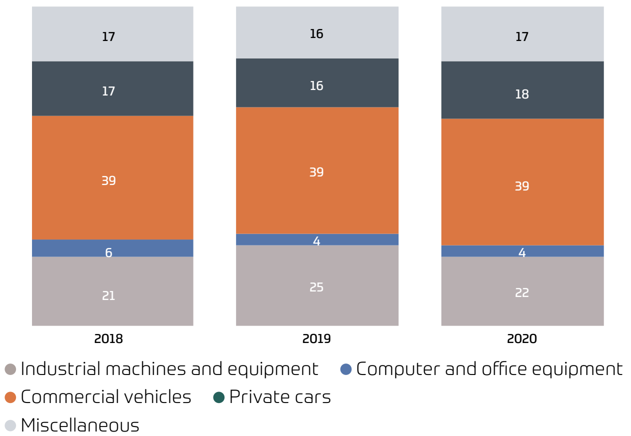
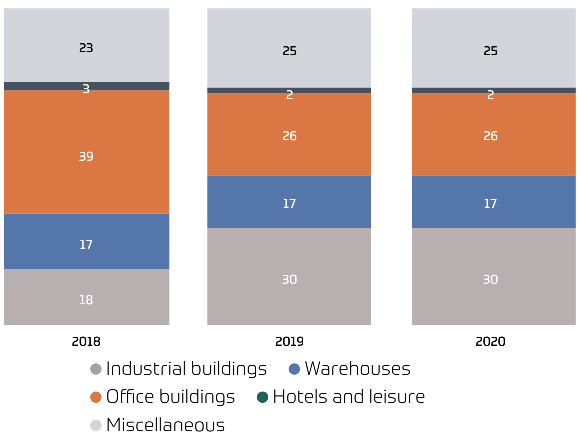


Chart 65: Breakdown of property leasing production by specialized companies, by type of financed fixed assets (%)

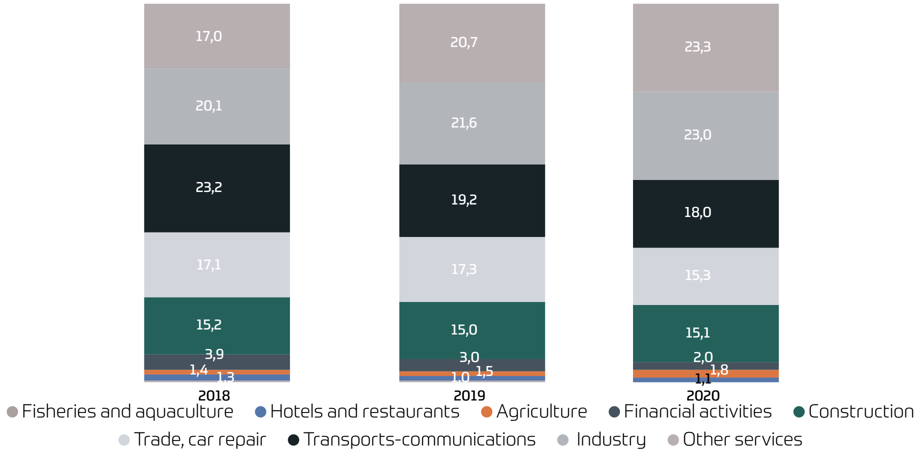


With a share of 23 percent, the production benefiting the industrial sector fell by 23.3 percent to 2.1 billion dirhams, against an increase of 10 percent in 2019, reflecting in particular a decline in the flow of loans to the sectors of electricity, gas and water production and distribution (-60 percent to 68,4 million), textile, clothing and leather industries (-59 percent to 100 million), the metallurgical, mechanical and electromechanical industries (-40 percent to 259 million dirhams), the chemical and para-chemical industries (-24 percent to 242 million) and other industries (-22 percent to 612 million).

19 Data from the Professional Association of Finance Companies

The sectors of transport and communication and trade also posted a decline in the leasing production by 32 percent to 1.7 billion and 36 percent to 1.4 billion respectively, reducing their respective shares to 18 percent and 15 percent. As for loan production for the other services, it contracted by 18.3 percent, its share having nevertheless increased by 2 points to 23 percent.

Chart 66: Breakdown of movable leasing productions, by activity sector (%)



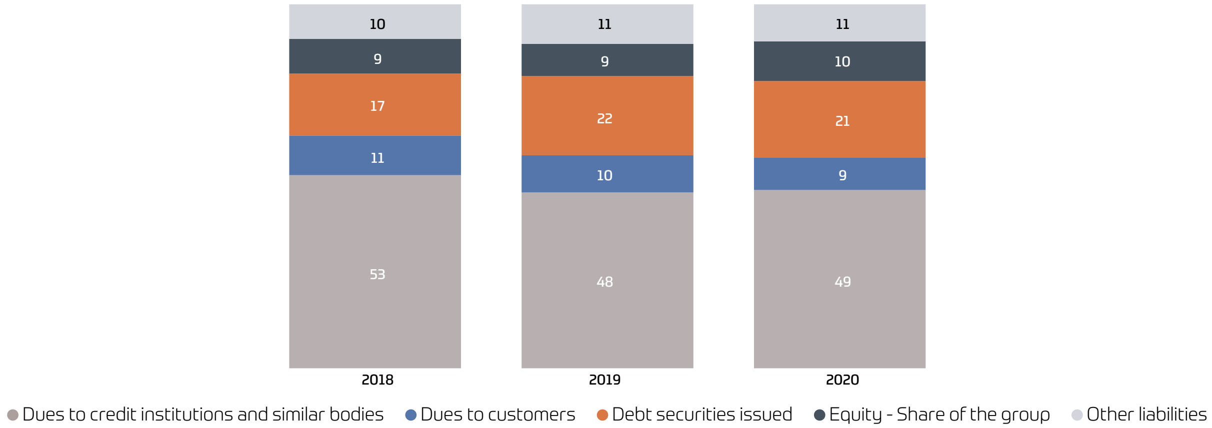
Property leasing production also fell by 43.2 percent to 2.1 billion, compared with an increase of almost 20 percent at the end of 2019, and mainly concerned the financing of office premises and industrial buildings, which fell by 25.7 percent and 47.3 percent, respectively.

2. Finance companies reduced their recourse to private debt and strengthened their equity

All categories combined, the outstanding debt issued by finance companies on the market, via finance company bills, contracted by 2.2 percent to 25.8 billion, compared with an increase of 33.2 percent in 2019. Similarly, overall debt to credit institutions fell by 1.2 percent and debt to customers dropped by 12.3 percent. On the other hand, their equity capital strengthened by 11.5 percent to 12.5 billion dirhams.

As a result, the share of banking indebtedness and equity in liabilities increased by one point to 49 percent and 10 percent respectively, at the expense of debt securities issued and debts owed to customers, whose share dropped to 21 percent and 9 percent, respectively.

Chart 67: Change in liabilities of finance companies (%)



Financing companies' bonds are issued on the bond market, including 61 percent by consumer loan companies and 39 percent by leasing companies. UCITS remain the main buyers of these securities, with a share of 83 percent, followed by credit institutions and similar bodirs (13 percent), insurance companies (2 percent) and private individuals (1 percent).

These changes nevertheless cover different situations between consumer loan companies, on the one hand, and leasing companies on the other, in line with the change in the activity of these two categories of operators.

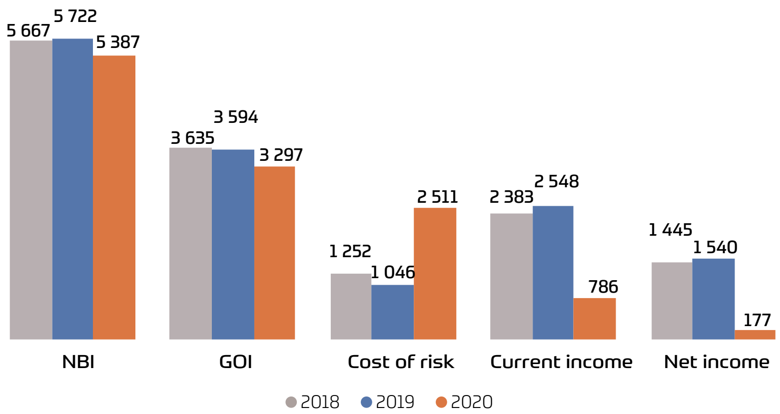
Thus, consumer loan companies raised their bank debt by 3.6 percent to 18.8 billion dirhams, in a context of low interest rates, after a 5.1 percent decrease last year, to 32 percent of their liabilities. The issued outstanding debt securities, with a stable share of 29 percent, slowed down by 1.1 percent to 17 billion after increasing by 25.7 percent a year ago. Debts owed to customers, with a share of 15 percent, fell anew by 11.7 percent, after a 3.7 percent drop last year, to 8.6 billion. Equity, representing nearly 12 percent of liabilities, increased by 14.2 percent, to more than 7 billion dirhams, from 2.1 percent last year.

As for leasing companies, their bank debt, representing 66 percent of their liabilities, fell again by 5.3 percent to 32.7 billion dirhams, compared to -4.5 percent in 2019. Thus, after an increase of 53.2 percent, the issued outstanding debt securities, whose share stabilised at 17 percent, decreased by 4.7 percent to 8.7 billion dirhams, in connection with a decline in their activity. As for equity, it increased by 8.2 percent to nearly 4 billion dirhams, its share in liabilities having improved by nearly one point to 7.7 percent.

3. The income of finance companies deteriorated significantly, due to an increase in the cost of risk

For 2020, the cumulative net income of finance companies plummeted by 88.5 percent to 177 million dirhams, after an increase of 6.6 percent in 2019. This trend covers a contraction in the income of the various business lines of finance companies due in particular to the fall in credit production and the rise of the cost of risk.

Chart 68: Change in intermediate operating balances of finance companies (million dirhams)

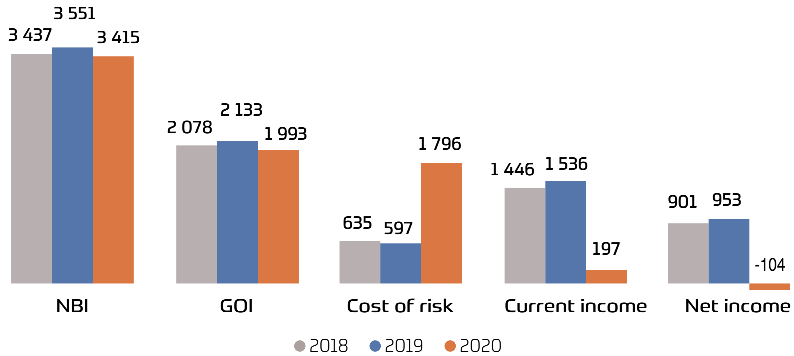


Finance companies generated an overall NBI of 5.4 billion dirhams, down 5.9 percent compared to an increase of 1 percent in 2019. This decline is due in particular to a contraction of the margin on commissions by 13.1 percent to 1 billion dirhams (against +9 percent in 2019), the interest margin by 9.3 percent to 887 million (against +7.3 percent) and the income of leasing operations by 2.2 percent to 3.2 billion (against -5.8 percent).

Their general operating expenses decreased by nearly 2 percent, to 2.1 billion dirhams, against a rise of 4.8 percent a year ago, leading to an average operating ratio up 1.5 point to 39.5 percent. Their gross operating income stood at 3.3 billion, down 8.3 percent, following a 1.1 percent drop in 2019. It was absorbed by the cost of risk for up to 76 percent, compared to 29 percent last year. The cost of risk represented 4.2 percent of outstanding loans compared to 1.8 percent a year earlier. This covers the confirmed risk and, as a preventive measure, provisions to cover expected future risks.

Thus, the average return on assets (ROA) of these companies deteriorated by 1.2 points to 0.1 percent and the average return on equity (ROE) deteriorated by 12.3 points to 1.4 percent.

Chart 69: Change in intermediate operating balances of consumer loan companies (million dirhams)



By category, consumer loan companies posted a NBI of 3.4 billion dirhams. It fell by 3.8 percent compared to an increase of 3.3 percent in 2019, due to the decrease in the interest margin by 3.2 percent to 2.1 billion dirhams and the margin on commissions by 17.6 percent to 722 million dirhams. Income from leasing operations recovered by 33.4 percent to 411 million dirhams, after the 19.5 percent decline posted in 2019.

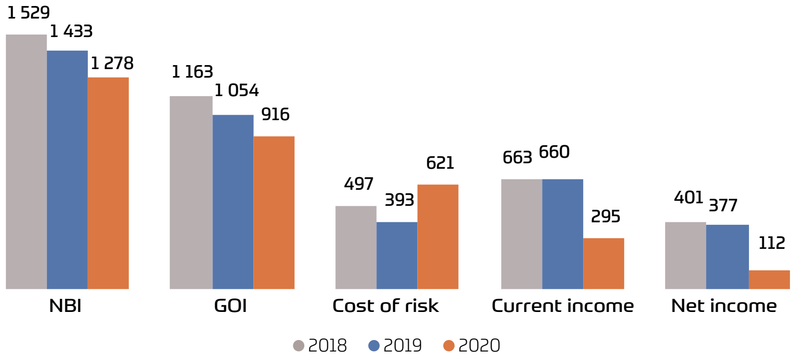
The general operating expenses of these companies remained relatively unchanged at 1.4 billion dirhams, after rising 4.1 percent a year ago, leading to an average operating ratio of 42.4 percent from 40.8 percent the previous year. The drop in the NBI, combined with the sustainability of general operating expenses, resulted in a gross operating income down 6.6 percent to 2 billion, against a rise of 2.6 percent a year earlier.

The cost of risk deteriorated by 201 percent to 1.8 billion dirhams, after an improvement of 6 percent in the previous year. Thus, it represented nearly 90 percent of the GOI, against 28 percent in 2019. As a ratio of outstanding loans, it represented 3 percent against 1 percent in 2019, covering the confirmed risk and, as a preventive measure, provisions to cover expected future risks.

As a result, current income fell by 87 percent to 197 million compared to an increase of 6.2 percent last year. Non-current income, while negative, rose from 28.7 to 36.2 million dirhams, in conjunction notably with the contributions of consumer loan companies to the Special Fund for the Management of the Covid-19 Pandemic.

Overall, these companies reported a loss of 104 million dirhams this year, leading to a deterioration of the average return on assets (ROA) to -0.2 percent against 1.6 percent and the average return on equity (ROE) to -1.4 percent against 15.2 percent.

Chart 70: Change in the intermediate operating balances of leasing companies (Million dirhams)



NBI of leasing companies fell by 10.8 percent to 1.3 billion, after -6.3 percent in 2019, due to a decline of 5.9 percent in the income of leasing operations to 2.8 billion, after -3 percent the previous year, due to the decline in their activity.

The general operating expenses of these companies contracted by 3.5 percent to 377.4 million dirhams as against a rise of 5.3 percent, or an average operating ratio up 2.2 points to 29.5 percent. Under these cicumstances, the gross operating income fell by 13 percent to 916.3 million dirhams, after a 9.4 percent decrease a year earlier.

The cost of risk recorded by the leasing companies worsened by 58 percent against a decrease of 20 percent in 2019, to 621 million dirhams, or 68 percent of GOI, as against 37 percent in 2019. As a ratio to outstanding loans, it represented 1.2 percent as against 0.7 percent in 2019.

Non-current income improved, from a deficit of 30.7 to 11.5 million dirhams. As a result, the overall net income generated by leasing companies showed a sharper decline of 70 percent to 112 million dirhams, compared to 5.9 percent in 2019. The average return on assets (ROA) dropped to 0.2 percent from 0.7 percent and the return on equity (ROE) to 2.9 percent from 10.6 percent.

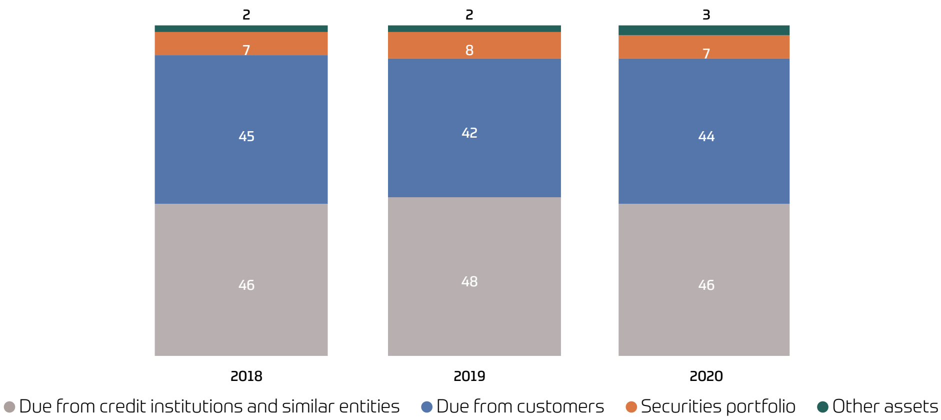
Similarly, income fell by 70 percent to 12 million dirhams for factoring companies, by 21 percent to 30.4 million dirhams for surety companies and by 25 percent to 14.5 million dirhams for other finance companies.

IV. Activity and profitability of offshore banks

The volume of activity of offshore banks, measured by the total balance sheet, evaluated in equivalent dirham value, totalled at end-December 2020 nearly 38.2 billion dirhams. It was down by 9.8 percent, following an increase of 4.6 percent in 2019 due to the decline in loans to credit institutions by 13.9 percent to 17.4 billion, loans to customers by 5.8 percent to 16.8 billion dirhams and the securities portfolio by 15.1 percent to 2.8 billion dirhams.

Thus, the shares of loans to credit institutions and the securities portfolio dropped, respectively, to 46 percent and 7 percent in favour of loans to customers, whose share gained 44 percent.

Chart 71: Structure of offshore banks' assets (%)



Representing 0.34 percent of loans, the outstanding nonperforming loans with offshore banks fell by 7 percent to 57 million dirhams.

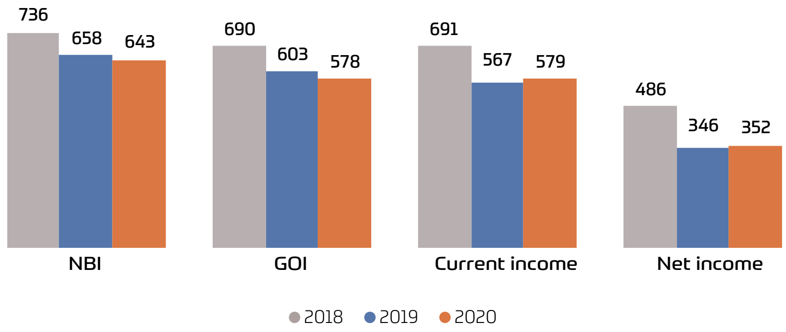
Offshore banks' debts towards credit institutions and similar bodies stood at 27 billion, down 15.3 percent after the 1.6 percent drop posted in 2019. These debts, which make up 71 percent of their liabilities, were drawn for up to 72 percent from credit institutions in Morocco and 28 percent from foreign credit institutions.

The accounting equity capital of offshore banks increased by 17 percent to 698 million dirhams, a level that remains low given that the risks incurred by these banks are mainly covered by the equity capital of parent banks.

The financing commitments given by offshore banks almost doubled to 1.5 billion dirhams, under the combined effect of an increase in commitments given to credit institutions and similar bodies by 71 percent to 175 million dirhams and commitments given to customers by 105 percent to 1.3 billion dirhams.

As for their given guarantee commitments, they contracted by 15 percent to 1.4 billion dirhams, against an increase of 7.6 percent at end-2019, reflecting a decline of 13.7 percent for guarantee commitments given on behalf of credit institutions and similar bodies to 624 million dirhams and 16.2 percent for guarantee commitments given on behalf of customers to 738 million dirhams. As regards received guarantee commitments, they dropped by 3.5 percent to 13.1 billion dirhams.

Chart 72: Change in intermediate operating balances of offshore banks (Million dirhams)



In 2020, offshore banks posted a NBI of 643 million dirhams, down 2.2 percent, after the 10.7 percent fall of 2019, due to the decline in the income of market operations, which moved from a surplus balance to a deficit of 23 million dirhams, and the decline in the margin on commissions by 3.2 percent to 48 million dirhams. On the other hand, the interest margin increased by 2.5 percent, to 599 million dirhams.

As for the net income generated by offshore banks, it improved by 1.8 percent to 352 million dirhams, following a 28.9 percent decline in 2019[20].

V. Activity of microcredit associations

At the end of 2020, the micro-credit sector was composed of 12 associations with a network of 1,770 points of sale, compared to 1,787 in 2019. The number of clients stood at 865 thousand, down 3.6 percent, 48 percent of whom are women compared to 49 percent in 2019.

The loans granted by these associations totalled a gross outstanding amount of 8.1 billion dirhams, up 8.7 percent after 9.4 percent a year ago. This resulted in an average outstanding amount of loans of more than 9,000 dirhams, up 12.9 percent compared to 2019. This increase in loans is linked to the granting of additional loans by micro-credit associations in parallel with the restructuring of credit for customers affected by the Covid-19 crisis.

More than 96 percent of loans are granted by the four largest associations and remain concentrated with microbusinesses (83 percent against 88 percent in 2019) and urban areas (78 percent against 76 percent). The share of individual loans continued to rise, from 77 percent to 82 percent.

The volume of nonperforming loans increased significantly by 195 percent to 673 million dirhams, resulting in a risk rate of 8.3 percent, compared to 3.1 percent a year earlier. The coverage rate of these loans by provisions stood at 58 percent against 78 percent in 2019.

Receivables from credit institutions and similar bodies, consisting mainly of deposits with banks, fell by 2.7 percent to 366 million dirhams, or 4 percent of total assets.

20 Figures for 2019 have been updated.

On the liabilities side, debts to credit institutions, representing nearly 60 percent of these liabilities, increased by 15.8 percent to 5 billion dirhams, after a rise of 5.8 percent a year earlier. They are made up for 75 percent of debts to local banks, against 72 percent in 2019.

The deceleration of activity, coupled with the postponement of maturities and the rise in risks, have heavily impacted the profitability of the sector, which closed the year 2020 with a cumulative net loss of 246 million dirhams, after a profit of 220 million in 2019, reflecting a 24 percent drop in the NBI, in connection with the virtual halt of loan production during the health lockdown, and a 50 percent increase in the cost of risk to 459 million dirhams to 5.7 percent of loans against 4.1 percent a year earlier. As to the general operating expenses, they dropped by 6 percent to 1.2 billion dirhams.

VI. Activity and profitability of payment institutions

By the end of 2020, there were 20 payment institutions, of which 5 had newly started their activity during the year and 2 had not yet started. Their total balance sheet stood at 2.9 billion dirhams, up 9 percent compared to 2019. Their equity[21] increased by 5 percent to 790 million dirhams and their debts decreased by 22 percent to 461 million dirhams.

Out of the 20 payment institutions, 16 offer payment products and services and 4 are dedicated exclusively to money transfer services.

1. Funds transfer activity

The volume of international fund transfers, transiting through payment institutions, increased by 33 percent to 38.8 billion dirhams, originating mainly from Europe, whose share gained 71 percent, at the expense of Gulf countries (15 percent).

The top 10 issuing countries account for 88 percent of transfers, led by France (24 percent), Spain (18 percent), Italy (11 percent), the United States (8 percent), and Saudi Arabia and Belgium with contributions equal to 7 percent each.

21 Excluding profit.

Chart 73: Breakdown of transfers of international funds received via payment institutions, by source (%)

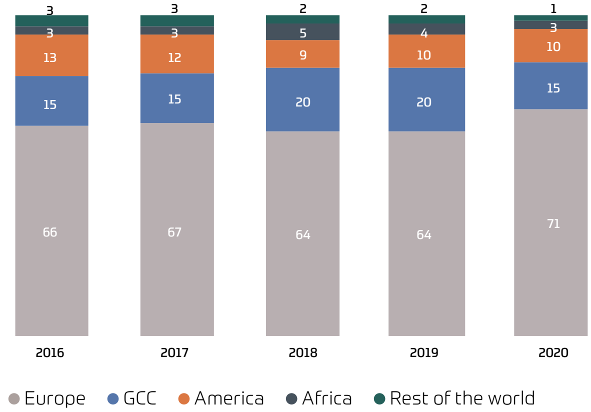
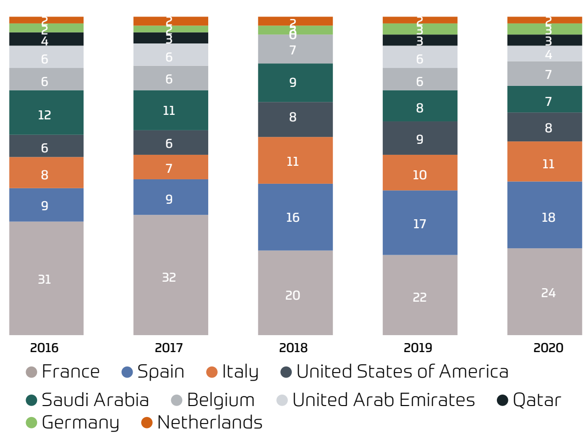
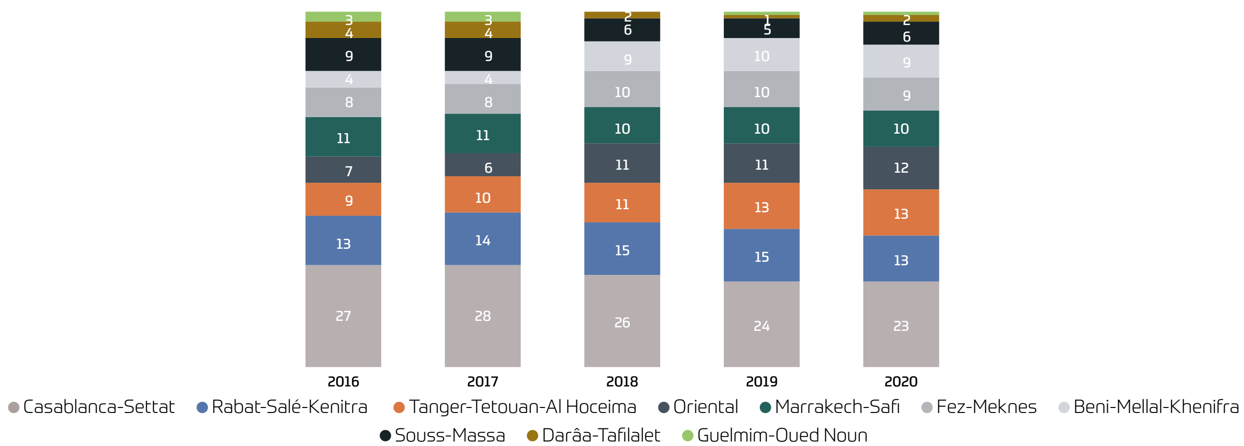


Chart 74: Breakdown of transfers of international funds received via payment institutions, by sending country (%)



More than 60 percent of these transfers were intended for the regions of Casablanca-Settat, Oriental, Rabat-Salé-Kenitra and Tangier-Tetouan-Al Hoceima.

Chart 75: Share of regions receiving transfers from international funds via payment institutions (%)



As regards national transfers made by these institutions, their volume totalled nearly 40 billion dirhams at the end of 2020, against 34.8 billion a year earlier (+15 percent). Of this total, 23 percent were issued from Casablanca and 14 percent were received by this city.

Chart 76: Share of cities issuing national transfers via payment institutions (%)

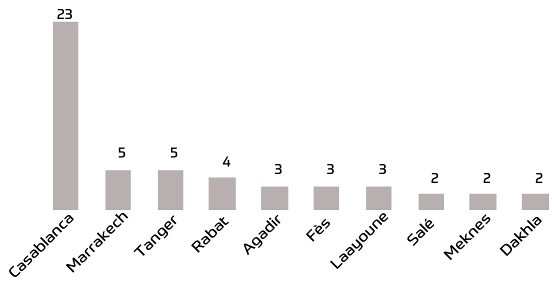
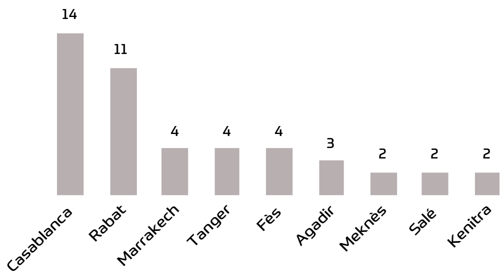


Chart 77: Share of cities receiving national transfers via payment institutions (%)



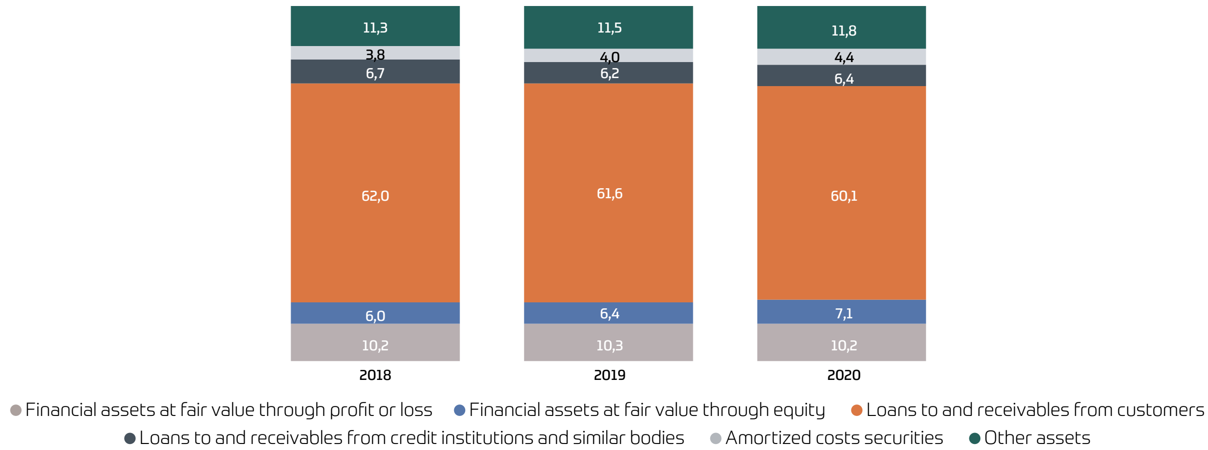
VII. Activity and profitability of banking groups

The analysis of the activity and profitability on a consolidated basis is traced back from the financial statements, established according to the IFRS standards, by 11 banking groups, representing 97 percent of market share on a corporate basis. This analysis makes it possible to integrate the activity and results of the banks carried out by the institutions under their control both in Morocco and abroad.

1. The activity of banking groups decelerated slightly in connection with that of its international activity

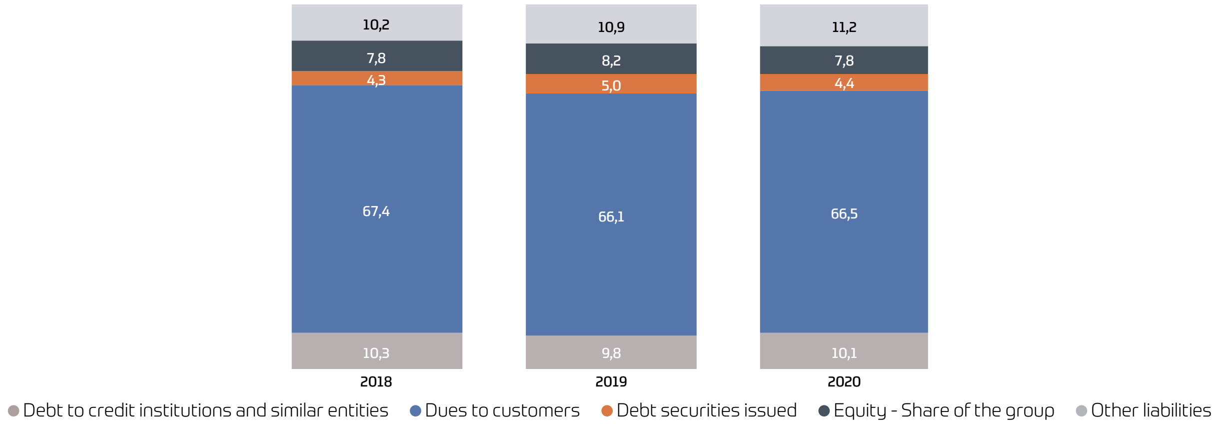
At the end of 2020, the total assets of the 11 banking groups stood at 1,884 billion dirhams, up 5.1 percent year-on-year, from 7.2 percent at end-2019. The banking groups' assets are mainly composed of loans and receivables from customers (60 percent), followed by financial assets at fair value through profit or loss (10 percent) and financial assets at fair value through equity (7 percent).

Chart 78: Structure of banks' assets - on a consolidated basis (%)



Liabilities are still predominated by customer deposits (66.5 percent), followed by dues to credit institutions (10.1 percent). As for equity, its share stood at 7.8 percent.

Chart 79: Structure of banks' liabilities-on a consolidated basis (%)



1.1. Despite the crisis situation, loans granted by banking groups increased

At the end of 2020, loans and advances to customers rose by 2.6 percent from 6.5 percent in 2019, a year marked by an extension of the scope of some banking groups. The securities portfolio increased by 15.5 percent, after 13.5 percent. Loans and advances to credit institutions and similar bodies went up 8.3 percent, compared with 0.5 percent a year earlier.

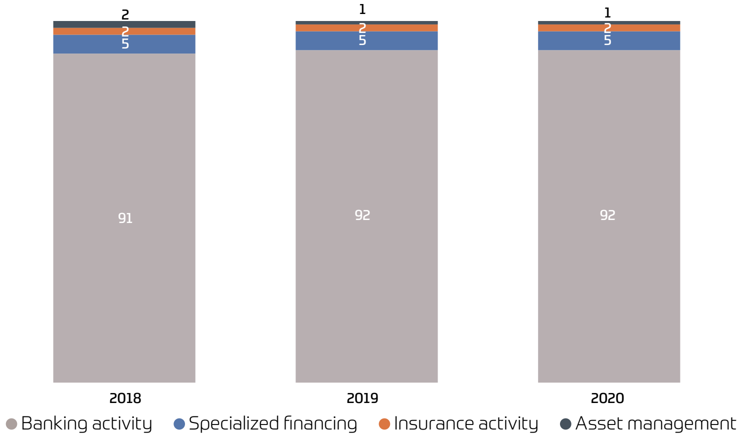
1.2. The increase in funds collected on a consolidated basis was driven by customer deposits and dues to credit institutions and similar bodies

Funds collected from customers increased by 5.7 percent, after the 5.2 percent recorded in the previous year. With regard to the other funds, banks had more recourse to debts with credit institutions than to debts on securities. Accordingly, debts with credit institutions accelerated by 8.7 percent against 1.6 percent and financial liabilities at fair value through profit or loss, consisting of securities given under repurchase agreements, almost doubled, after having increased by 58.2 percent last year. Conversely, issued debt securities fell by 7.1 percent, compared with an increase of 24 percent. Equity stabilised at 146.6 billion dirhams, following a 12.4 percent increase in the previous year, which was related to a perimeter effect.

1.3. The business structure of the banking groups' activities remained stable, dominated by the banking activity

The consolidated activity of banking groups covers the business lines relating to banking activity in Morocco and that carried out abroad through subsidiaries or branches, insurance and asset management business lines as well as specialised financing. It is still dominated by the banking activity which contributes nearly 92 percent, followed by the insurance activity (5 percent), specialised financing (2 percent) and asset management (1 percent).

Chart 80: Breakdown of the total assets of the banking groups, by business line (%)

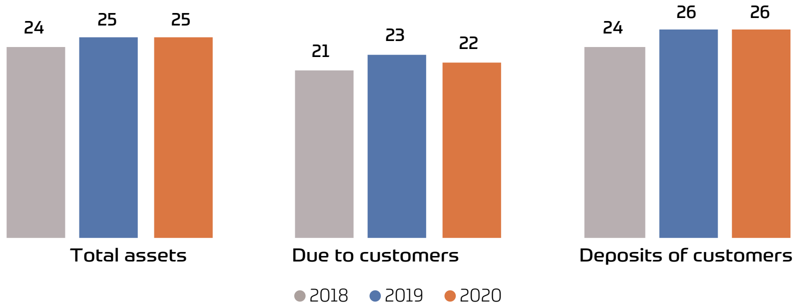


1.4. The development of activities abroad has also decelerated

At the end of 2020, the total assets of the foreign subsidiaries of the three cross-border Moroccan banking groups increased by 4.3 percent to 334.3 billion dirhams, contributing an average of 25 percent to their activity, unchanged compared to the end of 2019.

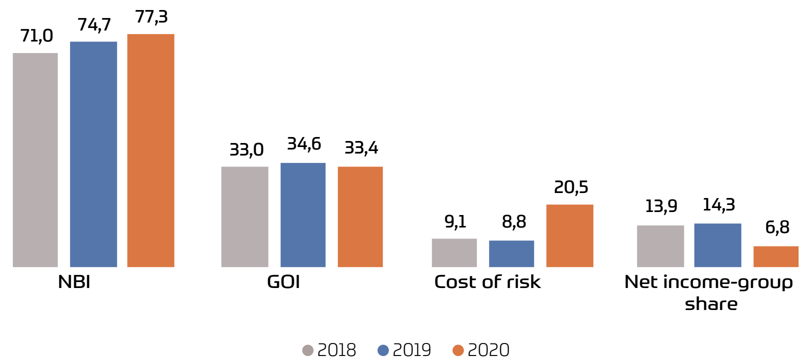
In terms of loans, international activity stabilised at 179.1 billion dirhams, following a 15.4 percent increase in 2019, a year marked by an extension of the scope of some banking groups. Its share in the overall activity portfolio fell by one point to 22 percent. Deposits collected by foreign-based subsidiaries amounted to 236.7 billion, up 7.8 percent, compared to 15 percent a year earlier. Their share stabilised at 26 percent of the total deposits of the 3 banking groups.

Chart 81: Contribution of the banking subsidiaries abroad to the main balance headings of the three cross-border banking groups (%)



2. Owing to the effects of the crisis, the net income of the banking groups fell by half

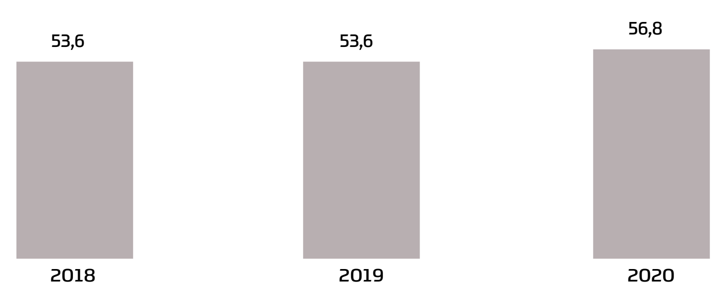
Chart 82: Change in banks' intermediary operating balances, on a consolidated basis (billion dirhams)



The net banking income stood at 77.3 billion dirhams, up 3.5 percent, against 5.1 percent the previous year. This change reflects differentiated trends of its components. Thus, the interest margin accelerated by 5.1 percent, against 2.2 percent the previous year. Income from market operations decelerated to 0.9 percent from 19.9 percent. The commission margin fell by 1.6 percent, following a 7.2 percent increase in the previous year.

This situation reflects the change in the structure of banking groups' liabilities in favour of non-interest-bearing deposits and a contraction of some activities generating commissions due to health restrictions.

Chart 83: Banks' average operating ratio, on a consolidated basis (%)



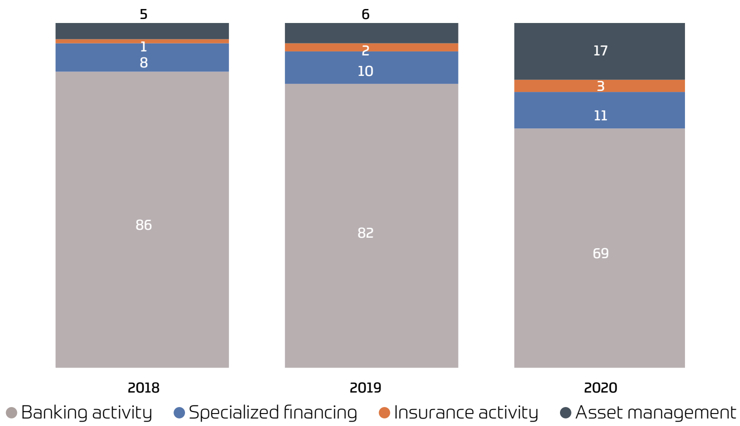
General operating expenses increased by 9.5 percent to nearly 44 billion dirhams, against 5.2 percent at the end of 2019. This increase is linked to the banks' contributions to the Special Fund for the Management of the Covid-19 Pandemic which were recorded under IFRS standards among general operating expenses. The result was a rise of 3.2 points in the average operating ratio, to 56.8 percent, and a fall of 3.5 percent in the gross operating income, to 33.4 billion dirhams.

As to the cost of risk, it increased significantly in the context of the crisis by 133 percent to 20.5 billion, absorbing 61.4 percent of the GOI, against 25.4 percent in the previous year. As a ratio to loans, it represented 1.8 percent compared to 0.8 percent in 2019.

Overall, the eleven banking groups closed the financial year 2020 with a net profit (group share) of 6.8 billion, down 52.5 percent, after having increased by 2.7 percent in 2019. This resulted in a decline in return on assets (ROA) by 0.4 points to 0.4 percent and in return on equity (ROE) by 5.1 points to 4.6 percent.

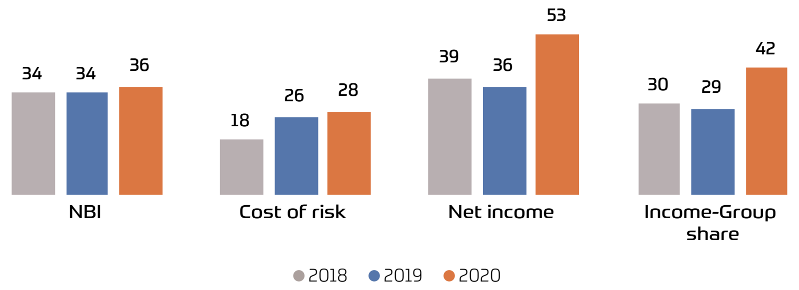
By business line, the contribution of the banking activity to the net income-group's share stood at 69 percent, down 13 points compared to 2019 in favour of asset management, whose share increased to 17 percent, in connection with a scope effect of UCITS which were fully consolidated. The share of specialised financing was maintained at 11 percent and that of the insurance business increased by one point to 3 percent.

Chart 84: Contribution of the different business lines to the net income-Group share of the banking groups (%)



The international activity generated a NBI up 8.4 percent to 20.4 billion dirhams. Its contribution to the NBI of the 3 banking groups involved increased by 2 points to 36 percent.

Chart 85: Contribution of the foreign subsidiaries to the main income headings of 3 cross-border banking groups (in %)



The net income - Group share realized internationally by the three cross-border banking groups fell by 33.3 percent to 2.1 billion dirhams, due to the rise in the cost of risk. However, its contribution to the net income- Group share increased by 13 points to 42 percent, in connection with the decrease of the net income of the activity in Morocco.

CHAPTER 3.
BANKING RISKS

The effects of the health crisis have impacted the financial situation of households and businesses, leading to a deterioration in their ability to repay loans. However, the measures taken by the authorities have mitigated these impacts as well as the credit risk for credit institutions.

In terms of liquidity, the Bank intervened very quickly to take the necessary easing measures, which enabled them to triple their refinancing capacity.

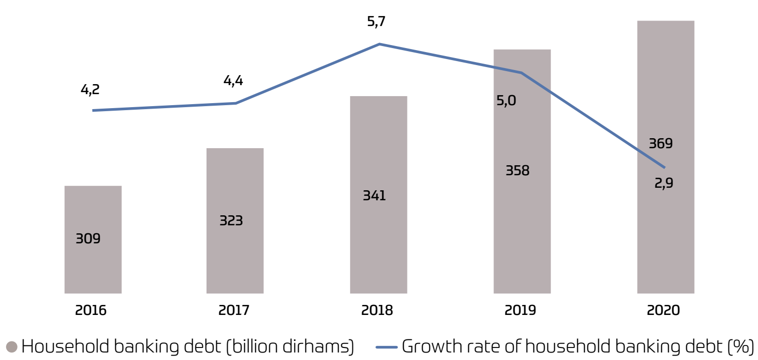
As regards solvency, the banking sector has shown resilience, thanks to its good pre-crisis fundamentals and measures taken to contain risks and preserve capital buffers.

I. Slowdown in household bank indebtedness

The growth of household credit slowed down significantly in 2020 due to the general lockdown measures introduced during the second quarter of the year and the impact of the health restrictions on their consumption.

At the end of 2020, household bank debt[22] totalled 369 billion dirhams, up 2.9 percent against 5 percent in 2019. It represented nearly 35 percent of the credit institutions' loans, unchanged from the previous year. Its ratio to GDP, however, recorded an increase of 3 points to 34 percent, in relation to the strong economic recession.

Chart 86: Household bank indebtedness



Banks hold nearly 84 percent of this debt, unchanged from the previous year, against 16 percent for finance companies. Out of this total, the share of consumer loans fell by one point to 36 percent, in favour of housing loans, whose share increased to 64 percent.

In order to support the households affected by the crisis, the banking sector, in conformity with the recommendations of the Economic Monitoring Committee, has granted moratoria on housing and consumer loan maturities, mainly for the second quarter of 2020.

22 Including debt contracted with participatory institutions in the form of Murabaha.

Box 4:
Moratoria on household loans

The Economic Monitoring Committee, which met on May 8, 2020, decided that the State and the banking sector will pay all the interim interest generated by the postponement of housing and consumer loan maturities for the period between March and June 2020, for borrowers with monthly loan repayments of up to 3,000 dirhams for housing loans and 1,500 dirhams for consumer loans.

According to the data communicated by credit institutions to Bank Al-Maghrib, the moratoriums granted concerned, at the end of December 2020, 469.273 files and concerned postponed maturities of 3 billion for an outstanding amount of 67.3 billion dirhams, which represents 18 percent of the banking debt of households.

In this regard, banks have automatically postponed bank instalments for their vulnerable customers who benefit from FOGARIM[23] loans intended for people with irregular income.

The following developments concern the result of the survey carried out by Bank Al-Maghrib on the trend of household debt. This 16th survey was carried out with 11 banks and 11 consumer credit companies, with a total market share of 99 percent in terms of housing loans and consumer loans.

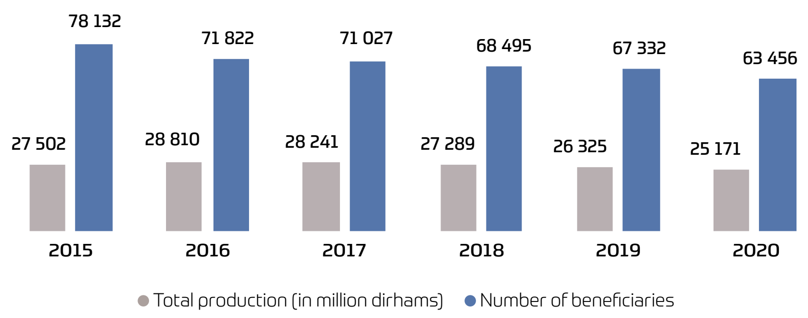
The survey completes the regular monthly monitoring of the trend of consumer and housing loans, while enriching this monitoring with elements related to the profile of the beneficiaries of these loans according to age, income, socio-professional category and geographical location.

1. Household debt in the form of housing loans

1.1. Characteristics of housing loans

After a 3.9 percent decline in 2019, the production of housing loans contracted once again in 2020 by 4 percent to nearly 25.2 billion dirhams, reflecting a drop in State-backed loans by 14 percent and free loans by 3 percent. At the same time, the number of beneficiaries also declined by 5.8 percent to nearly 63,400 clients, reflecting a 16 percent drop in State-backed loans and a 3 percent fall in free loans. The average loan amount rose by 6,000 dirhams compared to the previous year to reach 396,000 dirhams.

Chart 87: Change in housing loans production and number of beneficiaries

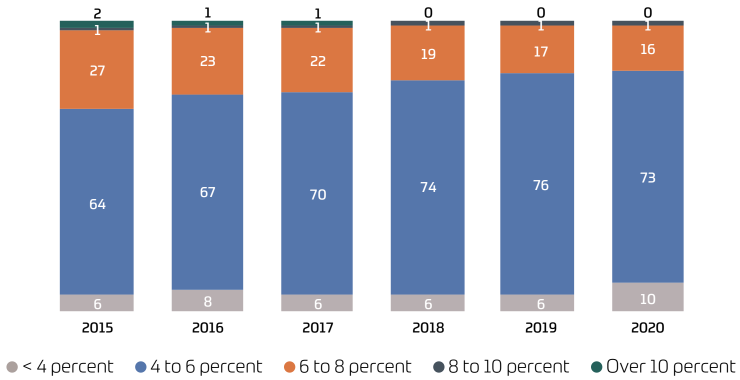


23 Guarantee fund for irregular and modest income.

On the other hand, gross outstanding housing loans amounted to 237.7 billion dirhams[24], up 4.6 percent compared to 4.2 percent a year earlier. This increase was mainly recorded during the second half of 2020, following the lifting of the general lockdown.

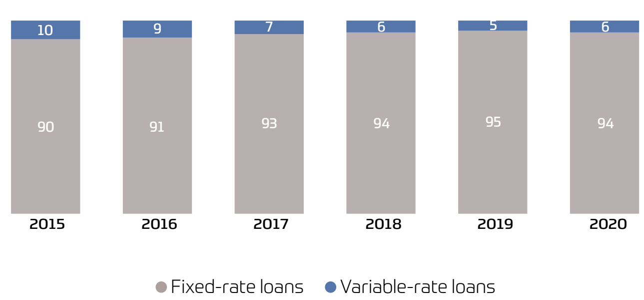
Out of this total, outstanding free loans, representing a share of 84 percent, marked an increase of 6.1 percent, against 5.6 percent. As to State-backed loans, their outstanding amount fell by 2.3 percent, following a 2.1 percent drop in 2019. Thus, they stood at 37.5 billion dirhams, of which 19.8 billion under FOGALEF25[25] and FOGALOGE[26], 16.2 billion under FOGARIM27[27] and 1.6 billion under the Habitat Bon Marché. As for Murabaha real estate financing, it amounted to 8.6 billion dirhams.

Chart 88: Change in outstanding housing loans according to the range of rates applied (%)



The average interest rate applied by banks to housing loans was 4.41 percent, down 5 basis points compared to 2019. The share of loans with a rate below 6 percent continues to increase and rose by one point in 2020 to 83 percent.

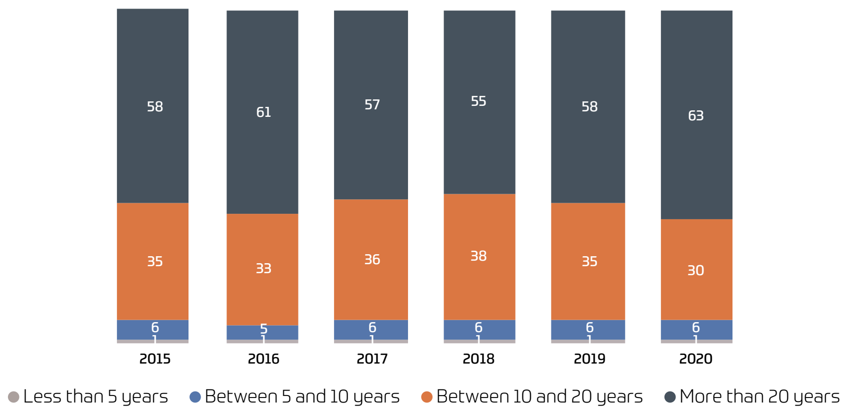
Chart 89: Breakdown of outstanding housing loans by fixed and variable rates (%)



The share of fixed-rate housing loans fell by one point to 94 percent in terms of outstanding. In terms of production, this share reached 93 percent.

24 Including participatory real-estate financing in the form of Murabaha.
25 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.
26 Housing Loan Guarantee Fund for Public Sector Staff.
27 Guarantee Fund for Irregular and Modest Income.

Chart 90: Change in outstanding housing loans according to the initial maturity (%)



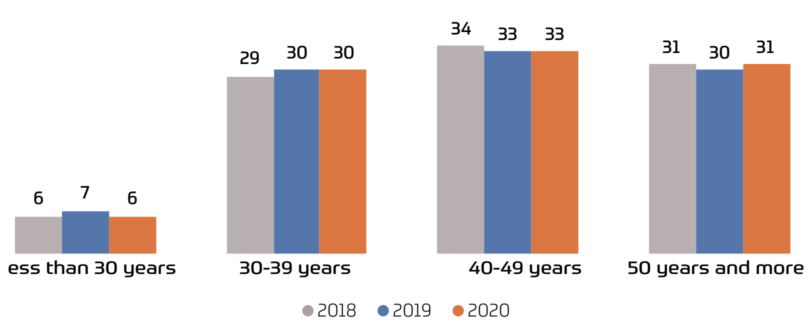
The share of housing loans granted with an initial maturity of 20 years or more increased by 5 points to 63 percent, to the detriment of loans with a maturity ranging between 10 and 20 years, which contracted by 5 points to 30 percent. The result is an average initial term of almost 20.8 years, compared to 20.4 years a year earlier.

1.2. Profile and characteristics of housing loan beneficiaries

The analysis of the profile of housing loan beneficiaries is carried out according to the criteria of age, income, socio-professional category and place of residence.

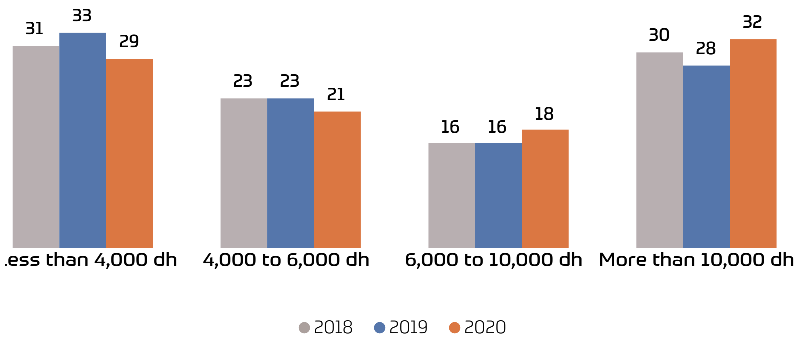
According to the age criterion, people over 40 years of age accounted for almost 64 percent of the total number of files, compared with 30 percent for people aged between 30 and 40. People under 30 years of age represented 6 percent.

Chart 91: Breakdown of the number of housing loan files by age (%)



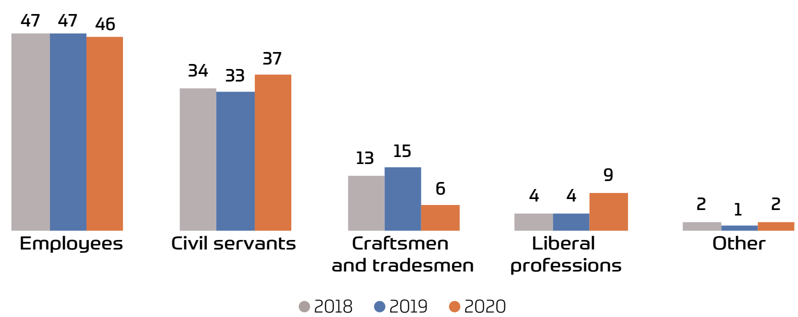
In terms of income, people earning less than 4,000 dirhams accounted for 29 percent of the number of credit files, which represents a drop of four points to the benefit of people with an income exceeding 10,000 dirhams, whose share has increased to 32 percent.

Chart 92: Breakdown of the number of housing loan files by income (%)



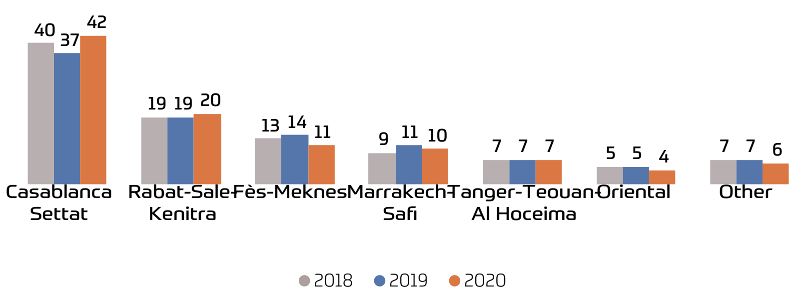
According to socio-professional category, employees and civil servants account for almost 46 percent and 37 percent of credit files respectively, while tradesmen and liberal professions account for 15 percent. These trends reflect an increase in the share of civil servants and liberal professions and a decrease in the share of craftsmen and traders.

Chart 93: Breakdown of the number of housing loan files, by socio-professional category (%)



According to geographical distribution, nearly 42 percent of the beneficiaries of housing loans are located in the region of Casablanca-Settat, up 5 points, followed by the region of Rabat-Salé-Kenitra with 20 percent of borrowers.

Chart 94: Geographic breakdown of the number of housing loan files (%)

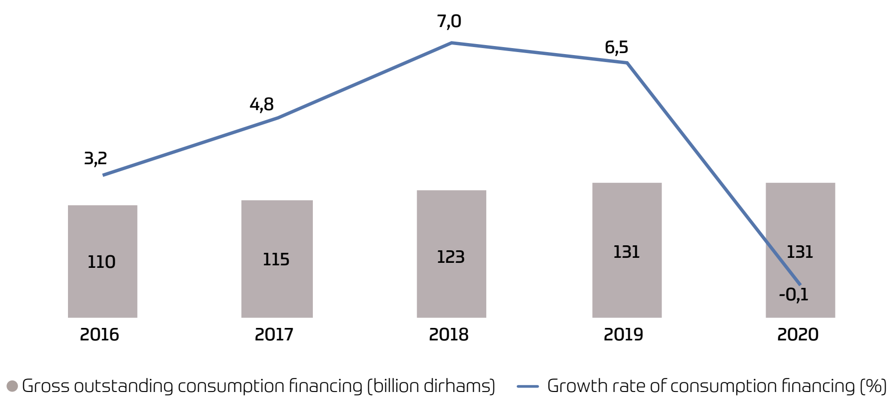


2. Household debt in the form of consumer loans

2.1. Characteristics of consumer loans

Change in the gross outstanding consumer loans amounted to 131 billion dirhams, almost unchanged, as against an increase of 6.5 percent in 2019. This stagnation reflects a deceleration of consumer loans granted by consumer loan companies by 3.3 percent and a drop of 2.7 percent in loans granted by banks. On the other hand, the outstanding loans granted by participatory banks and windows, in the form of Murabaha intended for the acquisition of vehicles, increased by 41.1 percent to 968 million dirhams.

Chart 95: Change in the gross outstanding consumer loans (Banks and finance companies)



By maturity, the share of consumer loans with a maturity exceeding 5 years rose by 3 points to 74 percent, that of loans between 3 and 5 years fell by 2 points to 18 percent and that of loans with a maturity of less than 3 years rose to 8 percent from 9 percent.

Chart 96: Change in the outstanding consumer loans granted by banks and finance companies, by initial maturity (%)

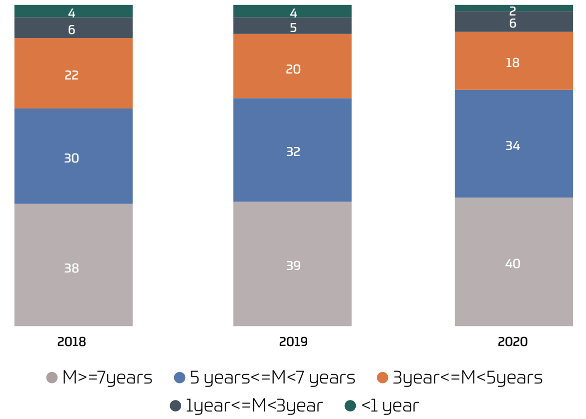
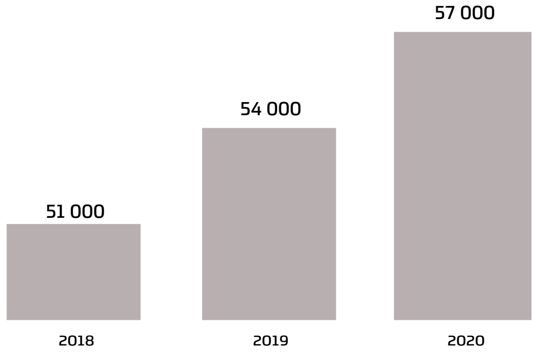


Chart 97: Change in the average amount of consumer loan files granted by banks and finance companies (dirhams)



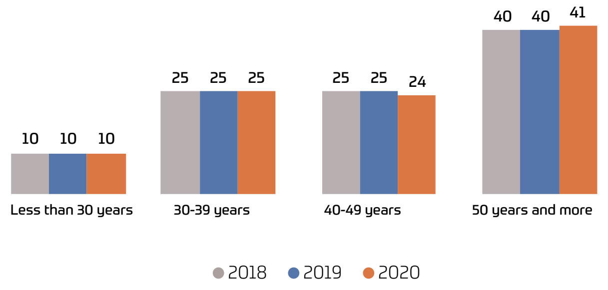
The average amount of consumer loans is 57,000 dirhams, up 3,000 dirhams from one year to the next.

2.2. Profile and characteristics of consumer loan beneficiaries

As with housing loans, the profile of consumer loan beneficiaries is analysed on the basis of age, income, socio-professional category and residence.

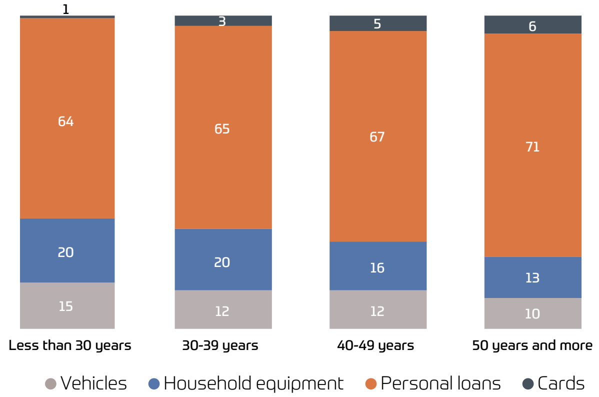
The breakdown of the number of loan files by age did not change significantly. Beneficiaries over 50 years of age accounted for 41 percent of the number of files, one point more than in 2019.

Chart 98: Breakdown of the number of consumer loan files granted by banks and finance companies by age (%)



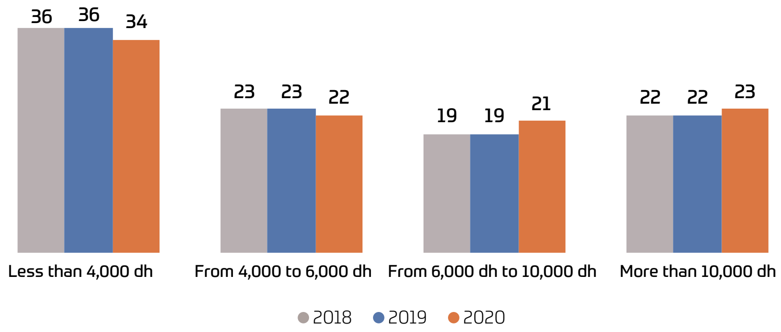
In terms of the number of files, personal loans are still the most common type of loans used by all age groups.

Chart 99: Breakdown of the number of consumer loan files granted by banks and finance companies, by age and type of loan (%)



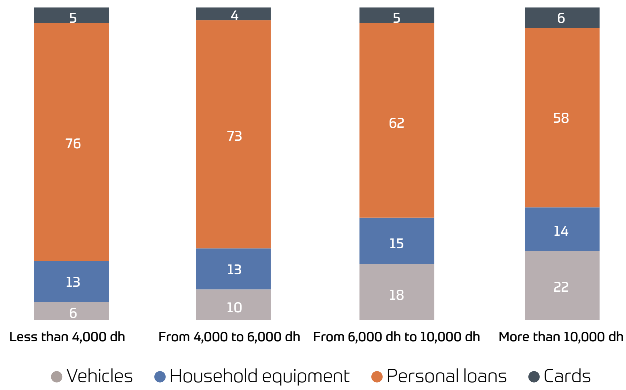
By income, people earning less than 4,000 dirhams represent nearly 34 percent of loan files, as against 22 percent for those with an income ranging between 4,000 and 6,000 dirhams and 44 percent for people with an income exceeding 6,000 dirhams.

Chart 100: Breakdown of the number of consumer loan files granted by banks and finance companies, by income (%)



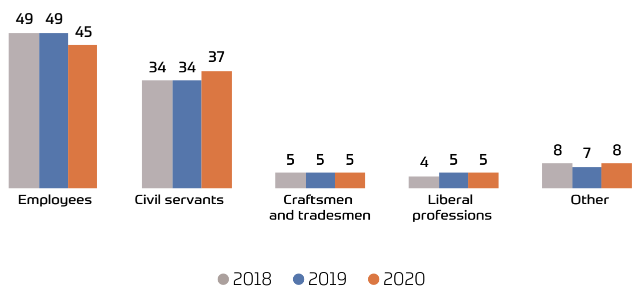
Personal loans continue to represent the most used type of loans across all income groups. They represent 76 percent of the files for people with an income below 4,000 dirhams and 58 percent for those with an income above 10,000 dirhams.

Chart 101: Breakdown of the number of consumer loans files granted by banks and finance companies, by income and type of loan (%)



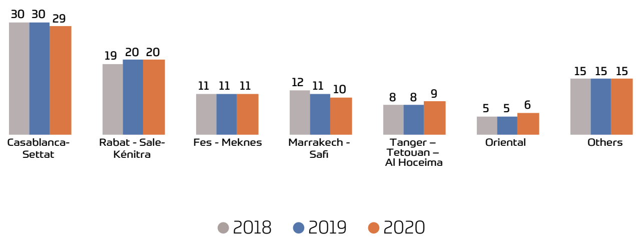
Employees accounted for 45 percent of consumer loan files in 2020, down 4 points in 2019. While the share of civil servants increased by 3 points to 37 percent. The remainder is held by pensioners (8 percent), craftsmen and tradesmen (5 percent) and liberal professions (5 percent).

Chart 102: Breakdown of the number of consumer loan files granted by banks and finance companies, by socio-professional category (%)



According to geographical location, and similar to housing loans, the beneficiaries of consumer loans are still concentrated in particular in the urban agglomerations of Casablanca (29 percent) and Rabat (20 percent).

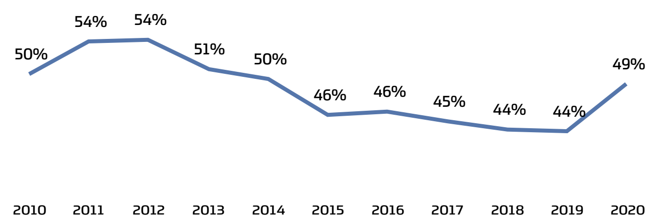
Chart 103: Geographic breakdown of the number of consumer loans files (%)



II. Change in nonfinancial companies' bank debt

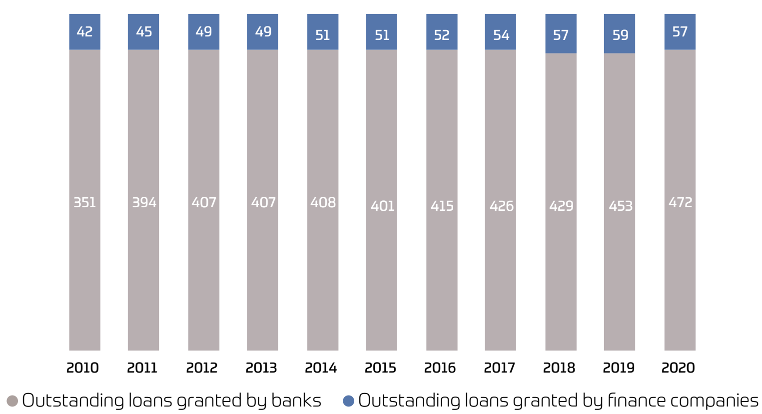
The bank debt of nonfinancial companies stood at nearly 529 billion dirhams, up 3.3 percent, as against 5.5 percent in 2019. Given this increase and the contraction of economic activity in 2020, corporate debt represented 49 percent of GDP as against 44 percent in the previous year.

Chart 104: Ratio of the bank debt of nonfinancial companies to GDP



The increase in corporate debt was mainly driven by cash loans under the effect of credit-support measures taken to respond to the repercussions of the health crisis[28]. Thus, its share in total loans granted by credit institutions remained stable at 51 percent. Excluding guaranteed loans, loans to nonfinancial companies posted a 3.6 percent drop.

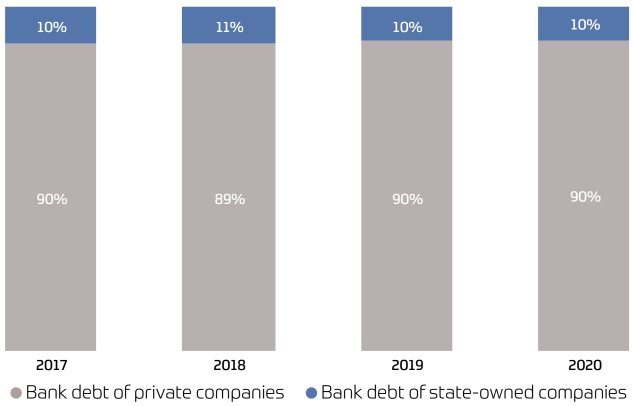
Chart 105: Outstanding amount of disbursement loans granted to nonfinancial companies (billion dirhams)



Representing 89 percent of the total financing granted to companies, loans granted by banks increased by 4.2 percent, from 5.6 percent a year earlier in favor of private companies the outstanding amount of which rose 5 percent and reached 421.7 billion, after an increase of 6.5 percent in 2019. Conversely, those intended for state-owned companies fell again by 1.9 percent after 0.5 percent, to 50.3 billion.

28 For more details about the measures taken, see Box No.2 of this report.

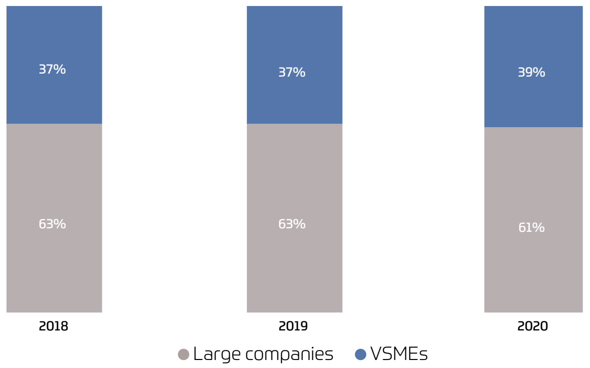
Chart 106: Breakdown of the debt of nonfinancial companies between the private and public sectors



With regard to loans granted by finance companies to businesses, they dropped by 3.7 percent to 56.8 billion, as against an increase of 4.4 percent a year earlier, in conjunction with the decline in financing operations through leasing (-2.9 percent) and receivables acquired by factoring (-20.5 percent).

Data collected from banks and finance companies indicate that the share of loans granted to VSMEs[29] reached 39 percent of total loans to companies, with a significant increase compared to previous years, due to the support measures intended for this segment.

Chart 107: Breakdown of loans by business segment



III. Change in banks' major risks

At the end of December 2020, the large exposures of banks[30] increased by 1.7 percent to 369 billion dirhams, representing 2.4 times their capital on an individual basis, or the same level as a year earlier. Out of this total, balance sheet commitments, totaling nearly 280 billion dirhams, were up by 2.0 percent compared to last year and off-balance sheet exposures, notably in the form of

29 Defined on the basis of a turnover below 175 million dirhams.
30 Exposure to a beneficiary or a group of beneficiaries of a loan whose outstanding amount is greater than or equal to 5% of a bank's equity capital.

financing and guarantee commitments totaling 85 billion dirhams, have recorded a quasi-stagnation over the same period.

Chart 108: Change in banks' large credit exposures - on individual basis

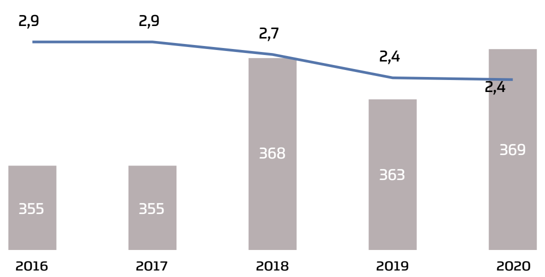
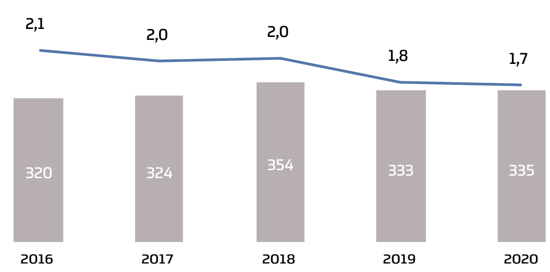


Chart 109: Change in banks' large credit exposures - on consolidated basis



Volume (billion dirhams) — Ratio of volume to capital

Excluding their exposure to their subsidiaries, the large exposures of banks fell to 292 billion dirhams, representing 1.9 times their equity capital on an individual basis.

By sector, 30 percent of the banks' large exposures were to banks and finance companies, followed by other financial counterparties (11 percent), operators in the extractive industry sector (10 percent), manufacturing industry (9 percent) and energy (6 percent).

On a consolidated basis, the large exposures of banking groups increased by 0.6 percent to 335 billion dirhams, representing 1.7 times banks' capital, compared to 1.8 times in 2019.

IV. Change in credit risk

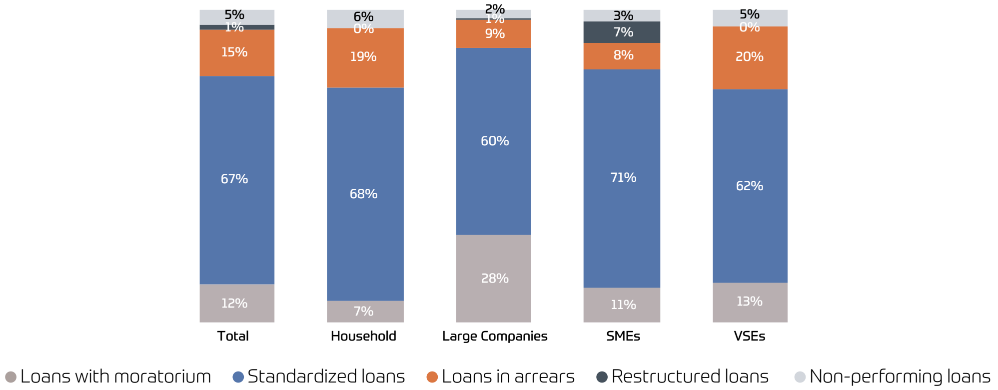
1. Loans that benefited from a moratorium

The implementation of a moratorium on loans for borrowers affected by the health crisis in the Covid-19 context helped mitigate its effects and limit the portfolio's loss ratio. The moratoriums were intended to grant delays in the repayment of loan installments to counterparties who were solvent but facing temporary repayment difficulties due to the effects of the lockdown.

At the end of 2020, the situation of the loans that were subject to moratoria shows that 67 percent of the loans were standardized, 15 percent were unpaid[31], 4.4 percent were in default and have been downgraded among nonperforming loans, 1.4 percent have been restructured and 12.2 percent were still under moratorium.

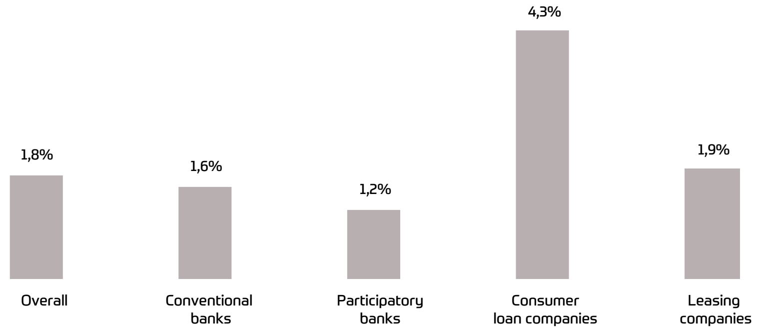
31 Loans with 1 to 2 unpaid installments, not presenting default criteria yet.

Chart 110: Situation of loans with moratoria in the context of the Covid-19 crisis, by segment (in the outstanding amounts concerned) at end-2020



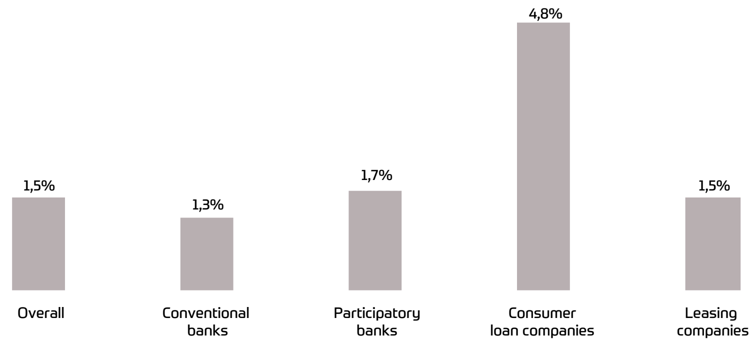
As a ratio to the credit portfolios, loans with arrears represent 1.6 percent for banks, 4.3 percent for consumer loan companies, 1.9 percent for leasing companies and 1.2 percent for participatory banks.

Chart 111: Share of outstanding loans with arrears as a % of outstanding loans at end-2020



Similarly, loans under moratoria at the end of 2020 represented 1.3 percent of banks' loan portfolios, 4.8 percent for consumer loan companies, 1.5 percent for leasing companies and 1.7 percent for participatory banks.

Chart 112: Share of outstanding moratorium files as a % of outstanding loans at end-2020



2. Change in non-performing loans

In 2020, the effects of restrictive health measures on economic activities affected the ability of households and businesses to repay their bank loans. Nevertheless, the stimulus measures taken by the authorities allowed to mitigate these impacts on the quality of banks' portfolio. Thus, the volume of their outstanding debts increased by 13.9 percent, as against 7.1 percent a year earlier, to 79.7 billion dirhams. The result is a loss ratio up 0.7 point, to 8.2 percent at the end of 2020.

Chart 113: Change in banks' nonperforming loans - on individual basis

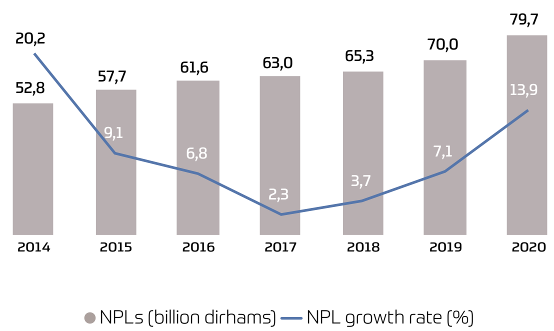
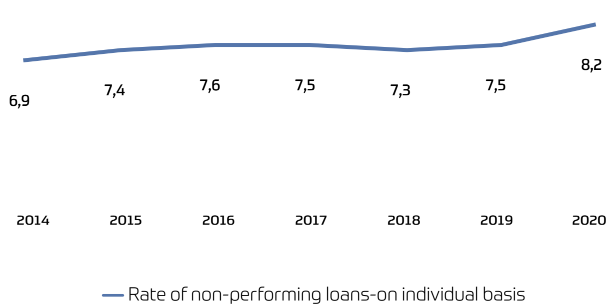
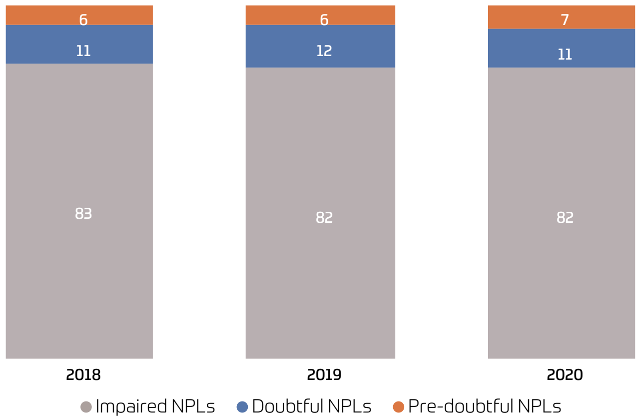


Chart 114: Change in the rate of non-performing loans-on individual basis (%)



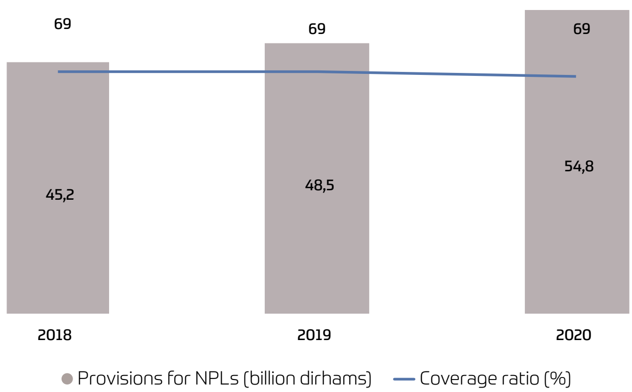
By risk level, pre-doubtful loans recorded a significant increase of 40.2 percent to 6 billion dirhams and doubtful loans increased by 1.7 percent to 8.6 billion dirhams. Impaired loans were up 13.8 percent to 65.1 billion dirhams. As a result, the share of pre-doubtful loans rose by one point to 7 percent and that of doubtful loans decreased by one point to 11 percent. The share of impaired loans remained stable at 82 percent from one year to the next.

Chart 115: Change in the structure of banks' NPLs by category-Individual basis (%)



Provisions for non-performing loans rose by 12.9 percent, resulting in a provisioning rate of 69 percent. This rate reached 76.6 percent for the impaired category, 54.9 percent for doubtful loans and 7 percent for pre-doubtful loans, compared to 76.7 percent, 49.9 percent and 8.8 percent, respectively, in 2019.

Chart 116: Coverage rate of banks' nonperforming loans - on an individual basis

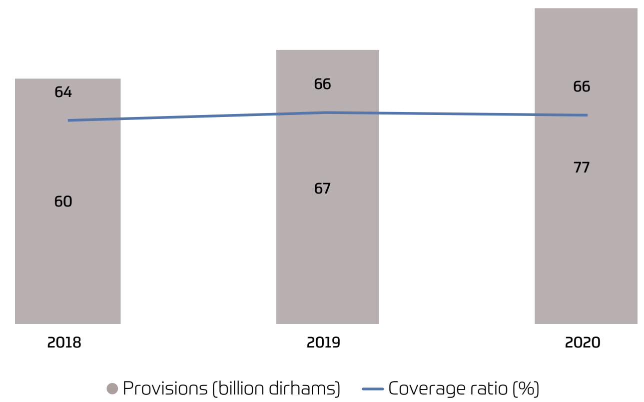


In anticipation of an expected increase in credit risk, banks increased general provisions, which are constituted to cover sensitive loans[32], and which amounted to 13.7 billion dirhams, up 28 percent. These provisions represented 1.5 percent of sound loans as against 1.2 percent in 2019.

On a consolidated basis, non-performing loans on customers of the 11 banking groups totaled 117 billion dirhams, up 15.9 percent compared to end-2019. As a result, the risk rate increased by one point to 9.5 percent.

32 Sensitive loans are claims on counterparties whose ability to meet their immediate and/or future commitments is a cause for concern, but which do not meet any of the criteria for classification as nonperforming loans.

Chart 117: Coverage rate of banks' outstanding nonperforming loans - on a consolidated basis



Provisions set up by banking groups to cover nonperforming loans rose by 14.6 percent, against 11.6 percent a year earlier, to 77 billion dirhams. This resulted in a stable coverage rate of 66 percent.

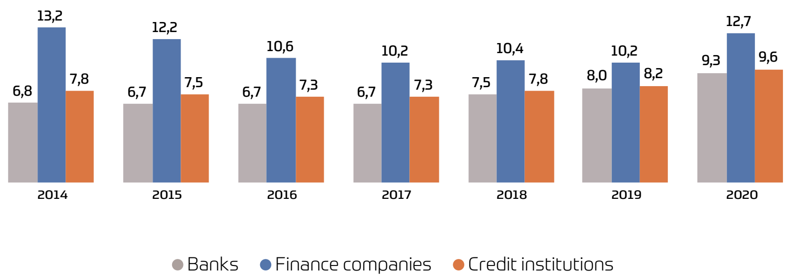
At end-2020, sensitive loans meeting the criteria of IFRS-9 standard were provisioned at 14.6 percent on average. Sound loans not showing any vulnerability index were covered by provisions for up to 0.9 percent on average.

Nonperforming loans held by foreign subsidiaries, particularly in sub-Saharan Africa, totaled 19.3 billion dirhams, or a risk rate that was almost stagnant at 10.2 percent. The coverage rate of these loans by provisions improved by 4 points to 79 percent compared to end-2019.

2.1. Nonperforming loans held on households

In 2020 and as a result of the crisis, the growth rate of outstanding nonperforming loans of banks and consumer loan companies toward households accelerated by 21 percent to 35.5 billion dirhams, compared to 10.4 percent a year earlier, leading to a risk rate up 1.4 point to 9.6 percent from one year to the next. This change reflects a deterioration of this rate by 1.4 point, to 9.6 percent, for resident households and by 2.3 points, to 10.1 percent, for non-resident households. The coverage ratio of these loans by provisions stood at 60 percent.

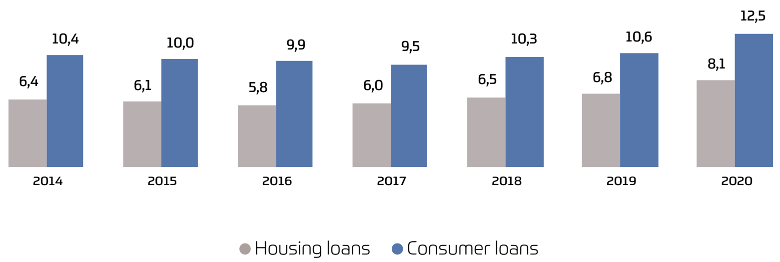
Chart 118: Change in non-performing loans on households - individual basis (%)



Outstanding nonperforming loans held by banks on households rose by 19.2 percent to 28 billion, after an increase of 10.8 percent a year earlier, leading to a risk rate of 9.3 percent, compared with 8 percent at the end of 2019. Their coverage ratio by provisions stood at 57 percent against 59 percent in 2019.

Similarly, the growth rate of nonperforming loans held by consumer loan companies accelerated by 28 percent, or 7.5 billion dirhams, against 5.5 percent in the previous year, inducing a risk rate up 250 basis points, to 12.7 percent. The coverage ratio of these loans by provisions stood at 72 percent.

Chart 119: Change in NPLs of banks and consumer loan companies on households, by type of loan-individual basis (%)

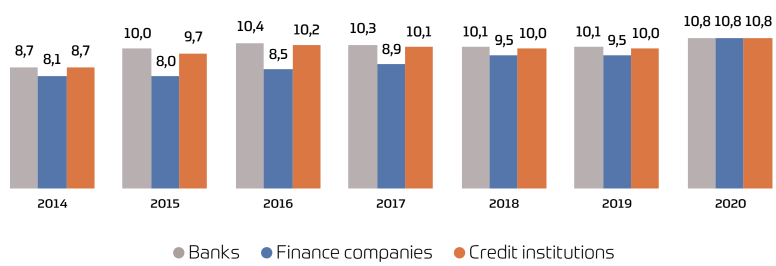


The risk rate reached 8.1 percent for housing loans and 12.5 percent for consumer loans, compared with 6.8 percent and 10.6 percent respectively in 2019.

2.2. NPLs held on nonfinancial businesses

Nonperforming loans held on non-financial companies accelerated by 11.3 percent instead of 5.8 percent in 2019, to 57.2 billion. The rate of non-performing loans rose by 0.8 percentage points to 10.8 percent. These claims were covered by provisions for up to 74 percent, the same level as in the previous year.

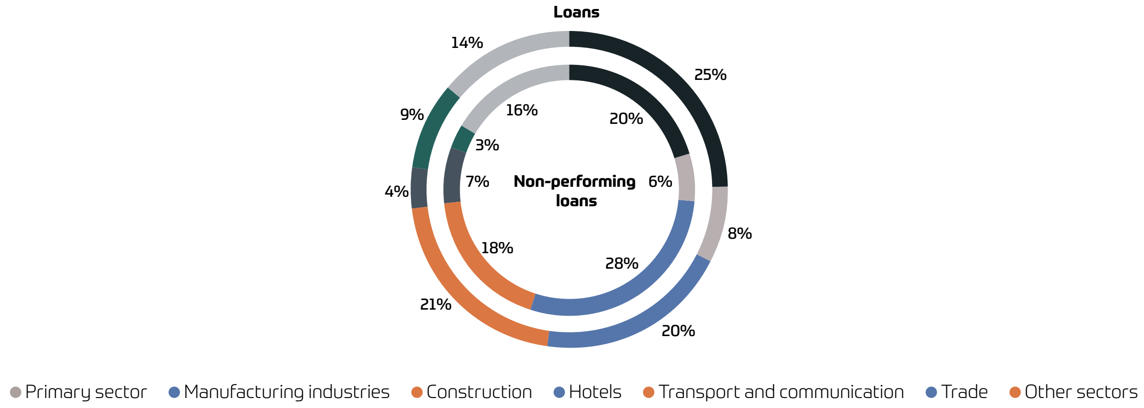
Chart 120: Rate of NPLs held on nonfinancial companies-individual basis (%)



Nonperforming loans held by banks on non-financial companies increased by 11.5 percent to 51.1 billion, representing a risk rate of 10.8 percent compared to 10.1 percent at end- 2019. These claims were covered by provisions for up to 75 percent.

The sectoral breakdown shows that nonperforming loans held on the primary sector rose 6.7 percent and represented 8.6 percent of the loans granted to this sector. NPLs on companies operating in the industrial sector increased by 2.8 percent, resulting in a risk rate of 15.8 percent compared to 16.3 percent in 2019. Those held on the construction sector, which includes real-estate development, rose by 4.8 percent after a 17.8 percent increase a year earlier. As a result, the sector's loss ratio rose by 0.4 percentage points to 9.3 percent.

Chart 121: Breakdown, by sector, of banks' loans and NPLs on nonfinancial companies-individual basis (%)



After a decline of 8.3 percent in 2019, the outstanding non-performing loans of the trade sector increased by 16.8 percent, with a loss ratio of 13.4 percent compared to 12.0 percent.

Chart 122: Change in non-performing loans on businesses by activity sector- individual basis (billion dirhams)

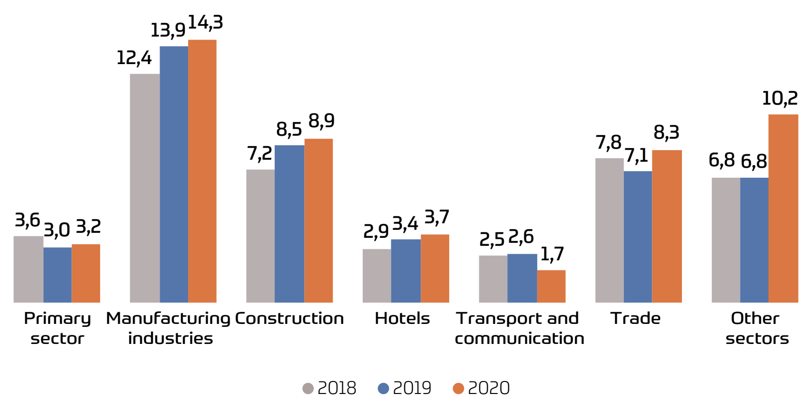
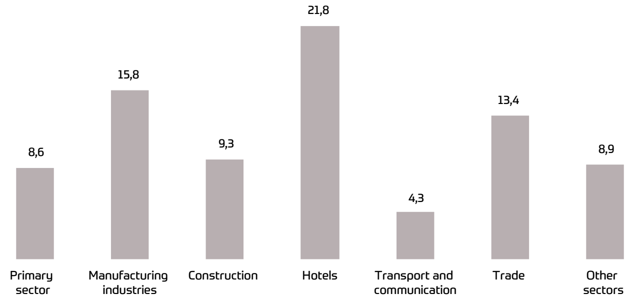


Chart 123: Non-performing loans held by banks on nonfinancial businesses, by activity sector - individual basis (%) end-2020



The growth rate of outstanding nonperforming loans for the hotel sector stood at 9.7 percent after an increase of 16.3 percent in 2019. However, the loss ratio fell by 2.8 percentage points to 21.8 percent as a result of the increase in loans granted to this sector to support it following the effects of the crisis.

Outstanding nonperforming loans of the transport and communication sector fell sharply by 34.5 percent, due in particular to restructuring operations, after the 3.7 percent increase reported a year earlier. Its risk rate reached 4.3 percent compared to 6.7 percent a year earlier.

As to finance companies, their outstanding non-performing loans held on non-financial companies reached 6.1 billion, up 9.6 percent after 4.5 percent in 2019, representing a risk rate of 10.8 percent against 9.5 percent in 2019. These loans were covered by provisions for up to 68 percent, down one percentage point.

V. Change in Banks' liquidity

In terms of bank liquidity, the year 2020 was marked by cash withdrawal operations following the outbreak of the pandemic in March, in response to the health lockdown decisions and the decreed restrictive measures. Similarly, companies drew on their cash credit lines.

In this context, Bank Al-Maghrib took early measures to reassure the public on the availability of cash, to fully release the monetary reserve that should be held by banks with Bank Al-Maghrib and to meet all the cash needs of banks. Moreover, it decided to ease the conditions of banks' recourse to its advances and refinancing.

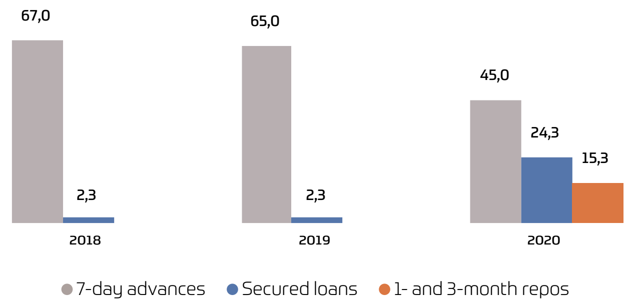
Box 5:
Measures taken by Bank Al-Maghrib to meet banks' liquidity needs

In response to the Covid-19 crisis and to meet the liquidity needs of banks, Bank Al-Maghrib took a series of measures that tripled their refinancing potential.

These measures include:

- The reduction of the key rate twice, from 2.25 percent to 2 percent on 17 March 2020, then to 1.5 percent on 16 June;
- The full release of the required reserves to be held by banks with Bank Al-Maghrib;
- The strengthening of banks' refinancing capacity, through the extension of collateral to include negotiable securities, claims on the central government and on "Corporates" and mortgage claims;
- Expanding the program dedicated to SMEs to include operating loans, while increasing its frequency from quarterly to monthly.

Chart 124: Outstanding 7-day advances and secured loans of Bank Al-Maghrib at end-December 2020 (billion dirhams)



Thus, the Bank increased the overall volume of its injections from 77.6 billion on average per week in 2019 to 96.3 billion in 2020. These injections were mainly carried out via the use, for the first time since 2014, of 1- and 3-month repos, to the detriment of 7-day advances. Thus, the outstanding amount of these advances totaled, at end-December 2020, 45 billion dirhams, against 65 billion the previous year. The outstanding amount of 1- and 3-month repurchase agreements reached 15.3 billion dirhams. As to the outstanding guaranteed loans, granted under the program aiming to support SMEs financing, they have specifically increased to 24.3 billion, against 2.4 billion in 2019 thanks to the expansion of cash loans.

On the interbank market, the volume of transactions increased on a daily average from 3.6 billion in 2019 to 4.8 billion in 2020.

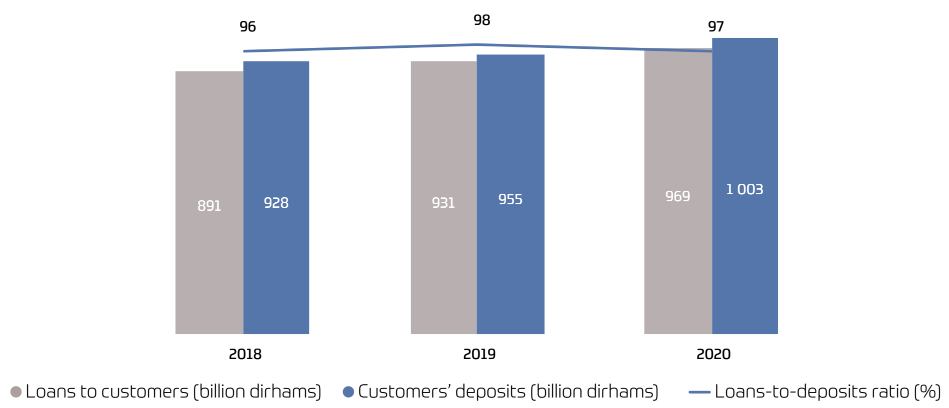
The net position of banks on the repo market, excluding operations with Bank Al-Maghrib, showed a net lending position of 28.5 billion dirhams, from 24.4 billion in 2019, due to the simultaneous increase of 10.3 billion in securities received under repurchase agreements and of 6.2 billion in securities given under repurchase agreements.

In addition to liabilities with Bank Al-Maghrib and inter-bank liabilities, the issued debt securities declined by 7.9 percent, to represent 4.6 percent of banking liabilities against an increase of 21.3 percent and a share of 5.3 percent, respectively, last year. In terms of maturity, the duration of these liabilities were extended. Thus, securities with a maturity of more than 2 years represented 65 percent of the total against 35 percent for securities with a maturity of less than 2 years, while they represented 47 percent and 53 percent, respectively, in the previous year.

Subordinated debts, with a longer maturity, recorded a further increase of 9 percent, or the same level as in 2019, to 51.9 billion dirhams.

Operations carried out with customers in terms of deposits and loans generated a net differential in the form of additional resources. Deposit collection increased by 5.1 percent, a higher rate than that of loans (+4 percent). As a result, the loans-to-deposits ratio fell by one point to 97 percent.

Chart 125: Change in deposits, loans and loans-to-deposits ratio



By maturity, 45 percent of banks' assets consisted of short-term assets and 55 percent of medium- and long-term ones, compared with 44 percent and 56 percent, respectively, in 2019. Their liabilities consisted for up to 58 percent of non-maturity liabilities, 20 percent of short-term ones and 22 percent of medium and long-term ones, compared to 57 percent, 21 percent and 22 percent, respectively, one year earlier.

The liquid and realizable assets of banks, made up in particular of cash, deposits with Bank Al-Maghrib, interbank operations, Treasury bills and certificates of deposit, totaled, at the end of 2020, an outstanding amount of 240 billion dirhams, up 20.4 percent. The share of these assets in total assets stood at 16.1 percent against 14.1 percent a year earlier.

Chart 126: Change in banks' liquid and realizable assets at end-December

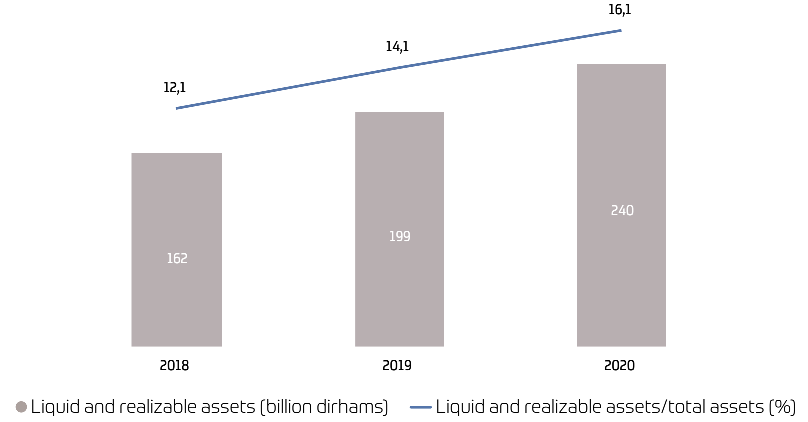
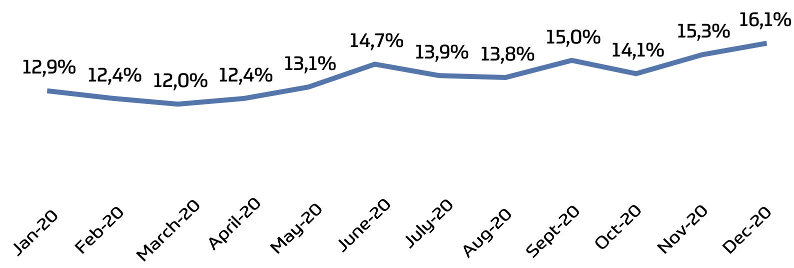
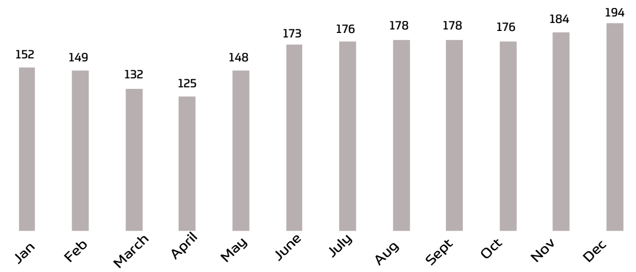


Chart 127: Monthly change of liquid and realizable assets as a ratio to total assets in 2020



The liquidity coverage ratio (LCR)[33]observed by banks averaged 194 percent, compared with 159 percent in 2019, above the regulatory minimum of 100 percent.

Chart 128: Monthly change of the liquidity coverage ratio (LCR) in 2020 (in %)



33 This ratio measures the quantity of liquid and high-quality assets available to banks to cover, in case of a crisis, cash outflows for a period of one month.

As part of the measures taken by Bank Al-Maghrib to accompany banks in response to the Covid-19 pandemic, banks were authorized, whenever necessary, to use, during the second quarter of 2020, the liquidity buffers constituted in the form of High-Quality Liquid Assets below the minimum ratio of the LCR fixed at 100 percent. This measure came to an end in June 2020, as the monetary-policy measures taken by Bank Al-Maghrib allowed for the widening of the collateral eligible for advance operations with the Central Bank.

Concerning foreign-currency liquidity, liabilities, evaluated in dirham equivalent, totaled 62.7 billion at the end of 2020. They were mainly composed of cash and financial borrowings (56 percent) and demand deposits (37 percent). As to foreign-currency assets, they totaled 123.9 billion in dirham equivalent. They were essentially in the form of cash and financial loans granted to credit institutions (25 percent), financing in favor of customers (21 percent) and finally deposits with foreign correspondents (20 percent).

Chart 129: Banks' foreign-currency denominated liabilities

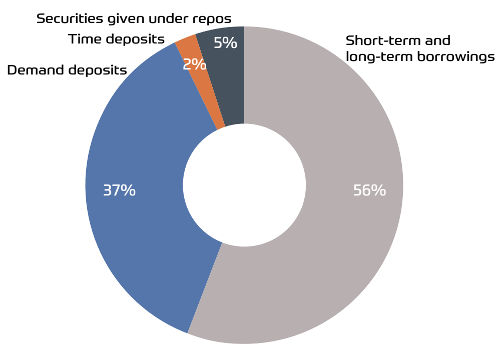
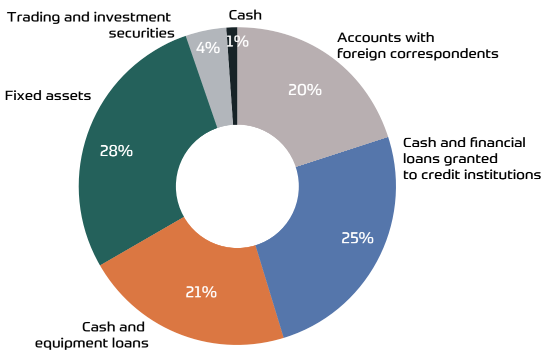


Chart 130: Banks' foreign-currency denominated assets



VI. Change in banks' solvency

1. Change in net weighted risks

At the end of the year 2020, banks' net weighted risks amounted to 1,003 billion dirhams, down by nearly 1 percent as against 6 percent at the end of 2019. These risks were made up for 82 percent of net weighted risks under credit risk, 9 percent under operational risk and the same for market risk instead of, respectively, 84 percent, 9 percent and 7 percent one year earlier.

Chart 131: Change in banks' total net weighted risks (in billion dirhams) - individual basis

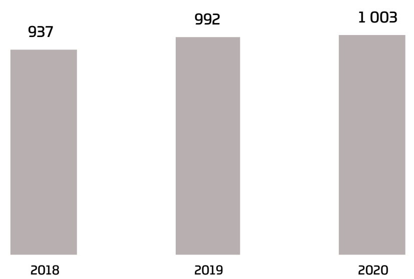
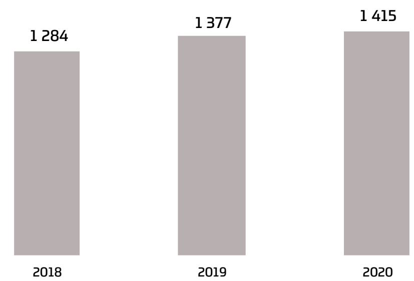


Chart 132: Change in banks' total net weighted risks (in billion dirhams) - consolidated basis



On a consolidated basis, these risks amounted to 1,415 billion dirhams, 84 percent of which was under credit risk, 10 percent under operational risk and 6 percent under market risk, compared to 85 percent, 10 percent and 5 percent, respectively, last year.

1.1. Credit risk

Credit risk-weighted net assets, calculated according to the so-called standard approach of Basel II, correspond to on-balance and off-balance sheet weighted exposures - calculated after applying risk-mitigation techniques.

They stood at 826 billion dirhams, down 0.5 percent after an increase of 4.9 percent in 2019, in connection with the state support to all guaranteed loans granted in the context of Covid-19 and the support factor under VSEs financing.

Chart 133: Change in banks' credit risk-weighted exposures (billion dirhams)- individual basis

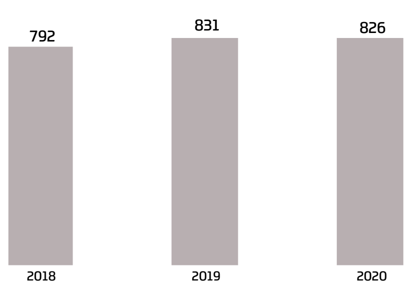
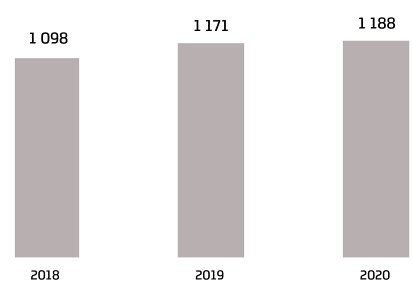


Chart 134: Change in banks' credit risk-weighted exposures (billion dirhams) - on consolidated basis



On a consolidated basis, these risks totaled 1,188 billion dirhams, up 1.4 percent compared to 6.7 percent a year earlier.

1.2. Market risk

Market risk-weighted net assets amounted to nearly 86 billion dirhams at the end of December 2020, up 18 percent compared to 23.4 percent a year earlier, in line with the growth of the securities portfolio.

Chart 135: Change in banks' market risk-weighted exposures (in billion dirhams) - on an individual basis

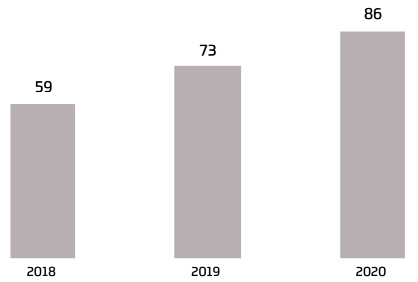
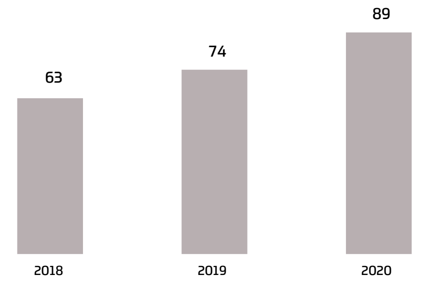


Chart 136: Change in banks' market risk-weighted exposures (in billion dirhams) - on a consolidated basis



On a consolidated basis, these exposures amounted to 89 billion dirhams, up 20.3 percent.

1.3. Operational risk

Operational-risk exposures are calculated by almost all banks according to the so-called basic-indicator approach. They amounted to 91 billion, up 2.7 percent.

Chart 137: Change in operational risk-weighted exposures (in billion dirhams) - on an individual basis

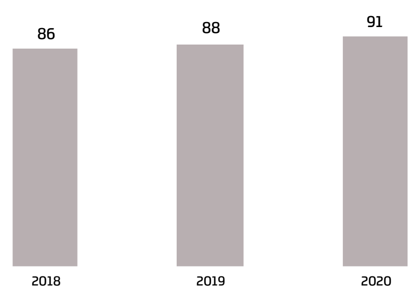
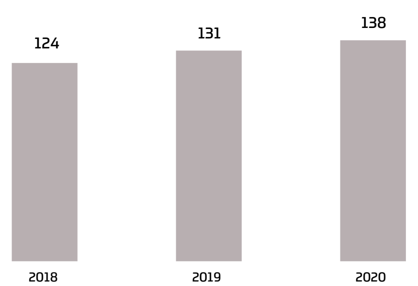


Chart 138: Change in operational risk-weighted exposures (in billion dirhams) - on a consolidated basis



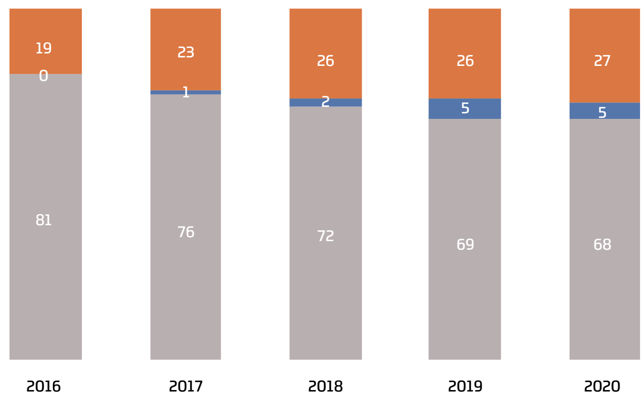
On a consolidated basis, these risks amounted to 138 billion dirhams, up 5 percent.

2. Change in banks' prudential capital

Among the measures taken by Bank Al-Maghrib amid the crisis, the Bank urged credit institutions, during the second quarter of 2020, to suspend the distribution of dividends for 2019. This measure made it possible to preserve banks' equity and their solvency.

At the end of 2020, the prudential equity of banks thus accumulated a total of 157.7 billion dirhams, up 2 percent compared to December 2019, as against 12.1 percent. They were divided between Tier-1 capital[34] for an amount of 114.6 billion dirhams, or 73 percent, of which nearly 93 percent constitute core capital, and Tier-2 capital[35] for an amount of 43.1 billion dirhams, or 27 percent.

Chart 139: Change in the structure of prudential capital - individual basis (%)



The average solvency ratio, which represents the ratio of equity capital to the sum of weighted net assets, remained at 15.7 percent overall, above the regulatory minimum of 12 percent. The Tier 1 capital ratio stood at 11.4 percent against a regulatory minimum of 9 percent. The average Core Tier 1 ratio, the numerator of which includes only the capital used to absorb losses in going concern, stood at 10.7 percent as against a minimum of 8 percent.

Chart 140: Change in banks' capital and solvency ratio -on individual basis

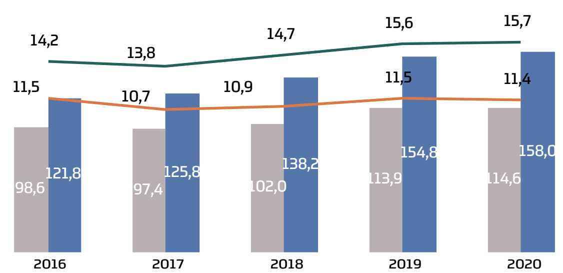
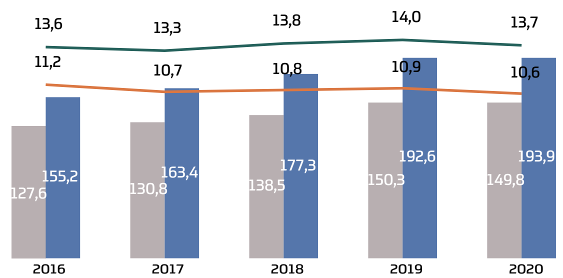


Chart 141: Change in banks' capital and solvency ratio -on consolidated basis



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

34 Consisting of core capital and additional capital. The first category comprises the share capital or endowment issued by the institution, reserves, profit and loss account 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 unrealized 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 unrealized reserves from operations of leasing or rental with purchase option.

On a consolidated basis, banks' prudential equity increased by 0.7 percent to nearly 194 billion dirhams and Tier 1 equity decreased slightly by 0.4 percent to 149.8 billion dirhams. The average solvency ratio and the average Tier 1 ratio stood at 13.7 percent and 10.6 percent against 14 percent and 10.9 percent, respectively.

VII. Analysis of banks' interest rate risk profile

Interest rate risk is defined as the, current or future, risk to which a bank's projected net margin and economic value of equity are exposed, due to adverse movements in interest rates affecting the interest rate-sensitive positions of the banking book.

The measurement of the interest rate risk inherent in the banking book is generally carried out 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 as at end-2020 which are sensitive to changes in the interest rate by maturity segment and then determining a net exposure for each of these maturities.

Interest rate conditions in 2020 were marked by two successive cuts in Bank Al-Maghrib's key rate by 25 basis points in March and 50 basis points in June. Against this backdrop, the majority of banks, representing 78 percent of the market, remain exposed to the risk of an increase in interest rates at the end of 2020.

Over the short term, raising 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.

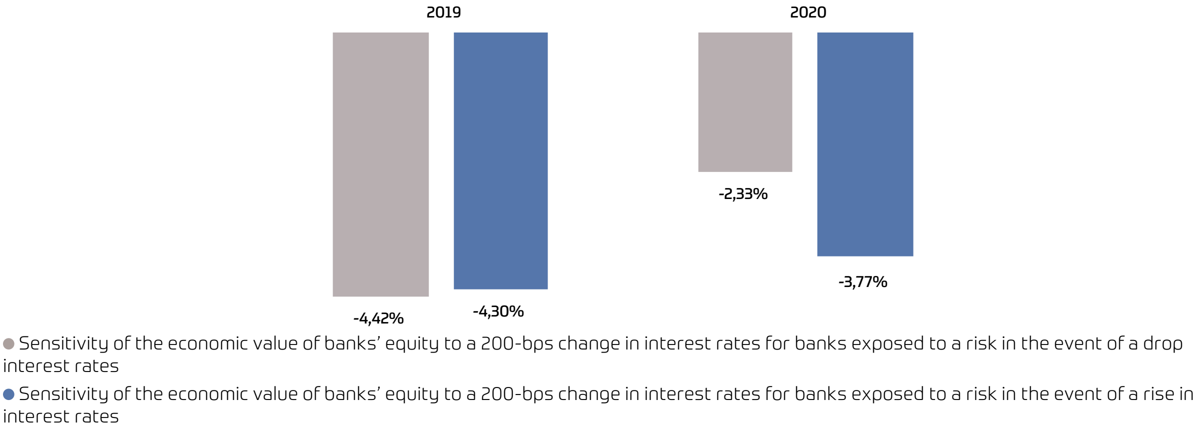
A scenario involving a shock of a rise of interest rate by 200 basis points would lead, for banks exposed to a risk of rising interest rates, to a drop in the average net interest margin in the short term by 4.15 percent compared with 4.98 percent in 2019.

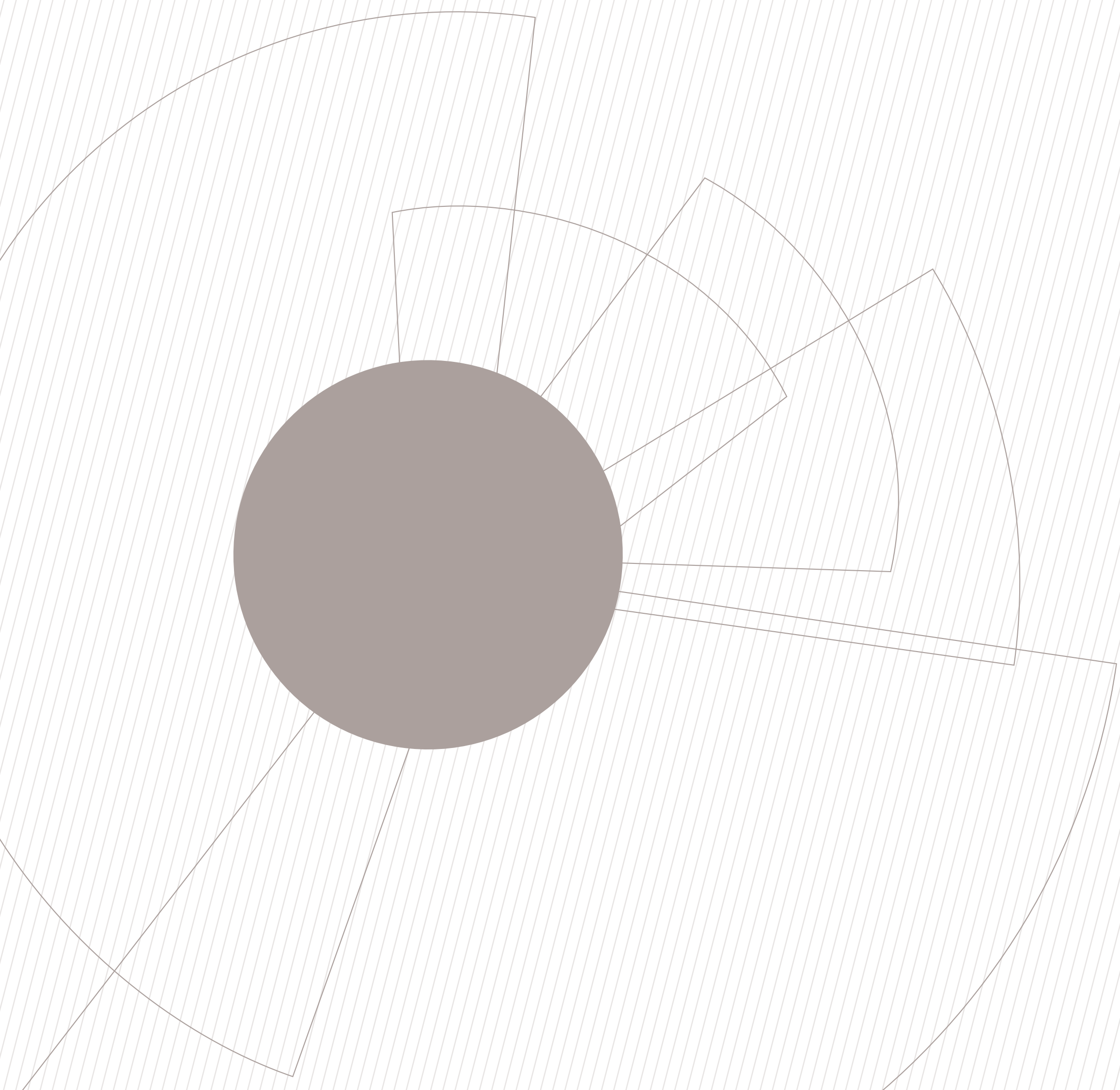
For banks exposed to a risk of falling interest rates, a shock of a drop of 200 basis points would result in a contraction of 1.85 percent in their net interest margin compared to 1.73 percent in 2019.

Changes in medium and long-term interest rates also have an impact on the economic value of medium and long-term assets and liabilities and consequently on the economic value of equity. For the majority of banks, which represent 78 percent of the market, the economic value of assets would depreciate more than the economic value of liabilities in the event of a prolonged rise in interest rates. Thus, in the event of a prolonged rise in parallel interest rates by 200 basis points, the economic value of equity would depreciate by -3.77 percent on average for banks exposed to a rising interest rate risk, compared with -4.3 percent in 2019.

For banks with a medium- and long-term exposure to falling interest rates, the economic value of assets would rise less than the economic value of liabilities in the event of a fall in interest rates and would reach -2.33 percent in the event of a prolonged drop in interest rates by 200 basis points.

Chart 142: Sensitivity of the economic value of banks' equity to a 200-bp change in interest rates





SUPERVISION FRAMEWORK OF CREDIT INSTITUTIONS AND SIMILAR ENTITIES

PART 2

CHAPTER 1:
DEVELOPMENT OF LEGAL AND REGULATORY FRAMEWORK OF CREDIT INSTITUTIONS AND SIMILAR ENTITIES

As soon as the health crisis broke out at the beginning of 2020, Bank Al-Maghrib had to review its priorities and to focus its interventions on monitoring the impact of the crisis on credit institutions and on preparing and rolling out regulatory responses.

Against this backdrop, the reform agenda was overhauled and the adoption of the bulk of the regulatory projects planned for 2020 was postponed to 2021.

At the legislative level, the Bank was active, alongside the Ministry of Economy, Finance and Administration Reform and the ministerial departments concerned, in finalizing priority draft laws for the national financial system relating to the transformation of the Central Guarantee Fund (CCG) into a public limited company, the revision of the microfinance framework, the fight against money laundering and the financing of terrorism and the introduction of the collaborative funding mechanism.

1. Laws, regulations and regulatory measures adopted in 2020

1.1. Prudential regulatory measures adopted in response to the crisis

Bank Al-Maghrib has taken a set of prudential measures to support credit institutions covering liquidity, equity and loan-provisioning requirements in order to strengthen the capacity of credit institutions to support households and businesses in the exceptional circumstances of the pandemic.

- **Liquidity coverage ratio (LCR)**: banks were allowed, when the need arises, to use liquidity buffers in the form of High Quality Liquid Assets below the minimum LCR ratio of 100 percent during the second quarter of 2020. This measure came to an end at end-June 2020, as the actions taken by Bank Al-Maghrib in terms of monetary policy have permitted the widening of the collateral eligible for advance operations with the Central Bank.

- **Solvency ratio**: At the end of March 2020, Bank Al-Maghrib authorized the relaxation of the conservation capital buffer by 50 bps over a period of 12 months, bringing the minimum regulatory thresholds down to 8.5 percent for Tier 1 capital ratio and 11.5 percent for the solvency ratio. This measure has been extended until the end of June 2022.

- **Provisioning of credit risk**: Bank Al-Maghrib has authorized banks and finance companies to postpone the provisioning of loans under moratorium. At the same time, it has required the constitution of provisions for general risks to cover future credit risks, as a preventive measure.

- **Distribution of dividends**: The Bank has called on credit institutions to suspend until further notice any distribution of dividends for 2019 earnings. This measure was aimed at maintaining sufficient capital to cope with the effects of the crisis and preserve the capacity to grant financing in the exceptional circumstances of the pandemic crisis.

- **Treatment of depreciation allowances on assets leased by credit institutions**: The Bank authorized credit institutions to suspend depreciation allowances on leased assets or rented assets for contracts subject to moratoria granted to customers, in line with the support measure decided by the Economic Monitoring Committee set up by the Government. This measure has been extended for the economic sectors that have benefited from program contracts with the State.

- **Relaxation of provisioning rules for micro-credit associations**: given the context of the health crisis and its repercussions on the vulnerable clients of the micro-credit sector, the Bank relaxed, on a temporary basis until the end of June 2021, the classification and provisioning rules of the nonperofming loans of micro-credit associations. This measure has been extended to the end of June 2022.

1.2. Prudential support for VSE financing

As part of the initiatives launched nationally during the fourth quarter of 2019 to improve access to bank financing for VSEs, Bank Al-Maghrib has amended the regulations in force by introducing a prudential support factor designed to reduce the capital requirements for credit risk, required from credit institutions for the financing of this category of businesses.

This support factor makes it possible to reduce by 28 percent the capital requirements of credit institutions intended to cover exposures to very small enterprises.

1.3. Supervision of online and remote account opening

Against the backdrop of the Covid-19 pandemic and the necessity of limiting the physical contact of citizens at the level of bank branches, Bank Al-Maghrib has undertaken measures aimed at accelerating the use of digital means to offer banking services and more specifically to open bank and payment accounts, through the following two actions :

- **Temporary easing of the conditions for opening Level 2[36] payment accounts and the registration of merchants:**

This measure concerned:

- **Limiting, on a temporary basis until end-June 2020, the procedures for opening Level-2 payment accounts to the transmission of a digital copy of the national identity card, in addition to the telephone number;**

- **The easing of the registration of merchants for the acceptance of mobile payment on the basis of the presentation of a copy of the national identity card and the license number for natural persons exercising a local trade, not registered in the trade register.**

- **Supervision of the online opening of bank and payment accounts:**

In April 2020, Bank Al-Maghrib issued a circular letter aimed at regulating the opening of accounts for natural persons, in accordance with the recommendations of the Financial Action Task Force (FATF), particularly Recommendation n°15 on new technologies.

36 Level 2 payment accounts are defined in Box 1.

According to this text, banks and payment institutions are required to put in place prerequisites to ensure that the technologies used are equivalent to the physical presence of the customer for identification purposes. They must also put in place tools for the remote verification of the authenticity of identification documents.

Similarly, the remote-account opening system must be documented, validated and regularly reviewed by internal audit or by any independent internal or external entity.

Institutions requesting the implementation of a remote-account opening system must also ensure compliance with the various legal and regulatory provisions governing the protection of customers' personal data, in particular Deliberation N°D-108- EUS/2020 dated 23/04/2020 relating to the definition of the use of facial recognition technologies in the context of the remote-account system used by banks and payment institutions.

1.4. Legal reform of the Central Guarantee Fund

The Bank contributed to the discussions and exchanges prior to the adoption of Law n°47-95 on the reorganization of the Central Guarantee Fund (CCG). This law, promulgated on 27 July 2020, aims to overhaul and modernize the legal framework for the management of the CCG in order to enable it to support public strategies and policies in facilitating access to finance for target populations.

As an entity subject to the supervision of Bank Al-Maghrib, the National Company for Guarantee and Corporate Finance (SNGFE), resulting from the transformation of the CCG, will have a prudential framework taking into account its specificities and aiming at ensuring the good management of the risks incurred in the framework of its activities.

Box 6:

Structural changes brought about by Law n°47-95 on the reorganization of the Central Guarantee Fund

The main contributions of the Law concern the following:

- **The transformation of the CCG** from a public establishment into a limited liability company. This transformation of the legal status aims at enhancing practices in terms of transparency and governance rules. In this respect, the new company will be managed by a board of directors, chaired by the Minister of Finance and composed mainly of independent directors. It is managed by a Director General assisted by a Deputy Director General. The capital is entirely held by the State and the name of the CCG becomes "Société Nationale de Garantie et du Financement de l'Entreprise" (SNGFE).
- **Expansion of the mission**: the SNGFE's main activity is to guarantee the financing of businesses, public or private entities and other categories targeted by the State. On an ancillary basis, it may grant loans to support the financing of specific and additional market needs, provide assistance to businesses and carry out any activity that is compatible with its purpose.
- **The definition of a new conventional framework between the SNGFE and the State**: The financing of SNGFE's main activity will be ensured through conventions signed with the State. Ancillary activities will be financed by the State or by donors. The objective of the reform is to improve the effectiveness of public policies in support of financing, through the establishment of a framework defining the priorities of the SNGFE's action, the qualitative and quantitative objectives, the monitoring and evaluation framework and the funding sources.
- **Establishment of a risk-coverage system**: This system covers the risks inherent in the commitments linked to the SNGFE's activities. It is articulated in several levels, namely :

  1. The resources provided by the State or other donors;
  2. The resources of a reserve fund, fed in particular by all or part of the net profit made by the SNGFE;
  3. SNGFE's own capital.

Moreover, the SNGFE shall benefit from a State guarantee on its commitments under the guarantee activity, made on its own behalf or on behalf of the State, in accordance with the conditions and procedures to be determined by regulation.

2. Draft regulations finalized in 2020 and adopted in the first half of 2021

2.1. Draft amendments to the banking law

In 2020, Bank Al-Maghrib started the amendment of Law n°103-12 relating to credit institutions and similar entities.

The said amendments, which were adopted by the Parliament in July 2021, concern the following elements:

- Adding, in Article 21, the possibility of approval of the joint circular of the financial sector supervisory authorities concerning financial conglomerates. The publication of this circular would give it regulatory force in terms of opposability to third parties;

- Introducing, in Article 51, the possibility of applying a differentiated maximum conventional interest rate (TMIC) for each type of financing instrument (equipment or investment loan, consumer loan or real estate loan) and for each type of institution;

- Adding, in Article 112, a provision stipulating that information from foreign authorities may not be disclosed by Bank Al-Maghrib without the express agreement of these authorities or, where applicable, exclusively for the purposes for which these authorities have given their agreement. The purpose of this amendment is to ensure that the banking confidentiality regime is in line with international standards.

2.2. Prudential regulation

In 2020, Bank Al-Maghrib worked on the finalization of several reforms relating to the prudential framework of the banking sector.

The finalized reforms included the introduction of the leverage ratio and the review of the regulatory framework governing the treatment of banks' exposure to interest rate risk inherent in the banking book. The Bank also finalized the new framework governing the management of financial risks related to climate change and the environment.

These various reforms, which were finalized during 2020, were adopted by Bank Al-Maghrib in March 2021.

2.2.1. Draft amendments to the capital and solvency framework

A. Conventional banks

- **Draft amendments to Bank-Al-Maghrib Circular n°26/G/2006 on capital requirements to cover the credit, market and operational risks of credit institutions, according to the standard approach**

The reform of the solvency framework for credit institutions concerned the treatment of SMEs exposures, real estate assets acquired by way of transfer in lieu of payment, units of real-estate investment schemes and sukuk certificates. A treatment of synthetic securitization transactions was also introduced.

- **Reduction of the risk-weight applicable to credit institutions' exposure to SMEs:** The risk-weight applicable to exposures to SMEs for credit risk has been reduced to 85 percent instead of 100 percent. This reduction is in line with the latest changes adopted as part of the revision of the Basel III Framework, which is scheduled to come into force on 1 January 2022.

  The early adoption of the new weighting was justified by the context of the Covid-19 pandemic crisis and will help banks to support SME financing during the restart phase.

Box 7:
Impact of the new treatment of exposure to SMEs

The reduction in the risk-weighting applicable by credit institutions to their exposures to SMEs supports bank financing for this category of companies.

The reduction of this risk weight from 100 percent to 85 percent would make it possible to free up, all other things being equal, a capital buffer to grant additional funding to this category of companies.

- **Overweighting of assets acquired through transfer in lieu of payment and sale with repurchase agreement:** In order to protect banks against the real estate risk induced by the stock of assets acquired through transfer in lieu of payment and sale and repurchase agreements, a system of credit risk weights applicable to this portfolio of assets has been introduced. This system covers the direct and indirect exposures of banks through subsidiaries.

  The level of risk weights increases depending on the period the assets are held, reflecting the risk of the assets being immobilized. After a period of two years of application of a standard weighting of 100 percent, a period which takes into account the steps to be followed by banks to complete the transfer of the said assets, the weighting is increased to 150 percent in the third year of ownership and to 250 percent from the fourth year onwards.

Adjustments to this treatment are provided for indirect exposures held via subsidiaries, also taking into account how long the assets are held.

A 250 percent weight is applied to exposures to subsidiaries that carry out valuation work on these assets, taking into account the risk level involved. The same system of increased weights is applied to loans granted to subsidiaries for the acquisition or valuation of this property and to real-estate assets acquired by tender.

This arrangement was the subject of extensive consultations with banks and of an impact study, the results of which were used to define transitional provisions. The latter provide for an immediate entry into force for new asset acquisitions and for the scheduling of the impact of application of the new rules on the stock of assets held by banks as of 31 December 2020, to be phased in over a five-year period ending in 2025.

- **Capital requirements for exposures to real-estate investment schemes**: Following the entry into force of Law 70-14 on real-estate investment schemes, the Bank introduced the treatment applicable to credit institutions' exposures in the form of units or shares of real-estate investment schemes. This treatment consists of applying a 100 percent credit risk weighting, as is the case for UCITS units.

- **Capital requirements for exposures to Sukuk certificates**: The methods for determining the capital requirements of conventional banks to cover positions on Sukuk certificates have been clarified and aligned with the rules applicable to participatory banks.

- **Solvency treatment of synthetic securitization operations:** The Bank has defined the rules governing the treatment of these operations following the adoption in August 2020 of the ministerial decree setting the modalities for the realization of financing risk guarantees by a securitization investment fund commonly referred to as "synthetic securitization operations".

Box 8:
Synthetic securitization

Securitization in the broadest sense is the financial operation which consists of the issuance, by a securitization mutual fund, of securities in order to carry out the following operations:

- To acquire, on a permanent or temporary basis, eligible assets from one or more originator institutions ;
- To grant loans to one or more originator institutions to finance the acquisition or holding of eligible assets that are guaranteed by collaterals on such assets;
- To guarantee credit or insurance risks.

More specifically, synthetic securitization is a transaction that allows the transfer of risks through the use of credit derivatives or guarantees, without the securitized exposures being transferred to the securitization mutual funds. These exposures remain on the balance sheet of the originator institution.

It is an instrument that is available to originator institutions to optimize the management of their equity capital. It does not give rise to cash flows.

The framework applied is in line with the Basel Committee's mechanism and was the subject of consultation with credit institutions.

- **Draft amendment of Bank Al-Maghrib's circular n°14/G/2013 relating to the capital of credit institutions: Relaxation of the prudential treatment of software assets held by credit institutions**

The Bank has relaxed the treatment of software assets held by credit institutions in order to support them in their efforts to digitize and innovate technologically amid the pandemic crisis, while fulfilling prudential requirements in terms of solvency. This relaxation consists of applying a gradual multi-year deduction for the amount of these software assets, taking into account a prudential depreciation approach, instead of a full deduction as soon as credit institutions acquire them under the current regulations.

B. Participatory banks

The Bank completed the amendment of the circulars relating to the capital and solvency ratio of participatory banks to cover :

- The adoption of a prudential treatment of funds granted by banks to their customers in the form of Wakala Bil Istithmar and Wakala sukuks taking into account the quality of the underlying asset and the counterparty;

- The adaptation of the prudential treatment of assets held by participatory banks and backed by financial resources collected through Wakala Bil Istithmar operations with lenders. The prudential treatment has been aligned with that of unrestricted investment deposits, taking into consideration their similar features in terms of loss absorption.

Box 9:
Definition of Wakala Bil Istithmar

The Wakala Bil Istithmar is a contract by which the «Mouwakil» (financial backer/principal) makes funds available to the «Wakil» (manager/agent) with a view to investing them in an activity that complies with the opinions of the Higher Council of the Ulema. Neither the capital invested nor the remuneration of the Wakil can be guaranteed.

In the event of profits, these are paid back to the Mouwakil after deducing the Wakil's remuneration for its management. In the event of losses, these are borne by the Mouwakil, except in the event of fraud, negligence, mismanagement or failure to comply with the contractual clauses.

2.2.2. Project to adapt the framework governing the liquidity ratio to the specificities of participatory banks

The Bank finalized the amendment of the circular relating to banks' liquidity ratio in order to introduce the obligation for participatory banks to respect a minimum liquidity ratio of 100 percent, according to transitional provisions spread over a period of 3 years. The specific adaptations for participatory banks covered :

- The inclusion of Sukuk certificates meeting the required liquidity conditions among the instruments qualified as High Quality Liquid Assets "HQLA",
- Treating as liquidity cash flows relating to assets, liabilities and off-balance sheet commitments specific to the participatory banking activity.

2.2.3. Draft directive on the management of asset transfers in lieu of payment and sale and repurchase agreements

In 2020, Bank Al-Maghrib finalized a draft directive governing the management of asset transfers in lieu of payment, sale and repurchase agreements and auctions. The directive sets out best governance and management practices for these transactions and the applicable valuation rules. The main contributions of this project are as follows:

- Prudent rules for the valuation of assets acquired by way of transfer in lieu of payment, sale and repurchase agreements, and auction at the time of initial accounting and at least once a year. At the time of acquisition, the valuation takes into account both the market value of these assets and the value of the transferred receivables and provides for the use of two independent expert appraisals above a threshold of 20 million dirhams. In addition, there is a requirement for at least an annual valuation - internal for assets below the above threshold and external beyond that threshold - in order to identify and record any impairment.

- The identification of assets acquired by way of transfer in lieu of payment, sale and repurchase agreement and auction and the related information in the information system and in dedicated accounts;
- The establishment of a system for the management of these assets by credit institutions, based in particular on acquisition and valuation procedures as well as action plans for the management of these assets and related risks and the definition of internal limits;
- Evaluation of the effectiveness of the system put in place by the permanent control and internal audit functions;
- The preparation of an annual report on compliance with Bank Al-Maghrib's regulatory provisions to be submitted to the administrative body.

2.2.4. Project to introduce a leverage ratio

The Bank finalised in 2020 a draft circular introducing a minimum leverage ratio to be observed by banks.

The introduction of a leverage ratio is part of the transposition of Basel III provisions, in line with the standard adopted by the Basel Committee in 2014 and revised in 2017. This measure complements the solvency requirements applicable to banks.

Box 10:
Objectives of the leverage ratio

The leverage ratio framework helps to limit the build-up of leverage in the banking sector, thereby helping to prevent the deleveraging process in times of crisis, the destabilizing effects of which can be damaging to the financial system and the economy.

In times of crisis, the banking sector may be forced by the market to deleverage in a way that exacerbates the downward pressure on asset prices. This deleveraging process amplifies the chain reactions between losses, falling bank capital and shrinking credit supply.

Thus, the leverage ratio aims at forcing banks to hold more good quality capital in proportion to their liabilities, in order to compensate, in times of crisis, on the one hand, for the inadequacy of their capital in order to cover the losses due to the depreciation of their assets, and on the other hand, for the difficulty of raising more capital.

The leverage ratio, expressed as a percentage, corresponds to the ratio of banks' Tier 1 capital to their total on- and off-balance sheet exposures. The minimum ratio is set, on an individual and consolidated basis, at 3 percent in line with the Basel level.

This draft text was the subject of a consultation process with banks and gave rise to an impact study which showed that banks comply with the minimum requirement in this regard.

2.2.5. Project to revise the regulatory framework relating to the measurement and management of interest rate risk inherent in the banking book

Bank Al-Maghrib has worked in 2020 on the revision of the regulatory framework governing the measurement and management of interest rate risk inherent in the banking book "IRRBB "[37] in force since 2009.

This reform is part of the implementation of the relevant standard issued by the Basel Committee in 2016.

The above-mentioned Basel standard updated the principles and methods for measuring and managing this risk in the light of international developments and market practices in this area.

In this regard, Bank Al-Maghrib drafted a new circular on the measurement of interest rate risk inherent in the banking book and finalized an amendment to Bank Al-Maghrib's Directive No. 30/G/2007 on the aggregate interest rate risk management system.

A. Draft circular on the measurement of interest rate risk inherent in the banking book

This draft new circular sets out the requirements for measuring the interest rate risk inherent in the banking book to which a bank's forecast net interest margin and the economic value of its equity capital are exposed, due to unfavorable interest rate variations.

It introduces a minimum ratio, to be observed by banks, corresponding to the ratio between the change in the economic value of equity capital induced by a variation in interest rates on the one hand and the amount of Tier 1 capital on the other. This ratio, set at a maximum of 15 percent, must be observed on a corporate and consolidated basis.

Taking into account the results of the impact study conducted with banks, the maximum ratio is scheduled to come into force on 1 January 2023. A transitional period of 2 years has been retained during which the variation in the economic value of equity capital is fixed at :

- 20 percent of regulatory capital until 31 December 2021;
- 20 percent of Tier 1 capital until 31 December 2022.

The draft text also includes provisions covering mainly:

- The modalities for determining interest rate gaps arising from banking book positions;
- Requirements for the use of behavioral and modeling assumptions for non-maturity asset and liability items such as demand deposits, fixed-rate loans with prepayment options and off-balance sheet commitments;
- The regulatory scenarios to be used by banks to assess their resilience to different interest rate shocks;

37 Interest Rate Risk in the Banking Book.

- The methods for measuring the sensitivity of the net interest margin and the economic value of capital to regulatory shock scenarios.

B. Draft amendment to Directive n°30/G/2007 on the interest rate risk management mechanism

The purpose of the draft amendment to Bank Al-Maghrib Directive n°30/G/2007 is to clarify and strengthen the guidelines on interest rate risk management. It makes a number of improvements aimed at :

- The enhancement of the governance of this risk management;
- A declaration of interest rate risk appetite and the setting of appropriate internal limits;
- Strengthening the monitoring and measurement of the various sources of interest rate risk, including for significant currencies;
- The conduct of internal stress tests adapted to the banks' profile;
- The availability of robust information systems to support the management system.

2.2.6. Proposed revision of the framework for banks' internal capital adequacy assessment process (ICAAP)

The objective of the ICAAP[38] process is to contribute to the maintenance of the continuity of the banks' activities, by guaranteeing adequate capitalization to cover risks, absorb losses and follow a sustainable strategy, even during prolonged periods of stress.

In 2020, Bank Al-Maghrib finalized the revision of Directive n°45/G/2007 on the internal capital adequacy process, in order to take into account the feedback on the deployment of this process by banks.

The main revisions made concerned :

- The internal definition of a taxonomy of risks, which can be reviewed annually, covering the risks to which institutions are or could be exposed according to their materiality and their significant nature;
- The independent validation of internal risk quantification methodologies;
- The formalization of a process for allocating an adequate level of internal capital to cover significant risks;
- Internal capital planning taking into account future needs over a horizon of at least three years for systemically important institutions and two years for other institutions;
- The implementation of a stress test and reverse stress test program for internal capital adequacy and planning purposes, taking into account the risk profile and the development of the economic and regulatory environment;

38 Internal Capital Adequacy Assessment Process

- The integration of ICAAP results into decision-making processes;
- The implementation of an internal reporting to the management body, at least every six months, on the ICAAP results and an annual ICAAP report to be submitted to Bank Al-Maghrib.

2.2.7. Project of the framework for financial risk management related to climate change and the environment

The Bank has finalized a draft directive on the framework for managing financial risks related to climate change and the environment, which was adopted in early 2021.

This draft is in line with the consensus among international regulators, grouped in the NGFS[39], that environmental issues are a source of financial risk in their own right and pose a threat to financial stability. The project is a strong signal to the banking sector from Bank Al-Maghrib and makes explicit its expectations in this area. It aims at boosting the efforts undertaken by the banking sector in the development of green finance.

It also sets out the principles to be implemented by credit institutions to understand and manage the financial risks related to climate change and the environment. The draft document clarifies the financial risks related to climate change and the environment, namely:

- Physical risk, resulting from the occurrence of extreme or chronic climatic and environmental events;
- Transition risk, resulting from the process of adapting to a low-carbon and more environmentally sustainable economy.

Box 11:

Relation between climate and financial risks

Several international bodies, including the IMF, the World Bank and the Network of Central Banks and Supervisors for the Greening of the Financial System (NGFS) have highlighted the channels through which physical and transitional climate risks can affect the financial sector.

According to the NGFS, physical climate events that arise from extreme weather events such as natural disasters and chronic events such as rising temperatures, sea level rise and loss of ecosystem services, can lead to business disruptions and property damage, and increase underwriting risks for insurers and asset value depreciation.

Transition risks arising from human efforts to address climate change, including changes in public policy, technological developments, or changes in investor and/or public behaviour, can affect business activity and household wealth, creating financial risks for lenders and investors. They can also affect the wider macro-economy through investment, productivity and related prices, particularly if the transition leads to asset disposal.

The draft directive covers four areas: strategy and governance, system for the management of climate change- and environment-related financial risks, training and awareness, and communication

39 Network of Central Banks and Supervisors for Greening the Financial System.

and reporting. It calls on banks to :

- Raise awareness and build the capacity of governance bodies and staff regarding climate and environmental issues and risks and support the greening of their clients' activities;
- Take into account climate and environmental risks in their development strategy and in the design of their financial products;
- Integrate these risks into their risk management system and implement the necessary analytical tools and corrective action plans, including at the level of African subsidiaries;
- Publish their climate and environmental risk management practices in line with the recommendations of international standards.

These provisions, which will be applied on an individual and consolidated basis, introduce a progressive approach to the implementation and improvement of climate and environmental risk management system. Thus, banks have also been called upon to bring their subsidiaries, particularly in Africa, into line with the planned system.

2.3. Draft directive on AML/CFT vigilance at the level of banking groups

As part of the implementation of the recommendations of the Mutual Evaluation of Morocco's national AML/CFT system by GAFIMOAN[40], published on 25 June 2019 and calling for the issuance of guidelines to strengthen the understanding of due diligence obligations, the Bank has prepared a draft directive setting out the modalities for applying due diligence measures at group level to clarify and complete certain provisions of Circular No. 05/W/2017 on due diligence, in particular Chapter VIII - Group due diligence measures.

This text was developed taking into account the recommendations of the FATF[41] and the Basel Committee on Banking Supervision. It has been the subject of extensive consultation with the banking sector, the Financial Intelligence Processing Unit (UTRF), the Supervisory Authority of Insurance and Social Welfare (ACAPS) Insurance and the Moroccan Capital Market Authority (AMMC).

The draft directive sets out the obligations and measures of vigilance at the group level as well as in terms of integrated management, notably:

40 Middle East and North Africa Financial Action Task Force: A regional group that is responsible within the MENA region for, inter alia, (i) the adoption and implementation of the FATF 40 Recommendations, (ii) the implementation of relevant UN treaties and agreements and UN Security Council resolutions, (iii) cooperation with other international and regional organisations, institutions and bodies to improve compliance with these standards worldwide, and (iv) taking measures throughout the region to effectively combat money laundering and the financing of terrorism in a manner that does not contradict the cultural values, constitutional frameworks and legal systems of member countries.

41 Financial Action Task Force: The Financial Action Task Force is an intergovernmental body established in 1989 by Ministers of OECD member states. Its objectives are to develop standards and promote the effective implementation of legislative, regulatory and operational measures to combat money laundering, terrorist financing and other threats to the integrity of the international financial system. It monitors the progress of its members in implementing the required measures, and identifies, in collaboration with other international actors, country-level vulnerabilities to protect the international financial sector from being used for illicit purposes.

- The definition of an effective and coherent organization of the AML/CFT system at group level, taking into account the Group's size, the nature of its activities and the risks identified;
- The positioning, role, responsibilities and resources of the AML/CFT manager at the group level;
- The establishment of a uniform and consistent risk assessment and classification applicable within the group and based on a risk-based approach;
- The formalization of policies and procedures that address group-wide vigilance standards;
- The exchange and sharing of information required for the organization and exercise of AML/CFT vigilance at group level in conformity with the laws and regulations governing professional secrecy and the protection of personal data;
- The preparation of an annual report on the group's compliance with the legal and regulatory provisions governing AML/CFT to be submitted to the administrative body.

2.4. Reform of the framework governing participatory finance

In 2020, the Bank continued its activities to support the development of the participatory finance industry and to complete the related regulatory framework.

2.4.1. Labeling of participatory finance operations

Bank Al-Maghrib has continued this year works with the banking actors to facilitate the preparation of documents to be submitted to get the label of the Higher Council of Ulema. On the other hand, it exchanged with the Sharia Committee for Participatory Finance to answer the questions raised by the experts and the Ulema as part of their examination of the labeling requests sent by the market and Bank Al-Maghrib.

In 2020, the Higher Council of Ulema labelled the contractual documentation related to the participatory products "Salam" and "Ijara Mountahiya Bittamlik".

Box 12:
"Salam" and "Ijara Mountahiya Bittamlik" products

- **"Salam" product:** a contract under which one of the two parties, a participatory bank or a client, pays in advance the full price of goods whose characteristics are defined in the contract, to the other party who undertakes to deliver a specific quantity of the said goods within an agreed timeframe.
- **«Ijara Mountahiya Bittamlik» product for residential real estate financing:** a contract under which a participatory bank makes a specific real-estate property owned by the bank available to a client on a rental basis for a use authorized by the law. At the end of the lease, ownership of the leased property is transferred to the customer in accordance with the terms agreed on between the parties.

It also approved the contractual documentation for the "Pledge of investment deposits" and labeled the product offering of the CCG's "Sanad Tamwil" participatory window. This guarantee offer makes it possible to support the participatory financing of SMEs needs and to contribute to the financing of housing for low- and irregular- income households as well as for middle class households.

In addition, the Higher Council of Ulema has approved, at the request of Bank Al-Maghrib, the structuring for the establishment of refinancing lines by the Central Bank, to support participatory banks and windows. The said structuring provides for the acceptance by Bank Al-Maghrib, as eligible collateral, of Wakala Bil Istithmar investments made by conventional banks with participatory banks.

2.4.2. Draft directive governing the external audit of compliance with the opinions of the Higher Council of Ulema

In 2020, Bank Al-Maghrib finalized a draft directive on the external audit of compliance with the opinions of the Higher Council of Ulema. This project aims at reinforcing the management, by banks and participatory windows, of the risk of non-compliance with the opinions of the Higher Council of Ulema.

This text also aims to provide a framework for the external Sharia audit mission and to set the modalities and conditions to be observed by participatory banks and windows in the context of the conduct of this mission.

It states that it is up to the institution to mandate the external auditor, while ensuring that he or she has required professional experience and skills and has all the guarantees of integrity, objectivity and independence towards the institution.

This draft text will be submitted to the opinion of the Shariah Committee for Participatory Finance, before its final adoption by Bank Al-Maghrib.

3. Other ongoing legislative and regulatory reforms

In 2020, the Bank worked, in close collaboration with the relevant ministerial departments, on the revision of the law on microfinance, the revision of the law on the fight against money laundering and the implementation of a new law on crowdfunding.

Moreover, the Bank has continued to make progress on the bank resolution reform. It has also made progress, together with banks and other stakeholders, on the framework for the use of cloud computing by the banking sector.

3.1. Microfinance law reform project

The Bank contributed, together with the Ministry of Economy, Finance and Administration Reform, to the finalization of the draft law on microfinance. This draft, which is the result of broad consultation with the industry, was submitted to the General Secretariat of the Government. Its main contributions are:

- The extension of the exercise of the microfinance activity, in addition to microcredit associations, henceforth qualified as microfinance associations (MFA), to credit institutions. These two categories of establishments now constitute "Micro-Finance Institutions".
- The extension to other products and services, in addition to microcredit. In this framework, microfinance is defined as any financial service, including micro-credit, micro-insurance and the collection of funds from the public, the latter being nevertheless reserved for Microfinance Institutions in the form of credit institutions, which may, in addition, carry out fund-transfer operations. Microfinance also covers training, advice and technical assistance services for the benefit of the targeted populations.

3.2. Reform of the law on the fight against money laundering

The Bank contributed to the work of the national commission set up to revise Law 43-05 on the fight against money laundering and the financing of terrorism, which was adopted by the two chambers of the Parliament in 2021.

At the same time, it took part in the development of two draft implementing texts relating to the register of beneficial owners and targeted financial sanctions in connection with the financing of terrorism and the proliferation of weapons of mass destruction.

3.3. The law on collaborative financing (crowdfunding)

Crowdfunding is a tool for collecting funds via an internet platform that allows a community of contributors to gather around a project to finance it in three forms: investment, loan or donation.

The Bank contributed to the preparation of Law n°15.18 relating to collaborative financing which was published in the Official Gazette, on March 8, 2021.

The establishment in Morocco of a legal framework governing collaborative financing activities is part of the efforts undertaken to strengthen the financial inclusion of young project holders, support economic and social development and channel collective savings towards new opportunities.

This framework would contribute to:

- the mobilization of new sources of financing for the benefit of very small, small and medium-sized enterprises and young people with innovative projects,
- the support of civil society in the financing of projects with a strong social impact and human development impact,
- the release of the creative and cultural potential of young people,
- and strengthening the attractiveness and influence of the country's financial center.

Box 13:

Framework governing collaborative financing in Morocco "Crowdfunding"

The legal framework governing crowdfunding provides for different forms of financing, namely interest-bearing or interest-free loans, donations and investments. This framework provides for the management by collaborative financing companies (CFCs) of collaborative financing platforms (CFPs).

It sets out the rules to be respected in terms of selection and prior verification of projects to be financed, and includes measures to secure transfers and protect contributors.

In this respect, the legal framework caps the amount allocated to the financing of loan-, investment- and donation-type operations for the benefit of the same project at 10 million dirhams, the first year, without exceeding 20 million dirhams for the overall financing. The ceilings relating to the contributor's contribution to each project and to all projects will be set by regulations.

This law mandates Bank Al-Maghrib to approve and control collaborative finance companies (CFCs) carrying out loan or donation crowdfunding operations and the Moroccan Capital Market Authority to approve and control the collaborative finance companies (CFCs) carrying out investment crowdfunding operations.

The Bank has also made progress in the preparation of draft implementing texts relating to loan and donation crowdfunding. These texts relate in particular to the examination of the CFCs's application for authorization, the roles, commitments and obligations of the CFCs in terms of public information, the procedures for carrying out collaborative financing operations, the contractual clauses governing these operations and the implementation of an appropriate internal control system for the CFCs.

3.4. Project of reform of the banking law in terms of the treatment of the difficulties of credit institutions

Bank Al-Maghrib has undertaken, jointly with the Ministry in charge of Finance and with the support of the World Bank, a reform of the mechanism for the treatment of difficulties and banking resolution to better converge with international standards, especially those enacted by the Financial Stability Board (FSB).

The objective of this reform is to complete the existing framework so as to provide Bank Al-Maghrib with the necessary powers to take extensive measures to respond to the imminent failure or insolvency of credit institutions, particularly systemically important banks, in order to avoid contagion and preserve the financial stability of the financial system.

In 2020, the project was stabilized after technical consultation between Bank Al-Maghrib and the Ministry of Finance.

3.5. Project of a framework governing the use of cloud computing by credit institutions and similar bodies

In the context of the digitalization of their services, credit institutions are increasingly interested in outsourcing some of their activities and use new technologies such as cloud computing, which allows for greater flexibility and lower costs in the deployment of services related to information systems. However, the use of the cloud exposes these institutions to new outsourcing risks, requiring rigorous and adapted management.

In this regard, Bank Al-Maghrib finalized, in 2020, a draft directive governing the use of this solution by credit institutions which aims to constitute a repository of good practices for the control of cloud outsourcing risks.

This draft text will be the subject of a consultation process with the banks, the Directorate General for Information Systems Security (DGSSI) and the National Commission for the Supervision of Personal Data Protection (CNDP).

CHAPTER 2:
BANKING SUPERVISION ACTIVITY

The year 2020 was marked by a global pandemic that has led to the introduction of unprecedented health measures and to an exceptional economic crisis. In Morocco, a health lockdown was decreed from 16 March to 10 June 2020. Thereafter, restrictive measures were decided on a differentiated basis according to regions and branches of activity. An Economic Monitoring Committee was set up by the Government to monitor the situation and decide on appropriate economic and social responses, including those involving the banking sector.

As soon as the crisis broke out, Bank Al-Maghrib took measures in all areas under its responsibility, while contributing to several measures decided within the framework of the Economic Monitoring Committee.

Taking into account the imperatives of the economic situation, the Bank has adapted its interventions and focused its actions on the following priorities:

- Coordination with the public authorities to formulate responses involving the banking sector;
- Supporting and monitoring the roll-out by the banking sector of public support measures;
- Monitoring the effects of the crisis on the banking sector and conducting impact studies;
- Consumer protection.

I. Supporting and monitoring the roll-out of public support measures involving the banking sector

As part of the management of the crisis, the Economic Monitoring Committee has taken a series of measures to limit the impact of the Covid-19 pandemic crisis on households and businesses, including some involving the banking sector. These include:

- Decisions relating to the postponement of amortizable loan installments in favor of borrowers affected by the crisis;
- The implementation of state-guaranteed cash loans for businesses.

Box 14:
The Economic Monitoring Committee

The Economic Monitoring Committee was set up on 11 March 2020 to monitor the social and economic impacts of the pandemic crisis and decide on appropriate responses.

It is chaired by the Minister of Economy, Finance and Administrative Reform and its members include the Ministers of the Interior; Foreign Affairs, African Cooperation and Moroccans Residing Abroad; Agriculture, Maritime Fishing, Rural Development and Water and Forests; Health; Industry, Trade, Green and Digital Economy; Tourism, Handicrafts, Air Transport and Social Economy; Labor and Professional Insertion as well as the Governor of the Central Bank, the President of the General Confederation of Moroccan Enterprises and the President of the Professional Group of Banks of Morocco (GPBM), the President of the Federation of Moroccan Chambers of Commerce, Industry and Services and that of the Federation of Chambers of Handicrafts as well as representatives of other departments or/and professional organizations that may be called upon, if necessary, to join this body.

In 2020, it held about ten meetings during which decisions involving the banking sector were taken for the benefit of households and businesses affected by the crisis.

As a member of the Economic Monitoring Committee and as regulator of the banking sector, Bank Al-Maghrib was mobilized to participate in the preparatory consultations with the banking sector and the various stakeholders prior to the decisions of this Committee in order to accompany their implementation.

Summary of the measures of the Economic Monitoring Committee involving the banking sector

Measures in favor of companies	Measures in favor of households
• Postponement of bank and leasing credit maturities for the benefit of companies and professionals, without payment of fees or penalties; • Granting of State-guaranteed cash loans to companies; • Eight program contracts in favor of sectors particularly affected by the health crisis; • Establishment of a “Pact for economic recovery and employment” by the State and the private sector.	• Postponement of consumer and housing loan maturities for individuals whose income has been affected by the crisis; • Partial payment by the State and the banking sector of the interim interests generated by the postponement of housing and consumer loan installments; • Channeling social aid by making available the banks’ ATMs, payment institutions-subsidiaries of banks, bank branches and the network of micro-credit associations.

1. Monitoring of the implementation of credit moratoria

Pursuant to the decisions of the Economic Monitoring Committee, Bank Al-Maghrib has followed up with the banking sector:

- The implementation of the digital channel to allow customers wishing to benefit from this measure to have access to the necessary documents and information;
- The mobilization of the network to address and process these requests;
- The systematic postponement of maturities for their vulnerable clients who benefit from FOGARIM loans;
- The partial payment, jointly with the State, of the interim interests generated by the postponement of housing and consumer loan repayments decided by the Economic Monitoring Committee, for the period between March and June 2020.

The payment of the said interests concerned any person having monthly credit instalments of up to 3,000 dirhams for housing loans and 1,500 dirhams for consumer loans, including those contracted with finance companies.

As part of the monitoring of these moratoria, the bank has developed an ad hoc monthly reporting for banks, finance companies and participatory banks.

2. Contribution to the implementation and monitoring of state-guaranteed cash loans

Bank Al-Maghrib has worked along with the banking sector and the Central Guarantee Fund on the implementation and monitoring of the State-guaranteed cash loan scheme[42].

In this regard, several meetings were held with banks, the Treasury and External Finance Department and the Central Guarantee Fund to examine the practical considerations relating to the implementation of the products set up under this scheme.

Moreover, Bank Al-Maghrib has set up ad hoc reportings to ensure the monthly follow-up of the loans guaranteed by the State, namely Damane Oxygène, Damane Relance, Damane Relance Hôtellerie and Damane Relance Promotion Immobilière.

The monitoring concerned in particular the activity sectors of the beneficiaries, the segments of businesses, the authorizations and the disbursements.

42 For details of the measures taken, see Box 2 of this report.

3. Monitoring the distribution of social aid

Bank Al-Maghrib has worked with public stakeholders and the banking sector to finalize the participation of banking networks in the distribution of social aids to the beneficiaries.

It has also closely monitored the implementation of the operation by credit institutions and the mobilization of the banking sector to carry out the actions decided by the Government through the network of banks, payment institutions and micro-credit associations.

II. Prudential supervision activity

1. Authorizations and approvals

Following the opinion of the Credit Institutions Committee, Bank Al-Maghrib undertook the following actions, during the year 2020:

- The prior approval of the opening of a representative office of a Moroccan bank in Beijing, China;
- The prior approval of the opening by a Moroccan payment institution of a subsidiary in Tunisia;
- The granting of approval for the creation of a payment institution offering payment services backed by payment accounts.

The bank also examined 30 files relating to the appointment of auditors to work in 7 banks, 11 finance companies, 6 payment institutions, 4 micro-credit associations and 2 offshore banks.

It also approved the appointment of 64 directors and 9 managers in 42 credit institutions, divided between 11 conventional banks, 2 participatory banks, 2 offshore banks, 7 payment institutions, 6 micro-credit associations and 14 finance companies, 12 of which are specialized in consumer loans and 2 in leasing.

2. Risk control and monitoring

Given the implications of the pandemic on health and on economic activities, Bank Al-Maghrib has had to adapt its monitoring and control activities both in terms of priorities and intervention methods.

In terms of priorities, supervision focused on the operational continuity of banking services as well as on monitoring the effects of the crisis on banking activities and risks. New ad hoc reporting has been set up for this purpose and two impact studies have been coordinated by Bank Al-Maghrib with the banks.

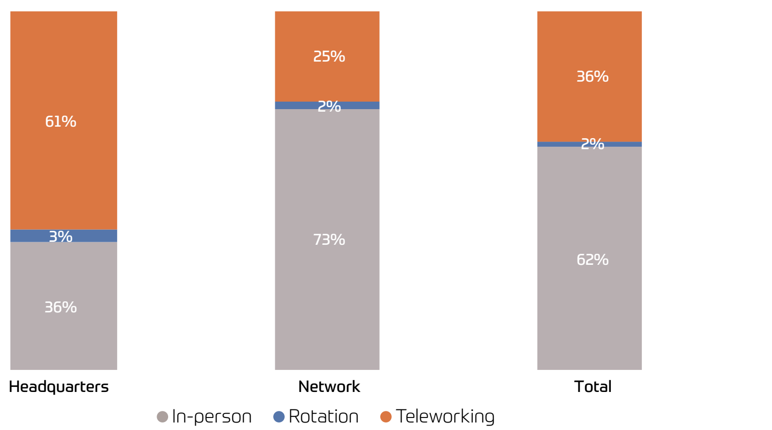
In terms of intervention modalities, Bank Al-Maghrib had to suspend the conduct of on-site control missions since the outbreak of the pandemic. The then-ongoing missions were continued remotely through requests for information from the credit institutions concerned. Thus, most of the surveillance was carried out through the remote inspections of documents.

2.1. Monitoring the operational continuity of financial services and the use of teleworking by the banking sector

As soon as the pandemic broke out, the Bank discussed with credit institutions the actions to be taken to ensure the operational continuity of banking services. These actions focused on:

- The implementation of a business continuity plan covering both branch network activity and activities operated by central functions;
- Emergency measures to provide branches and central departments with the necessary health and IT equipment to protect customers and staff;
- The use of rotation and teleworking programs in line with health restrictions.

Chart 143: Breakdown of bank staff by in-person and teleworking modes



It also shared with the banks the latest trends observed in this field and formulated specific guidelines for teleworking.

In this regard, the GPBM issued a press release on 16 March, on the mobilization of banks to respond to the spread of the coronavirus by implementing appropriate measures to protect both the banks' human resources and their customers.

2.2. Monitoring cash withdrawals and bank liquidity

The decision of the general lockdown, taken in mid-March 2020, led to an increase in cash withdrawals from bank branches and ATMs.

Against this backdrop, Bank Al-Maghrib issued a press release on 16 March informing the public that it will ensure sufficient supply of cash throughout Morocco and that it coordinates with the banking sector to ensure that all ATMs are continuously supplied to meet the needs of all citizens.

Moreover, the GPBM communiqué of 16 March confirmed the mobilization of the banking sector, which provides banking services in normal conditions at all branches in the Kingdom and at ATMs as well as through the digital channel.

The Bank continued to monitor daily cash withdrawals from banks through daily ad-hoc reporting.

At the same time, it has followed up on the implementation of responses to the crisis, including the creation of liquidity crisis management units, the implementation of liquidity stress test scenarios adapted to the context, the creation of a dirham liquidity buffer, the strengthening of foreign-currency cash positions with foreign correspondents and the adaptation of refinancing plans.

Bank Al-Maghrib also followed up the roll-out of the relaxations decided regarding the conditions of recourse to advances and refinancing with it.

In the same way, it ensured the monthly monitoring of banks' liquidity indicators, notably concerning the prudential liquidity ratio.

2.3. Monitoring the impact of the lockdown on the operations of credit institutions and similar entities

In order to monitor the impacts of the lockdown in the second quarter of 2020 on the various activities of credit institutions and similar entities, Bank Al-Maghrib has set up a bi-monthly qualitative questionnaire at the beginning of the crisis, and then on a monthly basis after the general lockdown. The objective of this questionnaire was to collect from banks their qualitative assessments of the situation of their different business lines.

2.4. Monitoring the postponement of loan instalments and crisis-induced credit risk

Loans subject to a credit moratorium were closely monitored in view of the risks surrounding their repayment. In this respect, the Bank has evaluated the weight of this portfolio in the outstanding loans of credit institutions and analyzed these credits in order to identify standardized loans, loans in arrears, new extensions, restructured loans and payment defaults.

Also, Bank Al-Maghrib invited credit institutions to closely monitor the quality of the credit portfolio as a whole and called on them to take into account the following guidelines:

- Evaluate the potential unlikelihood of repayment of counterparties, especially those which have benefited from moratoria, based on an assessment of the nature of counterparties' difficulties and the medium and long term credit risk;
- Establish preventive and proactive provisions for general risks to cover future credit risks;
- Adapt their credit risk measurement, control and monitoring system to the context of the Covid-19 crisis.

2.5. Market and interest rate risk monitoring

In 2020, the monitoring of banks' market and interest rate risk profiles and profitability was adapted to cover developments in the financial markets and measures taken in the context of the health crisis.

The monitoring included analysis of events in the equity, bond and money markets, notably the sharp fall in stock prices in the second quarter of 2020 and changes in interest rate conditions, as well as developments in UCIT.

The monitoring also covered spot and forward foreign exchange volumes and hedging instruments under crisis conditions and in particular following the impacts on foreign trade and currency flows.

2.6. Conducting studies on the impact of the crisis on the banking sector

In April 2020, a few weeks after the outbreak of the pandemic crisis, Bank Al-Maghrib called on banks to conduct an impact study on the effects of the crisis.

The impact study was conducted according to exposure profiles and scenarios of more or less severe development on the activity. The impacts were measured in terms of portfolio loss ratio, results and prudential ratios for the first half of 2020 and for the year 2020 as a whole.

In light of the results of this impact study, banks were called upon to take mitigation measures against the probable effects and all necessary measures to ensure that their capital base remains adequate in the face of the consequences of the crisis.

Following this first exercise, Bank Al-Maghrib organized with banking groups a second impact study which was conducted in November 2020.

To ensure a better comparability of results, this impact study was carried out on the basis of macroeconomic projections provided by Bank Al-Maghrib, according to a central scenario and an adverse scenario covering the years 2020 and 2021.

These two studies, conducted on an individual and consolidated basis, have shown overall a good resilience of the banking sector to the selected shock scenarios.

2.7. Examination of the banks' reports on their internal capital adequacy assessment process known as "ICAAP"

Bank Al-Maghrib has received, for the second year, the annual ICAAP reports, submitted by the banks and covering the 2019 fiscal year.

Box 15:
ICAAP framework

The resilience of the banking system requires adequate internal capitalization of banks to face the potential losses generated by the various risks incurred. This capitalization must exceed regulatory minimums, commonly known as Pillar I, to cover other potential risks not covered by the regulations, notably concentration risk, interest rate risk on the banking book, country risk, reputation risk and strategic risk.

In this regard, the Internal Capital Adequacy Assessment Process (ICAAP) aims to contribute to maintaining the continuity of the institutions' activities, by guaranteeing adequate capitalization to cover risks, absorb losses and follow a sustainable strategy, even during prolonged periods of stress.

Bank Al-Maghrib requires banks to submit annual ICAAP reports including the risk appetite framework, risk quantification methodologies, capital allocation and planning, and stress tests.

These reports were reviewed to assess the banks' implemetation of the ICAAP systems, taking into account their business models and prudential expectations. This review also assesses the methodological choices made by banks in terms of risk quantification, the selection of internal stress test scenarios conducted to assess economic capital requirements and capital planning.

This review has shown that banks have made progress in the implementation of this process and has led to recommendations from Bank Al-Maghrib to further strengthen its effectiveness.

2.8. Review of the banks' Internal Crisis Recovery Plans (ICRP)

The three systemically important banks and six other banks designated by Bank Al-Maghrib have prepared and submitted their internal crisis recovery plans (ICRP).

As requested by Bank Al-Maghrib, the ICRP reports submitted in 2020 have been adapted to the crisis context.

Box 16:
Internal crisis recovery plan (ICRP)

Credit institutions, whose list is determined by Bank Al-Maghrib, are required to submit an internal crisis recovery plan which should detail the management mechanism aimed at presenting the measures planned by the institution to restore its financial viability in response to possible extreme shocks.

In this report, banks should describe the recovery measures they have at their disposal to restore a normal management situation, limiting the impact on the financial system and without calling for the intervention of the State or Bank Al-Maghrib.

These plans were reviewed by Bank Al-Maghrib within an iterative process. Interactions took place with banks to discuss the observations made and to share with them the non-compliance points to be remedied as well as recommendations to take into account the good practices identified.

2.9. Monitoring cyber risks amid increased digitalisation

The pandemic crisis and the widespread use of teleworking and digital channels to facilitate the use of banking services have increased the exposure of credit institutions to cyber risks.

In this context, the Bank has raised these institutions' awareness of the increase in risks internationally and in Morocco. It also shared with banks the latest trends observed in this area and formulated specific guidelines for security in the context of teleworking. In addition, it has ensured the sharing of good practices on cyber resilience and the security of information systems within the framework of ad hoc meetings with the banks.

With a view to strengthening information systems' security measures, it coordinated a self-assessment exercise by the banks on their governance and processes in this regard.

It also examined the annual penetration test reports drawn up by credit institutions and similar entities and designed a scoring model to evaluate the results.

2.10. Monitoring the impact of the crisis on banks' activities abroad

In the context of the health crisis, Bank Al-Maghrib monitored the health and economic situation in the countries where Moroccan banks operate. It thus monitored the measures taken by the authorities of the host countries. In this respect, several videoconferences were organized with certain counterparts to take stock of the situation. Specific attention was paid to the development of the activity, profitability and solvency of subsidiaries.

This year, the colleges of supervisors of the three Moroccan banking groups present abroad were organized remotely through video-conferencing. These meetings focused on discussions on the impacts of the pandemic.

Ad hoc information exchanges with certain supervisory authorities in the host countries were organized to follow up on the implementation of the recommendations made to the subsidiaries.

This year, Bank Al-Maghrib concluded two new agreements on banking supervision, information exchange and general cooperation with the Bank of the Republic of Burundi and the Central Bank of Kenya, and the one signed with the Central Bank of Bahrain was updated, bringing the total number to 19 covering 31 countries where banks are present.

III. Financial integrity monitoring

1. New risks arising from the international pandemic situation

In the fight against money laundering and terrorist financing (AML/CFT), the year 2020 was marked by the emergence of new risks generated by the international situation related to the Covid-19 pandemic.

These risks have been the subject of a note published by the Secretariat of the Financial Action Task Force (FATF) which indicates that criminal groups have rapidly seized the opportunity to exploit the coronavirus crisis and the spread of the disease by adapting their existing modus operandi or engaging in new criminal activities.

Box 17:

Summary of the FATF Secretariat's briefing note on "The risks of money laundering and terrorist financing related to the Covid-19 crisis and potential responses"

- **Increased fraud:** Criminals have attempted to profit from the pandemic through fraudulent fundraising for bogus charities, various medical scams (including investment fraud) and the online sale of counterfeit medicines and medical supplies, including test kits and personal protective equipment.
- **Cybercrime:** Criminals are exploiting internet users' concerns about the Covid-19 pandemic to insert malware on personal computers or mobile devices. In recent phishing attempts, criminals have created fake emails from the World Health Organization, embedded malware in mobile applications to track Covid-19 cases, sending malware via SMS messages claiming to be healthcare providers requesting payment for treatment or promising to provide emergency relief funds.
- **Changing financial behavior:** FATF members and observers report a trend towards increased remote transactions as financial institutions close branches and offices or operate on reduced hours. Some countries have reported an increase in cash withdrawals and money transfers. Customers who are not familiar with online platforms may be more vulnerable to fraud, and those who do not have access to online financing options may move assets into the informal economy.
- **Embezzlement of public funds or international financial assistance and increased corruption risks**: FATF members expressed concern about fraudulent claims on public funds made by criminals through companies seeking assistance. Some members noted that international and domestic stimulus and aid packages could increase the risk of corruption. Financial assistance to countries with limited AML/CFT controls can be diverted and transferred to other jurisdictions. The emergency situation offers opportunities for corruption and misappropriation of public funds, particularly in public procurement.
- **Volatility in the financial sector:** In times of economic downturn, criminals and terrorists may seek to invest in distressed real estate or businesses, which can be used to generate cash and mask illicit proceeds, or use corporate insolvency proceedings to disguise the origin of funds. Illicit proceeds can also be introduced into the system as clients seek new ways to restructure loans and credit lines. The FATF is also concerned that large cash withdrawals and the liquidation of stock portfolios may allow illicit funds to be laundered when these funds are subsequently re-entered into the system. Market volatility could also lead to increased insider trading.
- **Changing criminal environment**: Disruptions in international trade, border closures, travel restrictions and business closures have also had an impact on the criminal economy. This briefing note indicates that there are reports that criminal actors have changed their behavior, including by moving to online crime.
- **Financing of terrorism:** Particular attention should be paid to terrorist groups using the Covid-19 crisis to raise or move funds, including by increasing their illicit activities.

These risks were discussed in a webinar organized by the Middle East and North Africa Financial Action Task Force (MENAFATF) on money laundering risks and resilience in the Covid-19 era. The webinar highlighted the links between the Covid-19 pandemic and money laundering and terrorist financing offences, as well as the key indicators of suspicion that can help identify such offences.

As part of its mission to raise awareness and inform the banking sector about the risks of money laundering and terrorist financing, the Bank invited the banking sector to be vigilant to the new challenges, threats and vulnerabilities as well as the related good practices in detection and prevention, notably on the basis of suspicion indicators.

The Bank also organized awareness-raising workshops for credit institutions with the participation of the Financial Intelligence Processing Unit (UTRF), dedicated to money laundering and terrorist financing risk indicators detected by these institutions within the framework of their customer transaction monitoring system as well as to the types and practices identified by the UTRF following the analysis of suspicious transaction reports.

2. Implementation of the actions of the roadmap “Fight against money laundering and terrorist financing in the Bank”

The Bank actively pursued the implementation of the actions included in the roadmap adopted for the implementation of the recommendations of the MENAFATF mission.

In this context, it has reviewed the regulatory framework relating to the application for the authorization of credit institutions in order to enshrine the prohibition of express approval of shell banks and to explicitly state the obligation to introduce measures to prevent criminal beneficial owners from holding significant or controlling interests in credit institutions during the establishment phase and in the course of business.

The Bank has also worked on the establishment of a mapping of money laundering and terrorist financing risks in the banking sector, with a view to strengthening the risk-based approach adopted for a better targeting of risk areas and vulnerabilities identified in the framework of remote supervision and on-site controls.

Box 18:

Mapping of money laundering and terrorist financing risks implemented by Bank Al-Maghrib at the level of the banking sector

The Bank has prepared a map of money laundering and terrorist financing risks, with the assistance of an expert from the French Prudential Control and Resolution Authority (ACPR), which is based on a qualitative and quantitative approach to assessing ML/FT risks. This mapping is structured as follows:

- **Threat assessment:** This is carried out on the basis of data relating to suspicious transaction reports over a two-year period in connection with the 13 banking business lines (retail banking, private banking, corporate and investment banking, trade finance, correspondent banking, consumer credit, real estate credit, leasing, factoring, participatory financing, payment accounts, fund transfers and microcredit) and the underlying offences relating to them, as well as on the basis of the conclusions of the national risk assessment[43].

- **Vulnerability assessment:** This is carried out for the above-mentioned business lines through the analysis of several risk factors (customers, products/services/transactions, distribution channels and geographical areas), based on qualitative and quantitative data collected from credit institutions.

- **Determination of the risk exposure inherent:** in these business lines through the cross-referencing of threats and vulnerabilities.

- **Rating of the risk profile of each credit institution:** This is determined on the basis of the rating of the main business lines.

To determine the residual risk profile, the quality of the risk management system is assessed, including the implementation of policies and procedures and the adequacy of human and technical resources to control the AML/CFT risks incurred by each institution, on the basis of an annual AML/CFT questionnaire completed by the institutions.

The results of this risk mapping make it possible to identify areas of risk that require increased vigilance and to guide the Bank's control objectives and activities through a better allocation of resources. The aim is to better adapt the intensity of off-site and on-site supervision of each credit institution according to its risk level.

The Bank shared the aggregate results of the ML/FT risk mapping with credit institutions and the UTRF in a dedicated workshop and invited them to take them into account in their internal risk assessments for the year 2020.

3. Awareness-raising and capacity-building activities in the banking sector

The Bank has also intensified the actions of awareness and capacity building of credit institutions through the organization of 8 workshops for the benefit of credit institutions which dealt in particular with:

- The conclusions of the national assesment of money laundering and the financing of terrorism risks;

- Indicators and types of risks linked to the Covid-19 pandemic;

43 The national assessment, launched in May 2016 with the support of the World Bank, assessed the threats and vulnerabilities as well as the level of risk of money laundering and terrorist financing both at the national level and in the financial and non-financial sectors. The summary of the assessment report was published by UTRF in April 2020.

- Trafficking in persons and smuggling of migrants;
- Modalities for the application of vigilance measures at group level;
- The mapping of money laundering and terrorist financing risks in the banking sector.

Also, the Bank has sensitized the banking sector on the risks related to the use of bank accounts to settle transactions on crypto-assets. In this context, it invited banks to monitor internet platforms that mention information relating to the transferors or transferees of such assets as well as the contact details of banks in Morocco, and to report any suspicions to the UTRF.

4. Implementation of AML/CFT roadmap actions at the financial sector level

The Bank and the other financial sector supervisory authorities have ensured the implementation of the actions of the AML/CFT roadmap at the financial sector level in the year 2020, as validated by the Systemic Risk Coordination and Supervision Committee (SRSCC), at its 9th meeting held in July 2019.

Box 19:
AML/CFT sectoral roadmap for the financial sector for the year 2020

Axis I: Implementing joint actions to manage new ML/FT risks related to the Covid-19 Pandemic

- Implementing financial sector-wide measures to manage emerging ML /FT risks related to the Covid-19 pandemic;
- Follow-up on the application by the actors and regulators of the conclusions of the National Assessment of Money Laundering and Terrorist Financing Risks;
- Establishment of an inter-authority working group on the subjects of digitalization and remote entry into a relationship to examine the new related risks and joint and concerted actions to respond to them.

Axis II: Strengthening inter-authority financial supervision coordination in the implementation of the MENAFATF recommendations

- Elaboration by the Bank and the Supervisory Authority of Insurance and Social Welfare (ACAPS) of a draft joint guide on AML/CFT due diligence with regard to third party introduction in bank insurance;
- Coordination of the work to improve AML/CFT arrangements, in terms of identifying beneficial owners when granting authorizations;
- Contributing to the setting up of the national register of beneficial owners with all the stakeholders.

These works have enabled progress in terms of both technical compliance and effectiveness in accordance with the recommendations of the MENAFATF mutual assessment report on Morocco and the FATF principles.

5. Participation in the enhanced monitoring process by MENAFATF and FATF

Following the publication in June 2019 of the mutual evaluation report on Morocco by MENAFATF, Morocco has met the criteria for enhanced monitoring by this body and the International Cooperation Review Group under the FATF.

As a result, it entered a one-year observation period during which it was expected to improve its AML/CFT framework through the effective implementation of the recommendations made in the mutual evaluation report. In June 2020, the FATF Plenary meeting decided to postpone consideration of Morocco's case due to the impact of the Covid-19 crisis.

Also, the Bank contributed to the preparation of the first report after the one-year observation period of Morocco by the FATF, ending in October 2020, which was submitted on 27 November of the same year.

This report traces back the progress made, since the publication of Morocco's mutual evaluation report in June 2019, in terms of technical compliance and effectiveness.

At a virtual plenary meeting of this body in November 2020, MENAFATF adopted the first enhanced monitoring report submitted by Morocco and decided to raise the rating of 13 recommendations requested by Morocco.

Box 20:
MENAFATF upgrades the rating of 13 recommendations presented by Morocco in its first follow-up report

The MENAFATF assessment mission rated the national AML/CFT system against the FATF 40 recommendations. 13 of these ratings were raised and concern the following FATF recommendations:

- The recommendations relating to "**non-profit organizations**", "**higher risk countries**" and "**statistics**", which concern the UTRF and the law enforcement authorities, were raised to largely compliant.
- 10 recommendations concerning the financial sector noted as follows:
  - 2 recommendations concerning "**bank correspondence**" and "**use of third parties**" were rated as compliant;
  - 8 recommendations on "**National risk assessment**", "**National cooperation and coordination**", "**Customer due diligence**", "**Politically exposed persons**", "**Guidelines and feedback**", "**Internal controls and branches and subsidiaries abroad**", "**Suspicious transaction reporting**" and "**Regulation and supervision of financial institutions**" were rated largely compliant.

The improvement in the ratings of the above recommendations is a result of the AML/CFT actions taken by the relevant authorities.

IV. Promoting inclusive and green finance

1. Contribution to the implementation of the Integrated Program for Enterprise Support and Financing (PIAFE)

In compliance with the High Instructions of His Majesty the King contained in his speech of October 11, 2019, delivered on the occasion of the opening of the first session of the fourth legislative year of the tenth legislature, the Ministry of Economy, Finance and Administration Reform, the Ministry of Interior and Bank Al-Maghrib have implemented, jointly with the banking sector and other stakeholders, an integrated program for enterprise support and financing (PIAFE).

This program, which is aimed at project holders and very small enterprises, is centered around two components, covering an offer of financing at advantageous terms[44] and an offer of support.

In order to support this program, Bank Al-Maghrib has taken several non-conventional measures, notably the establishment of a mechanism for the unlimited refinancing of loans granted by the banking sector within the framework of the PIAFE at a preferential rate of 1.25 percent and the relaxation of prudential requirements applied to banks for loans granted within the framework of the PIAFE, with a view to enabling them to release additional capacity to grant new loans to the categories targeted by the said program. The Bank has also ensured the mobilization of the banking sector's contribution to the Entrepreneurship Financing Support Fund and set up a monthly reporting system to monitor Intelaka loans granted by the banking sector.

In terms of support, Bank Al-Maghrib has coordinated, with partner organizations, work for identifying the services and players involved in supporting the PIAFE target group at national and regional levels. It has made its network of agencies and branches available to the public to respond to requests for information on the PIAFE and has ensured the processing of complaints relating to this program that have been submitted to it.

Bank Al-Maghrib has also initiated, in coordination with the PIAFE stakeholders, work to set up a support monitoring platform aimed at ensuring the traceability of the actions carried out by the PIAFE actors and the feedback of reports and indicators useful for the steering of the system.

On another level, Bank Al-Maghrib has developed, in consultation with PIAFE stakeholders, a guide for the general public on the Intelaka financing and support offer and has developed and disseminated two video capsules, in Arabic and French, presenting the PIAFE program and the measures taken by Bank Al-Maghrib in this framework.

It has also contributed, alongside the Ministry of Finance, the Ministry of the Interior, the Regional Investment Centers and the Central Guarantee Fund, to the discussions for the implementation of a program for labeling a network of support experts, which is expected to reinforce the support system in place. This program would make it possible to massify the service offer at regional and local level.

44 *See Box 3 of this report.*

2. Works on green finance and climate risk management

The Covid-19 crisis highlighted the interdependence between extra-financial shocks caused by epidemics and climate change and demonstrated that environmental degradation phenomena, such as the deforestation caused by climate change, favor the spread of viruses of animal origin to humans. It has also raised awareness of the challenges of sustainable development and the greening of the economy.

In this context, Bank Al-Maghrib has preserved its commitment to green and sustainable finance. In this context, it has actively contributed to the work of international networks of banking regulators committed to the greening of financial systems.

At the national level, it has worked to lay the foundations for a sectoral analysis of financial risks of climate origin.

2.1. Contribution to the work of international networks

In 2020, the Bank was mobilized within the framework of its participation in the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) as well as in the Alliance for Financial Inclusion (AFI) network.

- **Participation of Bank Al-Maghrib in the Central Banks and Supervisors Network for Greening the Financial System (NGFS)**

In terms of monitoring and international cooperation, the Bank has actively contributed to the work of the Central Banks and Supervisors Network for Greening the Financial System (NGFS).

In particular, the Bank took part in the works on micro-prudential supervision practices relating to climate and environmental risks and the methodologies for analyzing these risks by financial institutions.

Box 21:
Central Banks and Supervisors Network for Greening the Financial System (NGFS)

This network was established by eight central banks: the Bank of France, the Bank of England, the Netherlands Bank, the People's Bank of China, the Bank of Mexico, the Monetary Authority of Singapore, the Bundesbank and the Swedish Financial Supervisory Authority in December 2017. Since then, the network has grown to 83 members and 13 observers representing 66 countries by the end of 2020.

Bank Al-Maghrib joined the network in April 2018 as a member of the steering committee.

Bank Al-Maghrib has ensured the dissemination of NGFS network's publications on climate and environmental risk management and supervision to financial regulators and the banking sector in order to contribute to the information of the financial ecosystem.

Box 22:
NGFS publications in 2020

In 2020, the NGFS has published 6 important documents that constitute useful reference documents for Central Banks and financial institutions:

- Guide to integrating climate and environmental risks into prudential supervision;
- Progress report on the assessment of the financial risk gap between green, non-green and brown assets;
- Climate stress-test scenarios for central banks and supervisors;
- Overview of methodologies for environmental risk analysis by financial institutions;
- Assessment report on the progress of central banks' responsible and sustainable investment practices;
- Results of the NGFS survey on the integration of climate change into the operational framework of central banks' monetary policy.

Box 23:
Methodologies for environmental risk analysis by financial institutions published by the NGFS

The document published by the NGFS on methodologies for environmental risk analysis by financial institutions aims to provide a benchmark of the current practices of financial institutions.

This benchmark provides a useful guide for banks engaged in analyzing their environmental risk exposures. The document cites 6 experiences in the following areas:

- Assessment of the impact of physical risks on property values and bank loans;
- Analysis of the impact of water stress on corporate bonds;
- Climate-related transition scenarios;
- Credit risk stress test incorporating pollution-related transition risks;
- Modelization of the impacts of physical risks on banking portfolios related to agricultural, real-estate and energy activities;
- Alternative methodologies for applying Environmental, Social and Governance (ESG) factors to credit rating and natural capital risk assessment.

- **Bank Al-Maghrib's participation in the Alliance for Financial Inclusion (AFI)**

In 2020, Bank Al-Maghrib was appointed co-chair of a working group under the Alliance for Financial Inclusion (AFI) to address inclusive green finance "IGF". This working group aims to promote the implementation of policies to strengthen the resilience of rural populations and women to climate change and the funding of their green and sustainable projects by the banking sector. Bank Al-Maghrib is also spearheading the work of the sub-group dedicated to green-loan guarantee mechanisms for SMEs.

Box 24:
Inclusive Green Finance Working Group (IGF) of the Alliance for Financial Inclusion (AFI)

The IGF Working Group was established at the annual AFI Global Policy Forum held in Kigali in 2019. It reflects the awareness of AFI member central banks and financial regulators of the dual threat of financial exclusion and climate change to financial stability and resilience of vulnerable populations and provides a platform for exchange and the sharing of experience on good practices related to inclusive green finance.

Bank Al-Maghrib has been a member of this group since its creation. At the end of 2020, it has 44 member institutions, representing 41 emerging and developing countries.

In this context, the Bank contributed to the drafting of AFI reports on policies designed to promote inclusive green finance across member countries.

Box 25:
Report on Inclusive Green Finance (IGF)

The Alliance for Financial Inclusion (AFI) has developed an Inclusive Green Finance Framework based on 4 key pillars (4p) that provide a benchmark for policies to address climate change and financial inclusion objectives for member central banks and regulators:

- Promotion: The AFI identifies policies and measures aiming to promote green and inclusive finance and to prepare the financial sector to offer financial products and services to excluded or underserved populations for their green projects or climate-related activities;
- Provision: This covers policies and measures to channel finance towards green or climate action projects led by excluded or underserved populations;
- Protection: This covers policies and measures aiming to reduce and hedge against financial risks related to climate change;
- Prevention: This covers policies and measures aiming to anticipate and avoid the financial impacts of climate change.

2.2. Bank Al-Maghrib's participation in the debates and reflections on green finance and financial climate risks

The Bank has contributed to the debates on the place of green finance in the post-Covid-19 recovery by participating in national and international events. It has also contributed its views on these topics through publications by regional and international bodies.

In particular, the Bank has contributed through:

- Contribution to the national strategic vision for low-carbon development by 2050;
- Contribution to the first report of the International Sustainable Finance Platform (IPSF);
- The publication of an article on the impact of the Covid-19 crisis on green finance in Morocco for the African Development Bank's report on the African financial sector in the face of the Covid-19 pandemic;
- Coordination of the response to the request of the European Investment Bank (EIB) on the main elements of its 2021-2025 climate strategy.

As part of the dialogue with the banking sector, Bank Al-Maghrib has included the topic of green finance and climate-related financial risks on the agenda of regular meetings with the GPBM. These exchanges aimed to raise awareness of the risks involved and to boost initiatives in favor of green finance.

2.3. Launch of a sector-based study on the financial risks linked to climate change

In 2020, the Bank undertook, with the technical assistance of the World Bank, a medium-term program aimed at mapping financial risks of climate origin, setting up a mechanism for supervising these risks within the Bank and strengthening the capacities of the banking ecosystem in this area.

Through these initiatives, Bank Al-Maghrib aims to provide the ecosystem with qualitative and quantitative inputs on climate change-related financial risks and to promote practices for climate change risk-management at the sectoral level.

V. Supporting the digitization of financial services

Digitalization, which had already been underway for several years, played a major role in 2020 in supporting business continuity amid the pandemic at both national and international levels.

The need to accelerate this digital transformation led the Bank to mobilize its actions in this area. These have involved in particular the roll-out of online account-opening systems, collaboration in the project to set up a national system of trusted third parties, monitoring the electronic signature reform and the setting up of a sectoral dashboard on the digital channel.

1. Examination of applications for the roll-out by banks and payment institutions of remote account-opening systems

Following Bank Al-Maghrib's adoption, in April 2020, of a circular letter governing the implementation of remote account-opening systems, the Central Bank received requests for advice in this regard from banks and payment institutions.

In this regard, it examined the files submitted by the requesting institutions in support of their applications and tracing the target clientele, the technical and functional device, a formal analysis of the risks related to the new process as well as the measures taken for their management.

Bank Al-Maghrib has expressed its non-objection for 8 applications from banks and is currently examining 3 applications from payment institutions.

2. Collaboration with stakeholders for the establishment of a national system of trusted third party

In 2020, The National Commission for the Supervision of Personal Data Protection (CNDP), the General Directorate of National Security (DGSN) and Bank Al-Maghrib initiated a project aiming at setting up a national trusted third party system for the identification and electronic authentication of individuals.

This system would aim to accelerate the digitalization of banking and financial services. This solution would in fact make it easier for banking and financial institutions to identify themselves in accordance with AML/CFT vigilance requirements, while avoiding the multiplication of authentication databases or registers, both in the private and public sector.

Box 26:
National digital identity system

The national digital identity system is intended to enable Moroccan citizens and foreigners residing in Morocco to access online services in a secure manner and facilitate online exchanges between citizens and administrations or private service providers, particularly banking actors. It is expected to ensure simple, fast and secure access guaranteeing the protection of their personal data present exclusively on the electronic national identity card.

The legal framework governing the CNIE2 provides a legal basis for the DGSN to authorize public and private entities to use the electronic national identity card through certain technical mechanisms.

The work carried out this year in collaboration with the banks, the CNPD and the DGSN within the framework of this project focused on the preparation of an expression of the needs of banking players in terms of remote identification and authentication of their customers. They focused in particular on examining the functionalities of the trusted third party system, based on the new CNIE2 national identity card, with a view to developing use cases based on this system.

3. Consultation on the reform of the law on electronic signatures

The electronic signature makes it possible to streamline the customer relationship and the contractualization process, while guaranteeing the legal value of the contracts signed and an enhanced protection of financial services' consumers against the fraudulent use of their identities. It also promotes the digitalization of processes and an electronic document management, saving time and improving the reliability of processes.

As part of the project to review the legal framework governing the electronic exchange of legal data, initiated by the Directorate General for Information Systems Security (Direction Générale de la Sécurité des Systèmes d'information-DGSSI), Bank Al-Maghrib was consulted and, in turn, involved the institutions in order to collect their remarks and suggestions on the text. The remarks mainly concerned the simplification of the operational framework for the use of electronic signatures, the clarification of the legal effect of simple and advanced electronic signatures and the extension of the scope of the law to all data exchanged to include in particular documents issued by credit institutions and similar entities.

After the consultation phase, Law 43.20 on trust services for electronic transactions was adopted in January 2021. It introduces a more favorable regime for the use of electronic signatures.

4. Preparation of a dashboard on digital banking services

Following a survey conducted by Bank Al-Maghrib in 2019 among banks on digital transformation, it was found that they had set up indicators to monitor the use of digital products, services and customer paths. However, these indicators are heterogeneous, making it difficult to compare and aggregate them at the sectoral level.

Therefore, Bank Al-Maghrib developed, in the 4th quarter of 2020, in collaboration with the banks, a dashboard to monitor the indicators of the penetration and use of digital banking services. This dashboard aims to assess the development of digital services' supply and demand and, on this basis, identify the support actions that would be necessary.

The first reports will be submitted in 2021.

VI. Protection of credit institutions' customers

The context of the crisis has led the Bank to prioritize the implementation of specific measures in favor of customers, particularly in terms of providing exhaustive and transparent information and reducing complaint processing time.

1. Customer information and transparency in the processing of applications for maturity extensions and State-guaranteed loans in the context of Covid-19

Against the backdrop of the crisis, Bank Al-Maghrib has requested credit institutions to provide customers with all the necessary information regarding the processing of applications for support measures introduced for the benefit of affected individuals and legal entities. The bank insisted in particular on providing information on the conditions applied and, where applicable, the reasons for rejecting requests.

As regards moratoriums on loans, Bank Al-Maghrib has called on banks to harmonize the forms for deferment requests, the possible options for customers in terms of duration and the amount of the installments.

Also, Bank Al-Maghrib has carried out verification among credit institutions on the application of modalities for the deferment of credit maturities decided by the Economic Monitoring Committee by covering the following points:

- The use of the harmonized templates for deferment requests;
- The modalities for informing customers of the conditions applied in the context of maturity deferment: interest rates applied, credit insurance, duration or amount of maturities;
- The provision of a simulator for credit deferrals;
- The calculation of agios.

Box 27:

Interim interest/credit charges and credit penalties

- **Interim interests:** Interim interest is calculated on the amounts of funds released, based on the loan rate, and is added to the initial cost of the loan to compensate for any extension of the repayment terms. To calculate the amount of interim interest, the loan rate should be applied to the total amount of loan funds released, taking into account the length of time that elapses between two payments. At its meeting of 8 May 2020, the Economic Monitoring Committee decided that the State and the banking sector would pay the full amount of the interim interests generated by the deferral of housing and consumer loan maturities for individuals whose income has fallen as a result of the state of health emergency, for the period from March to June 2020. This measure applies to people with monthly credit installments of up to 3,000 dirhams for housing loans and 1,500 dirhams for consumer loans, including those taken out with finance companies.
- **Credit charges:** include all sums due in addition to the amount borrowed and the related interests such as file fees, insurance fees, registration and stamps fees….etc.
- **Credit penalties:** Financial penalties due in case of late payment, or non-payment, in financial transactions such as credit repayment. Law 31-08 enacting consumer protection measures provides for these penalties and regulates them.

2. Facilitating access to information on the cost of banking services, particularly through digital channels

In 2020, Bank Al-Maghrib worked to strengthen and facilitate access to information on the costs of banking services, by taking advantage of the benefits offered by the digital channel. In this regard, banks have been invited to provide their customers with pricing guides and a summary of the annual fees charged, through web and mobile applications. The aim of publishing these documents online is to facilitate access to informationin an easier and permanent manner .

Box 28:
Banking services pricing guidebooks

Pricing guides list all the fees and commissions charged for the services and products offered by a banking institution. These guides are updated annually and banks are requested to make them available to their customers in accordance with the provisions of Circular 23/G/2006 on the terms and conditions under which credit institutions must inform the public of the conditions applied to their operations.

Similarly, banks were called upon to put online, in the private and secure area reserved for the customer, the summary of the commissions deducted from the account as remuneration for the services provided, in the same way as the monthly account statement.

Box 29:
Annual statement of fees charged for banking services

Banks are also required to send their customers an annual statement of fees summarizing the types of fees charged during the year, in accordance with the provisions of Circular 3/G/2010 on the modalities of preparing statements of deposit accounts.

Bank Al-Maghrib also conducted an on-site investigation of 7 banks and 3 finance companies to verify their compliance with the customer information obligation.

The non-compliant institutions were requested to comply using a remediation plan.

3. Actions relating to advertising practices for consumer credit offers

Following the observation of advertising practices that did not comply with the legal provisions, particularly with regard to the notion of free services or the overall effective rate, Bank Al-Maghrib called on consumer credit companies to bring their advertising of consumer credit offers, whether they were disseminated through digital channels or through billboards, in line with the provisions of Article 76 of Law 31-08 on consumer protection. The latter requires that all advertising must be fair and informative, and sets out the mandatory information and conditions regarding format and character.

4. Actions aiming to strengthen banking competition

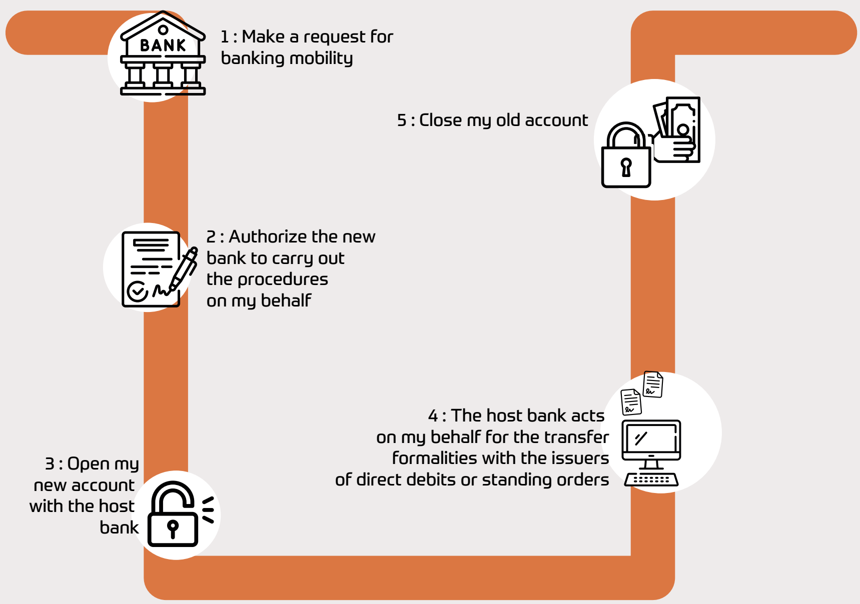
4.1. Banking mobility

In 2020, Bank Al-Maghrib continued its actions aimed at stimulating banking competition through the optimization of the banking mobility mechanism. In this regard and following the adoption by Bank Al-Maghrib of a directive on banking mobility in November 2019, the Bank worked with stakeholders to develop a practical guide specifying the operational modalities for the provision of this service. At the request of Bank Al-Maghrib, this guide has been made available to customers on the banks' web portals.

Moreover, a regulatory report to be transmitted by the banks to Bank Al-Maghrib was developed to monitor the processing of customers' mobility requests.

Box 30:
Scheme on the role of actors in banking mobility

Summary of the 5 steps of the banking mobility process



Moreover, monitoring was carried out to follow the distribution by banks of the banking mobility guide, the implementation of related procedures and communication and awareness-raising actions of stakeholders at the network level as well as the appointment of representatives in charge of banking mobility in each institution.

4.2. Project for the comparison of bank charges and value dates

In line with the actions aiming to promote banking competition, Bank Al-Maghrib has initiated with the banks a project to set up a comparator of banking tariffs and value dates.

Box 31:
Comparator of bank charges and value dates

The purpose of the bank charge and value date comparator is to provide customers with a free tool that would enable them to choose a banking institution by having reliable information on the tariffs of the main operations.

The comparator is an additional and complementary tool to the communication of bank charges applied individually by each bank.

In view of the large number of services on offer, the introduction of such a comparator would provide the consumer with a tool that simplifies the reading of the main services on offer and the comparison of costs.

In 2020, a Bank Al-Maghrib/GPBM working group, set up for this purpose, examined the possible options for structuring this project. This group has defined the list of common banking services that will be initially integrated in the comparator platform and has elaborated the terms of reference that will serve as a basis for the launch of the call for tenders for the selection of a service provider that will be in charge of the design and management of the comparator tool.

5. Translation into Arabic of the banking documentation intended for customers

The Consumer Protection Act requires that any document written in a foreign language should be accompanied by a translation into Arabic.

This provision aims to protect the customers by making available contracts in the French or Arabic language according to their choice.

In 2020, Bank Al-Maghrib took action against some banks to remind them of their obligations in this respect and called on banks to carry out a diagnosis of the acts concerned and to draw up compliance plans accordingly.

6. Operationalization of the regulatory framework governing the release of collateral

Following the introduction, in November 2019, of a regulatory directive on the conditions and modalities for issuing releases guaranteeing bank financing, Bank Al-Maghrib has followed up with the banks on the preparatory work for the operational roll-out of the new mechanism initially scheduled for May 2020.

Given the break-out of the health crisis and the operational difficulties it caused for banks, Bank Al-Maghrib postponed the entry into force of the directive on the issuance of releases, which took place in August 2020.

7. Actions related to banks' processing of customer complaints

Bank Al-Maghrib has conducted a remote survey with banks for the treatment of complaints related to the implementation of public support measures involving the banking sector, notably maturity extensions, Damane loans and Intelaka loans.

It required them to be more transparent and responsive in handling complaints within a period not exceeding 72 hours.

Moreover, the regulatory framework governing the processing of customer complaints by credit institutions provides for several obligations for these institutions in terms of acknowledgement of receipt, time limit for admissibility and processing time. This framework also provides that complaints may be sent by mail to the bank or filed at the customer's branch.

To take advantage of the benefits offered by the digital media, Bank Al-Maghrib has called on banks in 2020 to complement physical deposit channels with digital ones.

Also, banks have been invited to provide their customers with links on their websites and mobile applications allowing them to file their claims online.

8. Promoting the role and activities of the Moroccan Center for Banking Mediation

The Moroccan Center for Banking Mediation (CMMB) is an important component of the remedy channels available to customers for handling complaints against credit institutions.

Box 32:
The Moroccan Center for Banking Mediation

The Moroccan Center for Banking Mediation is an independent body set up at the initiative of Bank Al-Maghrib in 2013, as a non-profit association, with the aim of amicably settling disputes that have arisen or may arise between credit institutions and their customers.

It is an institutional mediation mechanism for natural or legal persons, governed by Law 08-05 on Mediation.

The Board of Directors of the Center is chaired by the Wali of Bank Al-Maghrib and composed of

- the following active members: the Professional Grouping of Moroccan Banks (GPBM), the Professional Association of Finance Companies, the National Agency for the Promotion of Small and Medium-sized Enterprises (Maroc PME), the National Federation of Microcredit Associations, the Professional Association of Payment Institutions, the General Confederation of Enterprises of Morocco (CGEM) ;
- 4 independent directors

As part of the promotion of its activities and the strengthening of its role, Bank Al-Maghrib had decided as of the 4th quarter of 2019 to transfer part of the complaints it receives at this Center, capitalizing on its means and expertise.

In 2020, Bank Al-Maghrib's recourse to the Mediation Center for the processing of complaints was strengthened after a conclusive start-up phase. Reporting by the CMMB to Bank Al-Maghrib has been set up to ensure the monitoring of the transferred activity.

Bank Al-Maghrib supported the Mediation Center in the dematerialization of the process for filing claims and exchanges with stakeholders.

Bank Al-Maghrib has also worked to maximize the points and channels of access to CMMB services, notably through:

- Bank Al-Maghrib's regional branches and headquarters and website;
- The websites of the banks;
- The CGEM and the Chambers of Commerce.

To ensure more efficiency for the Center's activity, a reduction of the documents required for the processing of mediation requests has been decided.

These actions, as well as strengthened communication around mediation, have made it possible to improve recourse to this mechanism which offers the advantage of avoiding the legal route, which implies significant delays and costs.

Thus, the number of eligible cases received by the CMMB rose from 303 cases in 2016 to 2,475 cases in 2020.

9. Communication and public awareness about banking services and operations

The Bank has undertaken to strengthen communication and public awareness actions on subjects related to banking operations and services as part of its role in protecting users of financial services.

Within this framework, collaboration was engaged in particular with the Moroccan Foundation for Financial Education for the preparation of didactic capsules. A first capsule has been produced in the form of an interview with a Bank expert on the "modalities for handling complaints".

Two initial guides are scheduled for the first half of 2021 on "banking mobility" and the "processing of complaints".

A roadmap of further communications has been planned for 2021 and 2022.

10. Other projects to strengthen customer protection

- **Closing of accounts:** Bank Al-Maghrib has carried out a series of actions for the proper application of the requirements related to account closure requests and to reduce complaints on this subject. These actions have made it possible to clean up the banks' databases and to encourage mass closures of eligible accounts. A significant drop in complaints on this issue was thus observed in 2020.

The Bank also plans to draw up a draft directive on account closure in 2021 to strengthen the current regulatory framework.

- **Draft code of ethics for the collection of pre-judicial bank debts:** The Bank has worked towards the establishment of a code of ethics for the collection of pre-judicial bank debts, in collaboration with the credit institutions and the International Finance Corporation (IFC).

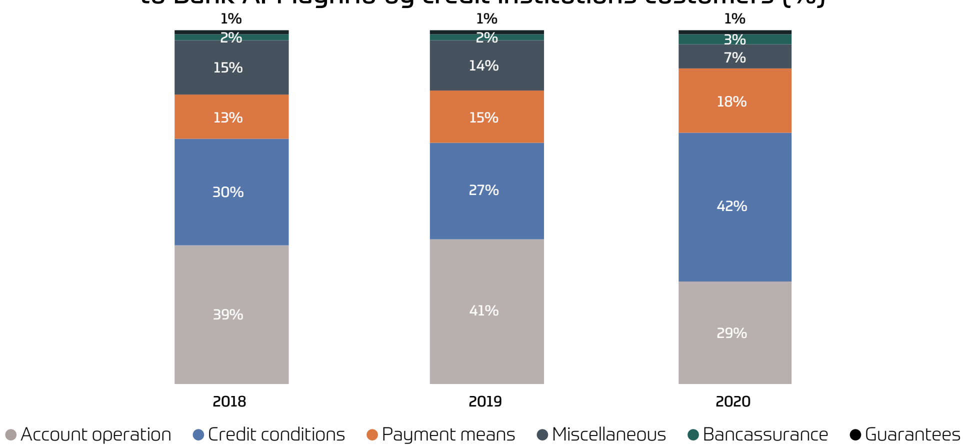
While preserving the rights of credit institutions to collect their debts, this code of ethics aims to establish the minimum rules to be observed by credit institutions and their agents towards their clients, in terms of:

- Transparency and right to information;
- Behavior to be adopted and respect for clients;
- Morality, loyalty and human rights;
- Respect for personal data.

11. Processing of complaints from customers of credit institutions in 2020, filed with the Banking Supervision Department

In 2020, the Banking Supervision Department received 826 complaints from customers of credit institutions, compared to 710 in 2019 and 800 complaints in 2018. Almost 54 percent of the complaints received over the whole year were transferred to the CMMB, compared to 16 percent in 2019, with the transfer starting in the 4th quarter of 2019.

Chart 144: Breakdown, by category, of complaints sent to Bank Al-Maghrib by credit institutions customers (%)

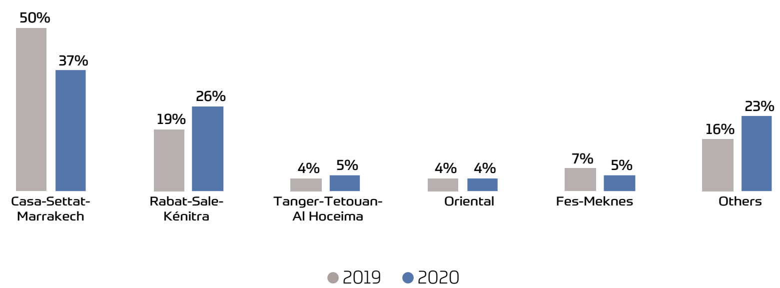


In 2020, complaints about credit conditions accounted for almost 42 percent of the total, reflecting the payment difficulties caused by the crisis. Complaints about the operation of accounts represented 29 percent and those relating to payment means, particularly the use of cheques, accounted for 18 percent.

Almost 84 percent of the complaints received in 2020 came from individual customers, compared with 95 percent a year earlier. The increase in the share of businesses seems to be linked to the context of the pandemic, which increased their difficulties.

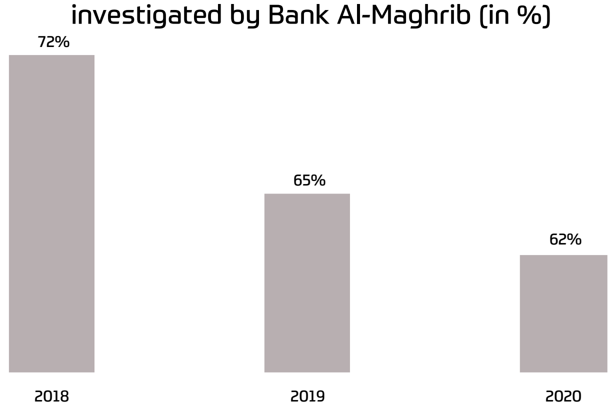
In terms of the geographical distribution of complaints, although the Casablanca region remains preponderant, its share has fallen sharply to 37 percent[45] against 50 percent in 2019. On the other hand, the share of the Rabat region has increased to 26 percent from 19 percent.

Chart 145: Breakdown, by region, of complaints sent to Bank Al-Maghrib by credit institutions' customers-2020



Almost 62 percent of the complaints were closed in favor of the complainants, compared to 65 percent in 2019.

Chart 146: Settlement ratio in favor of complainants of claims investigated by Bank Al-Maghrib (in %)

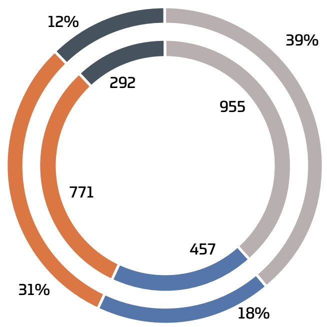


45 15% of the complaints (or 56 complaints) were received largely via the generic address, without any indication of the address or city.

12. Processing of complaints received from customers of credit institutions by the Moroccan Center for Banking Mediation

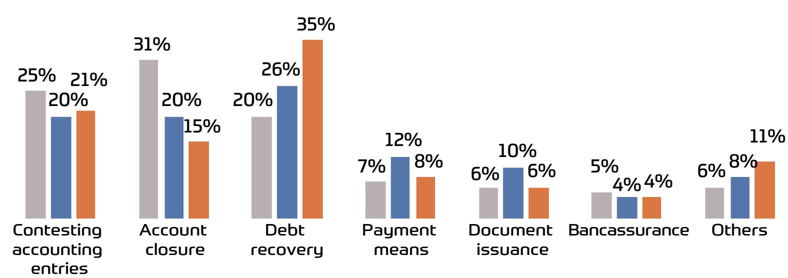
In 2020, the CMMB received 2,475 complete files[46] within the framework of mediation. Out of this total, 955 cases were successfully resolved (39 percent), 457 cases did not result in a mediation settlement[47] (18 percent), 771 cases are awaiting a response from credit institutions (31 percent) and 292 cases were still being processed at the end of the year.

Chart 147 : Breakdown of files received by the CMMB at the end of 2020



According to their type, the disputes received mainly concerned the recovery of debts (35 percent), in connection with the context of the crisis which exacerbated the difficulties of loan repayment by households and companies.

Chart 148: Change in the type of files submitted to banking mediation-2020

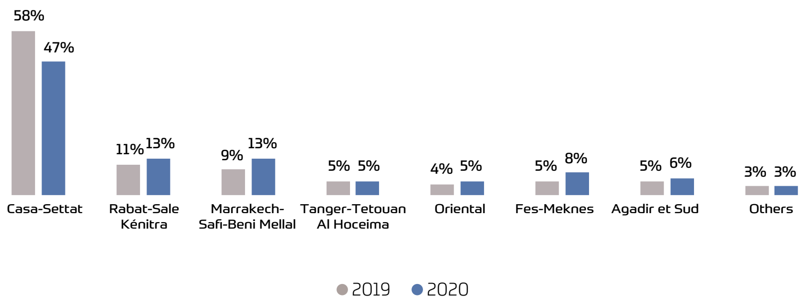


Requests for banking mediation are mainly made by physical persons (90 percent) and concern 81 percent of transactions with banks and 18 percent of transactions with finance companies.

46 Of which 448 claims transferred by Bank Al-Maghrib.
47 Cases that did not result in a settlement agreement are those for which the parties did not find an amicable solution to their dispute. The cases not accepted by the credit institutions are those dealt with under the conventional mediation mechanism.

At the regional level, nearly 60 percent of applicants are concentrated in the Casablanca-Rabat axis against 69 percent in 2019.

Chart 149: Breakdown, by region, of credit institutions' customer complaints filed with CMMB - Year 2020



VII. Result of inspections

In 2020, as a result of the controls and verifications carried out, 7 disciplinary sanctions were pronounced by Bank Al-Maghrib against 3 banks, 3 finance companies and one payment institution.

In addition, 3 financial penalties were pronounced against one bank and 2 finance companies.

These sanctions concerned infringements relating in particular to compliance with licensing conditions, consumer protection, corporate governance and the system for combating money laundering and the financing of terrorism.

VIII. International cooperation

Bank Al-Maghrib participated, during the year 2020, in a series of regional and international events, most of which were held by videoconference, given the health restrictions related to the Covid-19 pandemic. These events focused on the implications of the Covid-19 crisis for banking activities and risks, as well as the responses of central banks and international standardization bodies to mitigate its impact.

In the field of green finance, Bank Al-Maghrib participated in several virtual meetings during the year 2020, including the Bank for International Settlements (BIS) intersectoral meeting organized in February on the assessment and supervision of climate-related risks and the 7th Forum of the Organization for Economic Co-operation and Development (OECD) convened in October on green finance and investment.

In the digital field, Bank Al-Maghrib participated in several meetings with its counterparts, including the consultative meeting organized by the Arab Monetary Fund (AMF) on improving the opportunities offered by modern financial technologies in Arab countries, following the emergence of the Covid-19 pandemic and the future of financial services.

In terms of consumer protection, the Bank is an active member of the working group «Consumer protection» of the Alliance for Financial Inclusion, with which it collaborates on a number of issues, including complaints management within the framework of central banks, the model policy for consumer protection for digital financial services and transparency and information.

In addition, the Bank participated in the biannual meetings of the Committee of Arab Supervisors and the working groups of the Arab Monetary Fund and chaired the 36th meeting of the Arab Committee held on 31 March and 1 April. These meetings addressed several regulatory and supervisory issues related to the Covid-19 Pandemic.

Bank Al-Maghrib also chaired the Group of French-speaking Banking Supervisors. In this regard, it worked to promote the active exchange of information covering the crisis between counterparts. It also organized, by videoconference, in December 2020, the annual meeting of this Group in order to exchange views on the challenges related to the crisis for the French-speaking banking supervisors.

Box 33:
Group of French-speaking Banking Supervisors (GFBS)

The GFBS was set up at the request of the governors of French-speaking central banks in June 2004 in Paris. This group brings together supervisors from French-speaking countries that are members and non-members of the Basel Committee in order to develop close relations with this committee. It aims to :

- develop high-level cooperation between its members so that the exchange of experience and information promotes the generalization of best practices and the convergence of supervisory approaches to common problems;
- to comment, after examination, on the work which will have been circularized by the Basel Committee;
- regularly inform this Committee of the activities carried out within the Group and inform it of specific work or research carried out from time to time;
- strengthen contacts and exchanges between the groups of regional supervisors;
- to use the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) to develop appropriate training activities.

The GSBF is chaired by a country that is not member of the Basel Committee and its secretariat is carried out by the General Secretariat of the Prudential Control and Resolution Authority. After chairing the first meeting in 2005, Bank Al-Maghrib will chair the group for 2020 and 2021.

IX. Human and technical resources of banking supervision

The number of staff in the Banking Supervision Department stood at 100 at the end of December 2020, compared with 103 in 2019, 54 percent of whom are women.

The breakdown of staff has remained stable with almost two thirds in charge of the supervision of credit institutions and similar entities, 24 percent in charge of regulatory work and studies and 10 percent are assigned to support activities.

Approximately 73 percent of this workforce is under 45 years of age and 57 percent is more than five years. Eighty-five percent of the staff members of the Banking Supervision Department studied for five years (Bac + 5) or more after obtaining their high-school diploma.

Bank Al-Maghrib has continued to attach great importance to the continuous training of its staff in a context marked by a permanent evolution of national and international banking standards and supervision practices as well as the emergence of new trends and risks.

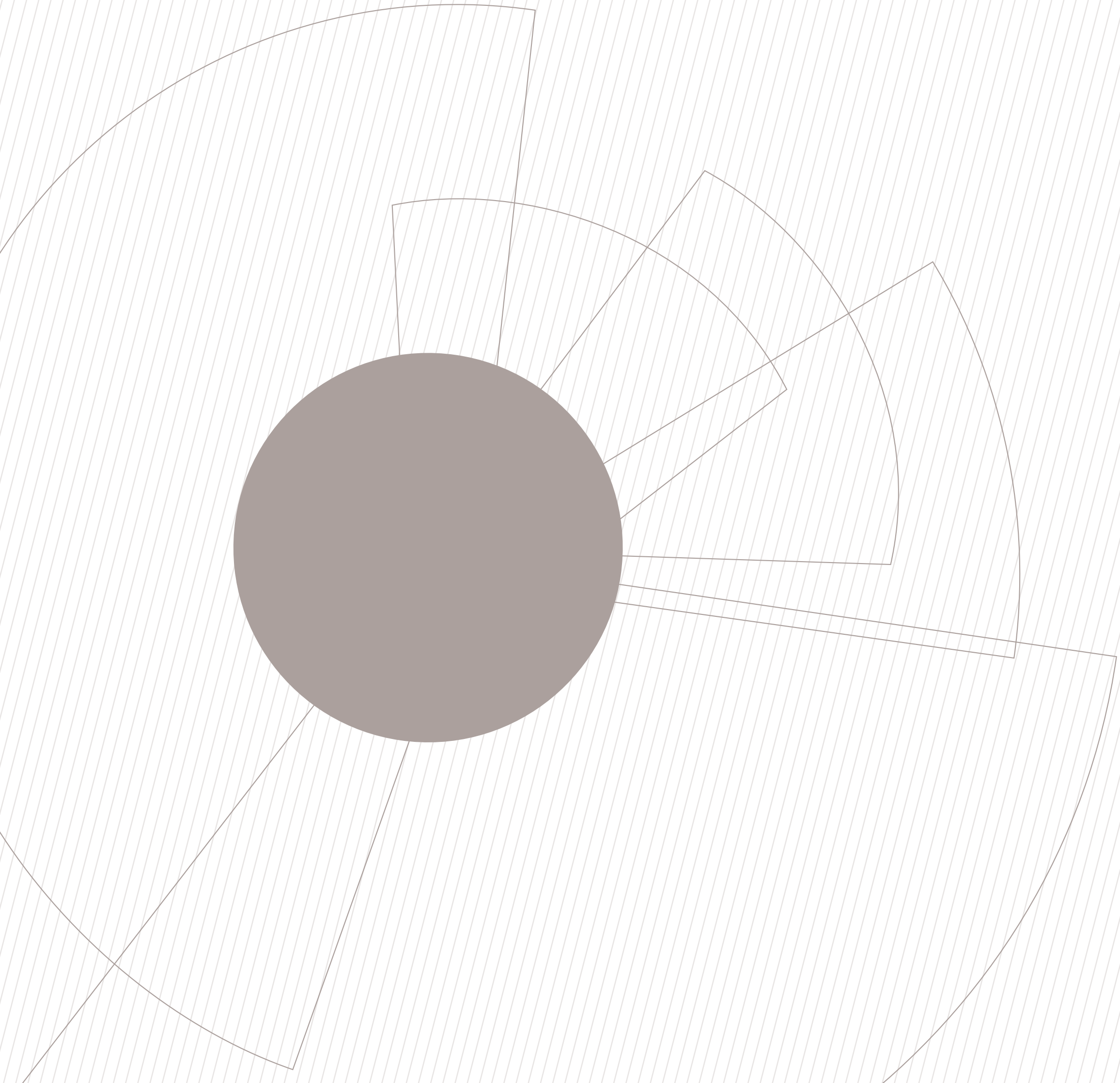
During the year 2020, the training effort remained sustained, while adapting to the conditions imposed by the health crisis. Nearly 70 percent of the staff of the Banking Supervision Department received at least one training course.

Box 34:
Themes of continuous training amid the crisis

The training plan this year covered 86 actions in the areas related to banking supervision, including :

- Participative Finance ;
- The treatment of credit institutions' difficulties;
- IFRS 9 ;
- Interest rate and market risks;
- Prudential regulation;
- Cyber-risks;
- The fight against money laundering and terrorist financing;
- Green finance;
- The digital channel.

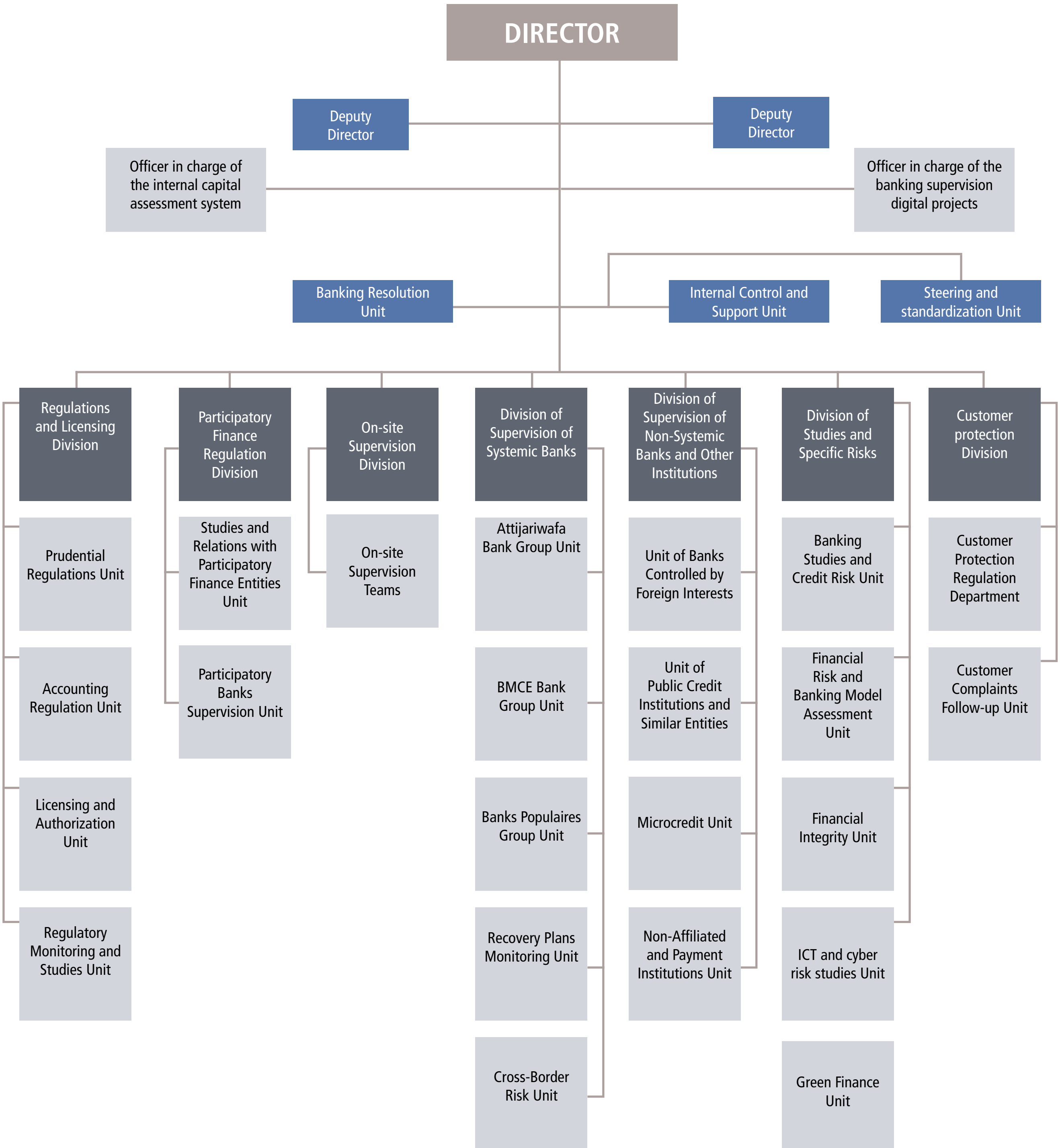
Taking into account the context of the health crisis, Bank Al-Maghrib also participated in webinars on the impact of and response to the Covid-19 pandemic.



APPENDICES

بنك المغرب

Appendix 1. Organizational chart of the Banking Supervision Department



Appendix 2. List of approved credit institutions

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
BANCO SABADELL	Twin Center, Tour Ouest, 12ème étage - Casablanca
BANK AL-AMAL	288, Boulevard Mohamed Zerktouni - Casablanca
BANQUE CENTRALE POPULAIRE « BCP »	101, Boulevard Mohamed Zerktouni – Casablanca
BANK OF AFRICA « BOA »	140, Avenue Hassan II - 20 000 - Casablanca
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE « BMCI »	26, Place des Nations Unies -Casablanca
BANQUE POPULAIRE DU CENTRE SUD	Avenue Hassan II, B.P 246 – 80 000 – Agadir
BANQUE POPULAIRE DE FES-MEKNES	Avenue des FAR, B.P 276 – Ville Nouvelle - 30 000 - Fès
BANQUE POPULAIRE DE LAAYOUNE	27, avenue de la Mecque, 70 000 - Laâyoune
BANQUE POPULAIRE DE MARRAKECH - BENI MELLAL	Avenue Abdelkarim Khattabi, Route de Casablanca, B.P 480 – 40 001 - Marrakech
BANQUE POPULAIRE DE NADOR-Al HOCEIMA	Route principale Nador, Taouima– 62 000 - Nador
BANQUE POPULAIRE D'OUJDA	34, Boulevard Derfoufi, B.P 440 - 60 000 – Oujda
BANQUE POPULAIRE DE RABAT-KENITRA	3, Avenue Trabless, B.P 6 – 11 100 - Rabat
BANQUE POPULAIRE DE TANGER-TETOUAN	76, Avenue Mohamed V, B.P 313 – 90 000 - Tanger
CAJA DE AHORROS Y PENSIONES DE BARCELONA « Caixa Bank, S.A »	179, Boulevard d'Anfa - Casablanca
CDG CAPITAL	Place Moulay El Hassan - Tour Mamounia. - Rabat
CFG GROUP	5-7, Rue Ibnou Toufail -Casablanca
CITIBANK MAGHREB	Lotissement Attaoufik- Immeuble 1, Ensemble immobilier Zénith Millenium, Sidi Maârouf - Casablanca
CREDIT AGRICOLE DU MAROC « CAM »	Place des alaouites – B.P 49 – 10 000 Rabat
CREDIT DU MAROC	48-58, Boulevard Mohamed V - Casablanca
CREDIT IMMOBILIER ET HOTELIER « CIH »	187, Avenue Hassan II - Casablanca
FONDS D'EQUIPEMENT COMMUNAL « F.E.C »	Espace Oudaya, Angle Avenue Ben Barka et Avenue Annakhil – Hay Ryad - Rabat
MEDIAFINANCE	27, Boulevard Moulay Youssef, 20 060 - Casablanca
SOCIETE GENERALE MAROCAINE DE BANQUES « SGMA »	55, Boulevard Abdelmoumen- Casablanca
UNION MAROCAINE DE BANQUES « UMB »	36, Rue Tahar Sebti - Casablanca

Participatory banks and windows

Name	Head office address
AL AKHDAR BANK	Angle Avenue d'Alger et Rue d'Oran, Hassan - Rabat
ARREDA	48-58, Boulevard Mohamed V - Casablanca
BANK AL YOUSR	162, Rue Molière, Angle Boulevard d'Anfa - Casablanca
BANK AL-TAMWEEL WA AL-INMA	157, Avenue Hassan II - Casablanca
BANK ASSAFA	19 Boulevard Abdelmoumen - Casablanca
DAR AL-AMANE	55, Boulevard Abdelmoumen- Casablanca
NAJMAH	26, Place des Nations Unies -Casablanca
UMNIA BANK	397 Route Al Jamia (Ex Route d'El Jadida) - Casablanca
SANAD TAMWIL	CCG Center d'affaires, Boulevard Ar Ryad, Hay Ryad - Rabat

Consumer loan companies

Name	Head office address
AXA CREDIT	120-122, Avenue Moulay Hassan II - Casablanca
DAR SALAF S.A	207, Boulevard Zerktouni -Casablanca
EQDOM SA	127, Angle Boulevard Zerktouni et Rue Ibnou Bouraîd – 20 100 - Casablanca
RCI FINANCE MAROC S.A	44, Boulevard Khaled Bnou Loualid – Aïn Sebaa - Casablanca
SALAF AL MOUSTAKBAL S.A	20, Boulevard de La Mecque - Laâyoune
SALAFIN	Zénith Millenium, Immeuble 8, Sidi Maârouf - Casablanca
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 NORD AFRICAINE DE CREDIT « SONAC »	29, Boulevard Mohamed V - Fès
SOCIETE REGIONALE DE CREDIT A LA CONSOMMATION « SOREC-CREDIT »	256, Boulevard Zerktouni - Casablanca
VIVALIS SALAF	369, Boulevard Zerktouni – 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. 20060 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 Mohammed 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, 20100 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 DEVE-LOPPEMENT 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

Offshore banks

Name	Head office address
ATTIJARI INTERNATIONAL BANK (ATTIJARI I.B B.O.S)	58, Boulevard Pasteur - Tanger
BMCI - BANQUE OFFSHORE - GROUPE BNP (BMCI B.O.S)	Zone Franche de Tanger - Route de Rabat - Tanger
CHAABI INTERNATIONAL BANK	Lot 45 D, Zone Franche d'Exportation, Route de Rabat – Tanger
CREDIT DU MAROC OFFSHORE – BANQUE OFFSHORE	Angle Avenue Mohamed V et Rue Moussa Bnou Noussair - Tanger
SOCIETE GENERALE OFFSHORE	58, Avenue Mohamed V - Tanger
SUCCURSALE OFFSHORE DE LA BMCE (SUCCURSALE O.S BMCE) (BMCE TANGER OFFSHORE)	Zone Franche d'exportation, Boukhalef route de Rabat - Tanger

Microcredit associations

Name	Head office address
ASSOCIATION AL AMANA POUR LA PROMOTION DES MICROENTREPRISES	40, Rue Al Fadila, Quartier Industriel, Q.Y.M, 10 130 - Rabat
ASSOCIATION AL KARAMA DE MICRO-CREDIT	38, Avenue Abdelmoumen, Immeuble Al Amal, appt n°23, 4ème étage, Hassan - Rabat
ASSOCIATION DE MICRO-FINANCE OUED-SROU « AMOS »	2, Rue Oued Sbou, Quartier Ettakadoum ElKbab - Khénifra
ASSOCIATION ISMAILIA DE MICRO-CREDIT	115, Rue Lahboul - Meknès
ATIL MICRO-CREDIT – IZDIHAR MICROFINANCE	70, Avenue Hassan II, Résidence Paloma Blanca, 1er étage, N°1 - Tétouan
ATTADAMOUNE MICRO-FINANCE	1, Rue Abi Dar El Ghoufari, 1er étage, Quartier Prince Héritier - Fès
BRJ MICRO-FINANCE	82, Rue Soumaya, Angle Boulevard Abdelmoumen - Casablanca
FONDATION AL BARAKA	Immeuble Saraya Angle Boulevard Riad et Avenue Al Arz – Hay Riad – Rabat
FONDATION ARDI MICRO CREDIT	Avenue Hassan II, Hay Ibn Sina, Rue Iran - Témara Center
MICROFINANCE FONDATION BANQUE POPULAIRE POUR LE MICRO-CREDIT « FBPMC »	3, Rue Docteur Veyre – Résidence Patio - Casablanca
FONDATION MICRO-CREDIT DU NORD	6, Rue Rachid Réda, Résidence Hayat 2 entresol, appt. N°34 - Tanger
INSTITUTION MAROCAINE D'APPUI A LA MICRO-ENTREPRISE « INMAA »	Angle Rue Maâmora et Rue Elizabeth II, Immeuble A, 2ème étage, Appt N°2 - Kénitra

Payment institutions offering payment-account backed services

Name	Head office address
BARID CASH	Angle Boulevard Hassan II et Boulevard de Paris - Casablanca
CASH PLUS SA	1, Angle Boulevard Abdelmoumen, Rue des Pléiades, Quartier des Hôpitaux, 3ème étage - Casablanca
CENTRE MONETIQUE INTERBANCAIRE	8 Angle Avenue Moulay Rachid et Rue Bab El Mansour - Casablanca
DAMANE CASH	18, Angle Boulevard Lalla Yacout et Rue Mohammed Belloul (ex Pegoud) - Casablanca
DIGIFI	Lotissement Attawfik, Rue 1 et 3 Californie, Sidi Maârouf - Casablanca
FAST PAYMENT SA	3 Rue Berne, Angle Zerktouni - Casablanca
LANA CASH	187 Avenue Hassan II - Casablanca
MAROC TRAITEMENT DE TRANSACTIONS « M2T »	Espace Perla, La Colline Lot N°22 Sidi Maârouf, 20 270 - Casablanca
MAYMOUNA SERVICES FINANCIERS	Immeuble Saraya, Angle Boulevard Riad et Avenue Al Arz, Hay Riad - Rabat
MT CASH	Avenue Annakhil, Hay Riad - Rabat
NAPS SA	16, Rue Abdelhak Ben Mahyou, Palmier – Casablanca
ORANGE MONEY MAROC	Lotissement la colline, Immeuble les 4 temps, 6ème étage, Sidi Maârouf, Casablanca
SOGEPAIEMENT	55, Boulevard Abdelmoumen - Casablanca
WAFA CASH	15, Rue Driss Lahrizi - Casablanca
WANA MONEY	Lotissement La Colline 2, Sidi Maârouf - Casablanca
AL FILAHI CASH	Place des Alaouites B.P 49, 10000 Rabat

Other payment institutions specialized exclusively in funds transfer's activity

Name	Head office address
EUROSOL MAROC	Résidence Ahssan Dar, immeuble B, Appt n°3 et 4, Avenue Hassan II - Rabat
MEA FINANCES SERVICES	Résidence Hadi, n°27, Rue Salim Cherkaoui, 6ème étage - Casablanca
MONEYON MAROC	52, Boulevard Zerktouni, Espace Erreada, Bureau n°16 - Casablanca
TRANSFERT EXPRESS	282, Boulevard de la Résistance et Angle Rue de Strasbourg-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 3. Change in the number of credit institutions and similar entities

	2014	2015	2016	2017	2018	2019	2020
Banks	**19**	**19**	**19**	**19**	**19**	**19**	**19**
Majority foreign-owned banks (*)	7	7	7	7	7	7	7
Majority state-owned banks	5	5	5	5	5	5	5
Participatory banks				5	5	5	5
Financing companies	34	34	33	32	28	27	27
Consumer loan companies	16	16	15	14	12	12	12
Leasing companies	6	6	6	6	7	7	7
Real estate loan companies	2	2	2	2	2	2	2
Surety companies	2	2	2	2	2	1	1
Factoring companies	2	2	2	2	2	2	2
Payment-means management companies	3	3	3	3	0	0	0
Other companies	3	3	3	3	3	3	3
Offshore banks	6	6	6	6	6	6	6
Microcredit associations	13	13	13	13	13	12	12
Payment institutions	10	10	10	9	13	19	20
Other institutions (**)	2	2	2	2	2	2	2
Total	**84**	**84**	**83**	**86**	**86**	**90**	**91**

(*) including 3 with a participatory window

(**) including 1 with a participatory guarantee window

Appendix 4 : Change in banks' assets (Activity in Morocco)

In millions of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due from credit institutions and similar entities	**182 171**	**185 255**	**193 918**	**4,7**
Due from customers	**798 042**	**840 682**	**873 628**	**3,9**
Securities portfolio	**281 063**	**308 225**	**335 136**	**8,7**
Including Treasury bills	147 111	161 103	179 774	11,6
Fixed assets	**38 411**	**40 606**	**39 852**	**-1,9**
Other assets	**41 429**	**39 866**	**48 845**	**22,5**
Total assets	**1 341 116**	**1 414 634**	**1 491 379**	**5,4**

Items net of amortization and provisions

Appendix 5 : Change in banks' liabilities (Activity in Morocco)

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	**130 243**	**138 016**	**159 364**	**15,5**
Customers' deposits	**927 808**	**954 541**	**1 002 547**	**5**
Bonded debts	**105 412**	**122 470**	**120 818**	**-1,3**
- Issued debt securities	61 738	74 857	68 919	-7,9
- Subordinated debts	43 675	47 612	51 899	9
Equity	**121 303**	**134 082**	**142 885**	**6,6**
Net income	**11 147**	**12 041**	**6 836**	**-43,2**
Other liabilities	**45 203**	**53 484**	**59 828**	**15,6**
Total liabilities	**1 341 116**	**1 414 634**	**1 491 379**	**5,6**

Appendix 6 : Change in banks' securities portfolio

Gross amount in million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Trading securities	**157 817**	**173 575**	**177 867**	**2,5**
Held-for-sale securities	**40 591**	**46 973**	**61 651**	**31,2**
Investment securities	**32 216**	**34 493**	**39 905**	**15,7**
Equity securities and similar assets	**51 620**	**55 301**	**57 825**	**4,6**
Total of securities portfolio	**282 244**	**310 341**	**337 058**	**8,7**

Appendix 7 : Change in participatory banks and windows' assets

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due from credit institutions and similar entities	**1 035**	**1 217**	**1 713**	**41**
Due from customers	**4 472**	**9 130**	**13 496**	**48**
Sukuk certificates	**380**	**309**	**235**	**-24**
Fixed assets	**298**	**325**	**337**	**3**
Other assets	**876**	**1 169**	**1 007**	**-14**
including goods acquired as a part of participatory financing	431	413	408	-1
Total assets	**7 061**	**12 151**	**16 787**	**38,2**

Appendix 8 : Change in participatory banks and windows' liabilities

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	**431**	**1 212**	**1 651**	**36**
Customers' deposits	**1 665**	**3 096**	**4 069**	**31**
including creditor demand customers' deposits	1 548	2 557	3 807	49
Investment deposits received	**0**	**363**	**989**	**>100**
Wakala Bil Istithmar	**1 262**	**2 420**	**3 380**	**40**
Equity	**2 226**	**2 267**	**2 411**	**6**
Net income	**-377**	**-425**	**-351**	**17**
Other liabilities	**1 855**	**3 218**	**4 639**	**44**
including prepaid margins	1 347	2 582	3 731	44
Total liabilities	**7 061**	**12 151**	**16 787**	**38,2**

Appendix 9 : Change in finance companies' assets

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due from credit institutions and similar entities	**4 885**	**4 586**	**5 764**	**25,7**
Due from customers	**104 760**	**110 540**	**108 043**	**-2,3**
Securities portfolio	**1 308**	**1 312**	**1 394**	**6,2**
Fixed assets	**1 319**	**1 332**	**1 355**	**1,7**
Other assets	**4 892**	**4 744**	**4 126**	**-13,0**
Total assets	**117 164**	**122 514**	**120 682**	**-1,5**

Items net of amortization and provisions

Appendix 10 : Change in finance companies' liabilities

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	**62 491**	**59 419**	**58 689**	**-1,2**
Due to customers	**12 474**	**12 338**	**10 825**	**-12,3**
Debt securities issued	**19 817**	**26 405**	**25 831**	**-2,2**
Equity	**10 902**	**11 243**	**12 533**	**11,5**
Net income	**1 445**	**1 540**	**177**	**-88,5**
Other liabilities	**10 035**	**11 569**	**12 627**	**9,1**
Total liabilities	**117 164**	**122 514**	**120 682**	**-1,5**

Appendix 11 : Change in consumer loan companies' assets

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due from credit institutions and similar entities	**774**	**712**	**1 114**	**56,5**
Due from customers	**49 532**	**53 202**	**53 376**	**0,3**
Including lease with a purchase option	18 331	18 973	18 666	-1,6
Securities portfolio	**229**	**431**	**674**	**56,3**
Fixed assets	**889**	**906**	**905**	**0,0**
Other assets	**3 740**	**3 309**	**2 920**	**-11,7**
Total assets	**55 164**	**58 560**	**58 989**	**0,7**

Headings net of depreciation and provisions

Appendix 12 : Change in liabilities of consumer loan companies

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	19 138	18 163	18 823	3,6
Due to customers	10 152	9 780	8 641	-11,7
Debt securities issued	13 391	16 835	17 014	1,1
Equity	6 128	6 256	7 143	14,2
Net income	901	953	-104	-110,9
Other liabilities	5 454	6 572	7 472	13,7
Total liabilities	55 164	58 560	58 989	0,7

Appendix 13 : Change in leasing companies' assets

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Leasing fixed assets	48 254	50 311	48 517	-3,6
Other customers' loans	318	272	239	-12,2
Securities' portfolio	18	19	19	0,0
Other assets	1 181	1 453	1 122	-22,8
Total assets	49 772	52 054	49 897	-4,1

Headings net of depreciation and provisions

Appendix 14 : Change in liabilities of leasing companies

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	36 142	34 518	32 700	-5,3
Due to customers	583	673	675	0,3
Debt securities issued	5 926	9 078	8 653	-4,7
Equity	3 411	3 564	3 857	8,2
Net income	401	377	112	-70,2
Other liabilities	3 309	3 844	3 900	1,4
Total liabilities	49 772	52 054	49 897	-4,1

Appendix 15 : Change in offshore banks’ assets

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due from credit institutions and similar entities	18 649	20 244	17 431	-13,9
Due from customers	18 263	17 887	16 848	-5,8
Securities portfolio	2 970	3 345	2 841	-15,1
Other assets	537	813	1 037	27,4
Total assets	40 419	42 289	38 156	-9,8

Headings net of depreciation and provisions

Appendix 16 : Change in offshore banks’ liabilities

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	32 450	31 916	27 030	-15,3
Customers' deposits	6 389	8 765	9 324	6,4
Equity	553	597	698	17
Other liabilities	1 027	1 011	1 104	9,1
Total liabilities	40 419	42 289	38 156	-9,8

Appendix 17 : Change in microcredit associations’ assets

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due from credit institutions and similar entities	806	376	366	-2.7
Due from customers	6 608	7 245	7 680	6
Fixed assets	231	237	221	-6,8
Other assets	271	291	293	0,7
Total assets	7 916	8 149	8 560	5

Headings net of depreciation and provisions

Appendix 18 : Change in microcredit associations' liabilities

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Due to credit institutions and similar entities	4 088	4 326	5 011	15,8
Equity and similar	2 846	2 733	2 474	-9,5
Other liabilities	982	1 090	1 075	-1,4
Total liabilities	7 916	8 149	8 560	5

Appendix 19 : Change in banks' assets - on a consolidated basis

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Financial assets at fair value by result	170 288	184 662	192 032	4,0
Financial assets held for sale				
Financial assets at fair value by equity	100 664	115 234	134 367	16,6
Due from customers	1 036 718	1 104 341	1 133 188	2,6
Due from credit institutions and similar entities	111 351	111 898	121 152	8,3
Held-to-maturity investments				
Securities at amortized cost	63 213	71 747	82 871	15,5
Other assets	190 811	205 052	220 731	7,6
Total assets	1 673 044	1 792 935	1 884 341	5,1

Appendix 20 : Change in banks' liabilities - on a consolidated basis

In million of dirhams

	2018	2019	2020	Change 2019/2020 (in%)
Financial liabilities at fair value by result	**553**	**875**	**1 674**	**91,2**
Due to credit institutions and similar entities	**172 079**	**174 836**	**190 013**	**8,7**
Due to customers	**1 127 636**	**1 185 803**	**1 252 860**	**5,7**
Debt securities issued	**71 751**	**88 955**	**82 663**	**-7,1**
Equity - share of the group	**130 393**	**146 599**	**146 600**	**0,0**
Including Net income	13 910	14 292	6 783	-52,5
Other liabilities	**170 633**	**195 867**	**210 531**	**7,5**
Total liabilities	**1 673 044**	**1 792 935**	**1 884 341**	**5,1**

Appendix 21. Banks' aggregate balance sheet - Activity in Morocco
As at December 31, 2020

In thousands of dirhams

Assets	31/12/2019	31/12/2020
Cash, Central banks, Public Treasury, Postal Checks Service	**39 168 367**	**43 911 245**
Receivables from credit institutions and similar entities	**163 249 885**	**168 061 489**
. Demand	33 179 387	36 672 289
. Time	130 070 498	131 389 200
Receivables from customers	**808 568 276**	**843 225 513**
. Overdraft facilities and consumer loans	247 194 322	261 719 745
. Equipment loans	213 502 090	208 835 760
. Real estate loans	269 338 732	273 652 219
. Other loans	78 533 132	99 017 789
Factoring loans	**32 113 500**	**30 402 312**
Trading and held-for-sale securities	**220 604 067**	**240 061 918**
. Treasury bills and the like	130 010 485	145 558 557
. Other debt securities	20 734 552	18 078 669
. Sukuks certificates	247 206	189 439
. Ownership securities	69 611 824	76 235 253
Other assets	**21 433 955**	**28 727 370**
Investment securities	**34 480 423**	**39 893 547**
. Treasury bills and the like	31 092 776	34 215 501
. Other debt securities	3 387 647	5 678 046
. Sukuks certificates		
Equity securities and the like	**53 140 237**	**55 180 772**
Shareholding in related companies	45 717 644	48 307 777
Other equity securities and similar assets	7 422 593	6 872 995
Moudaraba and Moucharaka securities		
Subordinated loans	**908 345**	**815 949**
Investment of deposits	**360 000**	**1 245 154**
Fixed assets for leasing and rental	**2 686 667**	**2 600 344**
Fixed assets in Ijara	**1 275**	**1 186**
Intangible fixed assets	**6 245 714**	**6 835 613**
Tangible fixed assets	**31 673 645**	**30 416 131**
Total assets	**1 414 634 356**	**1 491 378 543**

In thousands of dirhams

LIABILITIES	31/12/2019	31/12/2020
Central banks, Public Treasury, Postal Checks Service	**16**	**17**
Due to credit institutions and similar entities	**138 016 243**	**159 363 985**
. Demand	15 734 589	22 006 216
. Time	122 281 654	137 357 769
Customers' deposits	**954 540 796**	**1 002 547 139**
. Creditor demand deposits	598 726 209	659 887 504
. Savings accounts	166 025 547	169 116 194
. Time deposits	159 061 093	144 012 122
. Other creditor accounts	30 727 947	29 531 319
Due to customers on participatory products	**1**	**4 780**
Debt securities issued	**74 857 366**	**68 918 724**
. Negotiable debt securities	65 245 676	57 999 460
. Bond loans	9 240 509	10 686 231
. Other debt securities issued	371 181	233 033
Other liabilities	**37 188 584**	**36 871 236**
Provisions for risks and expenses	**16 295 351**	**19 374 064**
Regulated provisions		**2 546 902**
Subsidies, allocated public funds and special guarantee funds	**3 380 329**	**4 175 329**
Subordinated debts	**47 612 387**	**51 899 288**
Received investment deposits		**130 540**
Reevaluation gaps	**420**	**420**
Reserves and premiums related to capital	**98 870 303**	**99 887 369**
Capital	**27 199 629**	**28 157 331**
Shareholders. Unpaid capital (-)	**-48 000**	**-48 000**
Retained earnings (+/-)	**5 063 226**	**11 141 427**
Net income before appropriation (+/-)	**-383 377**	**-428 405**
Net income for the year (+/-)	**12 041 082**	**6 836 397**
Total liabilities	**1 414 634 356**	**1 491 378 543**

In thousands of dirhams

OFF-BALANCE SHEET	31/12/2019	31/12/2020
COMMITMENTS GIVEN	**305 564 810**	**310 971 219**
Financing commitments to credit institutions and similar entities	4 602 407	2 000 964
Financing commitments to customers	147 982 095	149 994 972
Guarantee commitments to credit institutions and similar entities	42 852 720	45 419 370
Guarantee commitments to customers	103 416 019	106 068 641
Securities bought under repurchase agreements	3 876 444	3 782 070
Other securities to deliver	2 835 125	3 705 202
COMMITMENTS RECEIVED	**84 609 715**	**110 866 264**
Financing commitments from credit institutions and similar entities	3 288 819	2 998 200
Guarantee commitments from credit institutions and similar entities	54 387 827	80 694 740
Guarantee commitments from the government and sundry guarantee institutions	25 012 408	25 524 129
Securities sold under repurchase agreements	0	0
Other securities to receive	1 920 661	1 649 195
Moucharaka and Moudaraba securities to receive	0	0

Appendix 22. Banks' aggregate loss and profit- Activity in Morocco
From January 1 to December 31, 2020

In thousands of dirhams

	31/12/2019	31/12/2020
+ Interest and related income	48 033 385	48 288 892
- Interest and related expenses	15 609 436	14 753 659
Interest margin	**32 423 949**	**33 535 233**
+ Gains on participatory financing		55 034
- Expenses on participatory financing		0
Margin on participatory financing		**55 034**
+ Gains on fixed assets leasing and rentals	673 302	554 161
- Expenses on fixed assets leasing and rentals	619 568	656 483
Income from leasing and rental transactions	**53 734**	**-102 322**
+ Gains on fixed assets in Ijara	199	563
- Expenses on fixed assets in Ijara	90	104
Income of Ijara operations	**109**	**459**
+ Commissions received	8 675 819	8 168 200
- Commissions paid	977 263	830 593
Margin on commissions	**7 698 556**	**7 337 607**
± Income from transactions on trading securities	5 588 133	5 404 975
± Income from transactions on held-for-sale securities	223 893	330 426
± Income from foreign exchange transactions	2 862 917	2 811 266
± Income from derivatives transactions	-260 681	-130 859
Income from market operations	**8 414 262**	**8 415 808**
± Income from Moudaraba and Moucharaka securities		0
+ Other sundry banking income	3 791 389	3 121 636
- Other sundry banking expenses	2 854 003	2 898 484
± SHARE OF HOLDERS OF INVESTMENT DEPOSIT ACCOUNTS		-2 575
NET BANKING INCOME	**49 527 996**	**49 462 396**
± Income from transactions on financial fixed assets	-90 042	-105 661
+ Other non-banking operating income	1 289 541	2 286 075
- Other non-banking operating expenses	424 226	252 230
- General operating expenses	24 843 419	24 732 536
GROSS OPERATING INCOME	**25 459 850**	**26 658 044**
± Allocations net of provision reversals for non-performing loans and commitments by signature	-5 964 022	-8 979 491
± Other allocations net of provisions reversals	-1 233 080	-3 548 712
CURRENT INCOME	**18 262 748**	**14 129 841**
EXTRAORDINARY INCOME	**-672 840**	**-2 993 569**
- Income tax	**5 548 827**	**4 299 877**
NET INCOME FOR THE YEAR	**12 041 081**	**6 836 395**

Appendix 23. Aggregate balance sheet of participatory banks and windows As at December 31, 2020

In thousands of dirhams

ASSETS	31/12/2019	31/12/2020
Cash values, central banks, Public Treasury and Postal Checks Service	**1 114 531**	**1 488 527**
Loans to credit institutions and similar entities	**264 058**	**394 674**
. Demand	256 404	381 480
. Time	7 654	13 194
Due from customers	**9 129 793**	**13 495 661**
. Overdraft facilities, participatory financing and consumer loans	744 792	1 039 786
. Loans and participatory financing for equipment	356 606	783 304
. Loans and participatory financing for Real-estate	8 001 586	11 645 878
. Other loans and participatory financing	26 809	26 693
Factoring loans	**0**	**0**
Trading and held-for-sale securities	**268 718**	**204 411**
. Treasury bills and the like	0	0
. Other debt securities	0	0
. Sukuks certificate	268 718	204 411
. Title deeds	0	0
Other assets	**1 641 285**	**836 269**
Investment securities	**40 700**	**30 925**
. Treasury bills and the like	0	0
. Other debt securities	0	0
. Sukuks certificates	40 700	30 925
Equity securities and similar assets	**0**	**404**
Participation in similar companies	**0**	**0**
Other equity securities and similar assets	**0**	**404**
Moudaraba and Moucharaka securities	**0**	**0**
Subordinated loans	**0**	**0**
Received investment deposits	**0**	**0**
Fixed assets for leasing and rental	**0**	**0**
Fixed assets in Ijara	**0**	**0**
Intangible fixed assets	**106 958**	**128 043**
Tangible fixed assets	**218 284**	**208 510**
Total assets	**12 150 766**	**16 787 424**

In thousands of dirhams

LIABILITIES	12/31/2019	12/31/2020
Central banks, Treasury, Postal Checks Service		
Due to credit institutions and similar entities	**1 211 601**	**1 651 308**
. Demand	537 446	466 299
. Time	674 155	1 185 009
Customers deposits	**3 095 691**	**4 068 597**
. Creditor demand deposits	2 557 090	3 806 902
. Savings accounts		
. Time deposits		
. Other creditor accounts	538 601	261 695
Due to customers on participatory income	**107 562**	**101 892**
Debt securities issued		
. Negotiable debt securities		
. Bond loans		
. Other creditor accounts		
Other liabilities	**3 096 572**	**4 506 198**
Provisions for risks and expenses	**13 700**	**30 483**
Regulated provisions		
Subsidies, allocated public funds and special guarantee funds		
Subordinated debts		
Received investment deposits*	**2 783 297**	**4 368 741**
Reevaluation gaps		
Reserves and premiums related to capital		
Capital	**2 935 000**	**3 655 000**
Shareholders. Unpaid capital (-)	**-49 000**	**-200 000**
Retained earnings (+/-)	**-618 600**	**-1 044 323**
Net income before appropriation (+/-)		**387**
Net income for the year (+/-)	**-425 057**	**-350 859**
Total liabilities	**12 150 766**	**16 787 424**

**Including amounts received of Wakala Bil Istithmar*

In thousands of dirhams

OFF-BALANCE SHEET	12/31/2019	12/31/2020
COMMITMENTS GIVEN	**532 230**	**790 723**
Financing commitments to credit institutions and similar entities		
Financing commitments to customers	532 230	787 291
Guarantee commitments to credit institutions and similar entities		
Guarantee commitments to customers		3 432
Securities bought under repurchase agreements		
Other securities to deliver		
COMMITMENTS RECEIVED	**400 000**	**451 514**
Financing commitments received from credit institutions and similar entities	400 000	420 000
Guarantee commitments received from credit institutions and similar entities		31 514
Guarantee commitments received from the government and sundry guarantee institutions		
Securities sold under repurchase agreements		
Other securities to receive		
Moucharaka and Moudaraba securities to receive		

Appendix 24. Banks and participatory windows' Aggregate Loss and Profit statement

from January 1 to December 31, 2020

In thousands of dirhams

	31/12/2019	31/12/2020
+ Interests and related income		
- Interests and related expenses	2	
Interest margin	**-2**	
+ Gains on participatory financing	237 200	411 869
- Expenses on participatory financing	793	189
Margin on participatory financing	**236 407**	**411 680**
+ Gains on fixed assets leasing and rentals		
- Expenses on fixed assets leasing and rentals		
Income from leasing and rental transactions		
+ Gains on fixed assets in Ijara		
- Expenses on fixed assets in Ijara		
Income from Ijara operations		
+ Commissions received	43 340	47 719
- Commissions paid	2 709	1 929
Margin on commissions	**40 631**	**45 791**
± Gains on trading securities' transactions	1 503	
± Gains on investment securities' transactions	1 635	
± Gains on foreign exchange transactions	1 289	6 161
± Gains on derivatives transactions		
Income from market operations	**4 427**	**6 161**
± income from operations on Moudaraba and Moucharaka securities		
+ Other banking income	9 374	7 705
- Other banking expenses	882	7 122
± SHARE OF HOLDERS OF INVESTMENT DEPOSIT ACCOUNTS	-87 996	-127 146
Net banking income	**201 959**	**337 069**
± Gains on financial fixed assets transactions		
+ Other non-banking operating income	5 485	1 190
- Other non-banking operating expenses	10 189	
- General operating expenses	611 420	659 399
Gross operating income	**-414 165**	**-321 141**
± Allocations net of provisions for non-performing loans and commitments by signature	-3 648	-9 982
± Other allocations net of reversals of provisions	-8 168	-16 781
Current income	**-425 981**	**-347 904**
Extraordinary income	**873**	**-151**
- Income tax	227	2 804
Net income for the year	**-425 335**	**-350 859**

Appendix 25. Aggregate balance sheet of finance companies
As at December 31, 2020

In thousands of dirhams

ASSETS	31/12/2019	31/12/2020
Cash values, central banks, Public Treasury and Postal Checks Service	**124 471**	**83 321**
Loans to credit institutions and similar entities	**4 585 843**	**5 764 207**
. Demand	1 278 392	2 240 306
. Time	3 307 451	3 523 901
Due from customers	**36 905 581**	**37 639 282**
. Overdraft facilities and consumer loans	32 127 510	32 266 450
. Equipment loans	1 786 890	1 930 381
. Real-estate loans	1 504 571	1 257 112
. Other loans	1 486 610	2 185 339
Factoring loans	**4 351 460**	**3 220 150**
Trading and held-for-sale securities	1 053 660	1 136 978
. Treasury bills and the like	0	0
. Other debt securities	400 171	500 166
. Title deeds	653 489	636 812
Other assets	4 619 186	4 042 581
Investment securities	**220 720**	**219 750**
. Treasury bills and the like	208 220	202 253
. Other debt securities	12 500	17 497
Equity securities and similar assets	**38 073**	**37 054**
Subordinated loans	**0**	**0**
Fixed assets for leasing and rental	**69 283 427**	**67 183 866**
Intangible fixed assets	**712 020**	**725 658**
Tangible fixed assets	**619 933**	**628 967**
Total assets	**122 514 374**	**120 681 814**

In thousands of dirhams

LIABILITIES	31/12/2019	31/12/2020
Central banks, Treasury, Postal Checks Service	**0**	**0**
Due to credit institutions and similar entities	**59 419 056**	**58 689 192**
. Demand	7 142 042	4 479 754
. Time	52 277 014	54 209 438
Customers deposits	**12 337 660**	**10 824 941**
. Creditor demand deposits	1 071 904	751 088
. Savings accounts	0	0
. Time deposits	314 673	306 018
. Other creditor accounts	10 951 083	9 767 835
Debt securities issued	**26 404 658**	**25 831 071**
. Negotiable debt securities	23 558 701	23 691 812
. Bond loans	2 814 512	2 111 156
. Other debt securities issued	31 445	28 103
Other liabilities	**9 488 183**	**9 646 590**
Provisions for risks and expenses	**665 970**	**1 420 784**
Regulated provisions	**17 954**	**20 213**
Subsidies, allocated public funds and special guarantee funds	**70 660**	**59 045**
Subordinated debts	**1 326 562**	**1 479 925**
Reevaluation gaps	**0**	**0**
Reserves and premiums related to capital	**5 274 676**	**5 431 351**
Capital	**3 760 605**	**3 866 510**
Shareholders. Unpaid capital (-)	**0**	**0**
Retained earnings (+/-)	**2 208 077**	**3 234 767**
Net income before appropriation (+/-)	**0**	**0**
Net income for the year (+/-)	**1 540 313**	**177 425**
Total liabilities	**122 514 374**	**120 681 814**

Appendix 26. Aggregate Loss and Profit statement of finance companies from January 1 to December 31, 2020

In thousands of dirhams

	31/12/2019	31/12/2020
+ Interest and related income	3 862 756	3 764 481
- Interest and related expenses	2 884 851	2 877 683
Interest margin	**977 904**	**886 798**
+ Gains on fixed assets leasing and rentals	22 187 897	21 179 436
- Expenses on fixed assets leasing and rentals	18 923 339	17 987 402
Income from leasing and rental transactions	**3 264 558**	**3 192 034**
+ Commissions received	1 373 157	1 221 987
- Commissions paid	144 767	155 082
Margin on commissions	**1 228 390**	**1 066 905**
± Gains on trading security transactions	13 907	12 350
± Gains on investment security transactions	8 859	16 123
± Gains on foreign exchange transactions	270	1 143
± Gains on derivatives transactions	0	0
Income from market operations	**23 036**	**29 616**
+ Other banking income	241 732	226 829
- Other banking expenses	13 405	15 157
Net banking income	**5 722 215**	**5 387 025**
± Gains on financial fixed asset transactions	13	-1 003
+ Other non-banking operating income	49 030	44 029
- Other non-banking operating expenses	5 844	3 527
- General operating expenses	2 171 725	2 129 815
Gross operating income	**3 593 689**	**3 296 709**
± Allocations net of reversals of provisions for non-performing loans and commitments by signature	-968 190	-1 758 768
± Other allocations net of reversals of provisions	-77 602	-752 067
Current income	**2 547 897**	**785 874**
Extraordinary income	**-62 780**	**-55 810**
- Income tax	944 803	552 637
Net income for the year	**1 540 314**	**177 427**

Appendix 27. Aggregate balance sheet of consumer loan companies
As at December 31, 2020

In thousands of dirhams

Assets	31/12/2019	31/12/2020
Cash values, Central banks, Public Treasury and Postal Checks Service	**81 746**	**66 504**
Loans to credit institutions and similar entities	**712 116**	**1 113 999**
• Demand	465 347	1 005 779
• Time	246 769	108 220
Due from customers	**33 846 771**	**34 560 263**
• Overdraft facilities and consumer loans	31 289 631	31 231 495
• Equipment loans	1 253 108	1 403 117
• Real-estate loans	12 486	13 834
• Other loans	1 291 546	1 911 817
Factoring loans	**382 715**	**148 875**
Trading and held-for-sale securities	**400 835**	**643 327**
• Treasury bills and the like	0	0
• Other debt securities	399 960	499 955
• Title deeds	875	143 372
Other assets	**3 227 721**	**2 853 733**
Investment securities	**12 500**	**12 500**
• Treasury bills and the like	0	0
• Other debt securities	12 500	12 500
Equity securities and similar assets	**18 004**	**18 004**
Subordinated loans	**0**	**0**
Fixed assets for leasing and rental	**18 972 669**	**18 666 414**
Intangible fixed assets	**528 595**	**536 515**
Tangible fixed assets	**376 332**	**368 560**
Total assets	**58 560 004**	**58 988 694**

In thousands of dirhams

Liabilities	31/12/2019	31/12/2020
Central banks, Treasury, Postal Checks Service	**0**	**0**
Due to credit institutions and similar entities	**18 163 238**	**18 822 912**
• Demand	1 415 258	1 372 346
• Time	16 747 980	17 450 566
Customers' deposits	**9 780 471**	**8 640 938**
• Creditor demand deposits	0	0
• Savings accounts	0	0
• Time deposits	0	0
• Other creditor accounts	9 780 471	8 640 938
Debt securities issued	**16 834 934**	**17 014 093**
• Negotiable debt securities	15 331 081	15 886 203
• Bond loans	1 503 853	1 127 890
• Other debt securities issued	0	0
Other liabilities	**5 375 384**	**5 588 747**
Provisions for risks and expenses	**141 008**	**669 450**
Regulated provisions	**17 954**	**20 213**
Subsidies, allocated public funds and special guarantee funds	**0**	**0**
Subordinated debts	**1 038 086**	**1 193 259**
Reevaluation gaps	**0**	**0**
Reserves and premiums related to capital	**3 743 598**	**3 887 646**
Capital	**1 797 482**	**1 873 387**
Shareholders. Unpaid capital (-)	**0**	**0**
Retained earnings (+/-)	**715 005**	**1 381 598**
Net income before appropriation (+/-)	**0**	**0**
Net income for the year (+/-)	**952 844**	**-103 549**
Total liabilities	**58 560 004**	**58 988 694**

Appendix 28. Aggregate Loss and Profit statement of consumer loan companies from January 1 to December 31, 2020

In thousands of dirhams

	31/12/2019	31/12/2020
+ Interests and related income	3 405 946	3 343 999
- Interests and related expenses	1 221 029	1 228 242
Interest margin	**2 184 917**	**2 115 757**
+ Gains on fixed assets leasing and rentals	5 961 374	5 959 112
- Expenses on fixed assets leasing and rentals	5 652 987	5 547 639
Income from leasing and rental transactions	**308 387**	**411 473**
+ Commissions received	968 527	820 226
- Commissions paid	92 476	98 228
Margin on commissions	**876 051**	**721 998**
± Gains on trading securities transactions	7 241	4 475
± Gains on investment securities transactions	372	0
± Gains on foreign exchange transactions	496	-300
± Gains on derivatives transactions	0	0
Income from market operations	**8 109**	**4 175**
+ Other banking income	176 577	166 787
- Other banking expenses	2 953	4 702
Net banking income	**3 551 088**	**3 415 490**
± Gains on financial fixed assets transactions	0	0
+ Other non-banking operating income	33 258	25 912
- Other non-banking operating expenses	1 024	0
- General operating expenses	1 450 251	1 448 682
Gross operating income	**2 133 071**	**1 992 720**
± Allocations net of reversals of provisions for non-performing loans and commitments by signature	-580 002	-1 273 059
± Other allocations net of reversals of provisions	-17 314	-522 800
Current income	**1 535 755**	**196 861**
Extraordinary income	**-28 692**	**-36 167**
-Income results	554 219	264 243
NET INCOME FOR THE YEAR	**952 844**	**-103 549**

Appendix 29. Aggregate balance sheet of leasing companies
As at December 31, 2020

In thousands of dirhams

ASSETS	31/12/2019	31/12/2020
Cash values, Central banks, Public Treasury and Postal Checks Service	**346**	**440**
Loans to credit institutions and similar entities	**32 651**	**2 144**
• Demand	32 458	1 840
• Time	193	304
Due from customers	**55 446**	**90 675**
• Overdraft facilities and consumer loans	27 207	25 512
• Equipment loans		0
• Real-estate loans	9 323	8 198
• Other loans	18 916	56 965
Factoring loans	**216 351**	**148 046**
Trading and held-for-sale securities	**211**	**211**
• Treasury bills and the like		0
• Other debt securities	211	211
• Title deeds		0
Other assets	**1 100 905**	**783 775**
Investment securities		**0**
• Treasury bills and the like		0
• Other debt securities		0
Equity securities and similar assets	**18 797**	**18 797**
Subordinated loans		**0**
Fixed assets for leasing and rental	**50 310 758**	**48 517 452**
Intangible fixed assets	**161 885**	**170 236**
Tangible fixed assets	**157 083**	**164 904**
Total assets	**52 054 433**	**49 896 680**

In thousands of dirhams

LIABILITIES	31/12/2019	31/12/2020
Central banks, Treasury, Postal Checks Service		
Due to credit institutions and similar entities	**34 517 512**	**32 699 543**
• Demand	3 991 541	2 046 072
• Time	30 525 971	30 653 471
Customers' deposits	**673 476**	**675 167**
• Creditor demand deposits	113 656	111 218
• Savings accounts		0
• Time deposits	314 673	306 018
• Other creditor accounts	245 147	257 931
Debt securities issued	**9 078 332**	**8 653 099**
• Negotiable debt securities	8 227 620	7 805 609
• Bond loans	819 267	819 387
• Other debt securities issued	31 445	28 103
Other liabilities	**3 386 581**	**3 238 385**
Provisions for risks and expenses	**260 942**	**463 016**
Regulated provisions		**0**
Subsidies, allocated public funds and special guarantee funds		**0**
Subordinated debts	**196 359**	**198 117**
Reevaluation gaps		**0**
Reserves and premiums related to capital	**1 439 605**	**1 440 003**
Capital	**1 010 095**	**1 010 095**
Shareholders. Unpaid capital (-)		**0**
Retained earnings (+/-)	**1 114 402**	**1 406 775**
Net income before appropriation (+/-)		**0**
Net income for the year (+/-)	**377 129**	**112 480**
Total liabilities	**52 054 433**	**49 896 680**

Appendix 30. Aggregate Loss and Profit statement of leasing companies from January 1 to December 31, 2020

In thousands of dirhams

	31/12/2019	31/12/2020
+ Interest and related income	9 655	12 931
- Interest and related expenses	1 539 891	1 520 263
Interest margin	**-1 530 236**	**-1 507 332**
+ Gains on fixed assets leasing and rentals	16 226 523	15 220 324
- Expenses on fixed assets leasing and rentals	13 270 352	12 439 763
Income from leasing and rental transactions	**2 956 171**	**2 780 561**
+ Commissions received	8 329	8 344
- Commissions paid	5 074	6 485
Margin on commissions	**3 255**	**1 859**
± Gains on trading securities transactions	0	0
± Gains on investment securities transactions	209	28
± Gains on foreign exchange transactions	-138	1 408
± Gains on derivatives transactions	0	0
Income from market operations	**71**	**1 436**
+ Other banking income	5 052	3 030
- Other banking expenses	882	1 203
Net banking income	**1 433 431**	**1 278 351**
± Gains on financial fixed assets transactions	0	0
+ Other non-banking operating income	14 450	17 277
- Other non-banking operating expenses	3 102	1 934
- General operating expenses	391 135	377 420
Gross operating income	**1 053 644**	**916 274**
± Allocations net of reversals of provisions for non-performing loans and commitments by signature	-335 255	-407 178
± Other allocations net of reversals of provisions	-58 121	-214 075
Current income	**660 268**	**295 021**
Extraordinary income	**-30 677**	**-11 549**
- Income tax	252 462	170 992
Net income for the year	**377 129**	**112 480**

Appendix 31. Consolidated balance sheet of the eleven banking groups
As at December 31, 2020

In thousands of dirhams

ASSETS	31/12/2019	31/12/2020
Cash values, Central banks, Treasury and Postal Cheques Service	**71 540 800**	**81 559 224**
Financial assets at fair value by result	**184 661 776**	**192 031 630**
Financial assets held for trading	167 301 129	173 793 656
Other financial assets at fair value through profit or loss	17 360 647	18 237 974
Hedging derivatives	**0**	**0**
Financial assets held-for-sale	**0**	**0**
Financial assets at fair value by equity	**115 234 229**	**134 366 505**
Debt instruments recognized at fair value through recyclable shareholders' equity	67 231 816	83 185 619
Equity instruments recognized at fair value through non-recyclable shareholders' equity	12 096 943	13 043 526
Financial assets accounted for at fair value through recyclable equity (Insurance)	35 905 470	38 137 360
Securities at the amortized cost	**71 747 388**	**82 871 370**
Due from credit institutions and similar entities	**111 898 459**	**121 152 223**
Due from customers	**1 104 341 248**	**1 133 188 243**
Asset revaluation gap on interest hedged portfolios	**0**	**0**
Held-to-maturity investments	**0**	**0**
Current tax assets	**4 519 348**	**5 251 582**
Differed tax assets	**11 102 030**	**13 615 354**
Adjustment accounts and other assets	**35 689 438**	**37 122 104**
Non-recurrent assets held for sale	**75 125**	**78 636**
Participations in businesses-equity method	**1 895 844**	**1 954 346**
Investment property	**9 498 006**	**9 811 207**
Tangible fixed assets	**48 805 179**	**48 532 542**
Intangible fixed assets	**7 415 987**	**8 295 087**
Goodwill	**14 510 580**	**14 511 215**
TOTAL ASSETS	**1 792 935 437**	**1 884 341 268**

In thousands of dirhams

LIABILITIES	31/12/2019	31/12/2020
Central banks, Treasury, Postal cheques Service	**1 003 416**	**1 214 332**
Financial liabilities at fair value by result	**875 210**	**1 673 521**
Financial liabilities held for transaction	875 210	1 673 521
Financial liabilities at fair value by result on option	0	0
Hedging derivatives	**0**	**0**
Due to credit institutions and similar entities	**174 835 828**	**190 013 356**
Due to customers	**1 185 802 735**	**1 252 860 351**
Debt securities issued	**88 955 340**	**82 662 644**
Liability reevaluation gaps on hedged interest portfolios	**0**	**0**
Current tax liabilities	**6 044 997**	**5 968 259**
Differed tax liabilities	**7 145 018**	**7 435 720**
Adjustment accounts and other liabilities	**56 165 051**	**59 969 283**
Liabilities linked to non-current assets held for sale	**0**	**0**
Technical provisions of insurance contracts	**37 851 356**	**40 548 980**
Provisions	**12 270 507**	**13 353 308**
Subsidies and similar funds	**3 600 298**	**4 421 628**
Subordinated debts and special guarantee funds	**49 773 936**	**53 478 130**
Equity capital	**168 611 745**	**170 741 756**
Equity - Share of the Group	**146 598 901**	**146 600 463**
Capital and related reserves	90 700 428	93 221 092
Consolidated reserves	39 364 039	44 280 361
Unrealized or deferred gains or losses	2 242 061	2 316 490
Income of the year	14 292 373	6 782 520
Minority Interests	**22 012 844**	**24 141 293**
Total liabilities	**1 792 935 437**	**1 884 341 268**

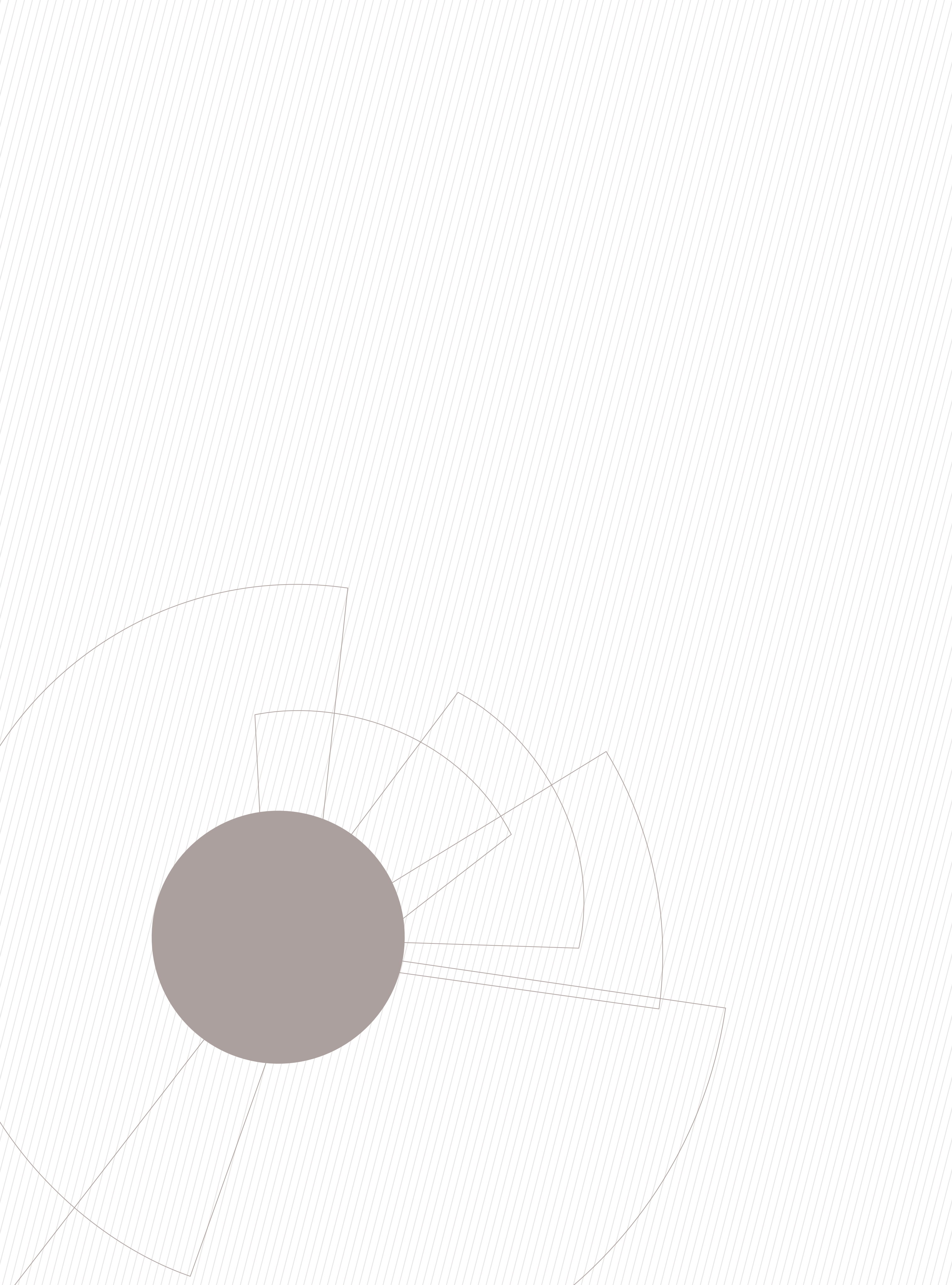
Appendix 32. Consolidated income statement of the eleven banking groups
As at December 31, 2020

In thousands of dirhams

	31/12/2019	31/12/2020
+ Interest and related income	73 394 982	75 448 580
- Interest and related expenses	23 886 171	23 403 367
Interest margin	49 508 811	52 045 213
+ Commissions (Income)	16 952 313	16 861 771
- Commissions (Expenses)	2 148 260	2 299 851
Margin on commissions	14 804 053	14 561 920
+/- Net gains or losses on Financial instruments at fair value by result	8 016 358	7 910 979
+/- Net gains or losses on financial assets available for sale	0	0
+/- Net gains or losses on financial instruments at fair value by equity	1 209 742	1 400 160
+/- Net gains/losses resulting from the write-off of financial assets at amortised cost	2 174	2 857
+ Income of other activities	13 949 361	12 809 555
- Expenses of other activities	12 786 754	11 448 071
Net banking Income	74 703 745	77 282 613
- General operating expenses	34 722 655	38 388 490
- Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5 341 427	5 481 829
Gross operating income	34 639 663	33 412 294
- Cost of risk	-8 798 166	-20 502 701
Operating income	25 841 497	12 909 593
+/- Share of the net income of equity-consolidated companies	145 024	93 150
+/- Net gains or losses on other assets	138 501	-37 530
+/- Value change of goodwill	0	0
Income before tax	26 125 022	12 965 213
- Income tax	9 133 071	4 887 769
+/- Net income of discontinued activities or activities being discontinued	0	0
Net income	16 991 951	8 077 444
Minority shareholdings	2 699 576	1 294 925
NET INCOME - SHARE OF THE GROUP	**14 292 375**	**6 782 519**

Appendix 33. Core financial soundness indicators– individual basis

	2018	2019	2020
Capital adequacy			
Solvency ratio	14,7	15,6	15,7
Core equity / total weighted risks	10,7	10,8	10,7
Non-performing loans net of provisions (as a part of capital)	16,5	18,5	18,0
Quality of Assets			
Rate of non-performing loans (Non-performing loans/total loans)	7,3	7,5	8,2
Sectoral distribution of loans			
Loans to the primary sector	5,9	6,3	6,3
Loans to the building and public-work sector	10,5	10,3	9,9
Loans to the processing industry	14,6	13,6	13,1
Loans to the general government and local communes	8,4	8,5	8,3
Loans to the trade sector	6,4	6,5	6,4
Loans to the tourism sector	1,6	1,5	1,8
Households	31,9	31,6	30,9
Loans to other sectors	20,7	21,7	23,3
Income and profitability			
Return on assets (ROA)	0,9	0,9	0,5
Return on equity (ROE)	9,5	9,4	4,8
Interest margin / Net Banking Income (NBI)	71,2	67,5	68,2
General operating expenses / NBI	50,7	50,2	50,0
Liquidity			
Liquid assets / total assets	12,1	14,1	16,1
Liquid assets / short-term liabilities	15,0	17,9	20,0
Net open foreign exchange positions / capital	6,9	-1,6	5,8



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