



لضمان ودائعكم البنكية
Pour la garantie de vos dépôts bancaires

ANNUAL REPORT

2016

SGFG VISUAL IDENTITY

The Moroccan Deposit Insurance Company (Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires, SGFG), a limited company with a capital of MAD 1 million, was created in May 2015 by Bank Al-Maghrib and the banking sector, in accordance with the provisions of chapter 3 of title 4 of law N° 103-12 relating to credit institutions and similar bodies.

The SGFG's mission is to manage deposit insurance funds and contribute to the resolution of the member credit institution.



SYMBOL OF THE SGFG LOGO

The SGFG logo symbolizes the sense of solidarity and robustness that it aspires to in coordination with the other financial safety net participants of our banking and financial system.

to reflect and highlight the Central Bank's ongoing support to the deposit insurance system at every level, be it from a regulatory, informational or operational standpoint to reflect and highlight the Central Bank's ongoing support to the deposit insurance system at every level, be it from a regulatory, informational or operational standpoint

The purple rhombus in the background alludes to the Bank Al-Maghrib color scheme.

The golden square located at the heart of the rhombus symbolizes the mission of protecting the depositors, as assigned to the SGFG.

Below, the corporate name is written with a font inspired by a Moroccan-style calligraphy, a sign of belonging and anchoring of our identity. The French characters are simple and modern.



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PREAMBLE

Pursuant to legal and regulatory¹ provisions in force, the annual report of the Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires (SGFG) reports on the activities of its governance bodies and its management during the financial year which started on January 1st, 2016 and ended on December 31st, 2016.

It also provides information relating to its organization, as well as its operation and the missions of the Deposit Insurance Fund (Fonds Collectif de Garantie des Dépôts, FCGD) that is under its management.

¹ The laws relating to credit institutions and similar bodies, and limited companies as well as the provisions of the SGFG's specifications (cahier des charges).

ABBREVIATIONS AND ACRONYMS

| | |
|--------------|---|
| BAM | Bank Al-Maghrib |
| WB | World Bank |
| BD | Board of Directors |
| RAC | Risk and Audit Committee |
| CGNC | General Code of Accounting Standards |
| IC | Investment Committee |
| IRC | Intervention and Resolution Committee |
| CPs | Core principles for effective deposit insurance systems |
| FCGD | Deposit Insurance Fund |
| FDIC | US deposit insurer |
| FGDBP | Deposit Insurance Fund for Participatory Banks |
| IMF | International Monetary Fund |
| FSAP | Financial Sector Assessment Program |
| GPBM | Professional Association of Moroccan Banks |
| IADI | International Association of Deposit Insurers |
| MENA | Middle East and North Africa |
| LC | Limited Company |
| SGFG | The Moroccan Deposit Insurance Corporation |

CHAIRMAN'S MESSAGE

The main purpose of this first annual report relating to the activities of The Moroccan Deposit Insurance Company (Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires, SGFG) for the 2016 financial year, is to inform the public on the deposit insurance systems in force in Morocco.

This system, established by the Banking Law of 1993, has undergone several changes aiming to strengthen the protection of the depositors as well as financial stability, bearing in mind that Morocco is the second country in the MENA region after Lebanon to have introduced such a system.

As such, the aforementioned Law established the Deposit Insurance Fund (Fonds Collectif de Garantie des Dépôts, FCGD) with the purpose of reimbursing depositors in the event of the winding up of a credit institution taking deposits, and exceptionally established a financial support mechanism for credit institutions in financial distress.

The management of the FCGD, which was effectively in place in 1996, was entrusted by the legislator to Bank Al-Maghrib as the supervisory authority responsible for credit institutions. The FCGD's resources consist of the annual premiums paid by the licensed credit institutions that are authorized to take deposits from the public, as well as the income from their investments in government securities for the most part.

With the enactment of the 2006 Banking Law, the legislator made new tools available to Bank Al-Maghrib to tackle the financial distress of credit institutions, particularly through the broadening of the FCGD's scope. Henceforth, Bank Al-Maghrib intervenes to reimburse depositors immediately following the winding up of credit institutions, a provision seeking the convergence with the international best practices in this regard.

These practices are the result of the standards and principles published by the International Association of Deposit Insurers (IADI), which in collaboration with the Basel Committee, published the core principles for effective deposit insurance systems. These principles, revised in 2014 to take into account the lessons learnt from the international financial crisis, not only cover legal and operational aspects relating to deposit insurance systems, but also coordination aspects between the various financial system safety net participants.

This is why in 2010, we conducted a self-assessment of our deposit insurance system on the basis of these core principles, to measure its level of compliance with regard to said principles.

In light of the outcomes of this work, the governance framework of this system was reviewed through the introduction of new specific provisions to the 2014 Banking Law. These granted the mandate of managing said system, as well as prerogatives regarding the provisional administration and banking resolution to an independent company, namely the SGFG.

The latter was established under the authority of Bank Al-Maghrib and the banking sector. The Banking Law also entrusted the management of a second deposit insurance fund specifically dedicated to participatory banks.

This legal reform aims to strengthen the operational capabilities of the deposit insurance system to make it one of the key pillars of the financial sector's safety net. The other pillars are composed of the supervisory systems of banks and regulators of other financial institutions, as well as of the role played by the Central Bank as a lender of last resort. Together, these pillars contribute to the stability of our financial system.

This annual report places a major focus on these evolutions, as well as on the activities undertaken by the SGFG over the course of its first full year of existence.

Abdellatif JOUAHRI
Chairman of the Board of Directors

MESSAGE OF THE MANAGING DIRECTOR OF THE SGFG

During the financial year under review, the SGFG has set out on the second year of its 2015-2017 strategic plan whilst ensuring the accomplishment of its priority actions and placing a focus on operational and communications related activities.

2016 was marked by a continued enhancement of this arrangement, particularly by focusing on human resources as well as the setting up of an adequate information system.

Since its establishment in May 2015, in addition to the required legal and procedural documentation, the SGFG strived to put in place an organizational and informational structure that is consistent with its missions.

The SGFG website (www.sgfg.ma) provides a wealth of content available in three languages, Arabic, French and English. This site serves as a communication tool with all the SGFG stakeholders.

On the international front, the SGFG attended the 15th General Meeting of the IADI, as well as the annual conference that took place in October 2016 in Seoul, South Korea. During these events, the SGFG was elected as Vice Chair of IADA's MENA regional committee, attesting to the role it plays at the regional level. This is why the SGFG was chosen by the IADI General Assembly to host the first international technical assistance workshop during the first quarter of 2017.

I reiterate everyone's commitment, members of SGFG's senior management and staff, to continue to spare no effort to strengthen the deposit insurance system of our banking system.

Abderrahim BOUAZZA²
Managing Director

² On December 21, 2016, Mr. Lhassane BENHALIMA was appointed by the Board of Directors as the new Managing Director of the SGFG, replacing Mr. Abderrahim BOUAZZA, appointed Director General of Bank Al-Maghrif.

MEMBERS OF THE BOARD OF DIRECTORS

The SGFG Board of Directors was established in April 2015 and is composed of the following members:

Mr. Abdellatif JOUAHRI, Chairman

Wali of Bank Al-Maghrib

Mr. Othman BENJELLOUN, Member

CEO, BMCE Bank of Africa

Mr. Mohamed EL KETTANI, Member

CEO, Attijariwafa Bank

Mr. Mohamed BENCHAABOUN, Member

CEO, Banque Centrale Populaire

Mr. Mohamed EL HAJJOUJI, Independent Member

Financial Expert

Mr. Moulay Driss IDRISSE BICHR, Independent Member

Legal Expert

The independent members of the Board of Directors are appointed *intuitu personae* for a renewable 3-year term. This appointment is based on a set of criteria which focus on professionalism, integrity and skills.

The members that represent the banking sector are designated by the Professional Association of Moroccan Banks (GPBM).

2016 KEY HIGHLIGHTS

2016 was marked by a series of developments relating to the SGFG's activities, including the following key highlights:

| Date | Key Highlights |
|-------------------------------|--|
| January 1st | Change of the SGFG head office. |
| February 3 | Holding of the 3rd meeting of the Investment Committee in Rabat. |
| March 29 | Holding of the 3rd meeting of the Board of Directors in Rabat under the chairmanship of Mr. Abdellatif JOUAHRI, Governor of Bank Al-Maghrib. |
| March 30 | Signing of a management mandate between the SGFG and Bank Al-Maghrib for managing the FCGD's assets. |
| March 31 | Closing of the collection of contributions ³ from the member credit institutions to the Deposit Insurance Fund for Commercial Banks (FCGD) for the 2016 financial year, amounting to MAD 1,473 million. |
| April 6 | Holding of the 4th meeting of the Investment Committee in Rabat. |
| May 5 | Participation ⁴ of the SGFG in a survey conducted by the International Association of Deposit Insurers (IADI) with its members to investigate on the needs in terms of technical assistance in the field of bank deposit insurance. |
| June 28 | Holding of the General Assembly Meeting in Casablanca. |
| August 30 | Holding of the first meeting of the Intervention and Resolution Committee ⁵ under the chairmanship of Bank Al-Maghrib's Director General. |
| August 30 | Holding of the first meeting of the Audit and Risk Committee in Rabat ⁵ . |
| September 19 | Holding of the 5th meeting of the Investment Committee in Rabat. |
| September 22 | Hosting of a delegation from the Central Bank of Guinea in the framework of exchanges on bank deposit insurance. |
| October 23-28 | Participation of the SGFG in the 15th general meeting and the annual IADI conference in Seoul, South Korea. |
| October 26 | Election of the SGFG as Vice President of the MENA Region within the IADI. |
| October 28 | Designation of the SGFG to host the first technical assistance workshop for the Africa and MENA regions under the auspices of the IADI. |
| December 6-8 | Participation of the SGFG in an international conference on banking resolution and crisis management in Basel, Switzerland. |
| December 15 | Participation of the SGFG in a simulation exercise conducted by "Esisuisse" the Swiss deposit insurer to test out its communication plan in the event of a bank failure. |
| December 31 | Launch of the SGFG website ⁶ . |

³ In accordance with the provisions of circular n°22/G/2006, the calculation and collect of premiums is ensured by Bank Al-Maghrib.

⁴ In its capacity of full-fledged member since September 2015.

⁵ Cf. chapter on the organization and internal committees

⁶ www.sgfg.ma

PART ONE



**INTERNATIONAL AND NATIONAL MACROECONOMIC
ENVIRONMENT**

PART ONE: INTERNATIONAL AND NATIONAL MACRO-ECONOMIC ENVIRONMENT

INTERNATIONAL ENVIRONMENT

The latest data reported on the international situation shows a continuation of the strengthening of economic activity in the United States and Japan, a stagnation in the Euro zone and a slight slowdown in growth in the United Kingdom.

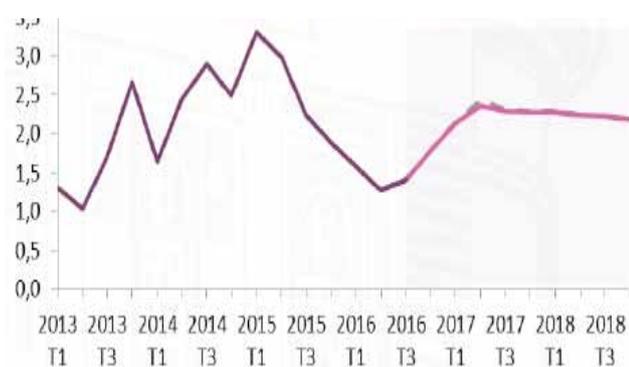
Table 1: Quarterly growth profile, year-on-year

| | 2015 | | | | 2016 | | | |
|-----------------------|------|------|------|------|------|------|------|------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| United States | 3,3 | 3,0 | 2,2 | 1,9 | 1,6 | 1,3 | 1,7 | 2,0 |
| Euro Zone | 1,8 | 2,0 | 1,9 | 2,0 | 1,7 | 1,6 | 1,8 | 1,8 |
| France | 1,3 | 1,2 | 1,1 | 1,2 | 1,2 | 1,1 | 0,9 | 1,1 |
| Germany | 1,1 | 1,8 | 1,7 | 1,3 | 1,9 | 1,8 | 1,7 | 1,8 |
| Italy | 0,3 | 0,7 | 0,7 | 1,0 | 1,1 | 0,9 | 1,0 | 1,0 |
| Spain | 2,7 | 3,1 | 3-4 | 3,6 | 3,4 | 3,4 | 3-2 | 3,0 |
| United Kingdom | 2,9 | 2,4 | 1,9 | 1,7 | 1,6 | 1,7 | 2,0 | 1,9 |
| Japan | 0,0 | 1,7 | 2,1 | 1,2 | 0,4 | 0,9 | 1,1 | 1,6 |
| China | 7,0 | 7,0 | 6,9 | 6,8 | 6,7 | 6,7 | 6,7 | 6,8 |
| India | 6,1 | 7,8 | 8,4 | 7,0 | 8,2 | 6-9 | 6,7 | 6-6 |
| Brazil | -1,8 | -3,0 | -4,5 | -5-8 | -5,4 | -3,6 | -2,9 | -2,5 |
| Russia | -1,9 | -3,4 | -2,7 | -3,2 | -0,4 | -0,5 | -0,4 | 0,3 |

Source : Bank Al-Maghrib

As such, the figures from the national accounts in the United States show a strengthening of the year-on-year growth by 2%. This growth mainly reflects the increase in household expenditures and investments that have more than offset the decline in government expenditures and exports.

Graph 1 : Growth in the United States



Source : Bank Al-Maghrib

In the Euro Zone, there was a stagnation of the growth rate at 1.8%. On a country basis, the GDP growth rate increased from 0.9% to 1.1% in France and 1.7% to 1.8% in Germany, and decreased from 3.2% to 3% in Spain and stagnated at 1% in Italy.

In the United Kingdom, there was a slight decline from 2.0% to 1.9% whilst there was a strengthening in Japan from 1.1% to 1.6%.

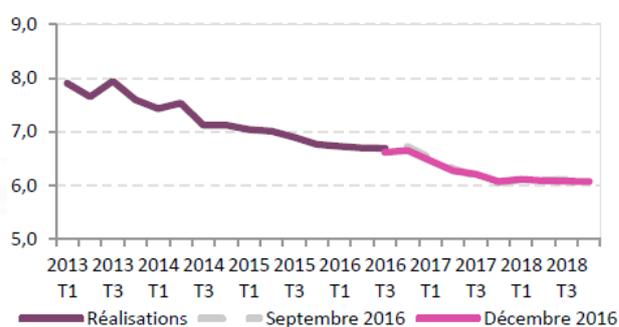
In the emerging countries, growth in China continued its slowdown, reaching 6.8% versus 6.7% in 2015. In India, growth slightly declined to 6.6% versus 6.7% whilst in Brazil the recession continued with a decrease in GDP from 2.9% to 2.5%. On the other hand, for the first time Russia posted a 0.3% GDP growth after seven consecutive quarters of contraction.

Graph 2 : Growth in the Euro Zone



Source : Bank Al-Maghrib

Graph 3 : Growth in Chineane



Source : Bank Al-Maghrib

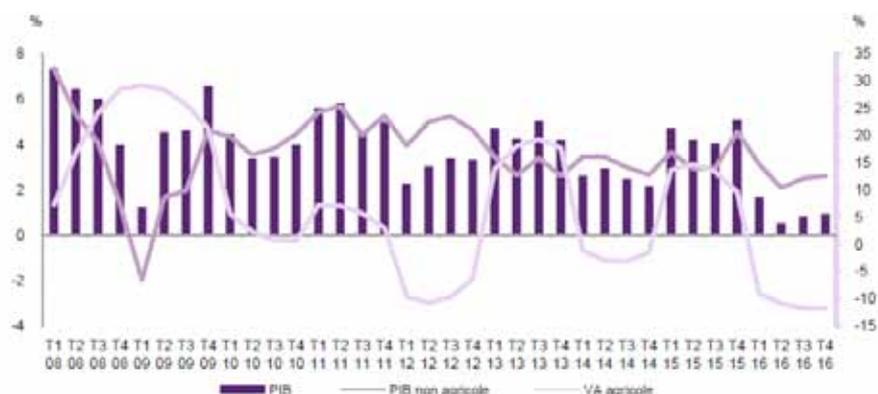
In this context, apart from the FED, the central banks of the other leading advanced countries maintained their rates. As such, the FED decided to increase the target range of its prime rate by a quarter percent to [0,75% - 1%]. For its part, the ECB decided to maintain its prime rate at 0%, whilst reiterating that its rates would remain at their current levels or at lower levels for an extended period of time. In the same way, the Bank of England decided to maintain its prime rate at 0.25%.

As for emerging countries, the Central Bank of Russia decided to decrease its prime rate from 10% to 9.75%. In the same way, the Central Bank of Brazil decided to decrease its prime rate by one percentage point to 11.25%. On the other hand, the Reserve Bank of India decided to maintain its prime rate at 6.25%.

NATIONAL ENVIRONMENT

2016 was marked by low economic growth, limited to 1.1% versus 4.5% in 2015 due to the 10.1% decrease of agricultural production resulting from an extremely challenging agricultural season. The non-agricultural activity remains bleak with a growth rate of 2.5% instead of 3.5% in 2015.

Graph 4 : GDP growth rate

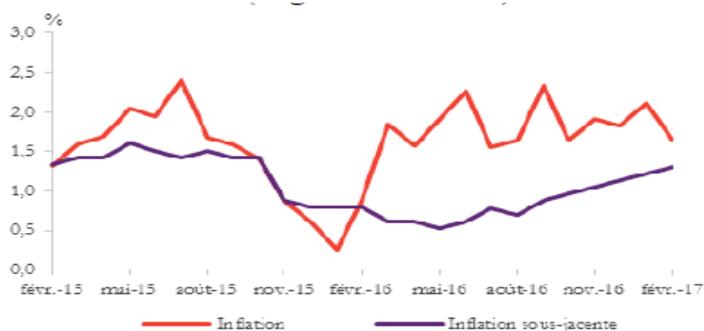


Source : Bank Al-Maghrib

In terms of demand, the final consumption increased to 3.1% after 2.9% the previous year for households and to 1.1% versus 0.6% for public administrations. As for investment, it increased to 3.3% versus a 0.7% decline in 2015. For their part, net exports of goods and services have posted a negative contribution to growth standing at 2.1 percentage points. The exports of goods and services increased by 8% instead of 6.8% and imports increased by 11.8% against a 2.4% decline the previous year.

In these conditions, inflation remained controlled standing at 1.6% in 2016, consistent with the Bank Al-Maghrib forecasts; and the unemployment rate decreased by 0.3 points to 9.4% with a 0.7-point decrease to 13.9% in urban areas and a slight increase from 4.1% to 4.2% in rural areas.

Graph 5 : Inflation and core inflation (year-on-year)



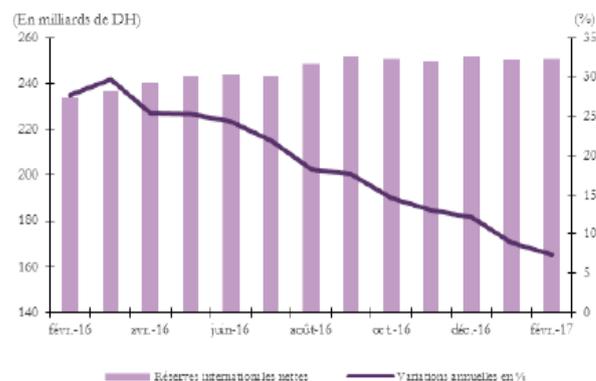
Source : Bank Al-Maghrib

In terms of public finances, the 2016 financial year ended on a deficit, excluding privatization, of 4.2% of GDP, representing an excess of 0.7% of GDP compared to the target set by the finance law. This growth is mainly a result of the acceleration of investment expenditures, considerable reimbursements of VAT credit and the low revenue from foreign contributions.

As for monetary policy, the Bank Al-Maghrib prime rate was lowered to 2.25% in early 2016 versus 2.5% in 2015, then remained unchanged, taking into account an inflation forecast consistent with the objective of price stability.

As for external accounts, despite the decrease of the energy bill, the trade deficit deteriorated by 18.2% in 2016, mainly due to a strong increase in the acquisition of capital goods and a decline in the sale of phosphates. Taking into account a 3.4% increase of tourist revenues and remittances from Moroccan Residents Abroad, as well as revenue from contributions, the current account deficit widened by 2.2% of GDP to stand at 4.2% of GDP in 2016.

Graph 6 : Growth of net international reserves

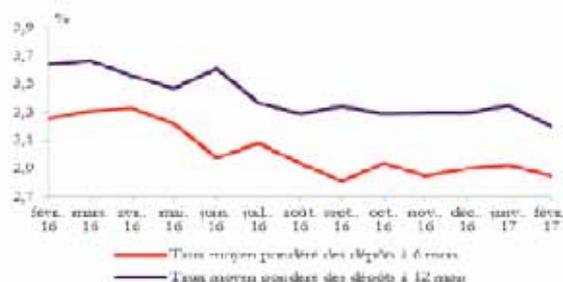


Source : Bank Al-Maghrib

In this context, and on the basis of the inflow of FDIs to a comparable level with the previous years, the currency reserves increased and reached 6.4 months of imports of goods and services at year-end 2016.

As for interest rates, they decreased in the various markets. Namely, lending rates declined by 41 points over the first three quarters of 2016 before slightly increasing by 9 points to reach 5.17% during the fourth quarter.

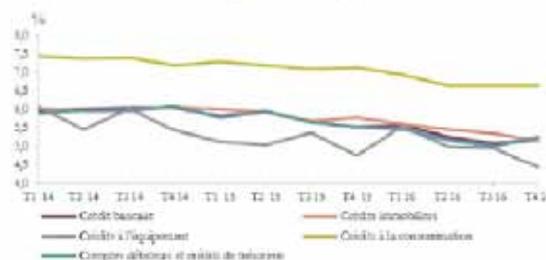
Graph 7 : Monthly evolution of lending rates



Source : Bank Al-Maghrib

In these conditions, the pace of bank credit compared with the non-financial sector increased from 0.3% in 2015 to 3.9% in 2016, reflecting a significant improvement in corporate loans.

Graph 8 : Quarterly evolution of borrowing rates applied by banks



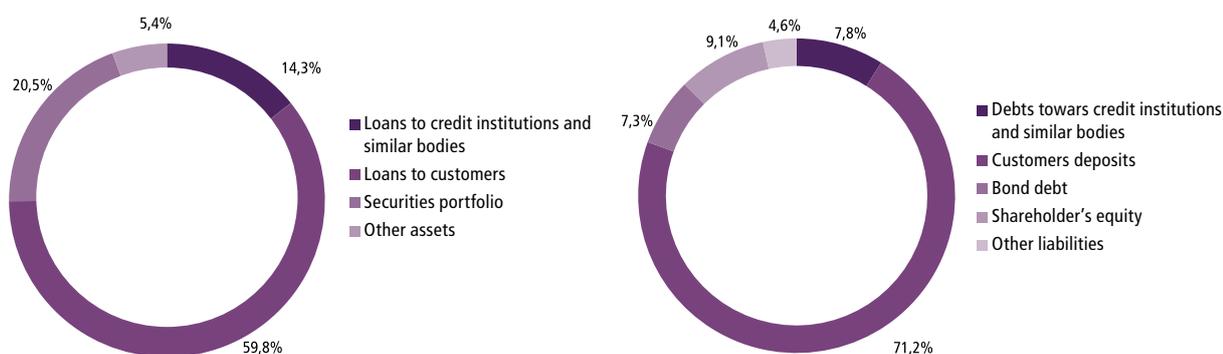
Source : Bank Al-Maghrib

EVOLUTION OF THE BANKING SECTOR

a. Resilience and robustness of the banking sector

As at year-end 2016, bank credit increased slightly to 4% after 2.5% in 2015, due to household loans that increased to 4.1% and to the upturn of corporate banking to 3.4% after a noticeable decline the previous year.

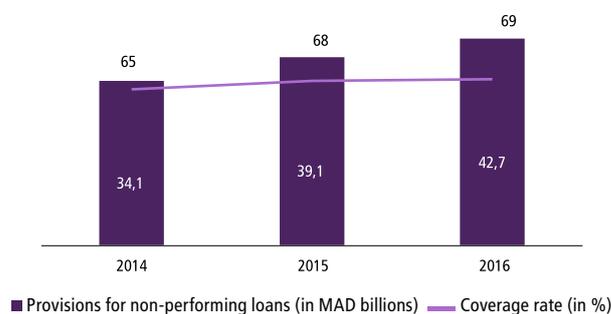
Graph 9 : Structure of banks' assets and liabilities



Source : Bank Al-Maghrib

The non-performing loans saw their rate of progress decline yet again to 6.8% versus 9% in 2015. The total balance amounted to MAD 61.6 billion, representing a claims rate of 7.6% versus 7.4% in 2015.

Graph 10 : Coverage rate of non-performing loans held by banks



Source : Bank Al-Maghrib

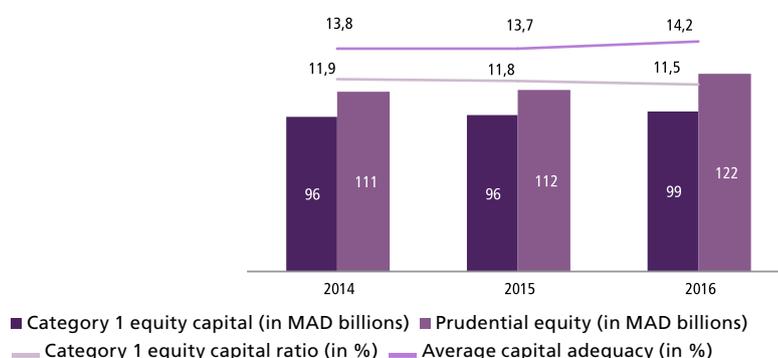
Following the same trend of non-performing loans, the relating provisions recorded a 9.1% increase versus 15% the previous year. What followed was an increase of the coverage rate of non-performing loans by provisions by one point, reaching 69%.

As for customer deposits, a 4.3% increase was recorded versus 6.4% the previous year. Deposits in MAD increased by 4.1% versus 6.2% in 2015 and deposits in foreign currency, with a share limited to 2.3%, increased by 10% after a 17.9% increase the previous year.

The accumulated net income of banks increased as a result of higher income from market activity as well as extraordinary income. As such, banks closed the 2016 financial year with a net cumulative gain, led by a significant non-recurrent transaction, in a context of limited credit growth and the erosion of bank margins. Without this transaction, this income would have posted a decline.

From a prudential standpoint, banks' financial base was further consolidated, in compliance with the regulatory requirements transposing the Basel III equity capital regime. The average solvency ratio for the sector hence improved to 14.2% versus 13.7% in 2015. As for the initial equity ratio, it stands at 11.5% after 11.8% in 2015.

Graph 11 : Evolution of equity and capital adequacy ratio⁷



Source : Bank Al-Maghrib

Furthermore, the stress tests conducted by Bank Al-Maghrib confirm overall the sound foundations of the banking sector as well as its capacity to maintain its resilience to macroeconomic shocks or its exposure to subsidiaries established abroad.

Box1 : Continuous strengthening by Bank Al-Maghrib of the banking supervision system

Under article 4 of its 2016 report, the IMF underlined its great satisfaction regarding Bank Al-Maghrib's strengthening of its banking supervision system in accordance with international practices. In addition to supervision-oriented practices, there was also a focus on the efforts deployed to ensure a cross-border supervision, to build the macro-prudential supervision policy and to take into account the broadening of the supervisory scope to include new subjected institutions (financial conglomerates, participatory banks, payment institutions...).

Table2 : Structure of the banking system

| | 2013 | 2014 | 2015 | 2016 |
|-------------------------------|-------|-------|-------|-------|
| Number of banks | 19 | 19 | 19 | 19 |
| Number of ATMs | 5 711 | 5 915 | 6 139 | 6 283 |
| Number of inhabitants per ATM | 5 700 | 5 700 | 5 500 | 5 400 |
| Banking rate (%) | 60 | 64 | 68 | 71 |

Source : Bank Al-Maghrib

⁷ In its capacity as a full-fledged member since September 2015

Table3 : Indicators of financial soundness of the banking sector

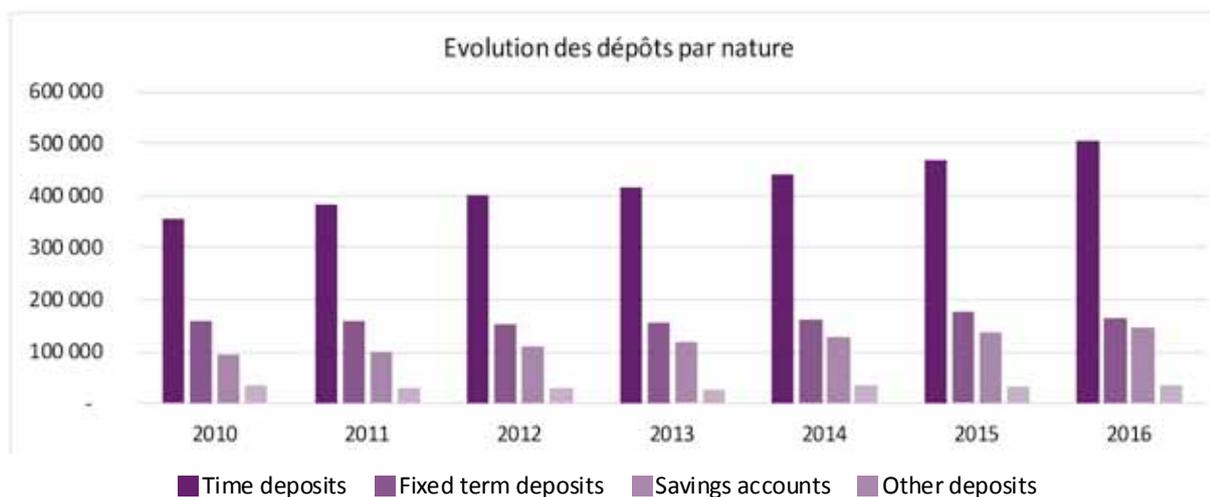
| | 2013 | 2014 | 2015 | 2016 |
|---|------|-------|------|------|
| Capital Adequacy (%) | | | | |
| Capital Adequacy ratio | 13,3 | 13,8 | 13,7 | 13,7 |
| Tier 1 capital/Total of weighted risks | 11,1 | 11,6 | 11,4 | 11,1 |
| Liquidity (%) | | | | |
| Liquidity ratio | 99,5 | 110,5 | 168 | 143 |
| Asset Quality (%) | | | | |
| NPL rate (non-performing loans/total loans) | 5,9 | 6,9 | 7,4 | 7,6 |
| Profit and profitability (%) | | | | |
| Average return on assets (ROA) | 1,0 | 0,9 | 0,8 | 0,8 |
| Average return on equity (ROE) | 10,6 | 10,2 | 9,1 | 8,6 |
| Interest margin/net banking income (NBI) | 74,0 | 69,0 | 72,0 | 68,6 |
| General operating expenses/NBI | 47,7 | 46,1 | 49,1 | 49,3 |

Source : Bank Al-Maghrib

b. Progression of bank deposits in 2016

After having progressed from 6.1% in 2015, customer deposits collected by banks posted a 4.6% increase in 2016 amounting to MAD 851.7 billion.

Graph 12 : Progression of deposits



Source : Bank Al-Maghrib

Time deposits stood at MAD 504.7 billion, marking a 7.7% increase versus 6.3% in 2015, and fixed term deposits posted a 6.1% decline to stand at MAD 165.5 billion. As for deposits in savings accounts, standing at MAD 144.8 billion, they increased by 5.8% compared with the previous year.

The structure of the deposits showed little change over the recent years. Almost 60% of these deposits are sight deposits and 19% are fixed term.

Graph 13 : Structure of bank deposits

Source : Bank Al-Maghrib

c. Number of depositors and size of deposits 2016

The figures reported at year-end 2016 show that the total number of depositors, including both physical and natural persons, liable to be covered by the Deposit Insurance Fund for Commercial Banks (FCGD) in the event of the winding up of a bank, is constantly on the rise from one year to the next.

As for the average amount of deposits in the banking sector, it approximately stands at MAD 31,000. This average amount is similar to the GDP/inhabitant which stands at MAD 31,245.06. If we consider the deposits of physical and natural persons separately, the average amounts respectively total MAD 30,000 and MAD 139,000.

Box2 : Deposits excluded from FCGD coverage

It must be recalled that the deposits excluded from the FCGD coverage are those received by an licensed credit institution from:

- Other credit institutions;
- Its subsidiaries, members of its administrative, supervisory and management bodies, its shareholders that have at least 5% voting rights;
- Organizations that provide the services set out in articles 7 and 16 of the Law n° 103-12;
- Entities set out in the 2nd and 3rd bullets of article 19 of the Law n°103-12.
- Organizations set out in 1), 2), 3), 4), 6), and 7) of article 23 of law n°103-12.

d. Collection of data on the depositors

In the framework of the actions set out in its strategic plan, in 2016 the SGFG embarked on a qualitative and quantitative depositor data collection process, in close collaboration with Bank Al-Maghrib. This information was meant to allow the SGFG to gradually build a database on the depositors, which is necessary for the performance of its indemnification mission in the most effective way possible. This database is also meant to allow the SGFG to carry out periodic simulation exercises to test its intervention capacity in the event of the winding up of a member credit institution.

8 Dispositions de l'article 131 de la loi n°103-12 précitée.

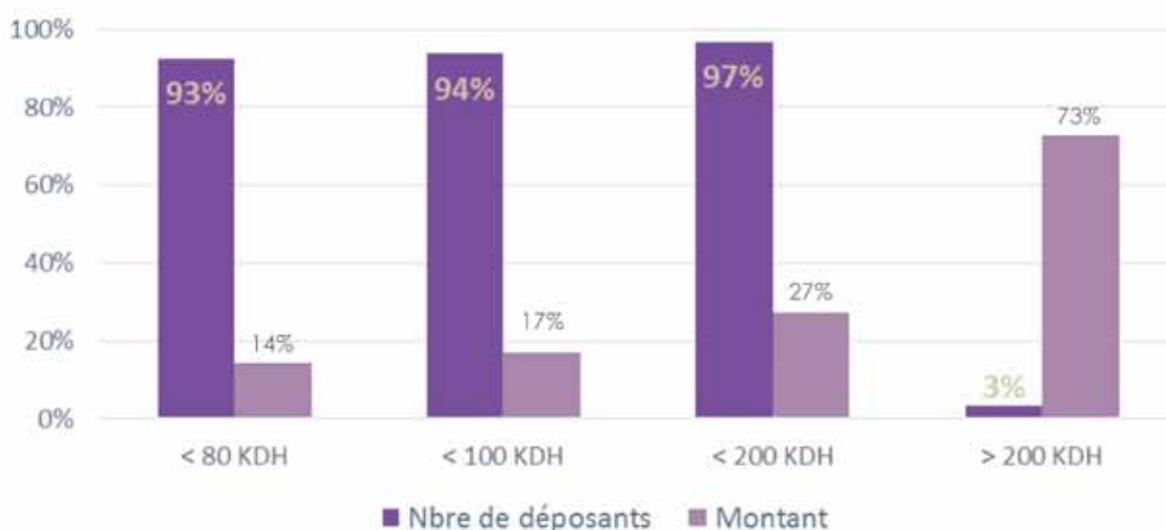
In this framework, the SGFG has gotten into contact with the relevant departments within Bank Al-Maghrib to first use the data from the Central Bank Account Systems (SCCB). This database, in the form of a bank account repository, makes it possible to access qualitative information on customers and their bank accounts. It is updated on a quarterly basis by credit institutions through secure channels and Bank Al-Maghrib ensures their confidentiality.

e. Breakdown of the deposits that may be eligible for insurance by the FCGD

By deposit brackets

Like other emerging and developed countries, a concentration of the level of deposits can be observed in graph 6 here below:

Graph 14 : Breakdown of deposits by bracket



Source : Bank Al-Maghrib

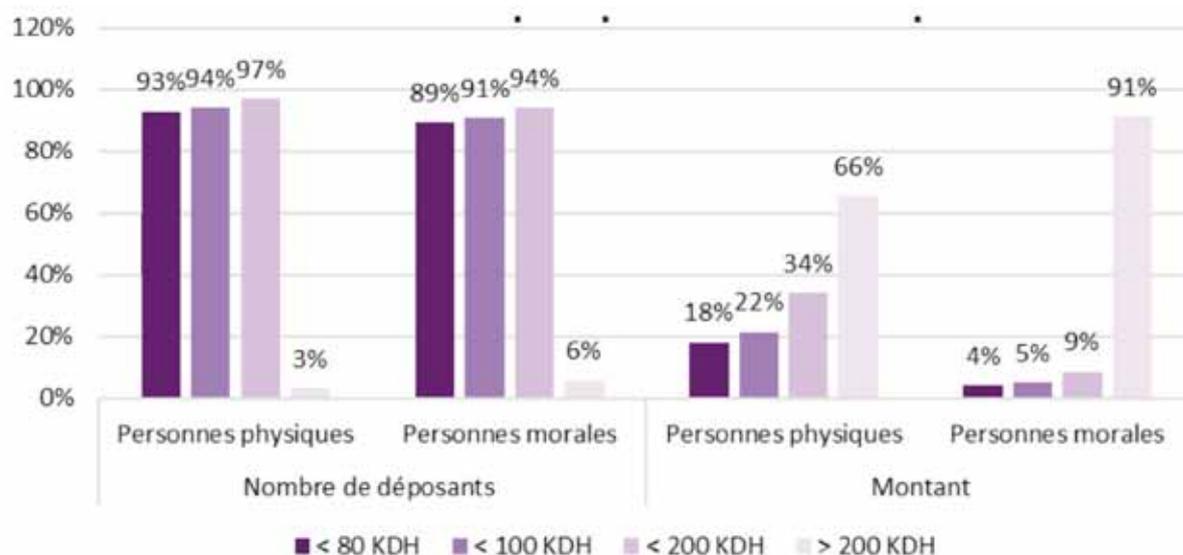
As for the number of depositors whose assets exceed MAD 200,000, they approximately represent 3.3% of the total number of depositors. The amount of their assets represents more than 72% of the total eligible deposits (Cf. table 1).

Table 4 : Breakdown of eligible deposits, by bracket and by number of depositors in 2016

| Amounts bracket in MAD | Number of depositors (physical and natural persons) | | Amount of deposits (physical and natural persons) | |
|--|---|--------|---|--------|
| | Total | Part | Total | Part |
| Total of accounts whose amount does not exceed MAD 100,000 | 16 591 841 | 93,83% | 118 277 | 17,05% |
| Total of accounts whose amount does not exceed MAD 200,000 | 17 098 270 | 96,70% | 189 274 | 27,28% |
| Total of accounts whose amount exceeds MAD 200,000 | 584 369 | 3,30% | 504 436 | 72,72% |

In 2016, the breakdown of deposit brackets for physical persons that are eligible to be covered by the FCGD, shows that almost all the depositors hold at least MAD 200,000 and represent 34.16% of the total amount of deposits. 2/3 of the remaining deposits are held by large-scale depositors that represent 3.11% of depositors. This trend is even more noticeable for natural persons. Indeed, the deposits under MAD 200,000 represent 8.48% of deposits and are held by 94.18% of depositors. As for the large-scale depositors, they hold more than 9/10 of the volume in deposits and only represent 5.82% of the number of depositors.

Graph 15 : breakdown of deposits by bracket and depositors



Source : Bank Al-Maghrib

PART TWO



**LATEST DEVELOPMENTS IN INTERNATIONAL NORMS
AND STANDARDS**

PART TWO: LATEST DEVELOPMENT IN INTERNATIONAL NORMS AND STANDARDS

1. Core principles of the IADI

In order to strengthen the deposit insurance systems of its members and to fulfill the requests with regard to the standardization of its orientations, in June 2009, the IADI published the “Core principles for effective deposit insurance systems” in collaboration with the Basel Committee.

In December 2010, the IADI, the Basel Committee, the IMF and the World Bank developed a methodology for the assessment of the compliance of its deposit insurance systems against the core principles. This methodology is intended to serve as a reference framework tool for the self-assessment and FSAP missions, jointly conducted by the IMF and the World Bank. It also serves the studies and comparative analysis surveys steered by the Financial Stability Board and the G20.

In November 2014, and in the framework of the continuation of these works, the IADI proceeded to update certain core principles, taking into account the lessons learnt from the international financial crisis and the self-assessment programs that have been conducted since 2011. These principles are broken down as follows:

- Principle 1 – Public policy objectives
- Principle 2 – Mandate and powers
- Principle 3 – Governance
- Principle 4 – Relationship with other safety-net participants
- Principle 5 – Cross-border issues
- Principle 6 – Deposit insurer’s role in contingency planning and crisis management
- Principle 7 –Membership
- Principle 8 – Coverage
- Principle 9 – Sources and use of funds
- Principle 10 – Public awareness
- Principle 11 –Legal protection
- Principle 12 – Dealing with parties at fault in a bank failure
- Principle 13 – Early detection and timely intervention
- Principle 14 – Failure resolution
- Principle 15 – Reimbursing depositors
- Principle 16 – Recoveries

Box 3: International Association of Deposit Insurers (IADI)

On the international front, the International Association of Deposit Insurers (IADI) is considered to be an international reference in the field of deposits insurance, just like the international organizations that enact standards and norms, namely the Basel Committee for banking supervision. It was established on May 6, 2002 and is domiciled at the Bank of International Settlements (BIS) in Basel, Switzerland. Its activities cover all fields relating to the deposit insurance system and banking resolution.

Currently, more than 100 members have joined the IADI including the SGFG in September 2015. These members represent 65% of countries that are endowed with deposit insurance systems. IADI's works have taken on a major importance in the wake of the international financial crisis, and its role is widely recognized internationally. In fact, the Financial Stability Council decided to incorporate the core principles, enacted in June 2009 and revised in 2014, into its compendium of international norms and standards to ensure effective insurance systems. These principles are used by the International Monetary Fund (IMF) and the World Bank (WB) in the framework of the FSAP.

In terms of governance, the highest authority of the IADI is the general meeting of its members. The executive committee currently chaired by the American FDIC ensures its proper functioning. The general meeting convenes on an annual basis and the Executive Committee 3 times per year.

Four standing committees backed by the Executive Committee assist it in its activities and meet 3 times per year in the sidelines of the Executive Committee's meetings.

These committees are:

- The Audit and Risk Committee.
- The Core Principles and Research Committee.
- The Training and Technical Assistance Committee.
- The Member Relations Committee.

At the same time, regional committees were created for Africa, Asia-Pacific, the Caribbean, Eurasia, Europe, Latin America, the Middle East and North Africa, and North America, given the emergence of issues of common interest. The regional committees must hold their meetings at least once a year.

The SGFG joined the IADI as a full-fledged member in September 2015, and is vice chair of the Middle East and North Africa regional committee since October 2016. As for Bank Al-Maghrib, it has the status of an observer member of the IADI.

⁹ The Basel Committee is the international organization that enacts the prudential norms and standards for the banking sector and constitutes a forum for cooperation in terms of banking supervision.

Graph 16: the overall governance structure of the IADI



Source : IADI

2. Key publications by the IADI

Since its inception, the IADI has published several documents covering various fields relating to the deposits insurance system. These documents served as a basis for the development of the core principles. They also constitute the guiding principles for all the member countries as well as all stakeholders (international organizations, academia....) to gain knowledge and become familiar with the field of deposits insurance.

The principal documents published to date cover the following aspects:

- The core principles for effective deposits insurance systems,
- The funding modalities for deposits insurance funds,
- The modalities for determining deposits insurance caps,
- Depositors' reimbursement schemes,
- Public awareness activities on the merits of the deposits insurance systems,
- The modes of governance of deposits insurance systems,
- The cooperation modalities between the safety-net participants,
- The Islamic deposits insurance systems,

In 2016, the IADI efforts particularly focused on the field of banking resolution. As such, several technical standards projects were developed by taskforces backed by the IADI, namely concerning bail-ins¹⁰ and their impact on deposits insurance organizations, as well as the resolution of financial cooperatives.

¹⁰ Internal recapitalization tool for banks

As for bail-ins, the works particularly focused on the definition of this concept as well as the potential risks to which these organizations could be exposed due to the strict enforcement of the rules enacted in this regard by the Financial Stability Council. Indeed, the deposits insurance organizations could be financially impacted if their receivables were to be included in the bail-in of a member bank in distress, in the form of financial assistance to the bank in distress.

Once completed, the bail-in document will be subjected to a public consultation in 2017 to gather feedback from the various stakeholders.

Box 4: Definition of bail-in

During the international financial crisis, many banks ended up in financial distress, which led to the bankruptcy of several banks and having to rely on public funds to save other banks. Since then, the Financial Stability Council and the Basel Committee enacted a set of rules and international banking standards to avoid yet another financial crisis and ensure that banks are more financially sound and less exposed to bankruptcy risks. A bail-in is one of the measures that authorities worldwide are adopting to this end.

Based on this new bail-in regime, as soon as there is evidence of signs of vulnerability where a bank could risk depleting its equity capital and could be declared bankrupt, part of its debt would be converted into ordinary shares. As such, and in application of this regime, said bank's shareholders and some of its creditors should be held liable for its recapitalization instead of the government and taxpayers' funds having to come to its rescue.

As for the financial cooperatives resolution which constitutes another major project, the purpose of the technical rules project is to define specific tools for the resolution of these cases of bankruptcy of these cooperatives. These resolution tools are greatly inspired by those currently enforced in banks and were designed and prepared following several internal surveys and consultations conducted by the IADI with its members. The publishing of these rules will make it possible for several member and non-member countries to better address this category of financial institutions.

Furthermore, in March 2016, after having revised the core principles in November 2014, the IADI published a second version of the manual on the evaluation of the core principles for effective deposits insurance systems. This manual presents an overall methodology to conduct an on-site evaluation of a deposits insurance system with the goal of enhancing its effectiveness.

3. The publications of the Financial Stability Board

Following the international financial crisis, in April 2009, the Heads of State of the G20 decided to create the Financial Stability Board in substitution of the former Financial Stability Forum created in 1999 by the G7 countries. The Financial Stability Board is entrusted with a broader mandate in view of promoting financial stability at the global scale.

Box 5: The Missions of the Financial Stability Board

In accordance with its by-laws, the Financial Stability Board is entrusted with the mandate of fulfilling the following missions:

- Evaluate the vulnerabilities impacting the international financial system, identify and examine the regulatory and supervisory measures necessary to address said vulnerabilities in a timely fashion and on an ongoing basis with a perspective of macro-prudential stability;
- Promote coordination and information sharing between the authorities responsible for financial stability;
- Supervise and formulate recommendations on the evolution of capital markets and their regulatory impacts;
- Supervise and formulate recommendations with regard to best practices in terms of compliance with regulatory standards;
- Carry out strategic verification and analysis missions in collaboration with international organizations, in charge of defining international norms and standards in view of coordinating the works for the development of policies aiming to address the priorities and pitfalls detected in a timely and coordinated fashion;
- Establish norms and standards to create and support supervisory committees;
- Support planning for cross-border crisis management, particularly with regard to financial institutions with a systemic importance;
- Collaborate with the IMF to conduct early warning exercises;
- Promote the implementation of norms and standards by member countries by conducting verification missions and by publishing the related reports.

As for the principal works carried out in 2016 by the Financial Stability Council, it is important to note the publication in October 2016 of the document on the methodology for the evaluation of the Key Attributes¹¹ of Effective Resolution Regimes for financial banking institutions. This methodology should help developed and emerging countries to evaluate the quality of their banking resolution regime and to develop, in the event of major gaps, the necessary reform programs.

In August 2016, the Financial Stability Council also published guidelines regarding temporary funding to ensure an orderly resolution of international banks with a systemic importance. The objective is to incorporate temporary funding sources in the framework of a resolution-oriented action in order to avoid having to rely on rescue plans by the public authorities.

¹¹ These are the guidelines enacted by the Financial Stability Council to help countries put in place a resolution regime for financial institutions without having to rely on public finances and to reduce the systemic effects in the event of bankruptcy of said institutions.

PART THREE



**THE MOROCCAN DEPOSIT INSURANCE COMPANY'S
(SGFG) ACTIVITIES IN 2016**

PART THREE: THE MOROCCAN DEPOSIT INSURANCE COMPANY'S (SGFG) ACTIVITIES IN 2016

ABOUT THE SGFG

The Moroccan Deposit Insurance Company (SGFG) is a limited company with a share capital of MAD 1 million that was established in May 2015, by Bank Al-Maghrib and the banking sector by virtue of the Banking Law of 24 December 2014 (Law n°103-12 relating to credit institutions and similar institutions). Its share capital is equally owned by Bank Al-Maghrib and the 16 credit institutions that are current members of the deposits insurance system.

The SGFG by-laws build on the provisions of the Law n°103-12 and Law n°17-95 relating to limited companies, whilst drawing inspiration from the core principles of effective insurance systems, enacted in June 2009 and revised in 2014 by the Basel Committee and the IADI.

The establishment of the SGFG took place as part of the reform of the legal framework governing our country's banking supervision. This new legal framework (Law n°103-12), aims to strengthen the governance of our Moroccan banking deposits insurance system and to be in line with the best international practices in the field.

The main mission of the SGFG is the management of deposits insurance funds emanating from commercial and participatory banks, as well as the contribution to the recovery of member credit institutions. In accordance with the provisions of the law, the SGFG can also be appointed by the Governor of Bank Al-Maghrib as an interim administrator of a member credit institution in financial distress.

In accordance with Law n°103-12 related to credit institutions and similar institutions, the SGFG's activities are governed by specifications, developed by Bank Al-Maghrib and that namely define:

- The obligations related to its functioning;
- The modalities of its contribution to the recovery of credit institutions;
- The rules of conduct that must be followed by its Board of Directors and staff;
- The modalities for the sharing of information between the SGFG and Bank Al-Maghrib.

From an operational standpoint, the SGFG strives to ensure:

- The management of the Deposit Insurance Fund (FCGD)
- The follow-up of the collection of annual contributions from member institutions;
- The establishment of an adequate system for the indemnification of depositors in the event of the unavailability of their eligible funds and assets¹²;
- The conditions for resorting to a bond issuance in the event of insufficient available resources;
- The conditions for the precautionary and exceptional granting of repayable assistance to a credit institution or a participatory bank in financial distress;
- The conditions related to taking an equity stake in a credit institution or participatory bank in financial distress;
- The conditions related to taking an equity stake in entities created by the application of the provisions from sections 2, 3 and 4 from article 115 of the banking law;

¹² With a maximum amount per depositor, set by Bank Al-Maghrib. This amount is currently set at MAD 80,000

- The intervention as an interim administrator of a credit institution¹³;
- The availability of necessary information to the public regarding the fulfilment of its mission.
-
- As far as its governance is concerned, the SGFG has a Board of Directors, composed of the 6 following members:
- The Governor of Bank Al-Maghrib or any other person appointed by him to this effect;
- Three representatives from member credit institutions, appointed by the Professional Association of Moroccan Banks (GPBM);
- Two independent members, appointed *intuitu personae* by the Governor of Bank Al-Maghrib and chosen on the basis of their proven professional experience.

It should be noted that the representatives of the banking sector shall not deliberate on issues related to the resolution of difficulties of member credit institutions. These issues fall within the responsibility of the Intervention and Resolution Committee.

In 2016, the Board of Directors held two meetings. The first one took place in March 2016 to amongst other things, approve the financial statements and decide upon the annual budget. As for the second meeting, it was held in December 2016 and was dedicated to the appointment of Mr. Lhasane BENHALIMA as the new Director General of the SGFG in replacement of Mr. Abderrahim BOUAZZA, appointed as Director General of Bank Al-Maghrib.

Box 6: Overview of the works of the Board of Directors held in March 2016

These works namely focused on the following points:

- Approval of the minutes of the second meeting of the Board of Directors;
- Review of the SGFG management report;
- Review of the FCGD management report;
- Review of the annual accounts for the 2015 financial year of the SGFG and the FCGD, and of the independent auditor's reports;
- Approval of the action plan and provisional draft budget for 2016;
- Approval of the FCGD investment policy;
- Approval of the SGFG visual identity;
- Amendment of the SGFG by-laws;
- Approval of the rules of procedures concerning:
 - The Board of Directors;
 - The Intervention and Resolution Committee;
 - The Investment Committee;
 - The Audit and Risk Committee;
- Approval of the code of conduct;
- Appointment of the Statutory Auditors.

¹³ Currently, the SGFG was appointed to act as an interim administrator of the UMB.

SGFG MISSION, VISION AND VALUES

Just like deposits insurance organizations in other countries, the SGFG developed a values framework that encompasses all of its actions and those of its staff.

This framework builds on a certain number of rules that were established on the basis of a vision and values that are perfectly consistent with the mission entrusted to it by the legal and regulatory provisions.

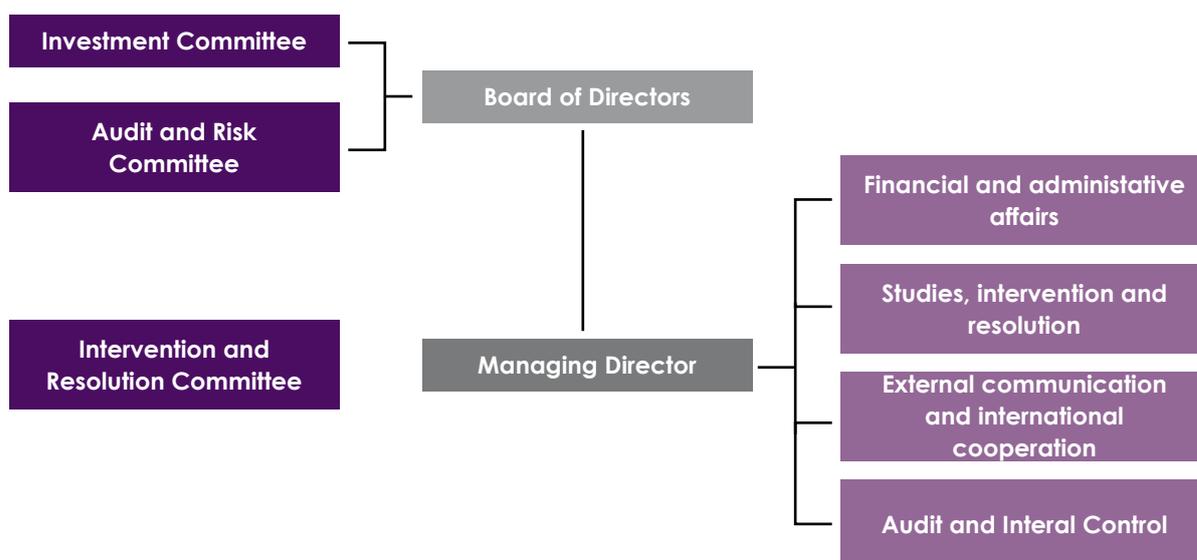


ORGANISATION ET COMITES INTERNES

STRUCTURE ORGANISATIONNELLE

The SGFG has an organizational structure focused on its main lines of business in order to effectively fulfill its missions.

Graph 17 : SGFG ORGANIZATIONAL STRUCTURE



- The main missions of the “Financial and Administrative Affairs” department are the following:
 - Ensure the execution of all works related to the company's financial management and the two deposits Insurance Funds;
 - Enforce the accounting principles and procedures in force;
 - Ensure the preparation of the financial statements and related reports;
 - Ensure the coordination between the administrative, accounting and budget activities for the company.
- The main missions of the “Studies, intervention and resolution” department are the following:
 - Ensure that data analysis is being carried out for the evaluation of banking risks;
 - Prepare the company's intervention plans in cooperation with the relevant departments within Bank Al-Maghrib;
 - Serve as the secretariat for the Intervention and Resolution Committee;
 - Contribute to the development of regulatory texts;
 - Contribute to the drafting of the company's report.
- The main missions of the “External Communication and International Cooperation” department are the following:
 - Promote the identity and image of the company;
 - Contribute to the promotion of internal and external communication activities
 - Prepare and organize public awareness activities on the merits and limitations of the banking deposits insurance system;
 - Ensure the follow-up of cooperation agreements entered into with partners.
- The main missions of the “Audit and Internal Control” department are the following:
 - Ensure the implementation of the internal control plan;
 - Develop procedures and ensure their enforcement in accordance with the standards in force;

- Ensure the effectiveness of internal control and the regular transmission of reporting to the company's senior management;
- Identify the pitfalls in terms of internal control, ensure they are addressed and monitored;
- Ensure coordination with the Audit and Risk Committee.

The activities of each department and business unit are governed by an internal procedures manual and by specification sheets describing the principal tasks assigned in detail.

INTERNAL COMMITTEES

The SGFG Board of Directors has established the three following internal committees:

a. Audit and Risk Committee

The purpose of the Audit and Risk Committee is to review :

- The accounts and financial statements before their submission to the Board of Directors;
- The selection process of the external auditor of the insurance funds and of the company's statutory auditor;
- Issues pertaining to the internal control system and the risk management system.

The Committee is chaired by the Director General of Bank Al-Maghrib and is composed of two independent administrators. It convenes twice a year.

In 2016, the Committee held its first meeting dedicated to the review of the internal control system.

b. Investment Committee

The Investment Committee is entrusted with the mission of implementing the guidelines defined by the Board of Directors in terms of investment policy, prevention and control of financial risks. It is also in charge of monitoring the implementation and the adaptation of the strategic allocation of assets and ensures that the investment policy is properly implemented. It reports to the Board of Directors on the decisions made, the results and performances obtained through the management of the insurance funds.

The Investment Committee is chaired by an independent administrator of the Board of Directors and includes the Director General of the SGFG. It meets 4 times a year and whenever circumstances so require.

In 2016, the Committee held 3 meetings to examine the strategy pertaining to the investment of assets held by the FCGD.

c. Intervention and Resolution Committee

The Intervention and Resolution Committee is entrusted with the mission of reviewing all issues pertaining to the company's scope and to the resolution of difficulties of member credit institutions, particularly with regard to:

1. Placing a member credit institution under interim administration;
2. The modalities for the granting of repayable assistance to a member credit institution;
3. The modalities for taking an equity stake in a member credit institution or acquiring share capital of entities emanating from the enforcement of the provisions of sections 2, 3 and 4 of article 115 from law n°103.12 related to credit institutions and similar institutions;

4. The indemnification process for depositors of a member credit institution;
5. The recovery of subrogated debts of the SGFG in the event of a winding-up.

The Intervention and Resolution Committee coordinates the resolution actions with the various departments of Bank Al-Maghrib, and its members may share information and documents amongst themselves on the member credit institutions that may be subjected to a banking resolution procedure.

In 2016, the Committee held its first meeting to review the first preliminary projects related to powers of the SGFG in terms of banking resolution, in collaboration with Bank Al-Maghrib.

2015-2017 STRATEGIC PLAN

The strategic plan covering the 2015/2017 period for the SGFG includes its strategic guidelines, as well as its vision and the objectives it is expected to meet during the plan's time period. The plan exceptionally covers a thirty-month period from June 2015 to December 2017. The strategic plan also comprises actions to be carried out by the company during this time period.

The strategic plan is hinged on fifteen operational objectives combined under four major areas of focus:

1. Endow the SGFG with an organizational and operational capacity;
2. Ensure an optimal management of financial resources of deposits insurance funds;
3. Contribute to strengthening the confidence of the public in the banking system;
4. Strive for the continuous adaptation of the banking deposits insurance system to the best international practices.

Box 7: The main objectives of the SGFG's strategic plan

The SGFG strategic plan sets out the objectives and commitments that must mark its progression during a three-year period. In developing it, the following elements were taken into consideration:

- The internal and external environmental factors;
- The assumptions to be adopted during the plan's time period;
- The budget necessary to achieve the defined objectives.

The SGFG strategic plan is guided by its vision and its mission and is anchored around certain values and aspirations. It is subjected to an annual evaluation by the Board of Directors.

Area of focus 1: Equip the SGFG with the organizational and operational capacity necessary for the fulfilment of its mission

1. Endow the company with an organizational structure in line with its functions.
2. Implement an effective human resources management policy.
3. Develop procedures manuals.
4. Equip the SGFG with an appropriate information system.
5. Establish a cooperation framework with Bank Al-Maghrib and the other financial safety net participants.
6. Establish a risk management system.
7. Establish an audit and internal control system.
8. Establish a regional and international cooperation framework.

Area of focus 2: Ensure an optimal management of the financial resources of the deposits insurance funds

9. Establish a resource investment policy.
10. Have a cost control policy

Area of focus 3: Contribute to strengthening the public's confidence in the banking system

11. Establish a communications policy for the deposits insurance system.
12. Take part in public awareness actions to foster the stability of the banking system.

Area of focus 4: Strive for the continuous adaptation of the banking deposits insurance system to the best international practices

13. Define the target size of each deposits insurance fund.
14. Reexamine the modalities for the determination of contributions paid by member credit institutions.
15. Strive to enhance the governance of the deposits insurance system to be in line with the highest standards.

MAIN ACTIVITIES OF THE SOCIETE MAROCAINE DE GESTION DES FONDS DE GARANTIE DES DEPOTS BANCAIRES (SGFG) IN 2016

2016 was the founding year, an intensive one to build the SGFG's organizational base. Most of the activities focused on the establishment of the proper operating structures and information system.

Furthermore, and in accordance with the key directions of the 2015-2017 strategic plan, the SGFG launched several projects, including:

- The FCGD's own accounting standards
- The internal control system
- The FCGD's financial risk management system
- The procedures manual for administrative, financial, and accounting management
- The local policy for information security
- The work related to defining the target size, as well as to the FCGD's strategic allocation

On the financial management front, the 2016 financial year was also when FCGD's course was chosen with regard to investment policy, governance, and internal organization. Indeed, in March 2016, the SGFG concluded a mandate with Bank Al-Maghrib, whereby the SGFG was entrusted with the management of FCGD's market resources. Consequently, the new general guidelines of the investment policy based on the principles of security, liquidity, and returns were communicated to the agent.

In terms of the FCGD's management, the SGFG relied on in-house resources, as well as on the investment recommendations and guidelines of the Investment Committee, as well as of the Audit and Risk Committee.

Furthermore, and in accordance with the provisions of law n° 103-12 on credit institutions and similar institutions, the SGFG started working on the identification of criteria to be used to grant repayable assistance funds and take equity stakes in credit institutions in distress.

The SGFG has also presented to Bank Al-Maghrib a draft memorandum of understanding for exchanging information between both parties with a view to allow the SGFG to carry out its mission in terms of banking resolution.

To give substance to its desire to be a player in deposits insurance at the regional level, the SGFG has initiated several contacts and exchange protocols with its foreign counterparts, which shall be signed at the upcoming workshop that it plans to organize in Casablanca during the first quarter of 2017.

The SGFG has been following, on a regular basis, the work undertaken by international bodies in terms of deposits insurance and banking resolution. An overview of this work is prepared for members of the Intervention and Resolution Committee to draw the necessary lessons.

Similarly, the SGFG is called upon to participate in working groups, established by the IADI, in order to prepare the norms and standards. Hence, the SGFG is a member of the working group on research and regulations, as well as the working group on insurance systems for Islamic bank deposits.

In September 2016, a delegation from the Central Bank of Guinea was welcomed at the company's headquarters. The objective was to share the Moroccan experience in establishing a deposits insurance system (structure, organization, governance).

In October of that same year, the SGFG participated in IADI's Annual Meeting organized in South Korea. Its efforts as an active member within this organization have contributed to its election to the vice-presidency of the MENA region.

In December, it participated in the 7th international conference on banking resolution and crisis management, which was held in Basel.

Regarding communication, the efforts focused primarily on the construction of SGFG's¹⁴ new website. The website was developed by integrating the high security measures inherent to institutional platforms, and taking into account the latest referencing techniques for an enhanced visibility on the web.

Available in Arabic, English and French, the new website provides information that helps the public understand the company's role and missions, its organization structure and operations, and other practices related to the management of bank deposits. A section of the website was reserved to member credit institutions.

Box8: Mockup of the SGFG's website in three languages

| A propos de la SGFG | About SGFG | حول الشركة المغربية لتدبير صناديق ضمان الودائع البنكية |
|---|--|---|
| <ul style="list-style-type: none"> • Vision et Mission • Objectifs • Gouvernance • Organisation • Plan stratégique | <ul style="list-style-type: none"> • Vision and Mission • Objectives • Governance • Organization • SGFG Strategic Plan | <ul style="list-style-type: none"> الرؤية والرسالة الأهداف الحكامة الهيكل التنظيمي المخطط الاستراتيجي |
| Cadre réglementaire | Legal framework | تشريعات |
| <ul style="list-style-type: none"> • Loi Bancaire • Circulaires de Bank Al-Maghrib • Cahier des charges sur le fonctionnement de la SGFG • Statuts de la société • Règlements intérieurs | <ul style="list-style-type: none"> • Banking Law • Circulars of Bank Al-Maghrib • General Rules related to SGFG's functions • By-law • Rules and procedures | <ul style="list-style-type: none"> القانون البنكي دوريات بنك المغرب دفتر التحملات حول الالتزامات المتعلقة بالشركة القانون الاساسي الأنظمة الداخلية |
| Garantie des Dépôts | Deposit Insurance system | نظام ضمان الودائع |
| <ul style="list-style-type: none"> • Importance du Système de Garantie des Dépôts • Dépôts couverts • Fonds de Garantie des Dépôts • Liste des banques membres | <ul style="list-style-type: none"> • Importance of Deposit Insurance System • Insured deposits • Deposit Insurance Funds • List of member banks | <ul style="list-style-type: none"> أهمية ضمان الودائع الودائع المشمولة بالضمان صناديق ضمان الودائع لائحة البنوك الاعضاء |
| Publications | Publications | الإصدارات |
| <ul style="list-style-type: none"> • Rapports annuels • Situations financières mensuelles des Fonds • Documents de travail • Brochures éducatives | <ul style="list-style-type: none"> • Annual Reports • Financial positions of Funds • Working Papers • Educational Brochures | <ul style="list-style-type: none"> تقارير سنوية الوضعية المالية لصناديق ضمان الودائع أوراق عمل نشرات توعوية |
| Espace presse et médiatique | Press and Media | الصحافة والإعلام |
| <ul style="list-style-type: none"> • Communiqués de presse • La SGFG dans la presse • Galleries des photos | <ul style="list-style-type: none"> • Press Releases • SGFG in News • Photo Gallery | <ul style="list-style-type: none"> بيانات صحفية الشركة في الأخبار معرض الصور |

PART FOUR



**FINANCIAL STATEMENTS AND RESULTS OF THE SGFG
AND THE FCGD**

PART FOUR: FINANCIAL STATEMENTS AND RESULTS OF THE SGFG AND THE FCGD

FINANCIAL STATEMENTS AND RESULTS OF THE SGFG

1. Balance sheet

As at December 31, 2016, the balance sheet total stood at 2.7 million dirhams versus 3.5 million dirhams in 2015, corresponding to a 22% decrease. Most of this variation is attributed to the adjustment of the payments of services rendered by the SGFG to the FCGD.

| BALANCE SHEET | Amounts (in thousands of dirhams) | |
|---------------------------------------|-----------------------------------|--------------|
| | 2016 | 2015 |
| Tangible fixed assets | 685 | 82 |
| Property, plant and equipment | 439 | 82 |
| Transport equipment | 246 | - |
| Intangible fixed assets | 65 | - |
| Other intangible assets | 65 | - |
| Financial assets | 200 | - |
| Other financial receivables | 200 | - |
| Current assets receivables | 617 | 2 281 |
| Advances and prepayments | 26 | 0 |
| Accounts receivable | 419 | 2 222 |
| Personnel | 106 | - |
| Government | 65 | 59 |
| Accruals and deferrals | 1 | - |
| Treasury - assets | 1 171 | 1 138 |
| Bank | 1 170 | 1 138 |
| Cash | 1 | - |
| Total liabilities | 2 738 | 3 501 |
| Equity capital | 1 601 | 1 151 |
| Share capital | 1 000 | 1 000 |
| Retained earnings | 143 | - |
| Legal reserve | 8 | - |
| Net income | 450 | 151 |
| Debt of current liabilities | 1 137 | 2 350 |
| Accounts payable and related accounts | 525 | 366 |
| Advances and prepayments | - | 1200 |
| Personnel | 120 | 196 |
| Social organizations | 74 | 122 |
| Government | 418 | 466 |

1.1 Assets

The items recorded in the accounting are evaluated using the historical cost basis of accounting.

The depreciation of assets is calculated on a straight-line basis and according to probable duration of use.

In gross terms, fixed assets grew considerably and now stand at MAD 1.02 million, namely due to the growth in tangible assets following the roll-out of the SGFG's activities.

1.1.1 Tangible assets

Tangible assets are recorded at the acquisition cost less depreciation. They posted a marked increase as a result of the combined effect of the acquisition of office and computer equipment related to the fittings of the SGFG headquarters, and the purchase of a company car, broken down as follows:

| Items (In MAD thousands) | Gross amounts | Depreciation | Net amounts |
|-------------------------------|---------------|--------------|-------------|
| Property, plant and equipment | 471 | 32 | 439 |
| Transport equipment | 285 | 38 | 247 |

1.1.2 Intangible assets

Intangible assets relate to the completion of the first tranche of the implementation of the website. The depreciation period for this asset was set at 5 years.

1.1.3 Financial assets

This section represents the deposit provided for by the commercial lease contract for the SGFG headquarters.

1.1.4 Current assets receivables

Trade receivables are considered to be the company's assets and are recorded at amortized cost. They may, furthermore, be covered by a provision for depreciation if there is objective evidence of an impairment loss, or the company's inability to recover the amounts due in the conditions initially laid down.

This section, which mainly comprises receivables in respect of services rendered by the SGFG to the FCGD, has posted a strong decrease of 1.8 million dirhams, attributable to the payment of these services over the course of the year.

1.1.5 Treasury-assets

In accordance with the principle of historical cost, assets in cash and at the bank that are reflected in the balance sheet are entered at their nominal amount and are subject to an insignificant risk of change in value. The treasury asset item corresponds to the balance of the bank statements and cash. At the end of the financial year, it stood at 1.17 million dirhams.

1.2 Liabilities

In gross terms, total liabilities as at December 31st, 2016 decreased considerably following the 52% decrease in current liabilities.

1.2.1 Equity capital

Under the provisions of the General Code of Accounting Standards (CGNC), equity capital is composed of share capital, supplements of contributions such as premiums (issue and merger...), the revaluation reserve when applicable, reserves and retained earnings carried forward, as well as unallocated net income, including the current year's net income.

The SGFG's equity capital is composed of share capital of 1 million dirhams, fully subscribed in 2015, the legal reserve of 8,000 dirhams, the retained earnings of 143,000 dirhams, and the net income of the financial year, which stands at 450,000 dirhams. The corporate tax to be paid is of 113,300 dirhams, calculated as 20% of the taxable income.

1.2.2 Debt of current liabilities

In accordance with the CGNC, the debts of current liabilities comprise payables not related to operations in the event where these payables are deemed to have been born with a due date that is greater than twelve months. These remain recorded in their input accounts in an irreversible manner until they are totally phased out unless there is an event or an assessment that has an impact on the conditions of their initial entry.

The current liabilities of the SGFG are composed as follows:

1. Debt amounting to 525,000 dirhams with suppliers and related accounts. These are invoices that haven't reached the company, on the purchase of computer equipment and services rendered by external service providers (intervention of CAC, Mazars firm...);
2. Provisions in the Personnel item regarding paid leave, for an amount of 120,000 dirhams;
3. Amounts for a total of 54,000 dirhams owed by the SGFG to the National Social Security Fund (Caisse Nationale de Sécurité Sociale) as well as to pension funds;
4. Debt recorded under the Government item for an amount of 418,000 dirhams, broken down as follows:

| Fiscal debt | Amounts (in MAD thousands) |
|---|----------------------------|
| General income tax from December, to be paid in January 17 | 46 |
| CT for 2016, to be paid in March 17 | 113 |
| VAT on receivables that have not yet been collected in 17 | 70 |
| VAT for the 4 th Quarter, to be paid in January 17 | 189 |
| Total | 418 |

For current assets, no advance payments or down payments have been recorded during the financial year. The principle adopted at the board meeting in March 2016 was to bill all the operating charges, no advance payment will be recorded under this item for the coming financial years.

2. Income statement

The turnover for 2016 stands at 6.18 million dirhams, representing a significant increase compared to 2015, as the latter only included one quarter of operations. The income is exclusively composed of commissions earned in exchange for services rendered by the SGFG to the FCGD.

| INCOME STATEMENT | Amounts (in thousands of dirhams) | |
|--|-----------------------------------|-------|
| | 2016 | 2015 |
| Total income | 6,184 | 1,852 |
| Operating income | 6,183 | 1,852 |
| Sale of goods and services produced | 6,184 | 1,852 |
| Financial income | 1 | - |
| Non-current income | - | - |
| Total expenses | 5,620 | 1,684 |
| Operating expenses | 5,618 | 1,682 |
| Purchases of materials and supplies used | 153 | 85 |
| Other external charges | 2,012 | 513 |
| Taxes and duties | 9 | 10 |
| Personnel charges | 3,165 | 1,072 |
| Other operating charges | 210 | - |
| Operating allowances | 69 | 2 |
| Financial costs | - | - |
| Non-current charges | 2 | 2 |
| Pre-tax income | 563 | 168 |
| Income tax | 113 | 17 |
| Net income | 450 | 151 |

The operating charges stood at 5.61 million dirhams, representing an increase of 3.93 million dirhams compared with 2015. This increase is mainly due to four causes:

- Accounting for the lease and lease costs in 2016 due to the transfer of the head office,
- The increase in personnel charges due to the full-year cost of the hires in 2015 and the hires in 2016,
- The increase in fees and compensation of intermediaries,
- The depreciation charge of MAD 69,000 for computer equipment and furniture purchased during the year.

FCGD's FINANCIAL STATEMENTS AND RESULTS

1. FCGD's objectives

Pursuant to article 129 of law n°103-12 on credit institutions and related institutions, the Fonds Collectifs de Garantie des Dépôts (FCGD) has the following objectives:

- To compensate depositors of credit institutions in the event of the unavailability of their deposits or any other repayable funds,
- To grant, as a preventive measure and in exceptional cases, repayable assistance funds to a credit institution in difficulty or take an equity stake in its capital.

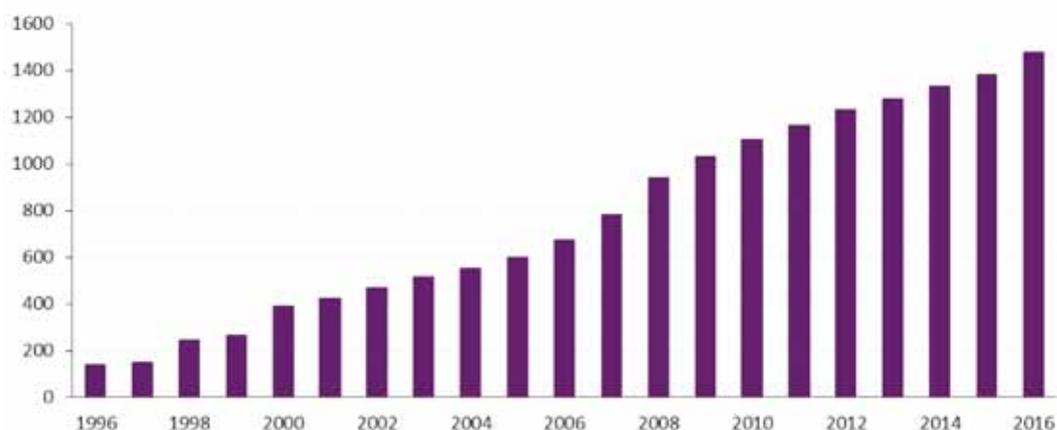
2. FCGD's resources

Since 1996, the financial contributions of credit institutions reached an amount of 16,174 million dirhams. As at December 31st, 2016, the FCGD counted 19 member institutions, including 16 banks and 3 finance companies.

In accordance with circular N°22/G/2006 of the WALI of Bank Al-Maghrib, these contributions are calculated based on a fixed rate of 0.20%, applied to the annual average of eligible deposits of every credit institution. In 2016, the contributions paid by credit institutions stood at 1,474 million dirhams, versus 1,379 million dirhams in 2015, representing a 6.85% increase.

Over the same period, total deposits by banks reached 813,526 million dirhams, representing a 6% increase.

Graph 18 : Trends in contributions (in millions of dirhams)



Source : Bank Al-Maghrib

3. Aperçu sur les états financiers

The financial statements are prepared in compliance with the general accounting standards of common law. These financial statements are presented in accordance with the provisions of the General Accounting Plan.

3.1 Balance sheet

The total balance sheet stood at 20,304 million dirhams as at December 31st, 2016, up 10% compared with the previous year.

3.2 Actif

Investment portfolio

As at December 31st, 2016, the assets in this portfolio stood at 17,406 million dirhams, up 7% compared with the previous year.

In comparison with 2015, the portfolio breakdown is more balanced between short and medium-term Treasury bills and long-term Treasury bills. Indeed, the agent, by extending the duration, purchased securities with longer maturities, corresponding to the change in benchmark composition.

| Name | Amount (in millions of dirhams) |
|--------------------------------------|---------------------------------|
| 52-week Treasury bills | 500 |
| 2-year Treasury bills | 2,017 |
| 5-year Treasury bills | 4,557 |
| 10-year Treasury bills | 3,073 |
| 15-year Treasury bills | 4,406 |
| 20-year Treasury bills | 2,562 |
| 30-year Treasury bills | 286 |
| Provisions for investment securities | -19 |
| Total | 17,382 |

Securities received in repurchase agreements

These are Treasury bills purchased temporarily and that are entered at the purchase price. The securities received in repurchase agreements reached 908 million dirhams in 2016, representing an 88% increase compared with year-end 2015.

Current account with Bank Al-Maghrib

The FCGD has a bank account open, since 1996, with Bank Al-Maghrib. This is a cash account, whose accounting balance corresponds to the balance on the bank statement as at December 31st, 2016, for an amount of 2.66 million dirhams.

Government-taxes and duties

The taxes and duties that are due are calculated based on the rules and rates applied in accordance with common law. As at year-end 2016, tax claims stood at 7.8 million dirhams.

Adjustment account - Accruals

As at year-end 2016, the adjustment accounts "Accruals" stood at 472 million dirhams, representing the accrued interest on portfolio securities. It is broken down as follows:

3.3 Liabilities

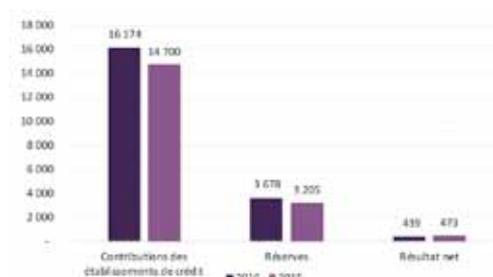
Equity capital and quasi-equity

The FCGD's equity capital and quasi-equity, comprised of contributions from member credit institutions, reserves and the current year's net income stood at 20,291 million dirhams in 2016, representing a 10% increase.

Le montant des contributions au FCGD par les établissements de crédit recevant des fonds du public a atteint, pour l'exercice 2016, 1.474 millions de dirhams, contre 1.379 millions de dirhams l'année écoulée, soit une progression de 6,9%. Ces cotisations ont permis de porter le montant global des cotisations des établissements de crédit à fin décembre 2015 à 16.174 millions de dirhams.

For 2016, the contributions to the FCGD paid by credit institutions that receive funds from the public reached 1,474 million dirhams, versus 1,379 million dirhams the previous year, representing an increase of 6.9%. These contributions raised the total amount of contributions from credit institutions as at year-end 2015 to 16,174 million dirhams

Graph 19: Premiums from credit institutions



Adjustment accounts - Deferrals

As at year-end 2016, the adjustment accounts "deferrals" reported an amount of 13 million dirhams and are composed of the residual management fees to be paid for 2016, as well as the balance of the item related to taxes and duties to be paid.

Adjustment accounts - Deferrals

As at year-end 2016, the adjustment accounts "deferrals" reported an amount of 13 million dirhams and are composed of the residual management fees to be paid for 2016, as well as the balance of the item related to taxes and duties to be paid.

Taxes and duties to be paid

As at year-end 2016, the balance of the taxes and duties item to be paid was as follows:

| Name | Amounts (in thousands of dirhams) |
|--|-----------------------------------|
| 2016 income tax | 217 |
| Allocation of the 2016 instalment payments | -207 |
| Total | 10 |

3.4 Income statement

Income

As at year-end 2016, the income generated reached 765.92 million dirhams, versus 724.12 million dirhams in December 2015, representing a 6% year-on-year increase. This income is broken down as follows:

| Income | (Amounts (in millions of dirhams) | |
|---|-----------------------------------|------|
| | 2016 | 2015 |
| Interest earned on investment securities | 723 | 685 |
| Haircut/investment securities spread | 15 | 18 |
| Interest earned on securities received in repurchase agreements | 24 | 21 |
| Capital gains on disposals of securities | 4 | - |
| Total | 766 | 724 |

Charges

The charges posted an increase of 30% compared with 2015, and stand at 326.53 million dirhams.

INDEPENDENT AUDITOR'S REPORT

Deloitte

Deloitte Audit
288, Boulevard Zerktouni
Casablanca
Morocco

| | | |
|-----------------------------|------------|---------------------|
| Tax ID: 1021006 | Telephone: | +212 5 22 22 40 25 |
| Commercial register: 51 451 | | + 212 5 22 22 47 34 |
| Social Security n°: 2749797 | Fax: | + 212 5 22 22 40 78 |
| Professional tax: 30220009 | | + 212 5 22 22 47 59 |

To the shareholders of the **Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires (SGFG)**

162, Boulevard d'Anfa, 7th floor – Casablanca

GENERAL REPORT OF THE INDEPENDENT AUDITORS

FINANCIAL YEAR FROM 01 JANUARY TO 31 DECEMBER, 2016

In accordance with the mission entrusted to us by your General Meeting, we have audited the enclosed financial statements of the **Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires S.A.**, comprising the balance sheet, the income statement, the management discussion and analysis, the cash flow statement, and supplemental information on the year ending on December 31, 2016. These financial statements show an amount of equity capital and quasi equity of KMAD 1,601 including a net profit of KMAD 450.

Responsibility of Management

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with the accounting standards accepted in Morocco. This responsibility includes the design, implementation, and follow-up of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, as well as making reasonable accounting estimates given the circumstances.

Responsibility of the Auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Professional Standards in Morocco. These standards require that we comply with ethical principles, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures with the view to obtain audit evidence about the amounts and information provided in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making these risk assessments, the auditor considers the internal controls in force within the entity relating to the preparation and presentation of the financial statements in order to define the audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes the assessment of the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by Management, as well as the assessment of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph here-above are regular and accurate and give, in all material respects, a fair view of the result of the operations of the year ended as well as the financial position and heritage of the **Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires S.A.** as at December 31, 2016, in accordance with the accounting standards accepted in Morocco.

Verifications and specific information

We have also performed specific verifications provided by law, and we have namely ensured the consistency of the information provided in the management report to the Board of Directors for the shareholders with the company's financial statements.

Casablanca, March 24, 2017

The Independent Auditor

Deloitte Audit

Fawzi BRITEL

Partner

INDEPENDENT AUDITOR'S REPORT OF THE FCGD

Deloitte Audit

288, Boulevard Zerktouni

Casablanca

Morocco

| | | |
|-----------------------------|------------|---------------------|
| Tax ID: 1021006 | Telephone: | +212 5 22 22 40 25 |
| Commercial register: 51 451 | | + 212 5 22 22 47 34 |
| Social Security n°: 2749797 | Fax: | + 212 5 22 22 40 78 |
| Professional tax: 30220009 | | + 212 5 22 22 47 59 |

To the shareholders of the **Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires (SGFG)**

162, Boulevard d'Anfa, 7th floor – Casablanca

REPORT OF THE INDEPENDENT AUDITOR

FINANCIAL YEAR FROM 01 JANUARY TO 31 DECEMBER, 2016

We have audited the enclosed financial statements of the **Fonds Collectif de Garantie des Dépôts**, comprising the balance sheet, the income statement, the management discussion and analysis, the cash flow statement, and supplemental information on the year ending on December 31, 2016. These financial statements show an amount of equity capital and quasi equity of KMAD 20,291,469 including a net profit of KMAD 439,334.

Responsibility of Management

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with the accounting standards accepted in Morocco. This responsibility includes the design, implementation, and follow-up of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, as well as making reasonable accounting estimates given the circumstances.

Responsibility of the Auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Professional Standards in Morocco. These standards require that we comply with ethical principles, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures with the view to obtain audit evidence about the amounts and information provided in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making these risk assessments, the auditor considers the internal controls in force within the entity relating to the preparation and presentation of the financial statements in order to define the audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes the assessment of the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by Management, as well as the assessment of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

We believe that the financial statements mentioned in the first paragraph here-above give, in all material respects, a fair view of the financial position of the **Fonds Collectif de Garantie des Dépôts** as at December 31, 2016, as well as of the results of its operations for the year ending on that date, in accordance with the accounting standards accepted in Morocco.

Without calling into question the opinion expressed here-above, we bring to your attention that, in terms of accounting and presentation of the contributions of credit institutions, detailed principles in note III.1 of the A1 statement of supplemental information were applied.

Casablanca, March 24, 2017

The Independent Auditor

Deloitte Audit

Fawzi BRITEL

Partner

RESOLUTIONS OF THE 2017 GENERAL MEETING

FIRST RESOLUTION

Approval of the 2016 financial statements

The General Meeting of shareholders, acting with the quorum and majority requirements for ordinary general meetings and having been informed:

- of the management report presented by the Board of Directors □
- of the special report presented by the Chairman □
- and of the general independent auditor's report on the performance of their mission

Approve the accounts for the year ending December 31, 2016 which resulted in a net profit of 449,975.52 dirhams and discharge the Board of Directors for its management of the Company's business during said year.

The general meeting grants discharge to the firm Deloitte Audit in respect of its Independent Auditor's mandate for the year ending December 31, 2016.

SECOND RESOLUTION

Allocation of the profit

The General Meeting of shareholders, acting with the quorum and majority requirements for ordinary general meetings, approves the proposals of the Board of Directors related to the allocation of the net income of 449,975.52 dirhams for the year ending December 31, 2016 as follows:

- | | |
|--|--------------------|
| • • To the legal reserve (5 % of the profit of the financial year) | 22,498.78 dirhams |
| • • To the retained earnings | 427,476.74 dirhams |

THIRD RESOLUTION

Approval of the conventions specified in article 56 of the Law on limited companies

FOURTH RESOLUTION

Powers to carry out formalities

The General Meeting of shareholders, acting with the quorum and majority requirements for ordinary general meetings, grants full powers to the bearer of a copy or extract of the minutes of this General Meeting to carry out all the formalities stipulated by the law.

FINANCIAL STATEMENTS OF THE SGFG AS AT YEAR-END 2016

| | | Table T01 (2/28) | | | |
|--|--|----------------------|---------------------|-------------------------|---------------------|
| BALANCE SHEET – ASSETS | | | | | |
| SOCIETE MAROCAINE DE GESTION DE GARANTIE DES DEPOTS BANCAIRES | | | | As at 31/12/2016 | |
| Items Gross | | Financial year | | | Previous year |
| | | Depreciation & Prov. | Net | | |
| FIXED ASSETS | NIL VALUE ASSETS (a) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Preliminary fees | 0.00 | 0.00 | 0.00 | 0.00 |
| | Deferred charges | 0.00 | 0.00 | 0.00 | 0.00 |
| | Bond redemption premiums | 0.00 | 0.00 | 0.00 | 0.00 |
| | INTANGIBLE ASSETS (b) | 64 590.00 | 0.00 | 64 590.00 | 0.00 |
| | Assets in research and development | 0.00 | 0.00 | 0.00 | 0.00 |
| | Patents, trademarks, rights and similar rights | 0.00 | 0.00 | 0.00 | 0.00 |
| | Goodwill | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other intangible assets | 64 590.00 | 0.00 | 64 590.00 | 0.00 |
| | TANGIBLE ASSETS (c) | 755 670.33 | 70 487.16 | 685 183.17 | 82 422.33 |
| | Land | 0.00 | 0.00 | 0.00 | 0.00 |
| | Buildings | 0.00 | 0.00 | 0.00 | 0.00 |
| | Property, plant and equipment | 0.00 | 0.00 | 0.00 | 0.00 |
| | Transport equipment | 284 500.00 | 37 933.33 | 246 566.67 | 0.00 |
| | Office equipment, furniture and fittings | 471 170.33 | 32 553.83 | 438 616.50 | 82 422.33 |
| | Other tangible assets | 0.00 | 0.00 | 0.00 | 0.00 |
| | Tangible assets in course of construction | 0.00 | 0.00 | 0.00 | 0.00 |
| | FINANCIAL ASSETS (d) | 200 000.00 | 0.00 | 200 000.00 | 0.00 |
| | Long-term loans | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other financial receivables | 200 000.00 | 0.00 | 200 000.00 | 0.00 |
| | Equity securities | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other long-term securities | 0.00 | 0.00 | 0.00 | 0.00 |
| | UNREALIZED EXCHANGE LOSSES (e) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Decrease of long-term receivables | 0.00 | 0.00 | 0.00 | 0.00 |
| | Increase of financing debt | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL I (a+b+c+d+e) | 1 020 260.33 | 70 487.16 | 949 773.17 | 82 422.33 | |
| CURRENT ASSETS | INVENTORY (f) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Goods | 0.00 | 0.00 | 0.00 | 0.00 |
| | Consumable materials and supplies | 0.00 | 0.00 | 0.00 | 0.00 |
| | Goods in process | 0.00 | 0.00 | 0.00 | 0.00 |
| | Intermediate products and residual products | 0.00 | 0.00 | 0.00 | 0.00 |
| | Finished products | 0.00 | 0.00 | 0.00 | 0.00 |
| | CURRENT ASSETS RECEIVABLES (g) | 617 108.13 | 0.00 | 617 108.13 | 2 281 633.52 |
| | Prepaid expenses | 25 793.70 | 0.00 | 25 793.70 | 0.00 |
| | Accounts receivable | 419 189.18 | 0.00 | 419 189.18 | 2 222 428.61 |
| | Personnel | 106 000.00 | 0.00 | 106 000.00 | 0.00 |
| | Government | 65 280.00 | 0.00 | 65 280.00 | 59 204.91 |
| | Shareholder loan account | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other receivables | 0.00 | 0.00 | 0.00 | 0.00 |
| | Accruals and deferrals | 845.25 | 0.00 | 845.25 | 0.00 |
| SECURITIES AND INVESTMENT SECURITIES (h) | 0.00 | 0.00 | 0.00 | 0.00 | |
| UNREALIZED EXCHANGE LOSSES (i) (Circul. Items) | 0.00 | 0.00 | 0.00 | 0.00 | |
| TOTAL II (f+g+h+i) | 617 108.13 | 0.00 | 617 108.13 | 2 281 633.52 | |
| CASH | CASH - ASSETS | 1 171 183.00 | 0.00 | 1 171 183.10 | 1 137 434.44 |
| | Cheques and bills awaiting collection | -1 500.00 | 0.00 | -1 500.00 | 0.00 |
| | Bank deposits, cash and post office deposit accounts | 1 170 568.74 | 0.00 | 1 170 568.74 | 1 137 434.44 |
| | Cash, imprest accounts and letters of credit | 2 114.36 | 0.00 | 2 114.36 | 0.00 |
| | TOTAL III | 1 171 183.10 | 0.00 | 1 171 183.10 | 1 137 434.44 |
| GENERAL TOTAL I+II+III | 2 808 551.56 | 70 487.16 | 2 738 064.40 | 3 501 490.29 | |

FINANCIAL STATEMENTS OF THE SGFG AS AT YEAR-END 2016

| | | Table T01 (3/28) | | |
|--|--|-------------------------|---------------|--|
| BALANCE SHEET – LIABILITIES | | | | |
| SOCIETE MAROCAINE DE GESTION DE GARANTIE DES DEPOTS BANCAIRES | | As at 31/12/2016 | | |
| Items | | Financial year | Previous year | |
| PERMANENT FINANCING | EQUITY CAPITAL | 1 601 280.32 | 1 151 304.80 | |
| | Social capital or personal assets (1) | 1 000 000.00 | 1 000 000.00 | |
| | Less: subscribed, uncalled capital | 0.00 | 0.00 | |
| | Issue, merger and transfer premiums | 0.00 | 0.00 | |
| | Revaluation reserve | 0.00 | 0.00 | |
| | Legal reserve | 7 565.20 | 0.00 | |
| | Other reserves | 0.00 | 0.00 | |
| | Retained earnings (2) | 143 739.60 | 0.00 | |
| | Net income pending allocation (2) | 0.00 | 0.00 | |
| | Net income for the financial year (2) | 449 975.52 | 151 304.80 | |
| | TOTAL EQUITY CAPITAL (a) | 1 601 280.32 | 1 151 304.80 | |
| | QUASI EQUITY (b) | 0.00 | 0.00 | |
| | Investment grants | 0.00 | 0.00 | |
| | Regulated provisions | 0.00 | 0.00 | |
| | | | | |
| | FINANCING DEBTS (c) | 0.00 | 0.00 | |
| | Bond issues | 0.00 | 0.00 | |
| | Other financing debts | 0.00 | 0.00 | |
| | | | | |
| | PROVISIONS FOR LIABILITIES AND CHARGES (d) | 0.00 | 0.00 | |
| | Provisions for liabilities | 0.00 | 0.00 | |
| Provisions for charges | 0.00 | 0.00 | | |
| UNREALIZED EXCHANGE GAINS (e) | 0.00 | 0.00 | | |
| Increase of long-term receivables | 0.00 | 0.00 | | |
| Decrease of financing debt | 0.00 | 0.00 | | |
| TOTAL I (a+b+c+d+e) | 1 601 280.32 | 1 151 304.80 | | |
| CURRENT LIABILITIES | DEBT OF CURRENT LIABILITIES (f) | 1 136 784.08 | 2 350 185.49 | |
| | Accounts payable and related accounts | 525 013.30 | 366 465.74 | |
| | Advances and prepayments | 0.00 | 1 200 000.00 | |
| | Personnel | 120 429.24 | 196 008.33 | |
| | Social organizations | 73 705.19 | 122 231.61 | |
| | Government | 417 636.35 | 465 479.81 | |
| | Shareholder loan account | 0.00 | 0.00 | |
| | Other creditors | 0.00 | 0.00 | |
| | Accruals and deferred income | 0.00 | 0.00 | |
| | OTHER PROVISIONS FOR LIABILITIES AND CHARGES (g) | 0.00 | 0.00 | |
| UNREALIZED EXCHANGE GAINS (h) (Circl. Items) | 0.00 | 0.00 | | |
| TOTAL II (f+g+h) | 1 136 784.08 | 2 350 185.49 | | |
| CASH | CASH - LIABILITIES | 0.00 | 0.00 | |
| | Discount loans | 0.00 | 0.00 | |
| | Cash loans | 0.00 | 0.00 | |
| | Banks (credit balances) | 0.00 | 0.00 | |
| | TOTAL III | 0.00 | 0.00 | |
| TOTAL I+II+III | 2 738 064.40 | 3 501 490.29 | | |

(1) Personal assets with a negative balance

(2) Profit position (+). Deficit position (-)

FINANCIAL STATEMENTS OF THE SGFG AS AT YEAR-END 2016

| | | | | Table T02 (4/28) | | |
|--|-----------------------------------|--|----------------------------|------------------------------------|---------------------|---------------------|
| SOCIETE MAROCAINE DE GESTION DE GARANTIE DES DEPOTS BANCAIRES | | | | From 1/1/2016 to 31/12/2016 | | |
| Items | | | Total for the current year | Previous year | | |
| | Operations the current year | Of the previous years | | | 3 = 1 + 2 | 4 |
| | 1 | 2 | | | | |
| OPERATIONS | I | OPERATING INCOME | | | | |
| | | Sales of goods | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Sales of goods and services produced | 6 182 657.65 | 0.00 | 6 182 657.65 | 1 852 023.84 |
| | | Turnover | 6 182 657.65 | 0.00 | 6 182 657.65 | 1 852 023.84 |
| | | Changes in product inventories | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Self-constructed assets | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Operating grants | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Other operating income | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Operating reversals; expense transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| | | TOTAL I | 6 182 657.65 | 0.00 | 6 182 657.65 | 1 852 023.84 |
| | II | OPERATING CHARGES | | | | |
| | | Cost of goods sold | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Cost of materials and supplies used | 153 442.30 | 0.00 | 153 442.30 | 84 819.00 |
| | | Other external charges | 2 011 210.46 | 730.87 | 2 011 941.33 | 513 248.74 |
| | | Taxes and duties | 9 076.09 | 0.00 | 9 076.09 | 10 000.00 |
| | | Personnel charges | 3 164 925.88 | 0.00 | 3 164 925.88 | 1 071 556.39 |
| | | Other operating charges | 210 000.00 | 0.00 | 210 000.00 | 0.00 |
| | Operating allowance | 68 689.49 | 0.00 | 68 689.49 | 1 797.67 | |
| | TOTAL II | 5 617 344.22 | 730.87 | 5 618 075.09 | 1 681 421.80 | |
| | OPERATING INCOME (I – II) | 0.00 | 0.00 | 564 582.56 | 170 602.04 | |
| FINANCIAL | III VII | FINANCIAL INCOME | | | | |
| | | Income from equity securities and other long-term securities | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Foreign exchange gains | 1 190.36 | 0.00 | 1 190.36 | 0.00 |
| | | Interest and other financial income | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Financial write-backs; expense transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| | | TOTAL IV | 1 190.36 | 0.00 | 1 190.36 | 0.00 |
| | | FINANCIAL CHARGES | | | | |
| | | Interest charges | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Foreign exchange losses | 24.50 | 0.00 | 24.50 | 0.00 |
| | | Other financial charges | 0.00 | 0.00 | 0.00 | 0.00 |
| | | Financial allowance | 0.00 | 0.00 | 0.00 | 0.00 |
| | | TOTAL V | 24.50 | 0.00 | 24.50 | 0.00 |
| | FINANCIAL INCOME (IV – V) | 0.00 | 0.00 | 1 165.86 | 0.00 | |
| | CURRENT INCOME (III – V I) | 0.00 | 0.00 | 565 748.42 | 170 602.04 | |

(1) Changes in inventories: final inventory - initial inventory; increase (+); decrease (-)

(2) Cost of goods sold or used: cost - changes in inventories

FINANCIAL STATEMENTS OF THE SGFG AS AT YEAR-END 2016

| Table T02 (5/28) | | | | | |
|---|--|-----------------------|----------------------------|-----------------------------|--------------|
| INCOME STATEMENT (EXCLUDING TAXES) (Continued) | | | | | |
| SOCIETE MAROCAINE DE GESTION DE GARANTIE DES DEPOTS BANCAIRES | | | | From 1/1/2016 to 31/12/2016 | |
| Items | Operations | | Total for the current year | Previous year | |
| | Of the current year | Of the previous years | | | |
| | 1 | 2 | 3 = 1 + 2 | 4 | |
| VII | CURRENT INCOME (Retained) | 0.00 | 0.00 | 565 748.42 | 170 602.04 |
| VIII | NON-CURRENT INCOME | | | | |
| | Income from the sale of fixed assets | 0.00 | 0.00 | 0.00 | 0.00 |
| | Balancing subsidies | 0.00 | 0.00 | 0.00 | 0.00 |
| | Write-backs of investment subsidies | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other non-current income | 0.00 | 21.38 | 21.38 | 0.00 |
| | Non-current reversals; expense transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| | TOTAL VIII | 0.00 | 21.38 | 21.38 | 0.00 |
| | NON-CURRENT CHARGES | | | | |
| IX | Net depreciation value of fixed assets sold | 0.00 | 0.00 | 0.00 | 0.00 |
| | Grants issued | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other non-current charges | 2 490.61 | 7.67 | 2 498.28 | 2 236.24 |
| | Non-recurring allowance to depreciation and provisions | 0.00 | 0.00 | 0.00 | 0.00 |
| | TOTAL IX | 2 490.61 | 7.67 | 2 498.28 | 2 236.24 |
| | NON-CURRENT INCOME (VIII-IV) | 0.00 | 0.00 | -2 476.90 | -2 236.24 |
| X | | | | | |
| XI | PRE-TAX INCOME (VII + X) | 0.00 | 0.00 | 563 271.52 | 168 365.80 |
| XII | INCOME TAX | 0.00 | 0.00 | 113 296.00 | 17 061.00 |
| XIII | NET INCOME (XI - XII) | 0.00 | 0.00 | 449 975.52 | 151 304.80 |
| XIV | TOTAL INCOME (I + IV + VIII) | 0.00 | 0.00 | 6 183 869.39 | 1 852 023.84 |
| XV | TOTAL CHARGES (II + V + IX + XII) | 0.00 | 0.00 | 5 733 893.87 | 1 700 719.04 |
| XVI | NET INCOME (XIV - XV) | 0.00 | 0.00 | 449 975.52 | 151 304.80 |

FINANCIAL STATEMENTS OF THE FCGD AS AT YEAR-END 2016

| BALANCE SHEET (ASSETS) | | | | | |
|--|--|-------------------------|--------------------------------|-------------------|-------------------|
| Year ending 31/12/2016 | | | | | |
| ASSETS | | Financial year Gross | Depreciation and Provisions | Net | Previous year |
| FIXED ASSETS | NIL VALUE ASSETS (a) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Preliminary fees | | | | |
| | Deferred charges | | | | |
| | Bond redemption premiums | | | | |
| | INTANGIBLE ASSETS (b) | | | | |
| | Assets in research and development | | | | |
| | Patents, trademarks, rights and similar rights | | | | |
| | Goodwill | | | | |
| | Other intangible assets | | | | |
| | TANGIBLE ASSETS (c) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Land | | | | |
| | Buildings | | | | |
| | Property, plant and equipment | | | | |
| | Transport equipment | | | | |
| | Office equipment, furniture and fittings | | | | |
| | Other tangible assets | | | | |
| | Tangible assets in course of construction | | | | |
| | FINANCIAL ASSETS (d) | 18 975 310 588.19 | 61 910 759.00 | 18 913 399 829.19 | 17 481 011 800.38 |
| | Long-term loans | | | | |
| | Other financial receivables | 1 550 000 000.00 | 42 998 970.28 | 1 507 001 029.72 | 1 200 000 000.00 |
| | Equity securities | | | | |
| | Other long-term securities | 17 425 310 599.19 | 18 911 788.72 | 17 406 398 799.47 | 16 281 011 800.38 |
| | UNREALIZED EXCHANGE LOSSES (d) | | | | |
| Decrease of long-term receivables | | | | | |
| Increase of financing debt | | | | | |
| TOTAL I (a+b+c+d+e) | 18 975 310 588.19 | 61 910 759.00 | 18 913 399 829.19 | 17 481 011 800.38 | |
| CURRENT ASSETS | INVENTORY (f) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Goods | | | | |
| | Consumable materials and supplies | | | | |
| | Goods in process | | | | |
| | Intermediate products and residual products | | | | |
| | Finished products | | | | |
| | CURRENT ASSETS RECEIVABLES (g) | 480 251 581.61 | 0.00 | 480 251 581.61 | 421 092 734.27 |
| | Prepaid expenses | | | | |
| | Accounts receivable | | | | |
| | Personnel | | | | |
| | Government | 7 774 936.27 | | 7 774 936.27 | 5 694 844.91 |
| | Shareholder loan account | | | | |
| | Other receivables | | | | |
| | Accruals and deferrals | 472 476 645.34 | | 472 476 645.34 | 415 397 889.36 |
| SECURITIES AND INVESTMENT SECURITIES (h) | 908 056 312.16 | 0.00 | 908 056 312.16 | 482 922 993.54 | |
| UNREALIZED EXCHANGE LOSSES (i) (Circul. Items) | | | | | |
| TOTAL II (f+g+h+i) | 1 388 307 893.77 | 0.00 | 1 388 307 893.77 | 904 015 727.81 | |
| CASH | CASH - ASSETS | 2 658 609.85 | 0.00 | 2 658 609.85 | 9 565 624.44 |
| | Cheques and bills awaiting collection | | | | |
| | Bank deposits, cash and post office deposit accounts | 2 658 609.85 | | 2 658 609.85 | 9 565 624.44 |
| | Cash, imprest accounts and letters of credit | | | | |
| | TOTAL III | 2 658 609.85 | | 2 658 609.85 | 9 565 624.44 |
| GENERAL TOTAL I+II+III | 20 366 277 091.81 | 61 910 759.00 | 20 304 366 332.81 | 18 394 593 152.63 | |

FINANCIAL STATEMENTS OF THE FCGD AS AT YEAR-END 2016

| BALANCE SHEET (LIABILITIES) | | | |
|-----------------------------------|--|------------------------|-------------------|
| | | Year ending 31/12/2016 | |
| LIABILITIES | | Financial year | Previous year |
| PERMANENT FINANCING | EQUITY CAPITAL | | |
| | Social capital or personal assets (1) | | |
| | Less: Shareholders, subscribed, uncalled capital | | |
| | Issue, merger and transfer premiums | | |
| | Revaluation reserve | | |
| | Legal reserve | | |
| | Other reserves | 3 678 428 184.13 | 3 205 180 456.82 |
| | Retained earnings (2) | | |
| | Net income pending allocation (2) | | |
| | Net income for the financial year (2) | 439 334 430.53 | 473 247 727.31 |
| | TOTAL EQUITY CAPITAL (a) | 4 117 762 614.66 | 3 678 428 184.13 |
| | QUASI EQUITY (b) | 0.00 | |
| | Investment grants | | |
| | Regulated provisions | | |
| | Contribution financial institutions | 16 173 706 593.80 | 14 699 923 461.18 |
| | FINANCING DEBTS (c) | 16 173 706 593.80 | 14 699 923 461.18 |
| | Bond issues | | |
| | Other financing debts | | |
| | PROVISIONS FOR LIABILITIES AND CHARGES (d) | 0.00 | 0.00 |
| | Provisions for liabilities | | |
| Provisions for charges | | | |
| UNREALIZED EXCHANGE GAINS (e) | 0.00 | 0.00 | |
| Increase of long-term receivables | | | |
| Decrease of financing debt | | | |
| TOTAL I (a+b+c+d+e) | 20 291 469 208.46 | 18 378 351 645.31 | |
| CURRENT LIABILITIES | DEBT OF CURRENT LIABILITIES (f) | 12 897 124.35 | 16 241 507.32 |
| | Accounts payable and related accounts | 3 156 761.30 | 5 624 551.32 |
| | Advances and prepayments | | |
| | Personnel | | |
| | Social organizations | | |
| | Government | 9 740 363.05 | 10 616 956.00 |
| | Shareholder loan account | | |
| | Other creditors | | |
| | Accruals and deferred income | | |
| | OTHER PROVISIONS FOR LIABILITIES AND CHARGES (g) | | |
| | UNREALIZED EXCHANGE GAINS (h) (Circl. Items) | | |
| TOTAL II (f+g+h) | 12 897 124.35 | 16 241 507.32 | |
| CASH | CASH - LIABILITIES | 0.00 | 0.00 |
| | Discount loans | | |
| | Cash loans | | |
| | Banks (credit balances) | | |
| | TOTAL III | 0.00 | 0.00 |
| TOTAL I+II+III | 20 304 366 332.81 | 18 394 593 152.63 | |

(1) Personal assets with a negative balance

(2) Profit position (+). Deficit position (-)

Table n°2

INCOME STATEMENT (EXCLUDING TAXES) (Continued)

Year ending 31/12/2016

| | | Operations | | Total for the current year 3 = 1 + 2 | Total for the previous year 4 | | |
|-------------|----------|--|---------------------------------|--|-------------------------------------|----------------|------|
| | | Of the cur- rent year 1 | Of the previ- ous years 2 | | | | |
| NON-CURRENT | VII | CURRENT INCOME (Retained) | | | 656 034 946.53 | 689 865 489.85 | |
| | VIII | NON-CURRENT INCOME | | | | | |
| | | Income from the sale of fixed assets | | | | | |
| | | Balancing subsidies | | | | | |
| | | Write-backs of investment subsidies | | | | | |
| | | Other non-current income | | | 0.00 | 6.28 | |
| | | Non-current reversals; expense transfers | | | | | |
| | | TOTAL VIII | 0.00 | 0.00 | 0.00 | 6.28 | |
| | IX | NON-CURRENT CHARGES | | | | | |
| | | Net depreciation value of fixed assets sold | | | | | |
| | | Grants issued | | | | | |
| | | Other non-current charges | | | 0.00 | 1.82 | |
| | | Non-recurring allowance to depreciation and provisions | | | | | |
| | TOTAL IX | 0.00 | 0.00 | 0.00 | 1.82 | | |
| | | | NON-CURRENT INCOME (VIII-IV) | | | 0.00 | 4.46 |
| | X | | | | | | |
| XI | | PRE-TAX INCOME (VII + X) | | | 656 034 946.53 | 689 865 494.31 | |
| XII | | INCOME TAX | 216 700 516.00 | | 216 700 516.00 | 216 617 767.00 | |
| XIII | | NET INCOME (XI – XII) | | | 439 334 430.53 | 473 247 727.31 | |
| | | | | | | | |
| XIV | | TOTAL INCOME (I + IV + VIII) | | | 765 915 789.33 | 724 128 282.98 | |
| XV | | TOTAL CHARGES (II + V + IX + XII) | | | 326 581 358.79 | 250 880 555.67 | |
| XVI | | NET INCOME (XIV – XV) | | | 439 334 430.53 | 473 247 727.31 | |

APPENDIX



**Basel Committee on Banking Supervision
International Association of Deposit Insurers**

Novembre 2014

Introduction

In June 2009, the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision published the core principles for effective deposit insurance systems. In December 2010, a methodology for the evaluation of compliance with the core principles was finalized.

The core principles and their assessment methodology, which make up a whole, are used by countries as a reference to assess the quality of their deposit insurance systems and identify the shortcomings in their respective systems in order to take the necessary measures to address them. The core principles are also used by the IMF and World Bank within the framework of the financial sector assessment program (FSAP) to assess the efficiency of the systems and practices concerning deposit insurance in the different countries.

Following the lessons learnt from the 2007-2008 international financial crisis, the IADI announced that it intended to update the core principles with a view to enhance the practices in the field at the international level.

In February 2013, the IADI set up a working group to review and update the core principles. The mandate given by the IADI consisted in taking into account the significant changes in the prudential landscape since the start of the financial crisis (namely the publications of the Financial Stability Committee), as well as the lessons learnt from the implementation and evaluation missions of said core principles. The objective is that the core principles and assessment methodology remain a relevant reference for the promotion of effective deposit insurance systems in all countries.

Significant improvements have been made to the different principles, namely in the areas of governance, indemnification of depositors, and involvement in the banking crisis management and resolution process. Several additional criteria have hence become essential criteria, and new assessment criteria have been introduced.

This review led to the decrease of the number of core principles from 18 to 16. There is now a total of 96 essential criteria and 6 additional criteria.

Preconditions

An effective deposit insurance system should be based on a certain number of preconditions. Although they are almost all outside the jurisdiction of the deposit insurers, they have a direct effect on this organization. These include:

- Macroeconomic conditions,
- The structure of the financial system,
- Prudential regulation and supervision as well as banking resolution,
- The legal and judicial framework,
- The accounting and disclosure regime.

The 16 core principles are the following:

- Principle 1: Public policy objectives
- Principle 2: Mandate and powers
- Principle 3: Governance

- Principle 4: Relationships with other safety-net participants
- Principle 5: Cross-border issues
- Principle 6: Role of deposit insurers in planning and crisis management
- Principle 7: Membership
- Principle 8: Coverage
- Principle 9: Sources of funding and their utilization
- Principle 10: Public awareness
- Principle 11: Legal protection
- Principle 12: Legal action against parties at fault in a bank failure
- Principle 13: Early detection and timely intervention
- Principle 14: Failure resolution
- Principle 15: Reimbursing depositors
- Principle 16: Recoveries

Principle 1 – Public policy objectives

The main public policy objectives for deposit insurance systems consist in protecting depositors and contributing to financial stability.

These objectives must be formally specified and communicated to the public. The deposit insurance system must be designed to reflect the public policy objectives.

Principle 2 – Mandates and powers

The mandates and powers of a deposit insurer must underpin the public policy objectives and must be clearly defined and formally specified in a legal framework.

Principle 3 - Governance

The deposit insurer should be operationally independent, with a good governance and well managed, transparent, accountable and insulated from any outside interference.

Principle 4 – Relationships with other safety-net participants

To protect depositors and contribute to financial stability, a formal, understandable framework should be in place for close coordination and information sharing, on a regular basis, between the deposit insurer and other financial system safety-net participants.

Principle 5 – Cross-border issues

Subject to the significant presence of foreign banks in a country, arrangements should be put in place for information to be exchanged and for there to be coordination between the deposit insurers in the relevant countries.

Principle 6 – Role of deposit insurers in planning and crisis management

The deposit insurer should have policies and procedures for planning and crisis management in order to deal with the risk of occurrence of bank failures and other related events. All the safety-net participants have the joint responsibility of developing strategies for preparing and managing large-scale crises. The deposit insurer should be part of any institutional framework that brings together the safety-net participants and that is intended to ensure, on an ongoing basis, communication and coordination in terms of preparation and crisis management.

Principle 7 - Membership

Membership in the deposit insurance system should be compulsory for all banks.

Principle 8 - Coverage

Policymakers should clearly define the level and scope of deposit coverage. Coverage should be limited, credible, and should potentially cover the vast majority of depositors, but should leave a significant amount of deposits exposed to market discipline. The coverage should be in line with the public policy objectives and the characteristics of the deposit insurance system.

Principle 9 - Sources of funding and their utilization

The deposit insurer should quickly have the available resources as well as all the necessary funding mechanisms to ensure the prompt reimbursement of depositors' claims, including a means of obtaining supplementary back-up funding for liquidity purposes when required. The responsibility for paying the costs of the deposit insurance system should be borne by banks.

Principle 10 – Public awareness

In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.

Principle 11 – Legal protection

The deposit insurer and its current and former employees in charge of fulfilling their obligations should be protected against lawsuits for their actions, queries, or any other petitions as a result of the decisions, actions or omissions taken in good faith while discharging their mandates. Legal protection should be defined in legislation.

Principle 12 – Legal action against parties at fault in a bank failure

The deposit insurer, or any other competent authority, should have the right to take legal action against parties at fault in a bank failure.

Principle 13 – Early detection, timely intervention and quick resolution

The deposit insurer should be part of a framework within the financial system safety net that provides for the early detection, timely intervention and quick resolution of troubled banks. The framework should intervene before the bank is no longer viable. The measures to be taken should protect depositors and contribute to financial stability.

Principle 14 – Failure resolution

An effective resolution scheme should facilitate the ability of the deposit insurer to protect depositors

and ensure financial stability. The legal framework should include a special resolution scheme.

Principle 15 – Reimbursing depositors

The deposit insurer should promptly reimburse depositors in order to contribute to financial stability. It is necessary to have clear, unambiguous factors that trigger the indemnification of depositors.

Principle 16 - Recoveries

The deposit insurer should have, by law, the right to recover its debt, given the ranking of creditors.

GLOSSARY



GLOSSARY

Basis of calculation

This is the basis for calculating the periodic contributions that member banks should pay regularly, and it is composed of the deposit balances that are eligible for insurance by the deposit insurance system.

Bail-in

This is a mechanism for recapitalizing troubled banks under specified conditions. In a bail-in, debt instruments and other senior or subordinated debt of the troubled bank, or of its parent company, or even of a bridge bank, are converted into common shares, in accordance with the legal and regulatory provisions in force in each country.

Bailout

This refers to any transfer of funds from a public source (State/government) to a troubled bank, or any commitment made by a public or government authority to provide funds to a troubled bank in order to rescue it (for instance, by providing guarantees). Bailouts lead to benefits for the shareholders of the troubled bank, as well as for its uninsured creditors.

Bank run

These are quick operations of significant, mass withdrawals of deposits from a bank by its depositors following a loss of confidence, precipitated by the fear that the bank would fail.

Full guarantee

This is a statement made by public authorities, which consists in guaranteeing all bank deposits, irrespective of their nature, in the event of a bank failure.

Bridge Bank

In the framework of a bank resolution process, this is an institution that is established to temporarily take over some of the assets, liabilities, and transactions of a failed bank.

Debt

This is debt owed to a failed bank, for its depositors, or the deposit insurer, or its creditors in general, whether they are holders of subordinated debt or not.

Compulsory membership

These are the legal or conventional provisions under which all banks authorized to collect deposits from the public should be members of a deposit insurance system.

Temporary administrator

This is a natural or legal person, designated by a regulation authority to manage a troubled bank in order to keep, administer, and protect its assets until it becomes viable or is declared bankrupt by

the relevant authority.

Temporary administration

This is a legal or conventional procedure to ensure the temporary management of a troubled bank.

Contagion

This refers to the spread of financial problems from one bank to other banks or financial institutions, generally within the same country, or the spread of economic and financial disturbances within one country or across several countries.

Limited coverage

This is the maximum amount that a depositor may receive from a bank deposit insurer in the event of its bank's failure.

Deposit insurance system

This refers to the deposit insurer and its relationship with the other financial safety-net participants that support its functions as well as the bank resolution process.

Deposit insurance

This is a system put in place to protect depositors from losing their deposits in the event that their bank is unable to meet its obligations to them.

Deposit insurer

This is a specific legal entity which, through a formal legal framework, is in charge of insuring the deposits or making similar arrangements to protect the deposits.

Depositor indemnification

This is a bank resolution method that involves the reimbursement of depositors for up to a certain ceiling amount.

Differential contribution system

This refers to a scheme for calculating the periodic contributions, which seeks to differentiate these contributions according to several criteria such as the individual risk profiles of every member bank.

Eligible deposits

These are the deposits that are included in the scope of coverage of a deposit insurance system (ie comply with the requirements related to the coverage and are generally based on the type(s) of depositor(s) and/or the nature(s) of the deposit(s)).

Ex ante funding

This refers to the regular, periodic collection of contributions from member banks, for the purpose of accumulating reserves to fulfill future obligations (for instance, indemnify depositors or provide financial support to a troubled bank) and to cover the operational charges related to the deposit

insurer.

Ex post funding

This is a system under which the necessary funds to cover the obligations of a deposit insurer are collected from member banks only after a bank failure.

Explicit protection

This refers to a deposit insurance system, explicitly provided for by law or by other legal instruments, that establishes a ceiling indemnification amount that the depositors may receive in the event of a bank failure. This system clearly and formally specifies all the rules related to coverage limits, types of instruments covered, methods for calculating the claims of depositors, funding provisions and other rules.

Supplementary or extraordinary contributions

These are supplementary contributions that may be collected ex post from member banks if the available reserves are not enough for the deposit insurer to fulfill its obligations.

Financial assistance

This assistance is provided to a troubled bank by a third party, such as government bodies, resolution authorities or deposit insurers. This financial assistance can take different forms, such as loans, guarantees, grants, tax allocations, taking equity stakes, asset acquisition, subscription to a borrowing transaction, capital injections,.....

Financial safety net

This is a framework that includes the functions of the prudential regulation authority, the resolution authority, the lender of last resort and the deposit insurer. In many countries, the Ministry of finance or the Treasury are included in the financial safety net.

Fixed contribution rate

The contributions paid by member banks are calculated on the basis of a uniform rate for all member banks.

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The main missions of the "Studies, intervention and resolution" department are:

The main missions of the "External communication and international cooperation" department are:

The main missions of the "Audit and internal control" department are:

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