

Financial statements of the Bank

2022

Summary

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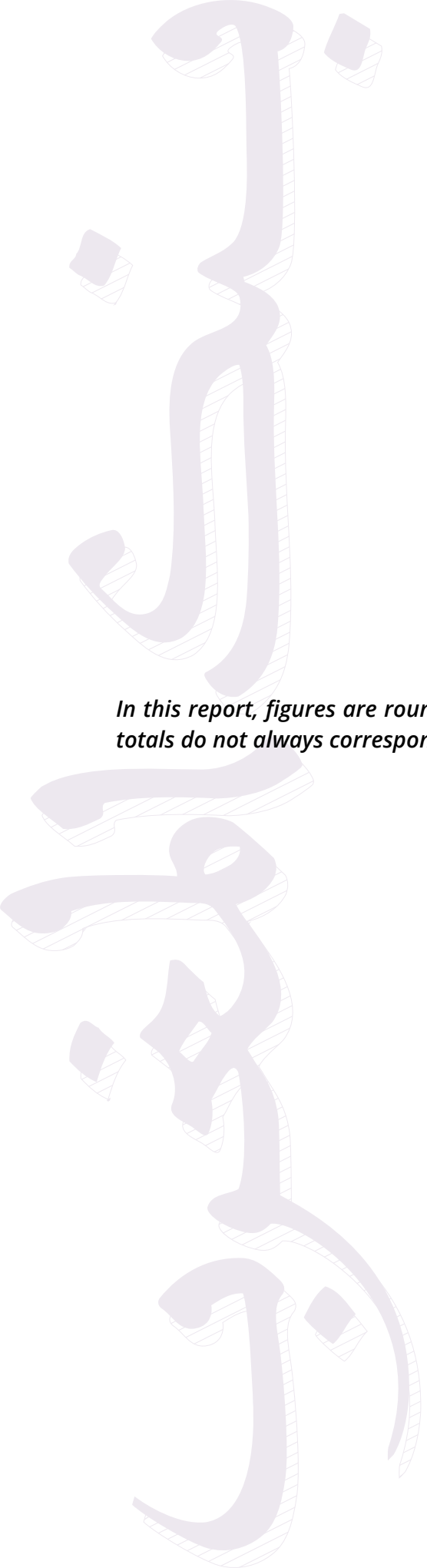
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In this report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded off figures.

1 Overview of the financial position for fiscal 2022⁽¹⁾

1.1 Balance sheet

At end-2022, the Bank's **total assets** showed an annual increase of 15 percent to 498,978,477 KDH. On the assets side, this increase was primarily due to the continued lending operations carried out to meet the banking system's liquidity needs, the rise in foreign currency assets and investments, and the use by the State of the balance of the drawdown under the IMF's PLL carried out in 2020. On the liabilities side, the increase reflects growth in both currency in circulation and in the foreign exchange reserves valuation account.

Table 1.1: Balance sheet by transaction

In thousand dirhams	2022	2021	Change (%)
(of which)			
Currency in circulation	372 786 283	337 710 576	10
Transactions with foreign countries	-278 004 179	-284 505 249	-2
Transactions with the State	-16 682 686	5 265 450	<-100
Net position of credit institutions	-82 219 314	-62 875 251	-31
Patrimonial transactions ²	700 727	1 861 075	-62

Liabilities-Assets

Following a 6 percent increase in 2021, **currency in circulation** rose by 10 percent to 372,786,283 KDH

Foreign transactions fell by 2 percent to 278,004,179 KDH, mainly as a result of the depreciation of investment securities and the decline in SDR holdings.

The balance of **transactions with the State** fell to -16,682,686 KDH, or 21,948,136 KDH lower than in 2021, following the use by the State of the dirham equivalent of the remaining part of the PLL drawdown and, to a lesser extent, the decline in the Treasury's current account availability to 4,087,201 KDH (-22 percent).

The **net position of credit institutions** rose from -62,875,251 KDH to -82,219,314 KDH, as a result of higher lending to banks amid a widening bank liquidity deficit.

As for **asset transactions**, their balance fell by 62 percent to 700,727 KDH, in view of the negative net income of 412,850 KDH recorded this year.

¹ The changes in balance sheet and profit and loss items are discussed in more detail in the comments on the summary statements. For analytical purposes, the balance sheet items and the profit and loss account have been grouped together in this first part of the report.

² Based on the net income for the year.

1.2 Income

In an exceptional international context shaped by a sharp rise in sovereign bond rates, tighter monetary conditions and a marked depreciation of the dirham, the Bank's net income stood at -412,850 KDH at the end of 2022, down by 1,349,883 KDH compared with 2021, mainly due to:

- A sharp decline in the net **income generated by foreign exchange reserve management operations** to -1,231,118 KDH (-34 percent in 2021), mainly as a result of the contraction in net bond income (-2,554,344 KDH compared with 2021), heavily impacted by the trend in net allocations to provisions for impairment of investment securities (+2,410,036 KDH). The latter reflects the general rise in sovereign bond rates in the wake of key rate rises by the Fed (+425 bps) and the ECB (+250 bps). Bond and money-market investments generated net interest income of KDH 2,915,446, up 36 percent on end-2021;
- A 24 percent increase in net **income generated by monetary policy operations**, from 1,262,510 KDH to 1,561,971 KDH at the end of 2021. This rise is attributable to the higher average outstanding lending to banks, following the widening of the liquidity deficit, and to the rises in the Bank's key interest rate in September and December for a total of 100 basis points, bringing it to 2.50 percent;
- a 57 percent rise in **income from other operations** to KDH 1,337,652, particularly driven by net foreign exchange commissions (+90 percent), due to higher sales by banks of foreign currency notes to Bank Al-Maghrib and higher sales of secured documents (+23 percent) ;
- a 4 percent increase in **general operating expenses** to 2,010,592 KDH, mainly due to the higher cost of operating expenses (+7 percent) in a context of rising raw material prices, mitigated by the decline in net depreciation, amortization and provisions (-8 percent);
- A rise in **non-recurring income**³ from +72,065 KDH to -43,751 KDH, which notably includes the social solidarity contribution on profits, worth 96,463 KDH as against 106,939 KDH a year earlier.

³ Includes non-recurring and prior-year income.

Table 1.2: Net income of the financial year

In thousand dirhams	2022	2021	Change (%)
Income from foreign exchange reserves management operations	-1 231 118	1 583 059	<-100
Income from monetary policy operations	1 561 971	1 262 510	24
Income from other operations	1 337 652	849 462	57
Income of activities	1 668 505	3 695 032	-55
General operating expenses	-2 010 592	-1 928 359	4
Gross operating income	-342 087	1 766 673	<-100
Noncurrent income	-43 751	-115 815	62
Income tax	-27 012	-713 824	-96
Net income	-412 850	937 033	<-100

2 Summary statements and related notes

2.1 Balance sheet (Assets)

Table 2.1: Assets as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Assets and investments in gold	1	13 498 946	12 008 623
Assets and investments in foreign currency	2	318 867 128	298 416 554
Holdings and investments held in foreign banks		52 900 450	50 752 727
Foreign Treasury bills and similar securities		257 366 426	239 508 275
Other holdings in foreign currency		8 600 252	8 155 552
Assets with international financial institutions	3	22 770 832	21 596 724
IMF subscription-Reserve tranche		2 248 490	2 097 811
Special Drawings Rights holdings		20 100 998	19 105 311
Subscription to the Arab Monetary Fund		421 344	393 602
Lending to the Government	4	20 853 545	-
Claims on Moroccan credit institutions and similar bodies	5	114 602 736	91 359 926
Securities received under repurchase agreements		21 533 559	22 749 736
Advances to banks		92 886 621	68 474 368
Other facilities		182 557	135 822
Treasury bills - Open market operations		-	-
Other assets	6	3 706 864	3 988 298
Fixed assets	7	4 678 426	4 773 927
Total assets		498 978 477	432 144 052

2.2 Balance sheet (Liabilities)

Table 2.2: Liabilities as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Banknotes and coins in circulation	8	372 786 283	337 710 576
Banknotes in circulation		368 820 223	333 902 150
Coins in circulation		3 966 060	3 808 426
Commitments in gold and foreign currency	9	6 742 577	5 102 421
Commitments in gold		-	-
Commitments in foreign currency		6 742 577	5 102 421
Commitments in convertible dirhams	10	21 230 274	19 566 060
Commitments to international financial institutions		21 212 432	19 554 414
Other liabilities		17 842	11 646
Deposits and commitments in dirhams	11	42 444 609	38 967 531
Current account of the Treasury		4 087 201	5 258 034
Deposits and commitments in dirhams to Moroccan banks		32 383 423	28 484 675
Current accounts		32 383 423	28 484 675
Liquidity-withdrawal accounts		-	-
Deposit facility accounts		-	-
Deposits of general government and public institutions		1 331 794	1 176 044
Other accounts		4 642 191	4 048 778
Other liabilities	12	30 670 166	5 735 780
Special Drawing Rights allocations	3	19 725 415	18 426 682
Equity capital and the like	13	5 792 002	5 697 969
Capital		500 000	500 000
Reserves ¹		5 263 461	5 169 757
Retained earnings		28 542	28 212
Other equity capital		-	-
Net income of the fiscal year		-412 850	937 033
Total liabilities		498 978 477	432 144 052

2.3 Off-balance sheet

Table 2.3: Off-balance sheet as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Spot foreign exchange transactions			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
Forward foreign exchange transactions	14		
Foreign currencies receivable		4 834 546	3 747 394
Foreign currencies deliverable		4 851 467	3 745 375
Foreign exchange transactions- currency deposits	14	9 265 794	5 142 569
Foreign exchange transactions-arbitrage operations	14		
Foreign currencies receivable		-	-
Foreign currencies deliverable		-	-
Off-balance currency adjustment		-	-
Commitments on derivatives		-	-
Commitments on securities	15		
Securities received on advances granted		95 487 149	73 832 432
Securities received on advances to be granted		11 492 600	10 324 200
Other guarantees received on advances granted		29 789 531	25 520 307
Advances to be granted		10 917 970	9 807 990
Foreign securities receivable		-	1 177 569
Foreign securities deliverable		-	1 162 318
Other liabilities	16		
Received market guarantees		100 424	92 470
Guarantees commitments received for staff loans		922 152	906 678
Financing commitments granted to the staff		13 188	9 159
Other granted commitments		1 000	1 000

2.4 Profit and loss account

Table 2.4: Profit and loss account as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Profit		6 876 041	5 282 811
Interests earned on holdings and investments in gold and in foreign currency	17	3 340 653	2 418 155
Interests earned on claims on credit institutions and similar bodies	18	1 562 197	1 244 143
Other interests earned	19	9 758	12 610
Commissions earned	20	1 121 250	651 047
Other financial revenues	21	295 166	569 062
Sales of produced goods and services	22	382 028	310 627
Miscellaneous revenues	23	47 049	16 011
Reversal of depreciation		-	-
Reversal of provisions	24	111 191	60 699
Noncurrent revenues	25	6 748	458
Expenses		7 288 891	4 345 777
Interests paid on commitments in gold and in foreign currency	26	282 269	108 708
Interests paid on deposits and commitments in dirhams	27	200 982	153 540
Commissions paid	28	30 810	28 856
Other financial expenses	29	1 673 613	769 534
Staff expenses	30	898 809	880 452
Purchases of materials and supplies	31	370 771	313 924
Other external expenses	32	370 044	357 299
Depreciation and provision endowments	33	3 323 110	896 435
Noncurrent expenses	34	111 468	123 205
Income tax	35	27 012	713 824
Net income		-412 850	937 033

2.5 Cash flow statement

Table 2.5: Cash flow as at December 31, 2022

In thousand dirhams	2022	2021
Cash and foreign currency deposits at the beginning of the year	58 108 674	91 108 812
Cash flow from operating activities	-40 289 051	-11 499 848
Interests received	3 721 084	3 646 418
Commissions on banking transactions received	1 121 250	651 047
Other products received	301 398	384 042
Interests and commissions paid	-510 307	-291 136
Staff expenses paid	-754 750	-883 911
Taxes paid	-490 346	-1 331 431
Other expenses paid	-969 121	-588 725
+/- Change in Treasury deposits in Dirhams	-1 170 833	-984 017
+/- Change in deposits with Moroccan banks in Dirhams	3 898 726	3 665 661
+/- Change in other customer deposits in Dirhams and in foreign currencies	2 195 281	-11 434 621
+/- Change in foreign-currency-denominated investment securities	940 432	1 820 767
+/- Change in foreign currency trading securities	-	1 101 606
+/- Change in advances to banks	-23 196 076	-6 988 536
+/- Change in other liabilities	-25 196 422	-829 865
+/- Change in other assets	-179 368	562 852
Cash flow from investment activities	-46 526 366	-38 594 011
+/- Change in foreign investment securities in foreign currencies	-44 042 968	-37 175 788
+/- Change in IMF subscription-Reserve branch	-	-
+/- Change in SDR holdings	-2 337 566	-12 082 320
+/- Change in gold assets and investments	-	-
+/- Change in deposits with the IMF	-	-
+/- Change in FMA subscription	-	-
+/- Change in SDR allocations	-	10 937 793
Acquisition of fixed assets	-139 798	-273 710
Proceeds from sale of fixed assets	-6 034	14
Cash flows from financing activities	35 075 708	18 428 407
+/- change in banknotes and currency in circulation	35 075 708	18 428 407
Revaluation of cash and foreign currency deposits	30 344 679	-1 334 685
Cash and foreign currency deposits at end of year	36 713 644	58 108 674

2.6 Table of changes in shareholders' equity

Table 2.6: Change in shareholders' equity at December 31, 2022

In thousand dirhams	2022 opening balance	Appropriation of 2021 income ⁽¹⁾	Distribution of dividends ⁽²⁾	2022 Income	Capital transactions (+incr. / -decr.)	2022 closing balance	Closing balance 2022
Equity	500 000						500 000
Carry forward	28 212	937 033	-93 703	-843 000			28 542
Reserves	5 169 757		93 703				5 263 461
Income for the year					-412 850		-412 850
Income pending allocation	937 033	-937 033					-
Total	6 635 002	-	-	-843 000	-412 850	-	5 379 152

⁽¹⁾ Taking into account the foreign exchange loss reserve established in 2021 and 2022.

⁽²⁾ In accordance with regulatory provisions.

2.7 Main accounting rules and evaluation methods

2.7.1 Legal framework

The financial statements are developed and presented in conformity with BAM's chart of accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies, particularly with regard to inventories and fixed assets' assessments.

The financial statements, as cited under Article 47 of Law No.40-17 bearing Statutes of Bank Al-Maghrib, include the balance sheet, the profit and loss account (PLA) and additional information statement (AIS).

Concurrently, the Bank prepares an annual off-balance sheet statement, the cash-flow statement and the statement of changes in shareholders' equity.

2.7.2 Evaluation methods

Assets and liabilities in gold and foreign currency

Foreign exchange transactions

Foreign exchange transactions include spot and forward purchases and sales of foreign currencies that entail:

- A change in an asset or liability in a foreign currency and a change in a liability or asset in Moroccan dirhams ;
- A change in an asset or liability in one currency and a change in an asset or liability in another currency.

These transactions are entered in the corresponding off-balance sheet accounts on the commitment date, then recorded in the balance sheet accounts on the value or delivery date.

Revaluation of gold and foreign currency assets

Assets and liabilities in gold, precious metals and foreign currencies, including SDRs, are valued at the exchange rates prevailing on the last business day of the financial year.

Profits and losses resulting from this operation are entered in the exchange reserves' revaluation account on the liabilities of the Bank's balance sheet, in accordance with the new agreement governing this account, concluded between Bank Al-Maghrib and the State on November 1st, 2022, superseding the provisions of the agreement signed on December 29, 2006.

By virtue of this agreement, the «foreign exchange reserve evaluation account» must be kept positive at 2.5 percent minimum of the Bank's net foreign assets at the year-end. In case a currency loss causes the balance of this account to fall below this threshold, the difference shall be deducted from the Bank's profit and loss account for the year in question, up to a limit of 10 percent of the net profit for that year, and entered in a «foreign exchange loss reserve» account.

If the «foreign exchange reserve evaluation account» indicates a negative balance, the latter is entered as an asset on the Bank's balance sheet, and no provision is made for risks and charges. Conversely, a reserve for foreign exchange losses is set aside up to a limit of 20 percent of net income.

Securities

The securities acquired as part of the exchange reserves management are sorted on the basis of the purpose for which they are held, either in the portfolio of transaction, of securities held for sale, or of investment.

Transaction portfolio consists of securities purchased with the initial intention of reselling them in the short term. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of such securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- They are recorded at their purchase price, excluding costs and, where necessary, accrued coupons;
- Unrealized gains on these securities are not recorded;
- Unrealized losses on these securities are recorded only when the Bank judges that the security showing an unrealised loss is likely to be resold in the following year and where there is a probable risk of default by the issuer;
- The differences (discounts or premiums) between securities' prices of purchase and redemption are amortized using an actuarial method over the remaining life of the securities.

As of January 1, 2020, in order to comply with international best practices, the Bank switched from the straight-line method to the actuarial method for spreading discounts/surcharges on investment securities. This method, just like the linear method, is accepted by the accounting plan of Bank Al-Maghrib as approved by the PLA.

As at December 31, 2022, no provision has been recorded for this portfolio.

Portfolio of securities held for sale consists of securities other than those recorded as transaction or investment securities. Their recognition is governed by the following rules:

- Entries into the portfolio are recorded in the balance sheet at their purchase price, excluding costs and, if need be, accrued coupons;
- The differences (discounts or premiums) between the securities' purchase price and redemption price are not amortized over the duration for these securities' holding;
- The unrealized losses resulting from the difference between the book value and the market value of these securities are recorded as depreciation provisions on a daily basis. Conversely, unrealized gains are not included.

Discounted interest securities are entered at their redemption price. The discounted interests are spread over the life of the securities and recorded in the profit or loss accounts on the daily basis.

Other foreign assets

The Bank holds a portfolio of securities denominated in US dollars. The management of this portfolio is delegated to the World Bank by virtue of delegation contracts.

These securities are initially entered at their purchase price. The unrealized gains or losses are entered in the appropriate profit and loss accounts, based on the net asset values reported by the managing agent.

Receivables from the Treasury

As part of the agreement signed between Bank Al-Maghrib and the State in November 2022, setting out the terms and conditions governing the use by the State of funds available under the IMF's PLL, this operation has been entered in the Bank's accounts as a receivable from the State, as recommended in the IMF manual.

This claim is periodically revalued at the exchange rate prevailing at the closing date. In its balance sheet presentation of assets, Bank Al-Maghrib's accounting plan only includes the item «Financial assistance to the State» for its relations with the State. However, although this PLL retrocession operation is reported as a claim on the State, it cannot be considered as a financial assistance to the State, as the Bank is merely acting as an intermediary between the IMF and the State.

As a result, and in compliance with the principle of true and fair view, we have :

- changed the heading of «Financial assistance to the State» to «Receivables from the Treasury»;
- inserted a dedicated item «Receivables related to the use of the PLL by the State»; and
- maintained the item «Financial assistance to the State».

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at their purchase cost. They are posted on the assets side of the balance sheet at a net value representing their acquisition cost minus accumulated depreciations.

Fixed assets, including incidental expenses, are amortized according to the straight-line method, depending on the probable useful life of the asset, by applying the current amortization rates.

Below are the amortization periods that have been adopted for each type of fixed assets:

Table 2.7: Amortization periods of fixed assets

Real properties	20 years
Fixtures, fittings and facilities	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computing materials and software, vehicles and other materials	5 years
Office furniture	10 years

Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet at their net book value representing their acquisition cost minus the possible provisions set up at the closing date. Meanwhile, the value of foreign holdings is converted into dirhams at the historical rate of the currency.

Non-fully paid up securities are recorded as assets at their total value, including the remaining amount to be paid up. The share not yet paid up is recorded as a counterpart to a debt account on the liabilities side of the balance sheet.

The possible provisions for depreciation of these unlisted securities are evaluated at the end of the financial year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are composed of:

- Consumable materials and supplies;
- Raw materials needed for manufacturing banknotes, coins, and secured documents and identity cards (paper, ink, blanks, chips, cards, etc.);
- Finished goods and in-process inventory (secured documents, and miscellaneous); and
- Commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus the provisions for their depreciation at the closing date, if need be.

Raw materials are recorded in the balance sheet at their purchase price plus the handling costs, and minus the provisions for their depreciation, if need be.

Finished goods and in-process inventory are recorded in the balance sheet at their production cost, minus the provisions for their depreciation, if need be.

2.8 Mechanism for managing the financial risks associated with foreign exchange reserve management

Definition of financial risks

Financial risks facing the Bank in the management of foreign exchange reserves are:

- The **credit risk**, defined as:
 - First, the payment default risk (counterparty risk) which refers to the inability of a counterparty to fulfil its obligations;
 - Second, the risk of lowering the credit rating of a counterparty by one or more rating agencies.
- The **market risk**, referring to the risk of loss arising from adverse changes in market factors. It concerns, inter alia, risks related to movements in interest or foreign exchange rates.
- The **liquidity risk**, which refers the inability of meeting immediate commitments of the country, by mobilizing assets, without significantly affecting their price.

Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system, which identifies, monitors, and mitigates the risks inherent in the investment of the foreign reserves, namely credit, market, and liquidity risks.

To achieve this goal, the risk management function at Bank Al-Maghrib is based on a clear and well-structured governance framework.

Each year, the **Bank Board** validates the foreign exchange reserve investment policy and the risk tolerances. It also approves the investment sphere and the strategic asset allocation. The **Monetary and Financial Committee (MFC)** oversees the operational implementation of the strategic allocation and validates the management strategy. It also examines the evolution of the reserve management financial risk indicators. Finally, the **Audit Committee** studies the annual change of the Bank's financial and operational risks.

The purpose behind reserves holding and management, the investment principles, the limits by asset class, and the rules defining the issuer and counterparty eligibility and concentration are all set out in an investment directive, while portfolio benchmarks and management are defined under the strategic allocation approved by the Bank Board.

From an operational point of view, all the Bank's foreign currency exposures are controlled and monitored on a daily basis to ensure compliance with the investment directive and the strategic allocation guidelines.

In this context, these exposures are analysed in detail in regular reports and communicated to the various governance bodies of the Bank.

Any breach of the rules is reported in detail to the Monetary and Financial Committee, for approval.

Financial risks' management

Credit risk

The Bank manages credit risk by setting eligibility criteria for both issuers and counterparties, while keeping investments in line with security and liquidity principles.

The minimum criteria are distinguished based on the credit risk incurred by the different instruments. These are higher for transactions with direct credit risk, such as unsecured deposits, than for transactions processed in a delivery-versus-payment system. At present, the minimum average credit rating is «A-» for money market investments with bank counterparties, and «BBB-» for bond investments.

In addition to the eligibility criteria, the Bank sets limits to avoid excessive risk-taking and concentration. These include limits on exposure by issuer, counterparty, asset class, country and credit rating.

In order to ensure that the overall credit risk exposure is assessed, the Bank daily calculates and monitors the average credit rating of the portfolios under management as well as the 99 percent Credit VaR, which assesses the potential losses over a one-year horizon, associated with a credit event (a rating downgrade or a default).

On December 31, 2022, foreign exchange reserves received an average rating of «AA-», thus indicating a very good credit quality of the assets held.

Chart 2.1: Breakdown of portfolio exposures by region

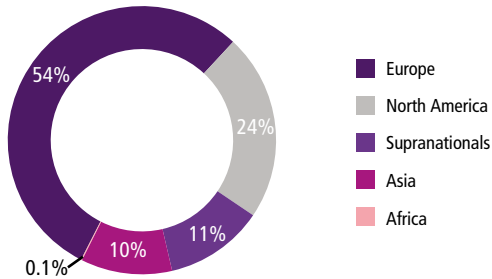


Chart 2.2: Breakdown of portfolio exposure by asset class

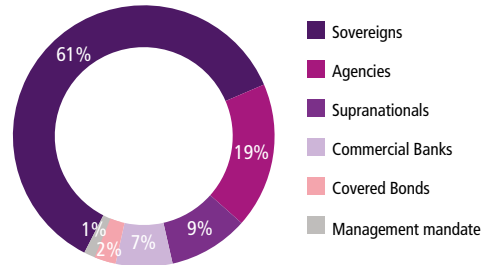
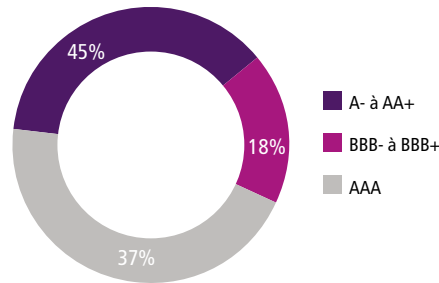


Chart 2.3: Breakdown of bond portfolios by rating



Market risks

The market risk associated with foreign exchange reserves management mainly arises from interest rate risk and the foreign exchange risk.

• **Interest rate risk**

The Bank manages interest rate risks through benchmark indices for all portfolios and duration spreads allowed within the strategic allocation against these indices.

Exposure to interest rate risk is measured through various indicators, namely maximum potential loss (VaR), duration and volatility of performance against the benchmark indices (Tracking Error).

At 31 December 2022, the overall duration of the foreign exchange reserves stood on average at 2.1 years, as against 2.4 years at end-2021.

- **Foreign exchange risk**

The foreign exchange risk arises from the fluctuation of foreign exchange rates against the Moroccan dirham. This risk stems from the gap between the currency composition of foreign exchange reserves and the weighting of the dirham basket, which is 60 percent for the euro and 40 percent for the US dollar (defined through a maximum deviation limit of 5 percent set by the strategic allocation). The risk also arises from the variation in the gap between the reference rate and the central rate of the basket.

Liquidity risk

The Bank manages the liquidity risk by building up liquid portfolios within the foreign exchange reserves:

- **Precautionary reserves:** Composed of available and liquid assets that allow financing short-term needs of the Bank. As at December 31, 2022, precautionary reserves reached 58.4 billion DH;
- **Excess reserve portfolios recorded at market value:** made up of liquid assets that can be mobilised in the event of exhaustion of the «precautionary reserves» tranche. The value of these portfolios reached 52.3 billion DH as at December 31, 2022.

Liquidity risk is also addressed, with regard to the above-mentioned liquid portfolios, through minimum size and maximum leverage ratio rules for bond issues.

2.9 Comments on the balance sheet items

Assets

By virtue of Article 12 of its Statutes, Bank Al-Maghrib holds and manages foreign exchange reserves, which consist of gold, foreign currency and SDRs.

Note 1: Assets and investments in gold

This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the re-evaluation account of foreign exchange reserves⁴, in accordance with the agreement governing this account signed on November 1, 2020 between Bank Al-Maghrib and the Ministry of Economy and Finance.

⁴ The credit balance in this account may not be credited to current income, distributed, nor applied for any purpose whatsoever.

At the end of 2022, the equivalent value of gold assets stood at 13,498,946 KDH, up 12 percent, under the combined effect of the rising gold price (expressed in dollars) and the depreciation of the dirham against the dollar.

The quantity of gold ounces remained stable, from one year to the next, at 711,032 ounces (equal to 22 tons).

Table 2.8: Assets and investments in gold

	2022	2021
Quantity of gold ounces ⁽¹⁾	18 985	16 889
Quantity of gold ounces	711 032	711 032
Market value⁽²⁾	13 498 946	12 008 623
Gold stock (in tons)	22.12	22.12

⁽¹⁾ Price of Gold/MAD

⁽²⁾ In thousand of dirhams

Note 2: Assets and investments in foreign currency

This item includes the equivalent in dirhams of assets in convertible foreign currencies, held in the form of money deposits (time and demand deposits) and foreign bond securities.

At end-2022, assets and investments in foreign currencies increased by 7 percent to reach 318,867,128 KDH against 298,416,554 KDH in 2021, mainly due to a positive exchange rate effect resulting from the depreciation of the dirham.

Table 2.9: Breakdown by type of investment

In thousand dirhams	2022	Share	2021	Share
Current accounts	14 950 449	5%	12 860 589	4%
Term accounts	20 036 244	6%	21 406 349	7%
Securities held for sale ⁽¹⁾	68 150 160	21%	79 297 421	27%
Investment securities	189 216 267	59%	160 210 855	54%
Transaction securities	-	-	-	-
Other ⁽²⁾	26 514 010	8%	24 641 341	8%
Total	318 867 128	100%	298 416 554	100%

⁽¹⁾ Taking into account provisions for depreciation. The market price valuation of securities held for sale at December 31, 2021 amounted to 68,291,970 KDH.

⁽²⁾ Including accrued interests, management mandates and foreign banknotes.

Foreign currencies, which represent 64 percent (69 percent in 2021) of the Bank's assets, are invested for 81 percent in bonds. Within this category, the investment portfolio grew by 18 percent to 189,216,267 KDH, further to the enhanced investments in the surplus reserves tranche during the second half of the year. In contrast, deposits and monetary investments decreased by 14 percent to 68,150,160 KDH.

Monetary deposits and investments rose by 2 percent from 34,266,938 KDH to 34,986,692 KDH, thus accounting for 11 percent of foreign currency assets and investments.

Table 2.10: Breakdown by currency

In thousand dirhams	2022	2021	Change (%)
EUR	180 047 841	166 880 329	8
USD	136 424 149	127 455 073	7
Other currencies	2 395 138	4 081 153	-41
Total	318 867 128	298 416 554	7

Table 2.11: Breakdown by residual life*

	2022	2021
≤1 year	23%	17%
> 1 year	77%	83%
Total	100%	100%

(* Securities held in internally-managed portfolios, including certificates of deposit.

Note 3: Assets with international financial institutions

This item, which includes positions with the IMF and the AMF, rose by 5 percent to 22,770,832 KDH, largely due to the increase in the equivalent value of SDR assets driven by the rise in the SDR exchange rate (+7 percent).

Position with the IMF

On the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) covered by Bank Al-Maghrib as Morocco's quota subscription in the IMF. It is composed of:

- **The available tranche:** 147.35 million SDRs (2,048, 814 KDH), representing BankAl-Maghrib's contribution to the IMF in foreign currency. This tranche, which can be used if necessary, is included in the foreign exchange reserves of the Bank. It is worth mentioning here that the last subscription of the Bank, which amounted to 76.55 million SDRs, took place in 2016 after the IMF's capital was raised by virtue of the 14th General Quota Review of the said institution;

Table 2.12: Position with the IMF

In thousand dirhams	2022	2021	Change (%)
ASSETS			
IMF subscription - Reserve tranche	2 248 490	2 097 811	7
SDR holdings	20 100 998	19 105 311	5
Total	22 349 488	21 203 122	5
LIABILITIES			
SDR allocations	19 725 415	18 426 682	7
Comptes n°1 et 2 (*)	21 169 525	19 496 197	9
Total	40 894 940	37 922 879	8

(*) Holds the PLL drawdown made in 2020, partially refunded in January 2021 (8,806,234 KDH).

- **The mobilized tranche:** 14.36 million SDR (199,676 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF «Account No.1» open in the books of the Bank. At end-December 2022, revaluation of the mobilized tranche resulted in an adjustment of +15,784 KDH, as against -10 370 KDH the year before.

- **SDR holdings:** represent the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDRs purchased by the Bank and the remunerations paid by the IMF, while in the credit side, it records quarterly payments of commissions on SDR allocations as well as loans reimbursements made by Morocco. These assets were strengthened in 2021, after the IMF issued a general SDR allocation to member countries worth SDR 456 billion, of which SDR 857.2 million (equivalent to MAD 10.9 billion⁵) represented Morocco's share of this allocation.

At the end of 2022, their equivalent value in dirhams stood at 20,100,998 KDH, up 995,687 KDH compared with the end of 2021, due to the 7 percent rise observed in the SDR exchange rate to 13.90 DH, which more than offset the fall in SDR assets. The latter, which amounted to 25.2 million SDRs, corresponds in particular to the PLL's financial costs, which were deducted from SDR assets as per the IMF's schedule, for a value of 361,864 KDH as opposed to 244,676 KDH in 2021.

The liabilities side include the «SDR allocations item», which corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams in 2009, representing Morocco's share of the general and special allocations (475.8 million SDRs)⁶ granted by the IMF to member countries, and with 10.9 billion dirhams in 2021 covering Morocco's share of the general allocation (857.2 million SDRs) made by the IMF in August of this year.

At the end of 2022, this item rose by 7 percent (+1,298,733 KDH) to 19,725,415 KDH, reflecting the above-mentioned appreciation in the SDR exchange rate against the dirham (+7 percent).

AMF subscription

This account represents the share paid by the Bank for the paid-in subscription in the capital of the AMF. Morocco's participation in this institution amounts to 41.33 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (5,845 KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (421,344 KDH) remained unchanged since 2018 ;

⁵ Impacting SDR holdings on the assets side and SDR allocations on the liabilities side

⁶ Of which 436 million SDRs under the general allocation corresponding to 74.13 percent of Morocco's quota in 2009 (588.2 million SDRs) and 39.7 million SDRs relating to the special allocation granted in accordance with the IMF's fourth amendment.

- 19.44 million Arab dinars, of which 9.10 million were paid by Bank Al-Maghrib under the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

Note 4: Claims on the Treasury

This item includes the claim resulting from the State's use of the balance of the IMF's Precautionary and Liquidity Line drawdown.

In November 2022, the Treasury drew down the equivalent in dirhams of the entire amount available on the IMF's PLL, i.e. SDR 1,499.8 million, pursuant to the relevant agreement signed on November 11 between Bank Al-Maghrib and the MEF.

Box 2.1: Use of PLL by the State

On April 7th, 2020, in a proactive response to the Covid-19 pandemic crisis, the Moroccan government **drew** on SDR 2.15 billion from the precautionary and liquidity line (PLL). The latter was granted as part of the agreement concluded with the IMF in 2012 and renewed for the 3rd time in December 2018, for around US\$3 billion equivalent, repayable over 5 years with a 3-year grace period. The purpose is to finance the balance of payments and maintain foreign exchange reserves at a comfortable level. The proceeds of the PLL, equivalent to MAD 29 billion, were recorded on the assets side of the balance sheet as foreign currency assets, and on the liabilities side in the IMF's Account No. 1.

On January 8th, 2021, a **partial redemption** of the PLL, amounting to SDR 651 million (equivalent to USD 936 million or MAD 8.4 billion), was made to the IMF. This early redemption eased the country's financial commitments while reducing their costs, particularly in view of the very favourable terms applied to the Treasury's external borrowings in 2020.

On November 14th, 2022, pursuant to an ad hoc agreement signed between Bank Al-Maghrib and the State, the latter **drew down** all available funds from the PLL to meet the Treasury's liquidity needs. This operation led to recognition on the assets side of the Bank's balance sheet of a SDR receivable from the State totalling SDR 1.5 billion. This operation has no impact on the Bank's ROA or on the level of the Treasury's external indebtedness.

Note 5: Claims on Moroccan credit institutions and similar entities

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 7 of the Bank's Statutes.

In 2022, monetary policy was conducted in a context marked by an unprecedented surge in Inflationary pressures. To prevent Inflation expectations from becoming unhinged, and to secure the conditions for a rapid return to levels in line with the objective of price stability, Bank Al-Maghrib raised its key rate twice, in September and December 2022, by 50 basis points each time, bringing it to 2.50 percent.

Banks' liquidity needs increased sharply in 2022, reaching a weekly average of MAD 80.9 billion, compared with MAD 70.8 billion a year earlier. This change was primarily due to the sharp rise in banknote circulation, partially offset by the higher level of foreign exchange reserves. Under these conditions, the Bank continued to satisfy all the needs of the banking market, thereby increasing the volume of its operations to a weekly average of MAD 93.5 billion, up from MAD 82.9 billion a year earlier.

At December 31, 2022, the bank refinancing totalled 114,420,180 KDH including:

- 69,084,621 KDH through 7-day advances following a call for tenders, granted at the key rate;
- 21,533,559 KDH corresponding to repurchase agreements (1 and 3 months), initiated since March 2020 and granted at the average key rate;
- 23,802,000 KDH corresponding to secured loans granted within the framework

Table 2.13: Structure of loans to banks

In thousand dirhams	2022	2021	Change [%]
Repo type operations	90 618 180	70 023 104	29
7-day advances	69 084 621	47 273 368	46
Repurchase agreements	21 533 559	22 749 736	-5
Secured loans ^(*)	23 802 000	21 201 000	12
Total	114 420 180	91 224 104	25

^(*) 1 month, 3 months and 1 year.

of programs designed to support financing of the economy (VSMEs, the programme of business support and financing (PIAFE)⁷, micro credit associations, and participatory banks);

⁷ 1,962,000 KDH at year-end, at an interest rate of 1.25%.

Note 6 : Other assets

This item includes, inter alia, cash accounts and equalization accounts, which are mainly composed of expenses to be spread out over many fiscal years, prepaid expenses, and accrued revenues, and any other debtor amount pending equalization.

Other assets fell by 7 percent, from one year to the next, from 3,988,298 KDH to 3,706,864 KDH.

Note 7 : Net fixed assets

Table 2.14: Net fixed assets

In thousand dirhams	2022	2021	Change (%)
(including)			
Fixed loans	777 326	787 976	-1
Equity securities and the like	1 942 407	2 107 218	-8
Tangible and intangible fixed assets	7 885 307	7 574 594	4
Gross fixed assets	10 605 343	10 470 029	1
Depreciation and provision endowments	-5 926 917	-5 696 102	4
Net fixed assets	4 678 426	4 773 927	-2

This item stood at 4,678,426 KDH, down slightly by 2 percent, due to a greater increase in depreciation (+230,816 KDH) than in investments (+135,314 KDH).

Equity securities and the like

Table 2.15: Equity securities and the like

In thousand dirhams	Type of activity	2022				Quote-part (%)	2021 Gross book value	Change (%) ⁽³⁾
		Net book value	Gross book value ⁽¹⁾	Accounting net situation ⁽²⁾				
Securities held in Moroccan institutions and the like (including)		56 824	53 749				221 709	-74
	Dar Ad-Damane	Financial	1 265	-	233 329	1.69	1 265	-
	Maroclear	Financial	4 000	4 000	317 618	20.00	4 000	-
	Casablanca Finance City Authority	Financial	50 000	49 690	496 899	10.00	50 000	-
	The Moroccan Deposit Insurance (SGFG) corporation	Financial	59	59	9 054 ⁽⁴⁾	4.59 ⁽⁴⁾	59	-
	Receivables attached to equity ⁽⁵⁾		-	-			164 885	-100
Securities held in foreign financial institutions			1 885 583	1 873 793			1 885 510	0.004
	Ubac Curaçao	Financial	23 228	23 228	84 620 USD	6.85	23 228	-
	Swift	Financial	519	519	616 152 EUR	0.02	519	-
	Arab Monetary Fund	Financial	5 845	5 845	1 423 834 DA ⁽⁶⁾	0.02	5 771	1
	Arab Trade Financing Program	Financial	16 856	16 856	1 176 045 USD	0.28	16 856	-
	Africa50-Project Finance	Financial	175 142	175 142	408 817 USD	4.46	175 142	-
	Africa50-Project Development	Financial	19 460	7 670	16 378 USD	4.49	19 460	-
	Bank for International Settlements	Financial	1 644 533	1 644 533	23 447 000 SDR ⁽⁷⁾	0.53	1 644 533	
Gross total of equity securities and the like			1 942 407	1 927 543			2 107 218	-8

⁽¹⁾ Minus of provisions made for the impairment of the Bank's holdings.

⁽²⁾ Net position the organizations in which the Bank has a participating interest (in thousands), calculated using the net book value method on the basis of the 2021 financial statements.

⁽³⁾ Variation in gross accounting value between 2021 and 2022.

⁽⁴⁾ Increase in share capital in cash by 994 KDH to 4,374 KDH through the issue of new shares, as decided by the Combined General Meeting of June 1, 2021. Bank Al-Maghrib's share has thus been reduced from 5.94% in 2021 to 4.59% in 2022.

⁽⁵⁾ Acquisition of office space in the CFC Tower, in accordance with the legal provisions governing this transaction.

⁽⁶⁾ Arab Dinars.

⁽⁷⁾ SDR: Special Drawing Rights.

Tangible and intangible fixed assets

Table 2.16: Tangible and intangible fixed assets

In thousand dirhams	2021 Gross amount	Increase	Decrease	2022 Gross amount
Operating real estate properties	2 122 741	193 363		2 316 104
Operating furniture and equipment	2 844 789	87 956	39 490	2 893 255
Other operating tangible fixed assets	1 057 919	45 731	1 374	1 102 275
Non-operating tangible fixed assets	769 050	2 677	472	771 255
Intangible fixed assets	780 095	45 468	23 146	802 417
Total	7 574 594	375 194	64 482	7 885 307

At end-2022, the gross value of tangible and intangible fixed assets posted an annual growth of 310, 712 KDH to reach 7, 885, 307 KDH. Investments made this year are broken down as follows:

- 60 percent for real estate investments, including the acquisition of premises in the 'CFC Tower' to accommodate the DSB and the construction of branches in Errachidia and Dakhla;
- 32 percent corresponding to the upgrade and reinforcement of the IT infrastructure, the upgrade of Dar-As-Sikkah's production equipment and security systems, the renewal of various installations and fittings at the Bank's sites, and the expansion of its numismatic and artistic heritage;
- 6 percent for upgrading certain information systems and acquiring computer licenses.

Disposals mainly concern scrap equipment and furniture sold by the Bank (transport equipment, office furniture, IT equipment, etc.) and donated to a chariTable organization.

Liabilities

Note 8 : Banknotes and coins in circulation

In accordance with Article 5 of its Statutes, Bank Al-Maghrib shall issue banknotes and coins. The amount of this item corresponds to the difference between the banknotes and coins issued and those held in the Bank's vaults.

Cash increased by 10 percent to 372,786,283 KDH, thus representing 75 percent of the Bank's balance sheet, compared with 78 percent a year earlier. In line with its seasonal profile, it peaked during the months of June, July and August, coinciding with a concentration of cash-intensive events (summer period, Eid Al Adha celebrations and the start of the school year).

Note 9: Commitments in gold and in foreign currency

These liabilities mainly include currency deposits of foreign banks and non-residents. They decreased by 32 percent from the previous year to reach 6,742,577 KDH, due exclusively to the increase in the Bank's foreign currency liabilities.

Note 10: Commitments in convertible dirhams

This item includes the Bank's commitments in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and non-residents.

Account No.1 of the IMF represents the major component of this item. Its assets, as well as those of «Account No.2» of the IMF, are readjusted each year to take into consideration the parity of the dirham against SDRs. At end-2022, these commitments increased by 9 percent to 21,169,525 KDH, following the revaluation of the IMF's assets in dirhams for the year ended April 30, 2022 by 957,719 KDH, adjusted at end-December 2022 by 715,672 KDH at the exchange rate prevailing on the last business day of the year under review.

Table 2.17: Commitments in convertible dirhams

In thousand dirhams	2022	2021	Change (%)
Commitments to international financial institutions	21 212 432	19 554 414	8
Commitments to foreign banks	42 684	57 655	-26
Current accounts of international financial institutions	21 169 747	19 496 759	9
Other commitments	17 842	11 646	53
Total	21 230 274	19 566 060	9

Note 11: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 16 of its Statutes. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:
- The tranche lower than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points, or 2,00 percent ;

Table 2.18: Deposits and liabilities in dirhams

In thousand dirhams	2022	2021	Change (%)
Public Treasury current account	4 087 201	5 258 034	-22
Moroccan banks' current account	32 383 423	28 484 675	14
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of government and institutions of general public	1 331 794	1 176 044	13
Other accounts	4 642 191	4 048 778	15
Total	42 444 609	38 967 531	9

- The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points, or 1.50 percent ;
- The tranche exceeding 3 billion dirhams is not remunerated.
- Accounts of Moroccan banks, held mainly to meet their commitments regarding the reserve requirement, established by virtue of Article 25 and 66 of the above-mentioned Statutes, were totally released to the banks by decision of the Bank Board on June 16, 2020;
- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

This item can also include, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points, or 2.00 percent;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits equals the key rate minus one-hundred basis points, or 1.50 percent

At end -2022, this item grew by 3,477,078 KDH to 42,444,609 KDH, mainly reflecting the 3,898,748 KDH increase in assets of Moroccan banks and the 1,170,833 KDH drop of the cash available in the Treasury's current account.

Note 12: Other liabilities

Table 2.19: Other liabilities

In thousand dirhams	2022	2021	Change [%]
Other securities transactions	361	361	-
Miscellaneous creditors	583 006	592 808	-2
Equalization accounts	233 179	465 831	-50
Amounts claimable after receipt of payment	173 226	52 267	>100
Provisions for risks and expenses	245 934	203 023	21
Revaluation account of foreign exchange reserves	29 434 461	4 421 489	>100
Total	30 670 166	5 735 780	>100

Other liabilities particularly include:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and to third parties, and pending contributions to provident funds and institutions for social security.

Their balance at end-2022 stood at 583, 006 KDH, of which 431, 768 KDH as debts to suppliers. At December 31, 2022, breakdown of these debts by due date, pursuant to the provisions of Law No.32-10 relating to payment deadlines which came into force in 2013, comes as follows:

Table 2.20: Breakdown of trade payables by due date

In thousand dirhams	Amount of suppliers' debt at the end of the fiscal year	Amount of unmatured debts	Amount of debts due			
			Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days
Closing dates						
Fiscal Year 2021	411 251	411 190	7	-	-	54
Fiscal Year 2022	431 768	431 704	-	-	-	64

- The equalization accounts, mainly composed of intersystem transactions, accruals, deferred income and any other debtor amount pending settlement, fell from 465, 831 KDH one year earlier to 233, 179 KDH at the end of the year, between 2021 and 2022.
- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, fell from 52,267 KDH in 2021 to 170,603 KDH at end-2022.
- Provisions for liabilities and charges, which are intended to cover actual or pending events that are likely to occur but whose realization is not certain, amounted to 245,934 KDH at the end of 2022, as against 203,023 KDH one year earlier. They consist mainly of provisions for social fund commitments, amounting to 180,000 KDH, and a provision for penalties incurred for overdue supplier payments, amounting to KDH 36, set aside in accordance with the aforementioned Act no. 32-10 (see Table 2.36 of note 33 of the PLA);
- The foreign exchange reserves valuation account, which reflects changes in exchange values resulting from the valuation of assets and liabilities in gold, precious metals and foreign currencies, including SDRs, on the basis of the exchange rates prevailing on the last business day of the year, in compliance with the agreement between Bank Al-Maghrib and the MEF⁸ pertaining to this account.

The agreement also states that the valuation balance of foreign exchange reserves must be maintained at a minimum level of 2.5 percent of net foreign assets, and may not be carried forward to income for the year, distributed or used for any purpose whatsoever. In the event of a shortfall in the minimum required, a foreign exchange loss reserve of up to 10 percent is deducted from net income. Should the debit balance not be covered by the balance of the exchange loss reserve, the latter is replenished by deducting up to 20 percent from net income. If the balance exceeds 20 percent of net income, successive deductions are made from net income.

⁸ See section on the main accounting policies and valuation methods.

In 2022, the foreign exchange reserve valuation account posted a significant increase, mirroring developments on the foreign exchange market, to reach a peak of 32,536,401 KDH at the end of November, and ended the year with a credit balance of 29,434,461 KDH, up sharply (+25,012,972 KDH) on 2021. This increase was driven in particular by the rise in the value of the US dollar (+13 percent), the ounce of gold (+12 percent) and the EUR (+6 percent).

Table 2.21: Change in foreign exchange valuation account

In thousand dirhams	2022	2021
(of which)		
Gold	1 490 323	19 198
USD	15 164 109	4 974 559
EUR	9 836 450	-6 506 960

At the end of December 2022, this balance amounted to 9.9 percent of the Bank's net foreign assets (MAD 298 billion MAD), up from 1.5 percent a year earlier.

Note 13: Equity capital and the like

Under Article 2 of the Bank's Statutes, the capital is set at 500,000 KDH, fully paid-up and held by the State. The capital may be increased by incorporation of reserves by decision of the Bank board, after consulting the government commissioner, up to a maximum of fifty percent of the capital.

The general reserve fund was established in accordance with Article 48 of the above-mentioned Statutes, by deducting 10 percent from the net profit until it reaches the amount of the capital.

Meanwhile, the special reserve funds were built up, pursuant to Article 48 above, by allocating part of the profits. They have been standing at 4,501,340 KDH since 2004, and make the most part of equity capital.

The foreign exchange loss reserve has been set aside since 2021 by allocating 10 percent of net income for the years 2020 and 2021, totaling 262,120 KDH, in accordance with the provisions of the Articles of of the Bank's Statues and the agreement governing the foreign exchange reserve valuation account.

Table 2.22: Equity capital and the like

In thousand dirhams	2022	2021	Change (%)
Equity	500 000	500 000	-
Reserves	5 263 461	5 169 757	2
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
Foreign exchange loss reserve	262 120	168 417	56
Retained earnings	28 542	28 212	1
Total	5 792 002	5 697 969	2

2.10 Comments on off-balance sheet items

Off-balance sheet items reflect commitments given and received, which cannot be accounted for in the balance sheet accounts:

- Purchases and sales of securities and currencies made between the trade date (commitment date) and the delivery and/or settlement date (value date) ;
- Currency swap transactions carried out between the trade date (commitment date) and the maturity date (maturity date);
- Guarantees received by the Bank as part of its monetary policy conduct and lending facilities;
- bank refinancing commitments;
- Guarantees given or received by the Bank (contracts).

Note 14 : Foreign exchange operations

This item records foreign exchange swap transactions in foreign currencies carried out, in particular, in the context of monetary regulation, as well as of currency transitional arbitrage operations.

Table 2.23: Foreign exchange operations

In thousand dirhams	2022	2021
Forward foreign exchange transactions		
Forward currencies receivable	4 834 546	3 747 394
Forward currencies to be delivered	4 851 467	3 745 375
Foreign exchange transactions- currency deposits	9 265 794	5 142 569
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	-	-
Foreign currencies deliverable	-	-

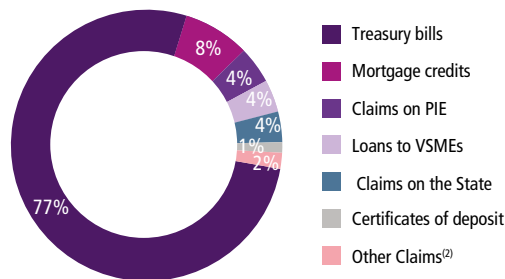
Note 15 : Commitments on securities

This heading mainly covers securities pledged to Bank Al-Maghrib to secure various refinancing operations to banks as well as advances to the participants in the Moroccan Gross Settlement System -SRBM (advance options). As part of the easing measures introduced in 2020 in response to the Covid-19 crisis, the Bank expanded the list of assets eligible as collateral to include banks' refinancing operations.

Table 2.24: Commitments on securities

In thousand dirhams	2022	2021
Securities received on advances granted	95 487 149	73 832 432
Securities received on advances to be granted	11 492 600	10 324 200
Other guarantees received on advances granted	29 789 531	25 520 307
Advances to be granted	10 917 970	9 807 990
Foreign securities receivable	-	1 177 569
Foreign securities deliverable	-	1 162 318

Chart 2.4: Structure of commitments on securities ⁽¹⁾



⁽¹⁾ Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

⁽²⁾ Wakala Bil Istitmar.

Note 16: Other commitments

Table 2.25: Other commitments

In thousand dirhams	2022	2021
Received market guarantees	100 424	92 470
Guarantees liabilities received for staff loans	922 152	906 678
Financing liabilities granted to the staff	13 188	9 159
Other granted liabilities	1 000	1 000

2.11 Comments on profit and loss account

Note 17: Interests earned on holdings and investments in gold and in foreign currency

This item is highly correlated with levels of foreign exchange reserves and interest rates. It includes interest earned on the following gold, SDR and foreign currency investment operations carried out by the Bank as part of its foreign reserve management mandate:

- Bond market investments (portfolios of investment, transaction and of securities held for sale);
- Investments in the international money market and in other Moroccan commercial banks (Treasury portfolio);
- SDR holdings and the reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

Table 2.26: Interests earned on holdings and investments in gold and in foreign currency

In thousand dirhams	2022	2021	Change (%)
Investments in gold	4 208	-	>100
Bond investments	2 702 879	2 356 292	15
Money market investments	326 676	32 649	>100
Claims on the IMF	262 239	7 164	>100
Other interests ^(*)	44 650	22 050	>100
Total	3 340 653	2 418 155	38

^(*)Mainly include interests on foreign securities loans.

Interests from foreign currency investment operations amounted to 3,340,653 KDH, up 38 percent compared to 2021. This change mainly reflects the upturn in investment and improved rates of return on money-market investments and on SDRs.

Interests from bond investments, which account for 81 percent of the total, rose by 15 percent to 2,702,879 MAD, breaking down as follows:

- 2,202,522 KDH relating to the investment portfolio (+22 percent), reflecting the larger size of this portfolio;
- 500,357 KDH relating to the investment portfolio (-10 percent), reflecting in particular the smaller size and duration of liquid portfolios.

Money-market investments generated revenues of 326,676 KDH, representing an increase of 294,027 KDH compared with 2021, mainly as a result of higher euro and dollar deposit rates.

Interest on SDR holdings rose to KDH 262,239. This increase was mainly due to the 114-bp rise in the average SDR rate to 1.19 percent (0.05 percent in 2021 and 0.20 percent in 2020).

Interest on gold investments totalled 4,208 KDH, reflecting the resumption of gold lending operations.

Note 18: Interests earned on claims on credit institutions and similar bodies

This item records interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for payment conditions, see Note 4 of the balance sheet for remuneration conditions).

These interests recorded an annual rise of 26 percent to 1,562,197 KDH, as the stepped up injections and raised the key interest rate by one percentage point to 2.50 percent. They are composed of:

- 710,172 KDH from 7-day advances, which improved by 38 percent, reflecting the 24 percent rise in the average outstanding amount of this instrument to 42,406,479 KDH (34,220,742 KDH in 2021) and the quarterly impact of the key rate hike;
- 470,036 KDH in 1- and 3-month repurchase agreements, which increased by 46 percent, mainly due to the 34 percent rise in average outstanding amounts to 28,761,273 KDH ;
- 381,692 KDH in secured loan transactions (1 month, 3 months and 1 year), down 6 percent following a 14 percent drop in average outstanding loans to 23,326,653 KDH.

Table 2.27: Interests received on loans to credit institutions

In thousand dirhams	2022	2021	Change (%)
(of which)			
7-day advances	710 172	513 311	38
24-hour advances	46	880	-95
Repurchase agreements	470 036	322 162	46
Secured loans	381 692	407 529	-6
Total	1 562 197	1 244 143	26

Note 19: Other interests earned

This item mainly covers interests due to the Bank under loans granted to its staff for housing purchase and construction. These interests totalled 9,758 KDH at the end of 2022, as against 12,610 KDH one year earlier.

Note 20 : Commissions earned

The Bank collects commissions for the banking operations it carries out on behalf of its customers, and which mostly cover foreign exchange operations and the centralization of the Treasury's auction operations.

The commissions earned Fee income rose by 72 percent in 2022 to MAD 1,121,250 KDH, largely reflecting foreign exchange commissions, particularly on foreign banknotes, which almost doubled (+95 percent) following the surge in banks' sales of foreign banknotes to Bank Al-Maghrib.

Table 2.28: Commissions earned

In thousand dirhams	2022	2021	Change [%]
Foreign exchange commissions	1 051 880	540 804	95
Intermediation margin	3 527	23 161	-85
Management of Treasury bonds	49 433	70 104	-29
Other commissions	16 410	16 978	-3
Total	1 121 250	651 047	72

The commission charged by the Bank for centralizing Treasury bill tenders fell by 29 percent to 49,433 KDH, indicating the Treasury's limited recourse to the primary market in 2022 to finance its deficit.

Note 21 : Other financial revenues

The other financial revenues item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and profits from foreign currency swaps.

At the end of 2022, this income declined by 48 percent to 295,166 KDH, due in particular to the lower capital gains on sales of investment securities (-338,144 KDH) against a backdrop of rising interest rates, partially offset by the evolution of write-downs on investment securities (+109,345 KDH).

The dividend received by the Bank in 2022 from its equity interests in certain foreign entities amounts to 11,471 KDH, including 11,194 KDH from the BIS (19,856 KDH in 2021), calculated on the basis of a unit dividend of 275 SDR (520 SDR in 2021), as decided by its Board of Directors on June 26, 2022.

Table 2.29: Other financial revenues

In thousand dirhams	2022	2021	Change (%)
Capital gains on sales of marketable securities	85 966	424 110	-80
Spreading of discounts on foreign securities	175 642	66 297	>100
Capital gains on management mandates	-	18 634	-100
Gains on foreign exchange swap transactions (monetary policy)	162	18 629	-99
Gains on foreign exchange swap transactions (premium/discount)	15 705	17 884	-12
Dividends on equity securities	11 471	20 100	-43
Other revenues	6 221	3 408	83
Total	295 166	569 062	-48

Note 22 : Sales of produced goods

This item includes revenues from sales of various goods produced by the Bank, which mainly cover secured documents including the biometric passport and secure identity cards. Their sale price is particularly set on the basis of the costs derived from the Bank's analytical system. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2022, these sales amounted to 382,028 KDH, up 71,402 KDH on 2021. This rise was driven by an increase in sales of secure documents to 376,218 KDH, including 197,606 KDH for biometric passports and 162,013 KDH for secure identity cards⁹, whose production started in 2020.

Note 23 : Miscellaneous revenues

Miscellaneous revenues include the contribution of banks to the invoicing system of the Moroccan Gross Settlement System (SRBM) and the recovery of costs settled by Bank Al-Maghrib. From end-2021 to end-2022, these revenues rose from 16,011 KDH to 47,049 KDH, of which 16 795 KDH were from the SRBM billing system.

Note 24 : Reversal of provisions

This item indicates a balance of 111,191 KDH at end-2022 covering, in particular, reversals of provisions for impairment in value of foreign investment securities amounting to 58,023 KDH (compared with 11,952 KDH in 2021), provisions to cover the pension commitment as part of the roll-out of the financing plan for the gradual transition to the TV 88-90 mortality Table amounting to 20,000 KDH; and provisions for impairment in value of equity investments of 9,097 KDH (see Table 3.2.36 in note 33 of the PLA).

⁹ These are the driver's license and the electronic vehicle registration certificate.

Notes 25 : Noncurrent revenues

This item, which includes exceptional and non-recurring revenues, amounted to 6,748 KDH at-end 2022, as against 458 KDH the year before, linked to the proceeds from the transfer of certain of the Bank's fixed assets.

Note 26: Interests paid on commitments in gold and in foreign currency

These interests grew by 173,561 KDH to 282,269 KDH at end 2022, mainly driven by the rise in commissions on SDR allocations to 237,677 KDH, on the back of the SDR interest rate appreciation (1.19 percent in 2022 vs. 0.05 percent in 2021), mitigated by the fall in interest paid on monetary deposits to 44,593 KDH.

Note 27: Interests paid on deposits and commitments in dirhams

This item includes interests paid by the Bank, mainly for cash in the Treasury's current account and for remuneration of the monetary reserve (for conditions of remuneration of the above-mentioned accounts, see Note 11 of the balance sheet). It can also include, in a context of liquidity excess, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies.

In 2022, this interest rose by 31 percent to 200,982 KDH, due to the higher remuneration of customers' accounts of Bank Al-Maghrif.

Table 2.30: Interests paid on commitments in dirhams

In thousand dirhams	2022	2021	Change (%)
(of which)			
Monetary reserve accounts	-	-	-
Other accounts (including)	199 328	152 458	31
Public account	28 689	24 508	17
Total	200 982	153 540	31

Note 28: Commissions paid

This item includes commissions paid in exchange for financial services provided to the Bank as well as the negative intermediation margin¹⁰ on foreign exchange transactions carried out with authorised intermediaries.

At the end of 2022, these commissions amounted to 30,810 KDH, up 7 percent from 2021 (28,856 KDH). The increase was mainly due to higher custody fees for foreign securities (+5,903 KDH), which reflects the larger size of the bond portfolio, and higher commissions on foreign banknotes trading (+4,144 KDH), as well as a lower negative intermediation margin on foreign exchange transactions carried out with authorized intermediaries (-8,131 KDH).

¹⁰ The negative intermediation margin is calculated as the negative difference between the negotiated exchange rate and the reference rate for foreign exchange transfer transactions with Moroccan banks.

Note 29: Other financial expenses

This item covers losses on foreign currency transactions, mainly losses on the sales of investment securities and deferral of premiums on investment securities.

Table 2.31: Other financial expenses

In thousand dirhams	2022	2021	Change (%)
Losses in investment securities held for sale ^(*)	152 785	39 846	>100
Deferral of premiums on foreign securities	769 626	548 384	40
Negative interest rates paid on investment securities	114 166	163 521	-30
Losses on foreign exchange swap transactions	627 014	14 032	>100
Losses on foreign exchange swap transactions (premium/ discount)	1 066	1 134	-6
Other expenses	8 957	2 616	>100
Total	1 673 613	769 534	>100

^(*) The difference between the book value and the sale price.

At the end of 2022, these expenses amounted to KDH 1,673,613, up 904,080 KDH. This was mainly due to the sharp rise in capital losses on management mandates (+612,982 KDH) and on investment securities (+112,938 KDH), mainly in USD, which, in turn, was due to the sharp rise in bond yields, as well as to the spreading of premiums on investment securities (+221,242 KDH).

Note 30: Staff expenses

This item mainly includes the salaries and wages, allowances and bonuses paid to the Bank staff, employer contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

Personnel costs amounted to 898,809 KDH, up only 2 percent compared with 2021, mainly due to a moderate increase in the wage bill and the gradual resumption of operations suspended during the health crisis (catering, face-to-face training, etc.).

Table 2.32: Staff expenses

In thousand dirhams	2022	2021	Change (%)
Staff salaries	679 773	671 461	1
Social expenses	196 913	192 532	2
Training expenses	5 480	2 419	>100
Other expenses	16 643	14 040	19
Total	898 809	880 452	2

Note 31: Purchase of materials and supplies

This entry includes fees of raw materials (paper, ink, coin blanks, electronic chips and precious metals) used in the manufacturing of coins and banknotes, secured documents and commemorative coins. It also includes changes in inventories of raw materials and supplies as well as rebates, discounts and payment deductions obtained on purchases, and granted to the Bank by its suppliers.

The 18 percent increase in this item to 370,771 KDH mainly covers an increase in the cost of materials and supplies needed for manufacturing identity documents, mainly paper and coin blanks, due to the growing demand for secure documents and the sharp rise in raw material prices.

Table 2.33: Purchase of materials and supplies

In thousand dirhams	2022	2021	Change (%)
Purchase of raw materials	178 513	197 374	-10
Purchase of consumable materials and supplies	140 674	73 143	92
Other purchases	51 585	43 407	19
Total	370 771	313 924	18

Note 32: Other external expenses

This item includes Bank overheads and current expenditure covering, inter alia, computer maintenance, building upkeep, rental, water and electricity consumption, donations and grants as well as various taxes and duties.

Year-on-year, other external expenses rose by 4 percent, from 357,299 KDH to 370,044 KDH. This was mainly due to the higher cost of transporting valuables by airfreight, fuel purchases, remote network transmission, computer software rental subsequent to the signing of new contracts, as well as to the costs incurred in organizing events to mark the 20th anniversary of Museum.

Table 2.34: Other external expenses

In thousand dirhams	2022	2021	Change (%)
Maintenance and repair of fixed assets	127 444	126 565	1
Rents	43 454	38 855	12
Water, electricity and fuel costs	29 845	26 699	12
Transportation, travel, mission and reception expenses	21 700	7 729	>100
Postal and telecommunication costs	49 928	39 990	25
Taxes and duties	21 333	21 172	1
Other expenses	76 340	96 288	-21
Total	370 044	357 299	4

Note 33: Depreciations and provisions

Depreciations

Table 2.35: Depreciations

In thousand dirhams	2022	2021	Change (%)
(of which)			
Depreciations of tangible and intangible fixed assets	265 228	308 369	-14
Properties ⁽¹⁾	121 457	111 696	9
Furniture and equipment	114 431	164 247	-30
Other tangible fixed assets	-	-	-
Intangible fixed assets	29 340	32 426	-10
Depreciations of other costs to be spread out over many fiscal years	10 080	5 035	100
Total	283 535⁽²⁾	325 097	-13

⁽¹⁾ Including fixtures, fittings and facilities.

Provisions

Provisions made for depreciation of the securities held to sale closed the year 2022 with a balance of 2,940,197 KDH as opposed to 484,089 KDH a year earlier, to reflect the loss in value of this portfolio in view of the sharp rise in US and euro area sovereign interest rates.

Table 2.36: Provisions

In thousand dirhams	Outstanding amount 31/12/2021	Allocations	Reversals	Other variations	Outstanding amount 31/12/2022
Provisions for depreciation					
Foreign treasury bonds and similar securities	531 378	2 940 197	58 023	-581	3 412 971
Miscellaneous stocks and values	7 822	12 180	7 822		12 180
Moroccan equity securities	3 135		60		3 075
Foreign equity securities	18 457	2 370	9 037		11 790
Other provisions ⁽³⁾	5 677	5 668			11 345
Provisions for risks and expenses posted under liabilities (of which)	202 635	79 161	36 250		245 546
Pension liability	140 000	60 000	20 000		180 000
Provisions for risks	50 635	9 703	4 250		56 088
Late payment penalty	262	36	262		36
Other provisions	389				389
Total		3 039 575⁽²⁾	111 191⁽⁴⁾		

⁽²⁾ Totalling 3,323,110 KDH, which correspond to the amount of the heading «Depreciation and provision endowments» of the PLA.

⁽³⁾ Includes, in particular, provisions for receivables from customers presenting a high default risk.

⁽⁴⁾ Corresponds to the amount of the PLA item «reversals of provisions».

Note 34 : Non-current expenses

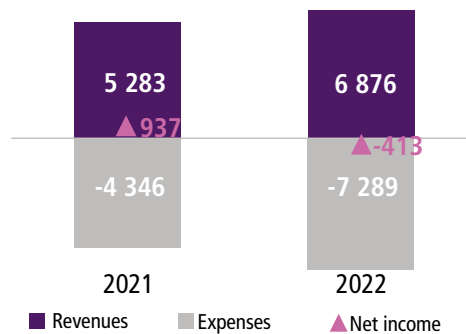
At end-2022, non-current expenses totalled 111,468 KDH, of which 96,463 KDH accounted for the social solidarity contribution on profits, assessed on the basis of 3.5 percent of net income for the previous year, as against 106,939 KDH paid in 2021 on the 2020 income.

Note 35 : Income tax

Considering the income and expense situation for 2022, which resulted in a negative accounting result and therefore a negative tax result, the minimum contribution will be paid to the Treasury in accordance with Article 144 of the General Tax Code. The rate applied is 0.40 percent, given that current income excluding depreciation is positive.

As a result, the minimum contribution amounted to 27,012 KDH at the end of 2022, as opposed to an income tax of 713,824 KDH at the end of 2021.

Chart 2.5: Evolution of revenues, expenses and net income (in MDH)



3 Commitments to social funds

The Bank's staff is covered by two internal pension and medical insurance schemes called, respectively, «Caisse de Retraite du Personnel de Bank Al-Maghrib-CRP-BAM (Bank Al-Maghrib's staff pension fund)» and the «Fonds Mutuel-FM (Mutual Fund)».

The CRP-BAM provides the Bank's staff members or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. Meanwhile, the FM ensures reimbursement of medical and prescription expenses for the Bank staff and eligible family members.

These two schemes have a separate accounting system but do not have legal personality.

Table 3.1: Commitment and financing of social funds

In thousand dirhams	Pension Fund of BAM staff		Mutual Fund	
	2022	2021	2022	2021
Gross commitment	3 933 697	3 723 465	645 612	614 659
Hedging assets	3 321 428	3 601 092	453 433	481 715
Net commitment (*)	-612 269	-122 372	-192 179	-132 944

(*) Net liability of social funds partially provisioned at end 2022 for an amount of 180 000 KDH (see Note 11 of the balance sheet).

Pension and health benefits are calculated in accordance with actuarial standards, using the projected unit credit method, which takes into account changes in salaries, pension revaluations and the benefit entitlement.

An independent actuary approves the data and assumptions used in the actuarial valuations, as well as the pension and health liabilities.

Social funds' assets are managed within the framework of a strategic allocation, defining an optimal allocation by asset class, taking into account the objectives of the pension and medical coverage schemes, in terms of both return and risk.

Pursuant to the Charter for the Management of Social Security Funds, an annual report is drafted to present, on the one hand, the conclusions of the internal actuarial balance sheet duly approved and certified by the independent actuary and, on the other hand, the achievements of the hedging assets' financial management. This report is submitted to the Social Funds Steering Committee for review and approval, and the ensuing decisions are submitted to the Bank's Board of Directors for approval.

4 Statutory Auditor's Report

STATUTORY AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2022

AUDIT OF STATUTORY FINANCIAL STATEMENTS

Opinion

In accordance with the terms of our appointment by the Bank's Board, we have audited the accompanying financial statements of BANK AL MAGHRIB including the balance sheet as of December 31st, 2022, the profit and loss statement and the additional disclosures (ETIC). These financial statements show a net equity of 5 379 152 KMAD including a net loss of -412 850 KMAD.

We certify that the financial statements referred to in the first paragraph above are regular, sincere and give, in all material aspects, a true and fair view of the result of operations of the past fiscal year as well as the financial situation and the assets of BANK AL MAGHRIB on December 31st, 2022, in accordance with the accounting principles generally accepted in Morocco.

Basis for opinion

We conducted our audit in accordance with Moroccan auditing standards. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Morocco, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Moroccan accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Moroccan auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Moroccan auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Specific verifications

We ensured that the information contained in the Management board's report is consistent with the Bank's financial statements.

Casablanca, March 22nd, 2023

The Statutory Auditor**Deloitte Audit****Sakina Bensouda Korachi**
Partner

5 Approval by the Bank Board

Pursuant to Article 47 of Law No. 40-17, bearing Statutes of Bank Al-Maghrib, the Governor of the Bank submits the financial statements to the Bank Board for approval.

At its March 21, 2023 meeting, the Board approved the financial statements, after reviewing the auditor's opinion on their sincerity and on their consistency with the information given in the Bank's management report, as well as the net income allocation for the year 2022.



