OVERVIEW OF THE MOROCCAN ECONOMY

Attijariwafa bank

As of 31 December2015

Financial Communication

2015

التجاري وفا بنك
Attijariwafa bank
Croire en vous

Content

Political context and growth of the Moroccan economy

Balance of payments trend

Public finance

Interest and exchange rates

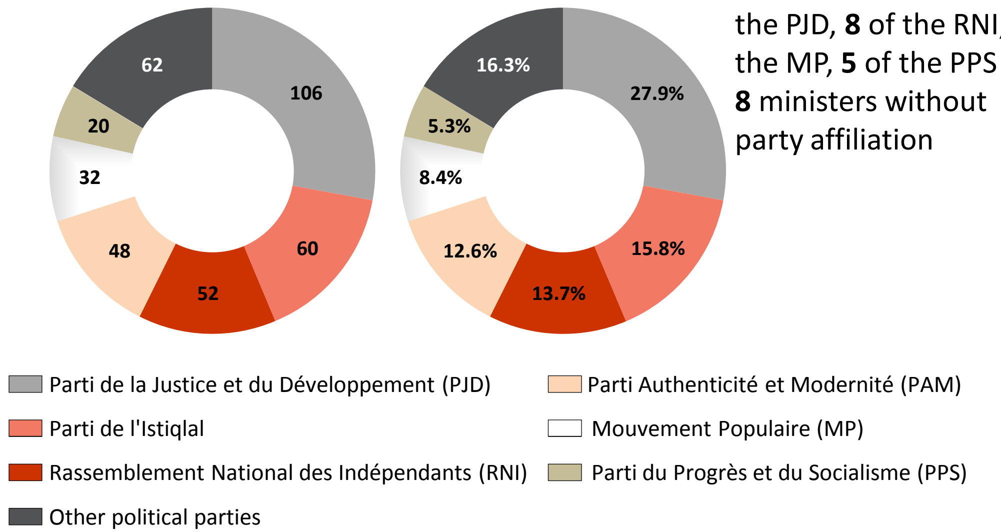
Political context

Context

- **July 2011:** New constitution approved by referendum
- **November 2011:** Legislative elections
- **December 2011:** New government with a Chief of Government from the parliamentary majority
- **September 2015:** Municipal and regional elections
- **October 2016:** Legislative elections

Parliament composition

In 2016



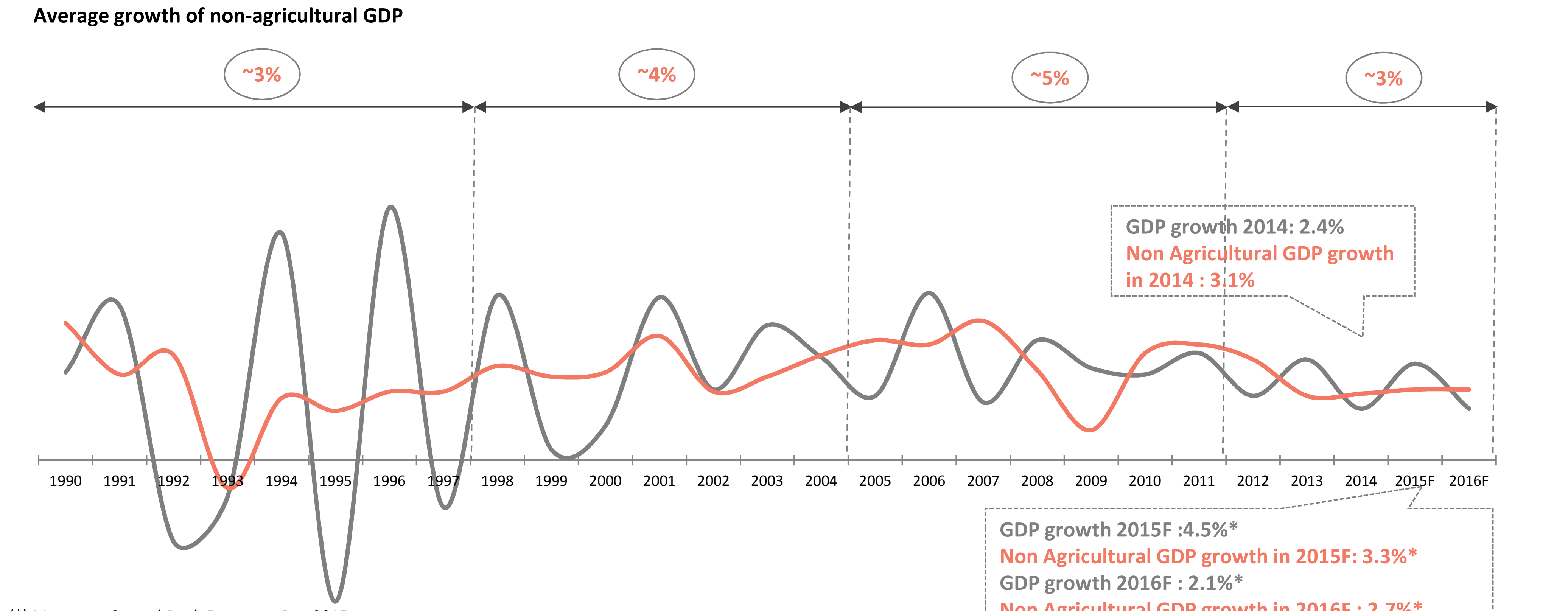
The current government includes **12** members of the PJD, **8** of the RNI,6 of the MP, **5** of the PPS and **8** ministers without party affiliation

- Morocco has been a **Monarchy** for more than **13 centuries** (**constitutional** and **parliamentary Monarchy** since **1962)**
- **Successful transition** within the **Arab spring** context thanks to a decade of reforms and a stable **social** and **political environment**

GDP growth between 1990 and 2016

Real GDP growth
Non-agricultural GDP
% Average growth of non-agricultural GDP

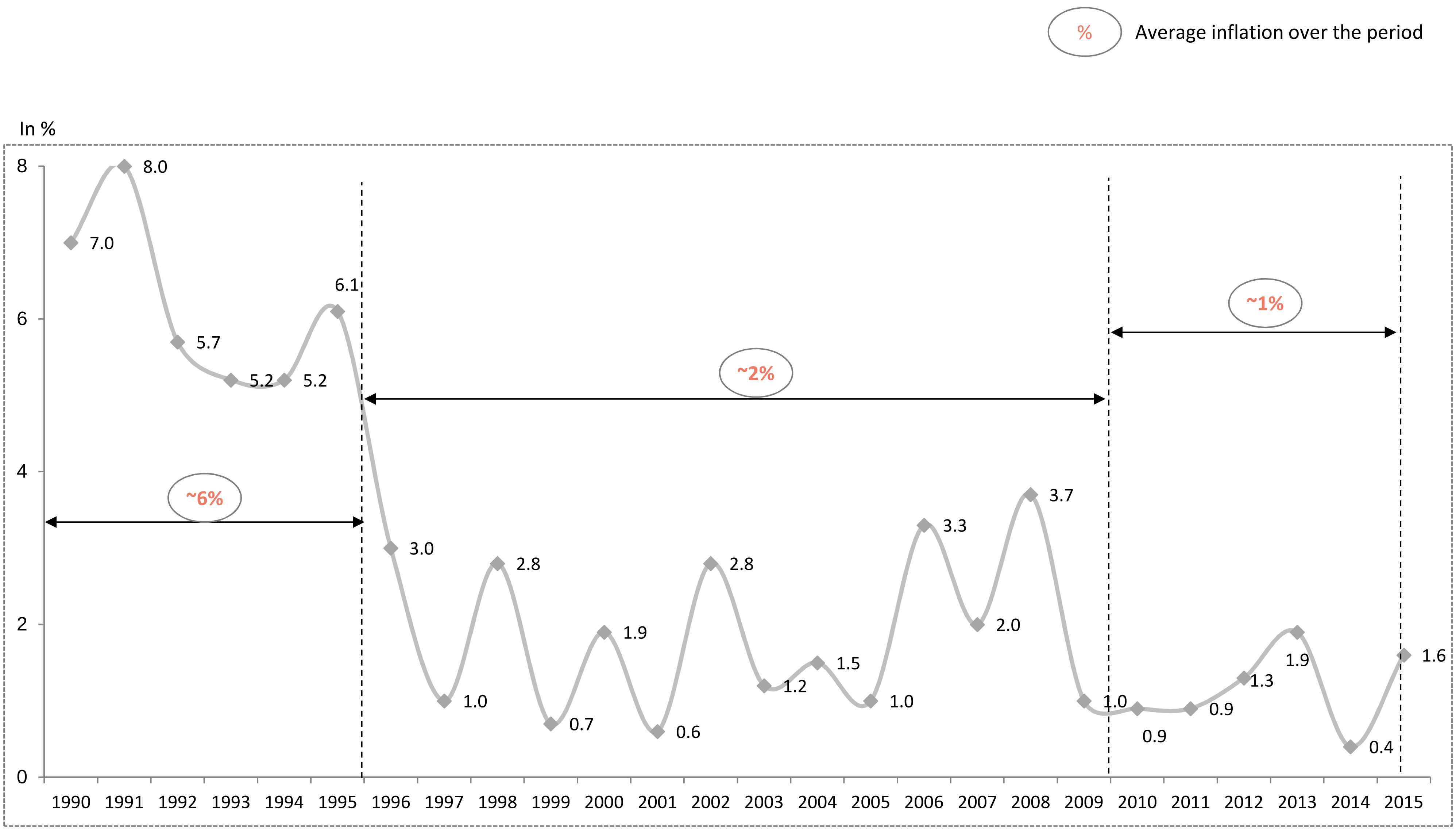
GDP growth in %



(*) Moroccan Central Bank Forecast - Dec 2015

- **5% Non-agricultural GDP growth** between 2004 and 2011 compared to 3% in the 1990s as result of:
  - **Strong domestic demand** supported by the emergence of a **new Moroccan middle class**
  - **Higher level of diversification** of sources of growth and **emergence of export industries**: Offshoring, Automotive, Electrical and Electronic, Aerospace sectors
  - **Strong growth of public investment** and launch of **major infrastructure projects** (highways, ports, airports, railway infrastructure)
- **Slow-down of Non-Agricultural GDP** since 2012 mainly due to **the Global Crisis and the Arab Spring**

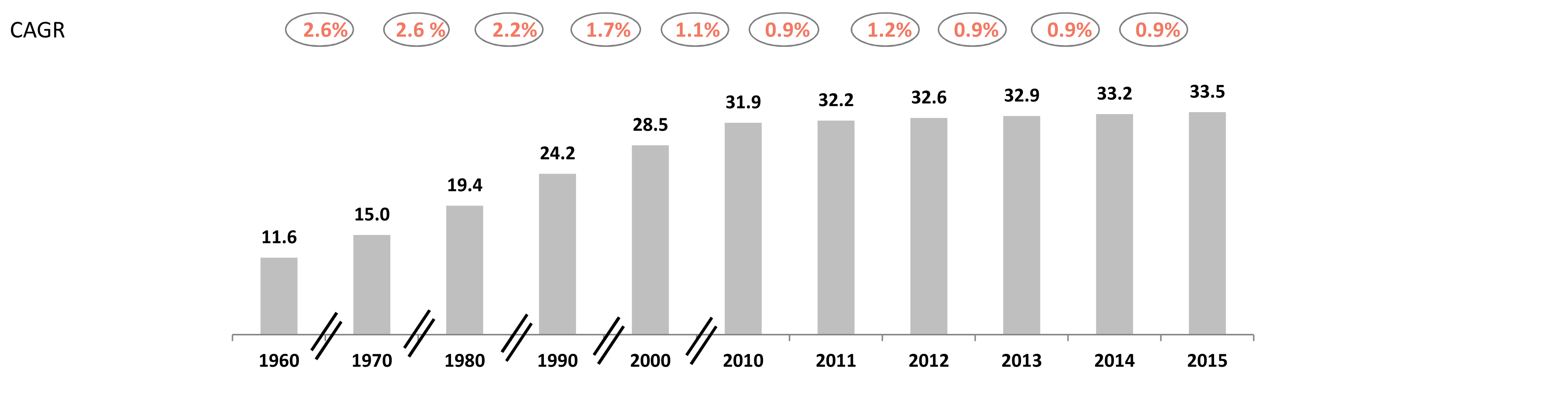
Control over inflation since 1995



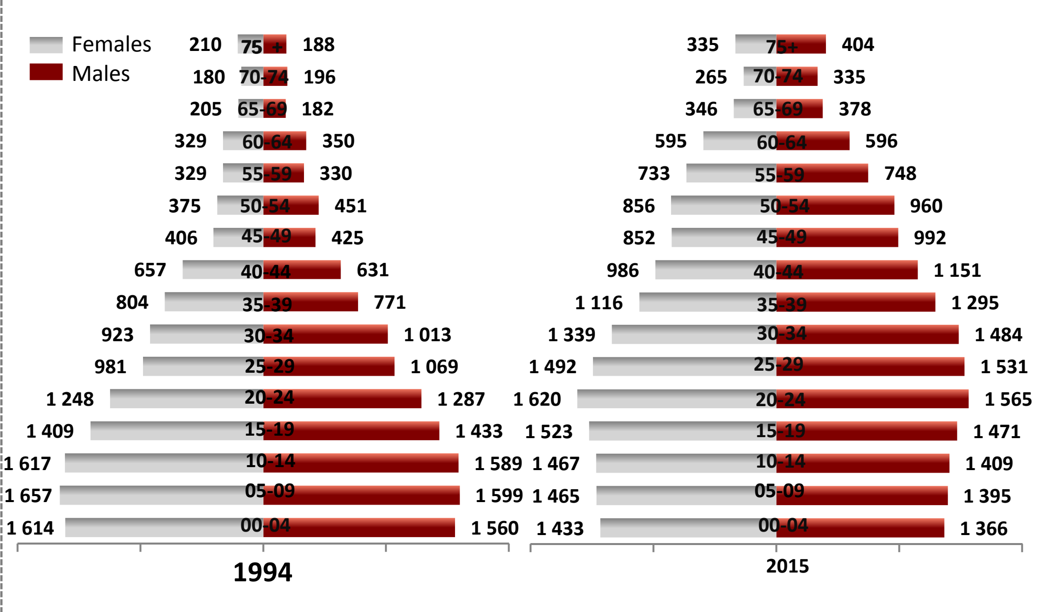
Source: MEF/HCP

Demographic trends

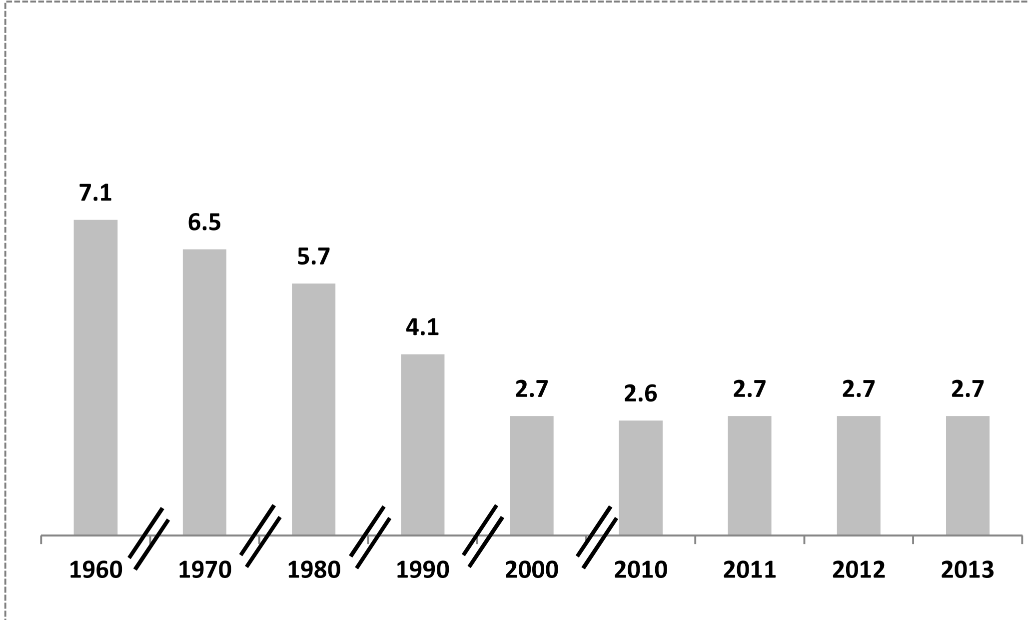
Demographic growth



Age Pyramid (in '000)



Fertility rate, total (births per woman since 1960)

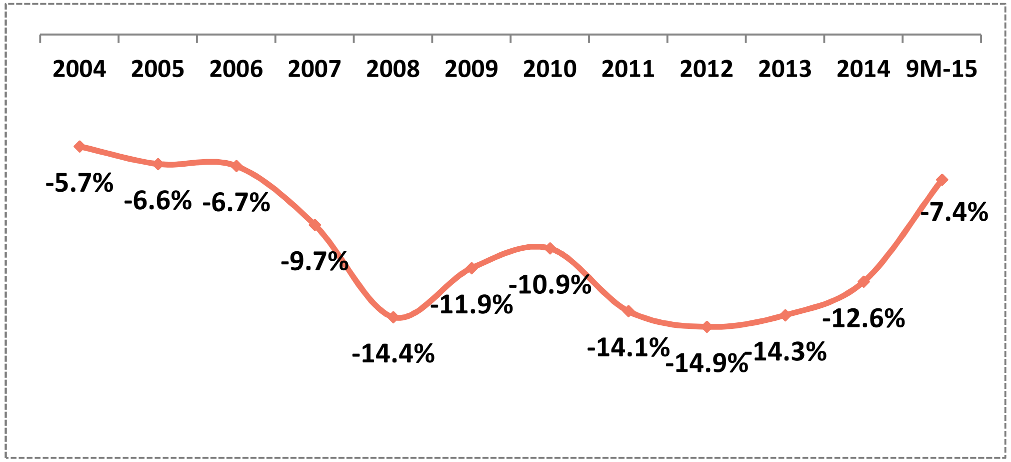


Source : HCP ; World Bank

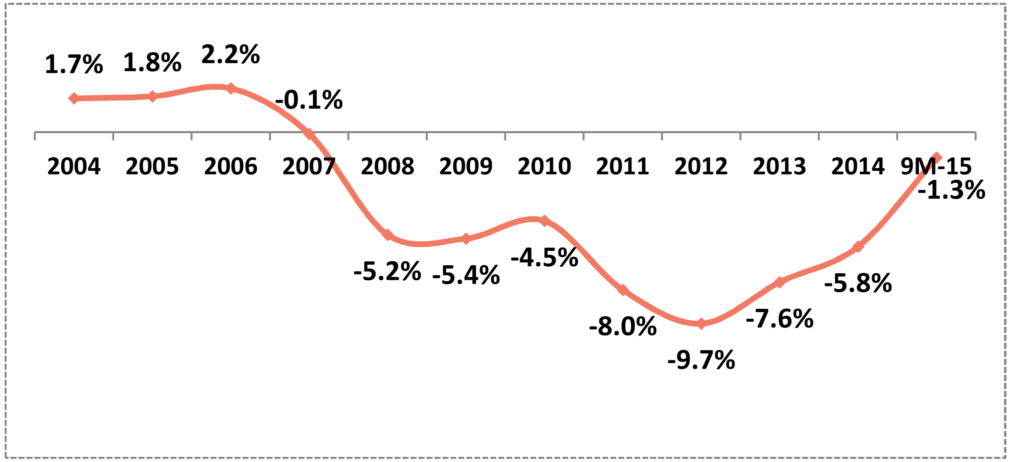
Content

Balance of payments trend

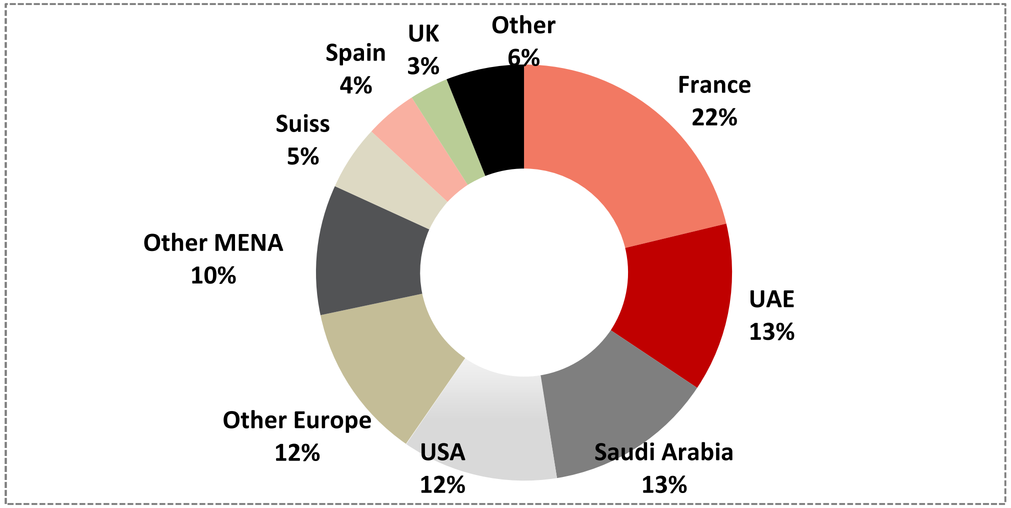
Trade* deficit (%GDP)



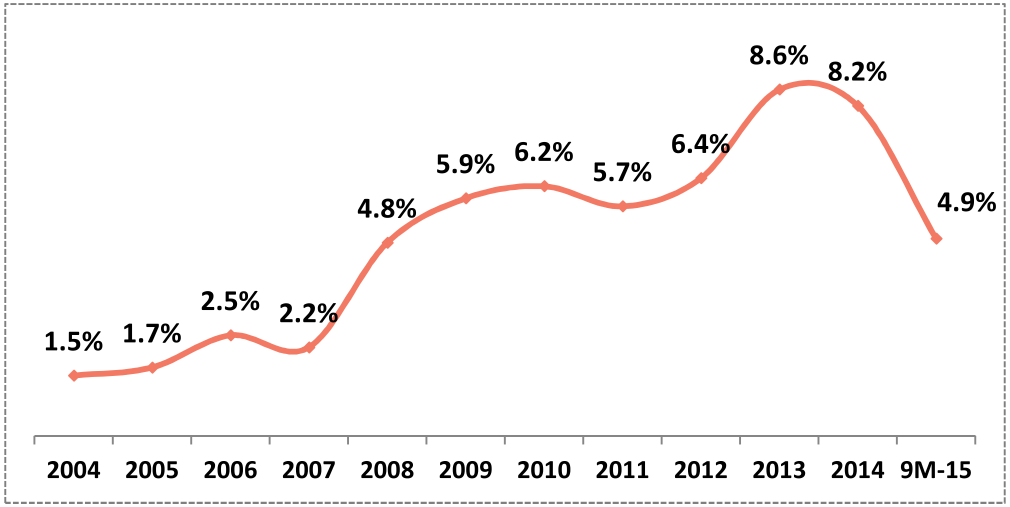
Current Account Balance (% GDP)



Breakdown of Foreign Direct Investment **

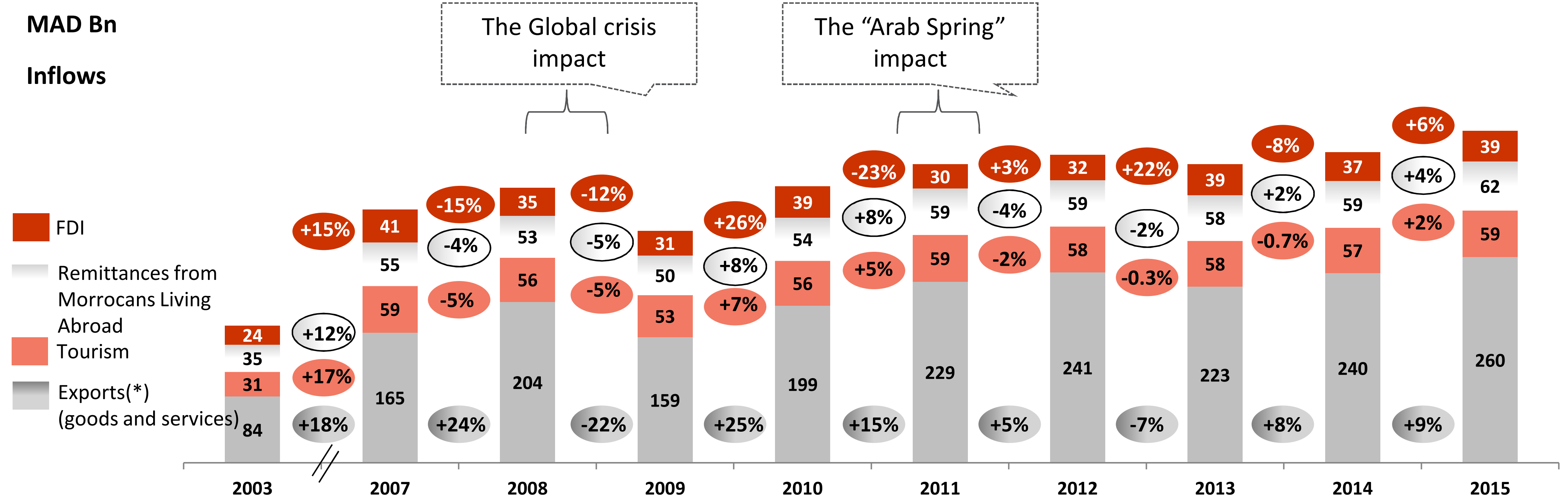


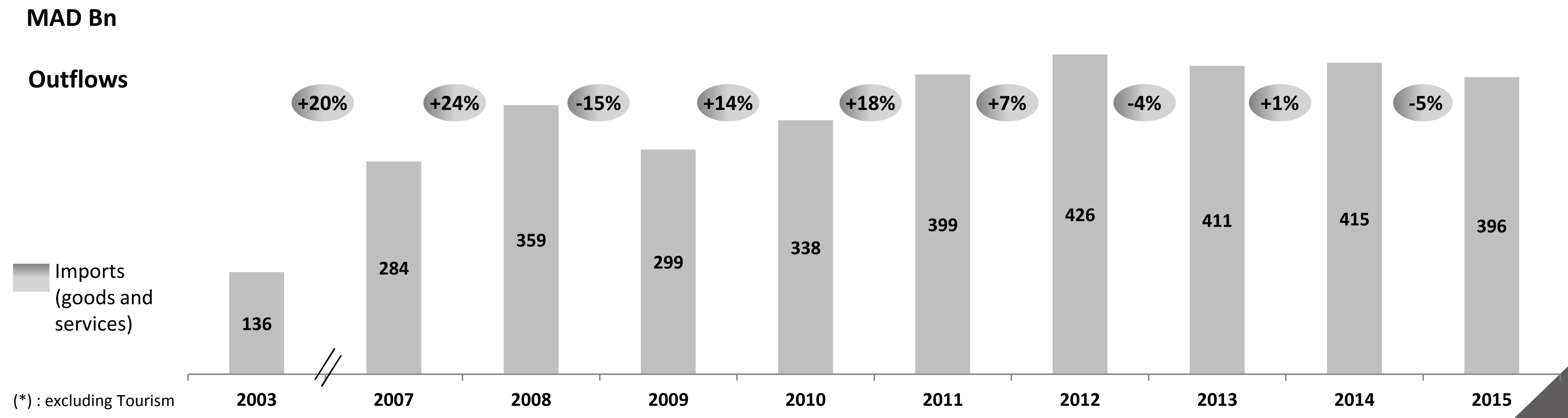
Capital and Financial Transactions Account



(*) including Tourism
(**) As of 30 September 2014

Balance of payments: Main components trend





(*) : excluding Tourism

Imports and exports:
Main components trend in 2015 (compared to 2014)

% of total volume*

Imports (main components)	% of total volume	Annual growth
Total imports		-5.6%
Soft Commodities	9.8	-14.3%
Consumption goods	19.1	+1.7%
Equipment products	23.7	+6.1%
Semi-finished products	23.5	+4.8%
Energy	18.2	-28.1%

Main drivers

- Economic growth and public and private investments
- Custom barriers dismantlement and signing of several FTAs
- Emerging middle class
- Commodities spot prices
- Economic and demographic growth

Exports (main components)	% of total volume	Annual growth
Total exports**		+6.6%
Aeronautics	3.4	+4.3%
Electronics	3.6	-3.7%
Automotive	22.7	+20.7%
Textile	15.4	-1.5%
Agriculture	20.3	+11.4%
Phosphate & Derivatives	20.7	+15.6%

Main drivers

- National strategy aiming at supporting the emergence of export industries (The "Global Trades of Morocco": Automotive, Aeronautics, Electronics,...)
- Mining,Tex. & Agri.: historical sectors with new strategies (e.g.: Green National Plan for Agri business, Fast Fashion-focused new strategy for Textile,...)
- OCP is a major world player and market maker in this industry with an ambitious strategy optimizing value vs. volume and adapting production to the macro-economic context in Morocco

(*) December 2015 figures ; (**) excluding Tourism & services

Imports and exports:
Focus on « The Global Trades of Morocco »

x% CAGR

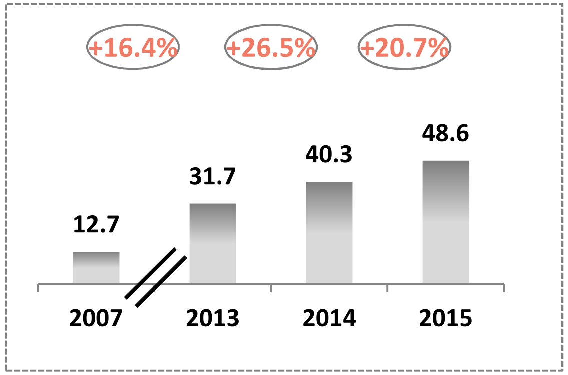
Context

- Ambitious export-oriented industrial strategy aiming at positioning Morocco as a leading regional player (the National Pact for the Industrial Emergence)
- Competitive advantages of Morocco:
  - Highly skilled workforce at a competitive cost: e.g. 10,000 engineers graduating each year, launch of new specialized institutes*
  - Best Standards infrastructures, e.g.:
    - 1,800 km of highways (in 2012)
    - Tanger Med: the largest port of the Mediterranean and Africa
  - Attractive incentive framework through the free zone status providing a total exemption from corporate tax and a potential aid for the set up (up to 10% of the total investment)

Automotive sector

- Strong growth of the Automotive sector over the last decade (wiring industry: MAD 20.1 billion and car manufacturing: MAD 24.6 billion in terms of exports in 2015)
- Launch of the 1st production line of the Renault plant in 2012 and inauguration of the second in October 2013 (a EUR 1 bn investment)
  - 340,000 vehicles produced from 2014
  - 60 cars/hour
  - More than 170,000 vehicles exported in 2014
- 22.7% of Moroccan exports in 2015 from 10.3% in 2007
- PSA 1st Assembly plant in Morocco (close to Kenitra) scheduled to start production in 2019 (capacity: 90,000 vehicles/year and could reach 200,000 in 2023) and requires an investment of EUR 557 million (USD628 million)

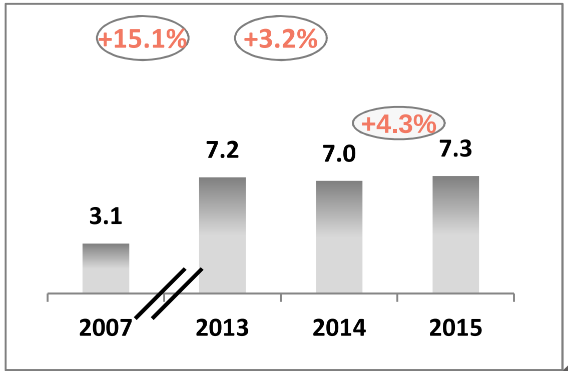
Exports (in MAD billion)



Aeronautics sector

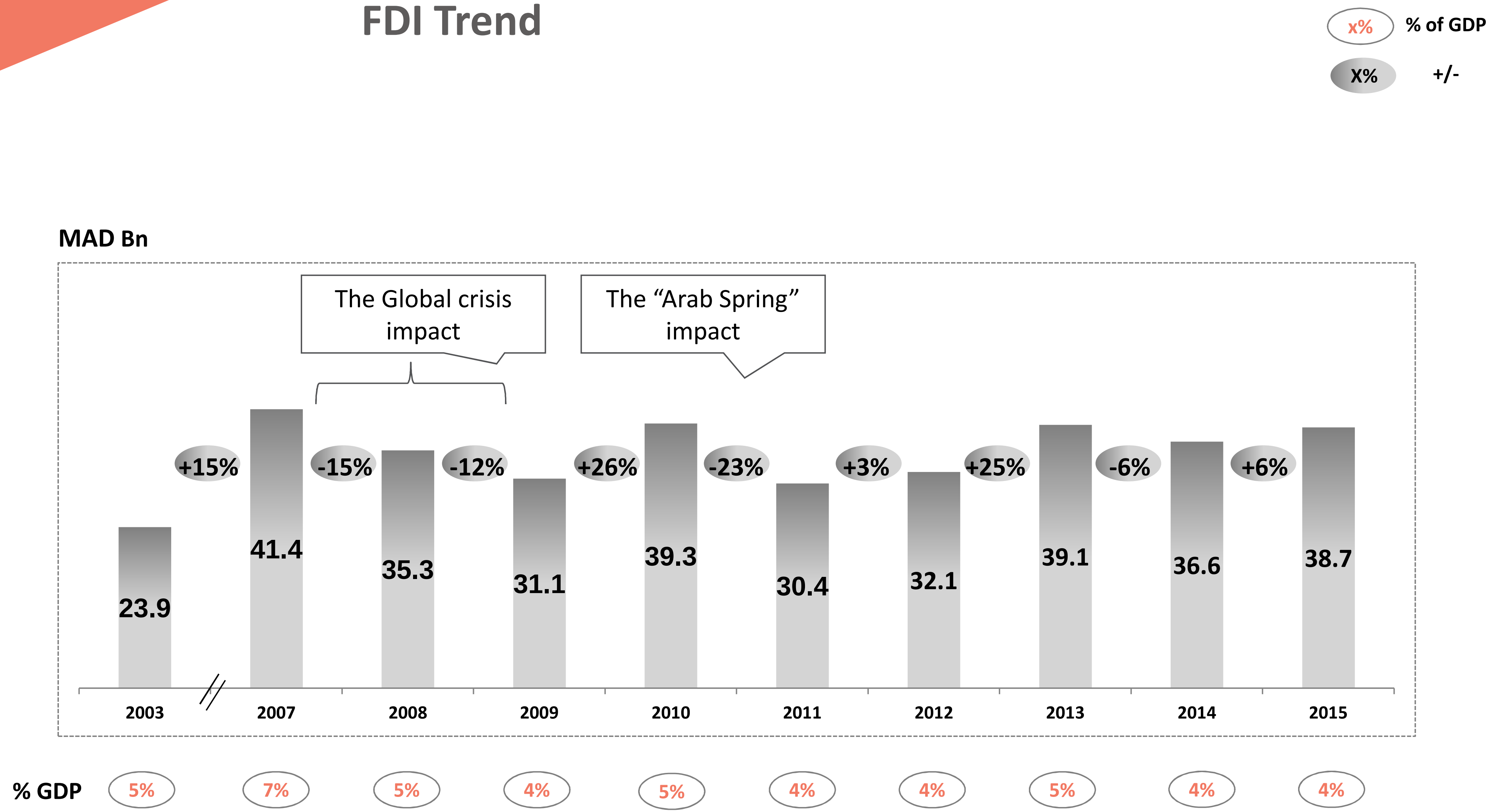
- 100 companies operating in the Aerospace industry with the presence of international groups such as EADS, Safran, Zodiac Aerospace, Boeing
- Ongoing set up of a new Bombardier plant (MAD 2.0 billion investment, 850 direct jobs and more than 4,000 indirect jobs)
- 4.3% of Moroccan exports in 2015 from 2.5% in 2007

Exports (in MAD billion)

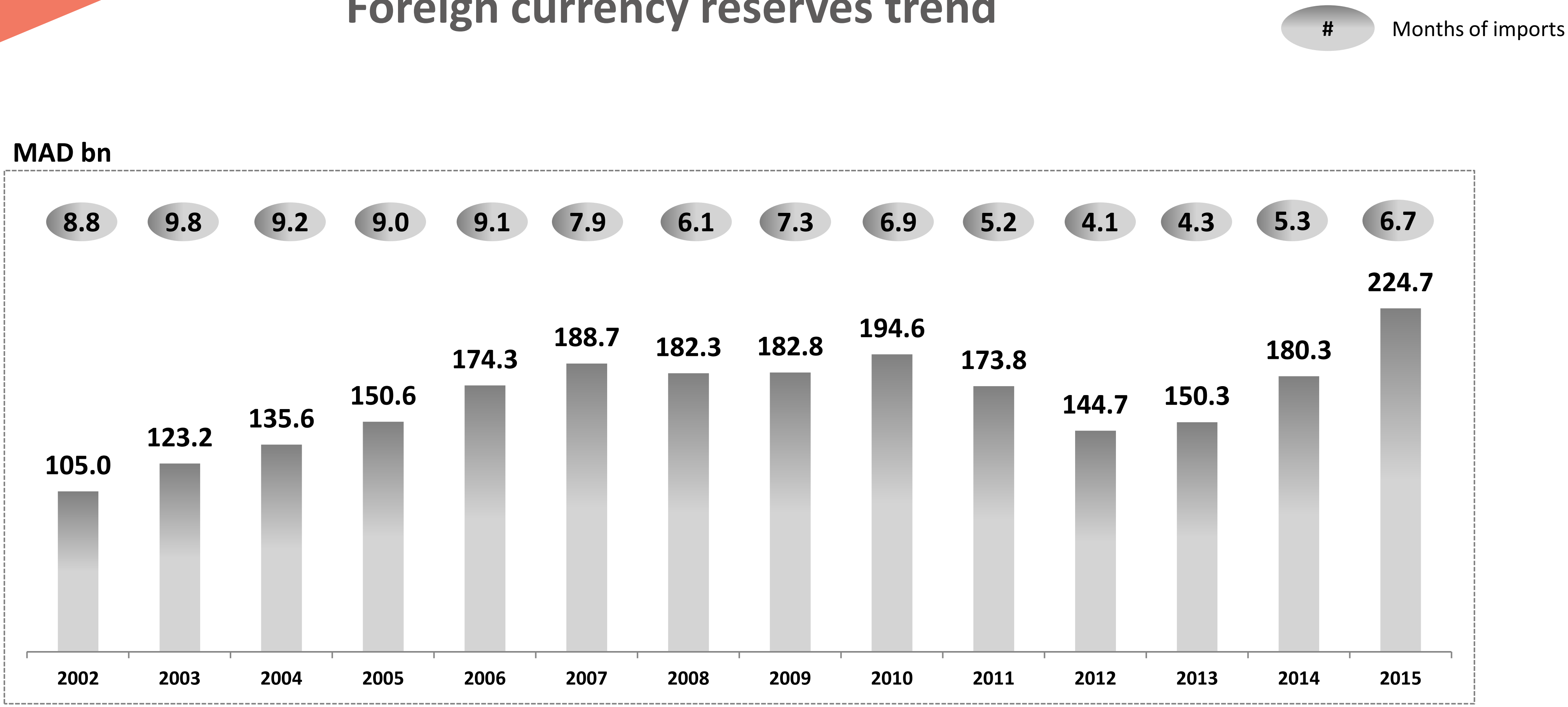


(*) e.g., Institute of Aviation Trades (IMA) and Specialized Institute of Aviation Trades and Airport Logistics (ISMALA) and Institute for Training Professionals Automotive Industry (IFMIA)

FDI Trend


x%
% of GDP
X%
+/-
MAD Bn
The Global crisis impact
The "Arab Spring" impact
23.9
41.4
35.3
31.1
39.3
30.4
32.1
39.1
36.6
38.7
+15%
-15%
-12%
+26%
-23%
+3%
+25%
-6%
+6%
2003
2007
2008
2009
2010
2011
2012
2013
2014
2015
% GDP
5%
7%
5%
4%
5%
4%
4%
5%
4%
4%

Foreign currency reserves trend



- Increase of Foreign Currency reserves since 2013 from 4.1% to 6.8% months of imports thanks to :
  - Trade and current account deficits narrowing in 2015
  - Resilience in MLA Remittances and tourism
  - Good track record of FDI and increasing access to international financial markets

Content

Political context and growth of the Moroccan economy

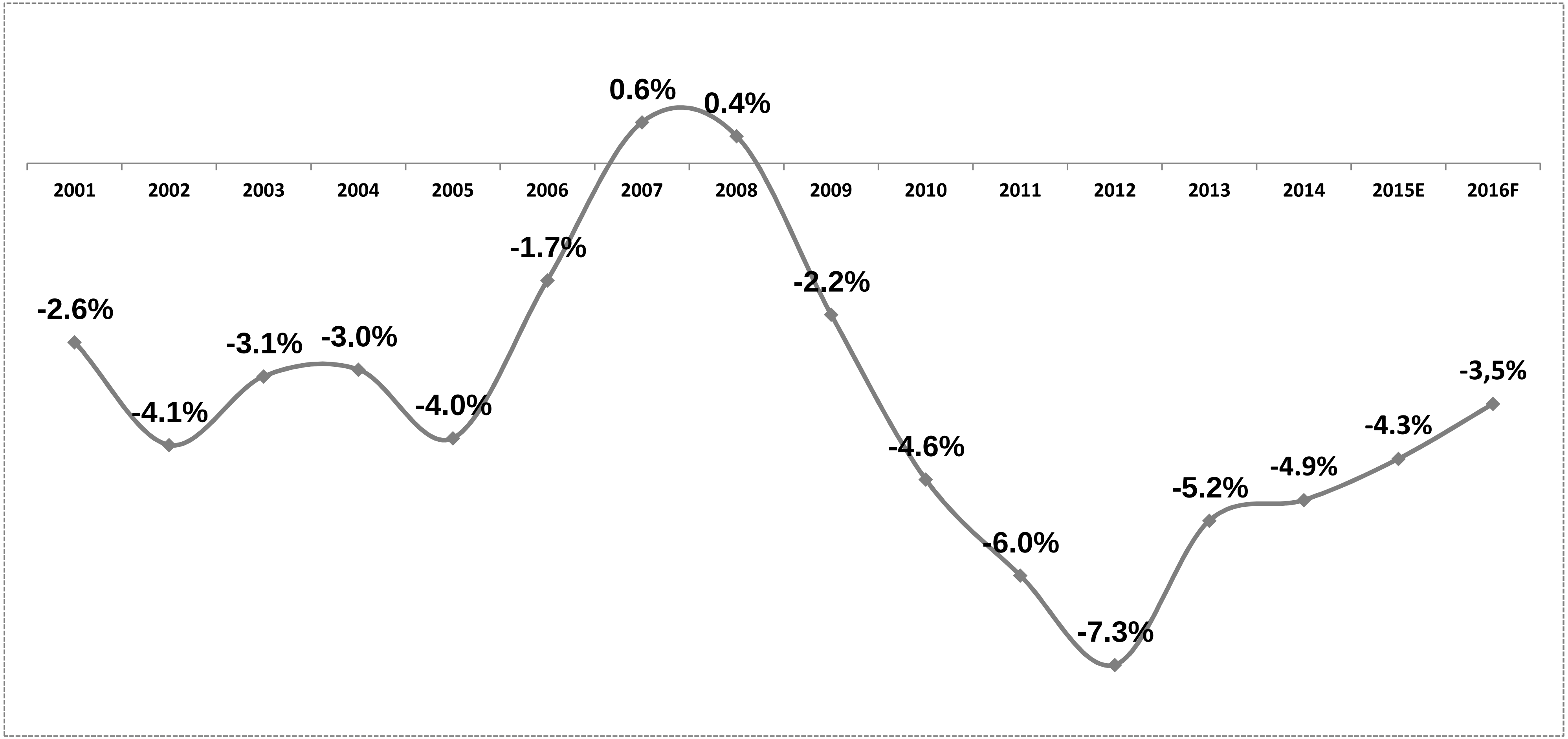
Balance of payments trend

Public finance

Interest and exchange rates

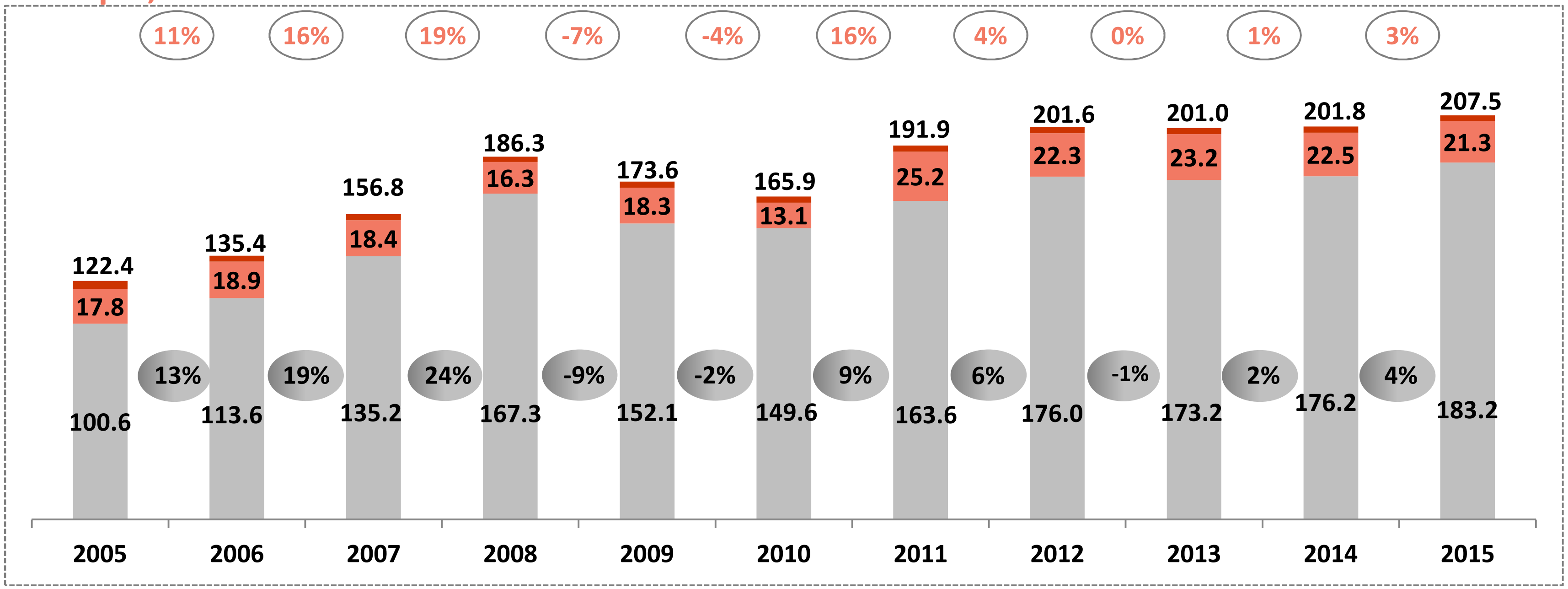
Budget surplus/deficit between 2001 and 2016

In % of GDP

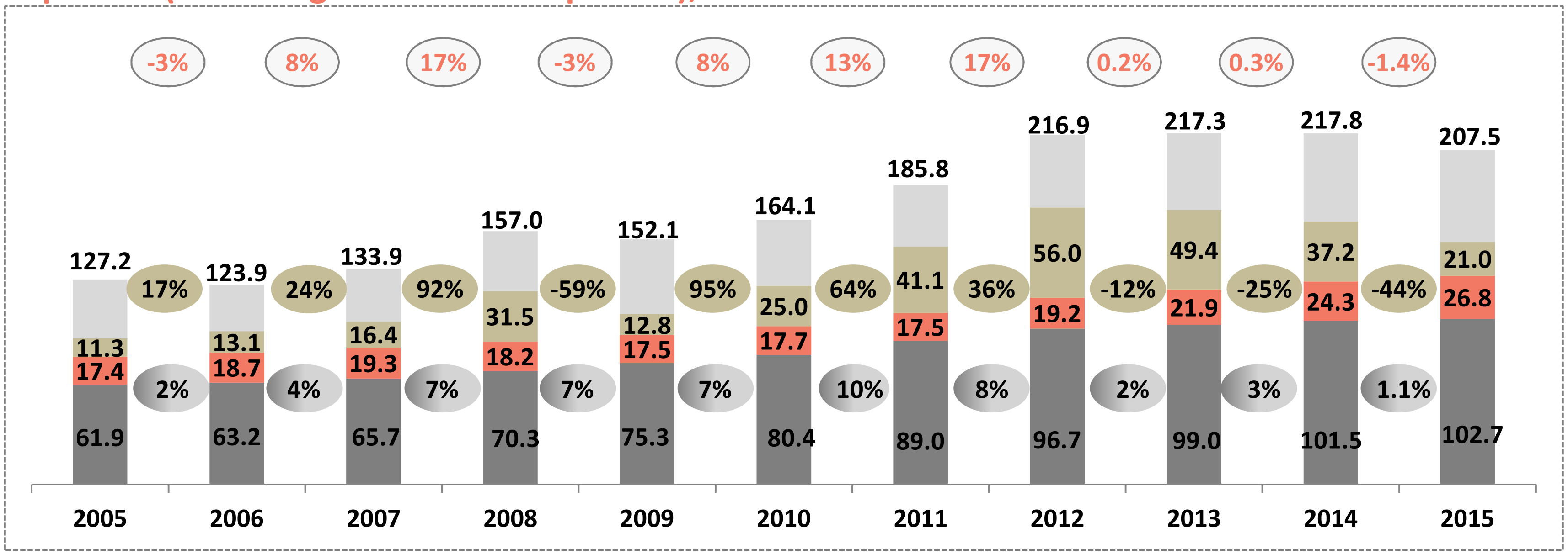


Public finance: receipts and expenses trends

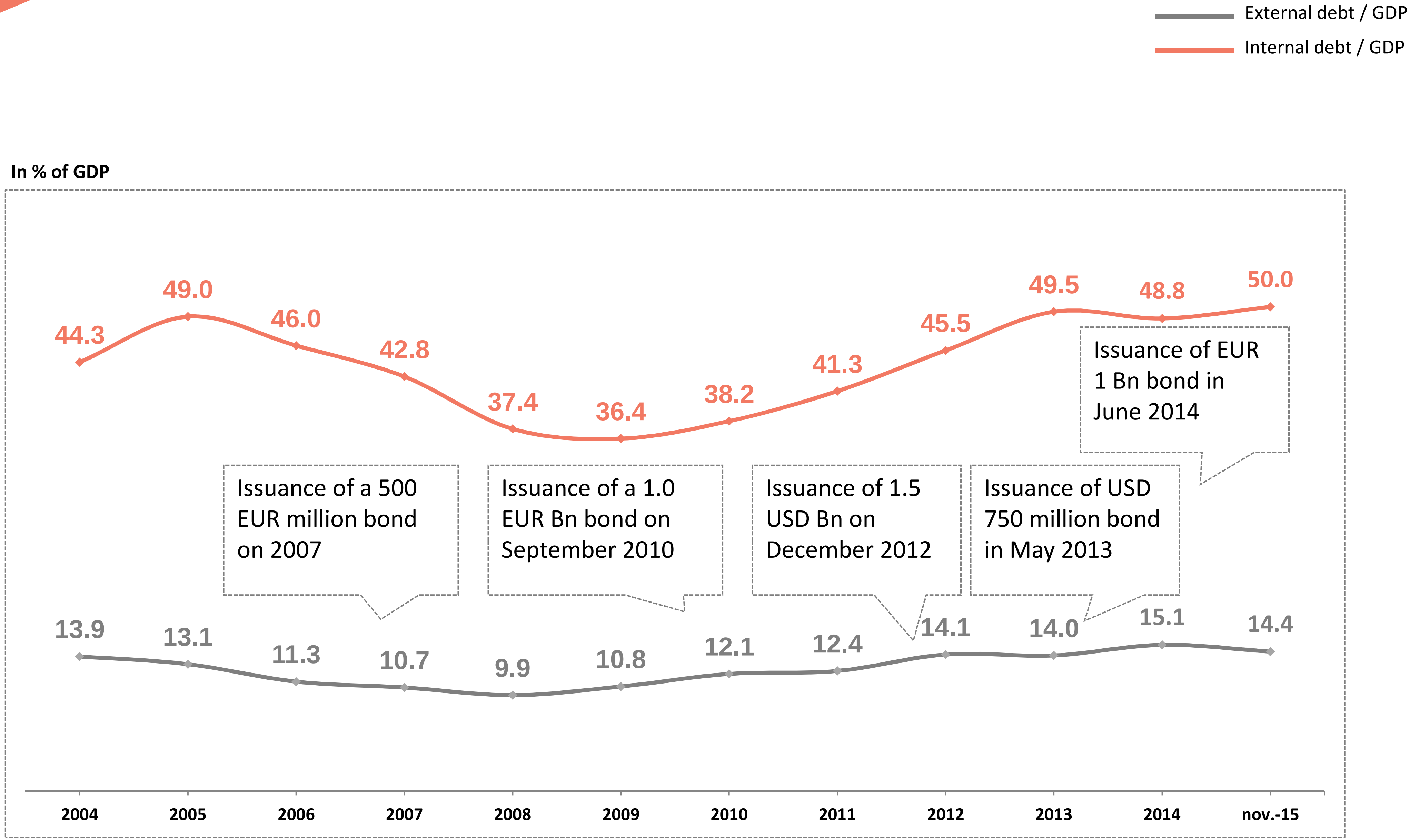
Receipts, MAD bn



Expenses (excluding Investment expenses), MAD bn

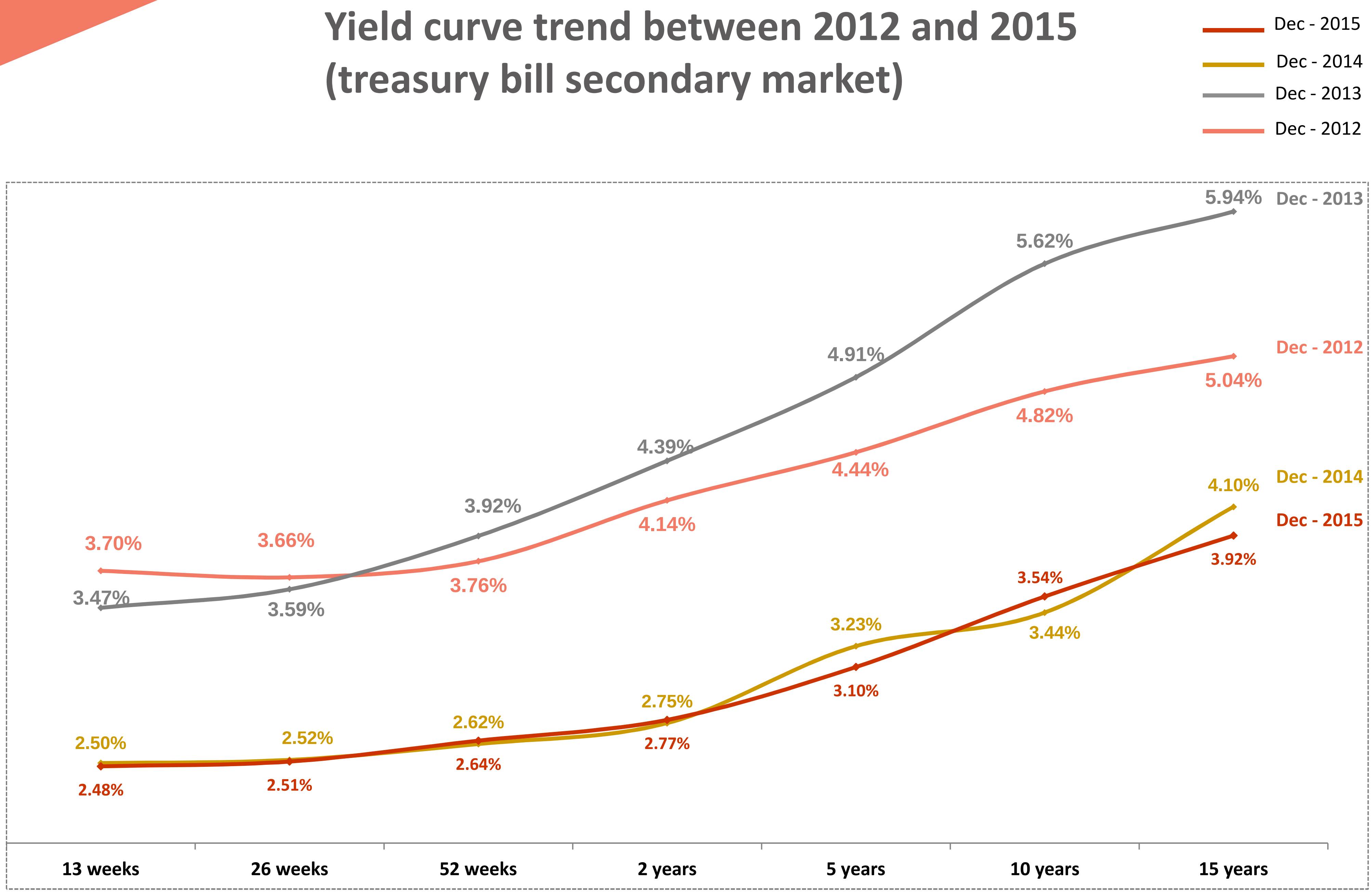


Control of external and internal indebtness

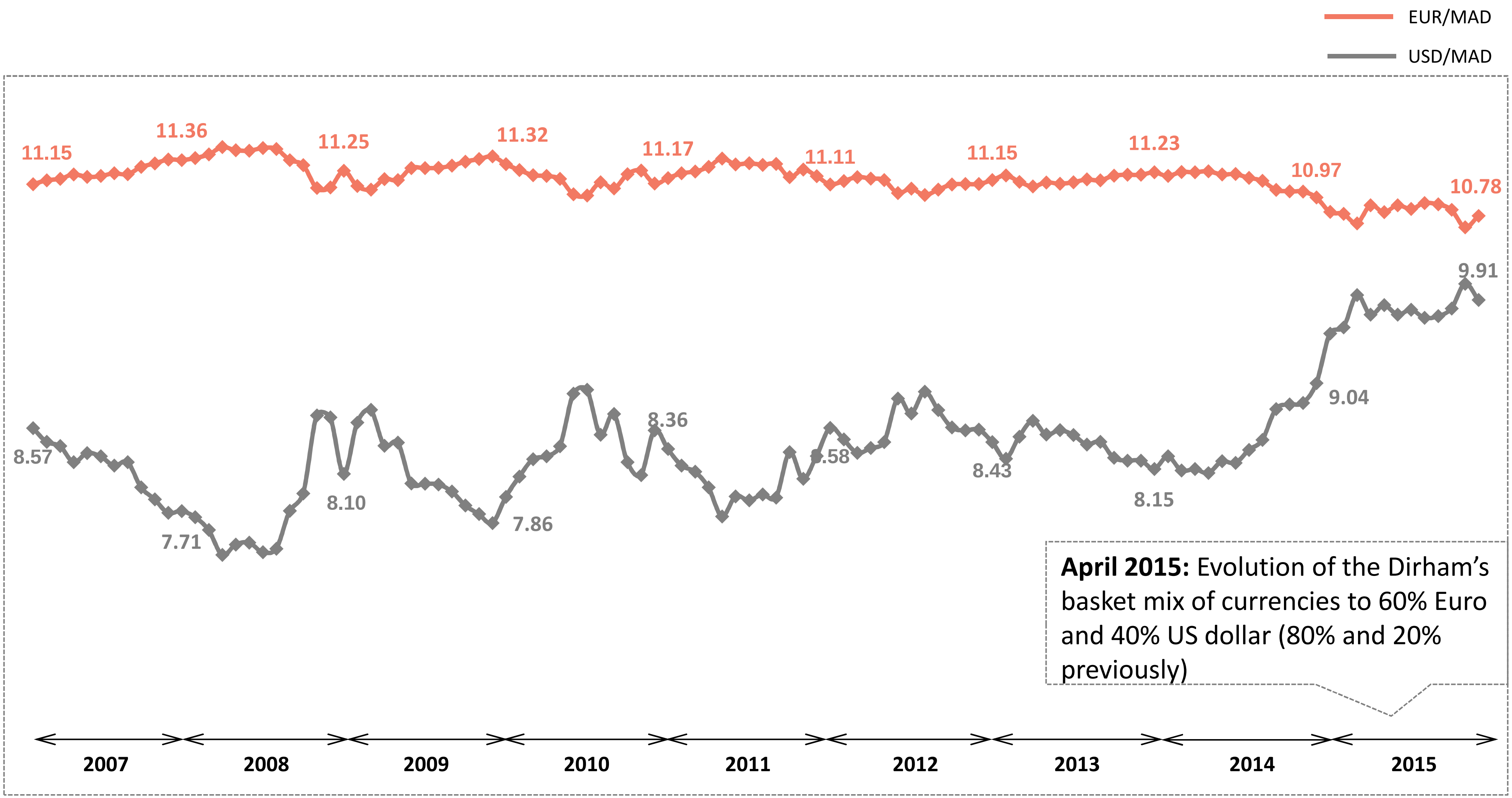


Content

Yield curve trend between 2012 and 2015 (treasury bill secondary market)



Exchange rates trend

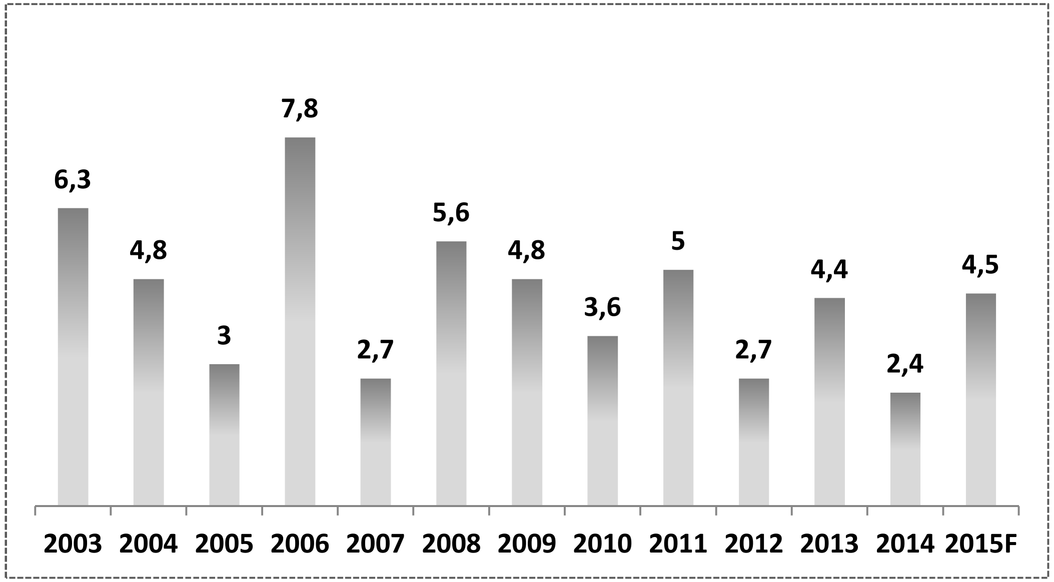


April 2015: Evolution of the Dirham's basket mix of currencies to 60% Euro and 40% US dollar (80% and 20% previously)

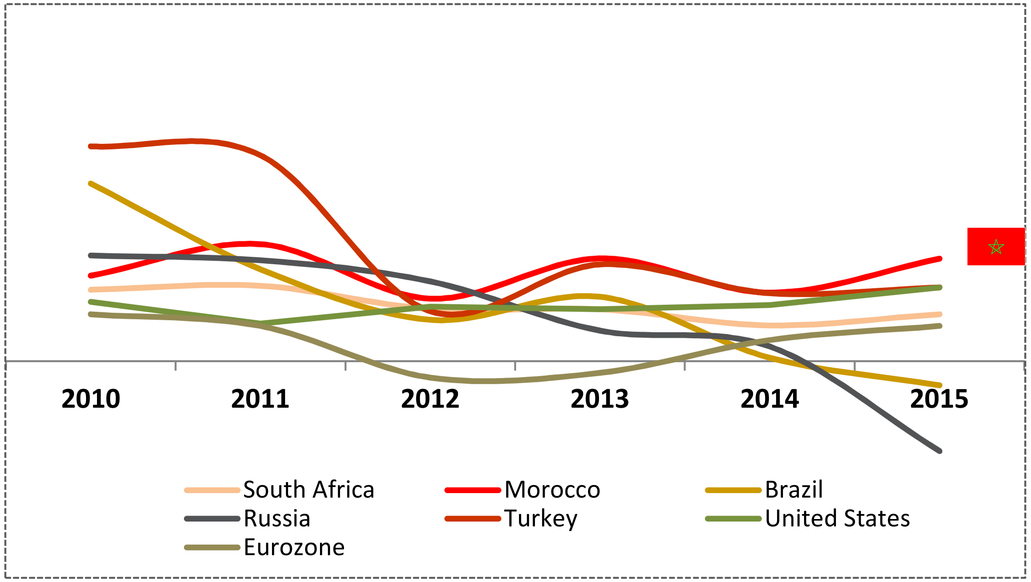
BACKUP

Economic growth

Morocco’s GDP Annual Growth (%)

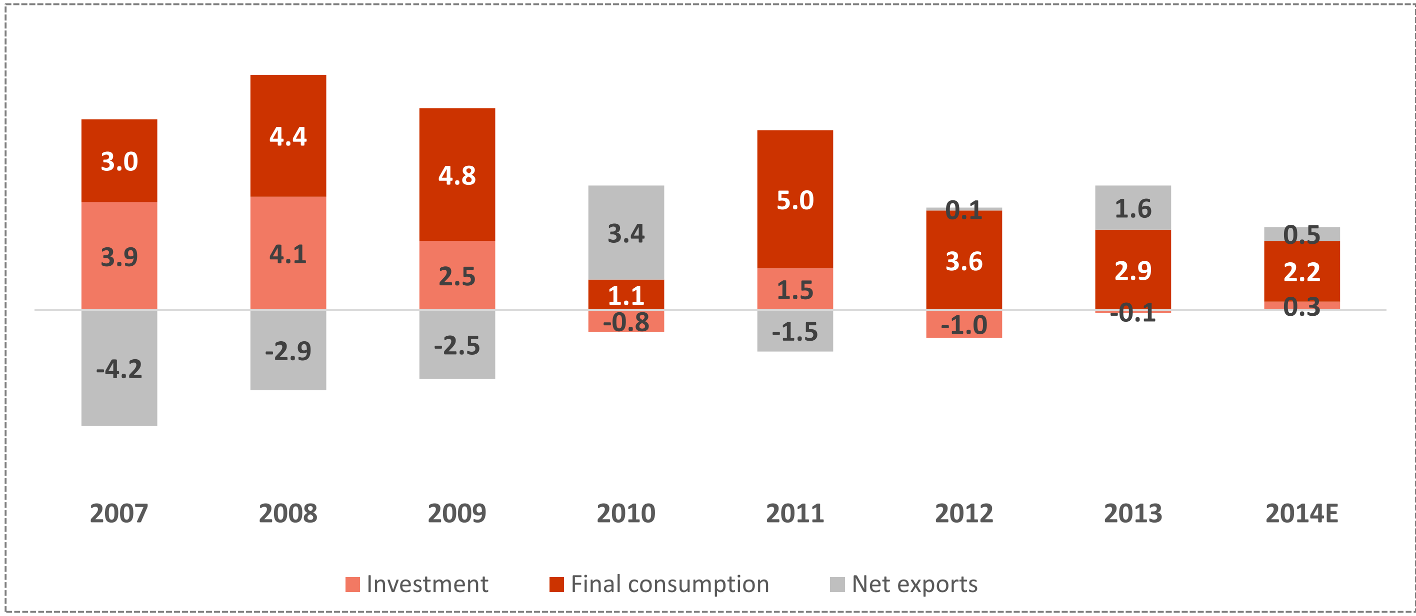


Historical Performance of Annual GDP Growth

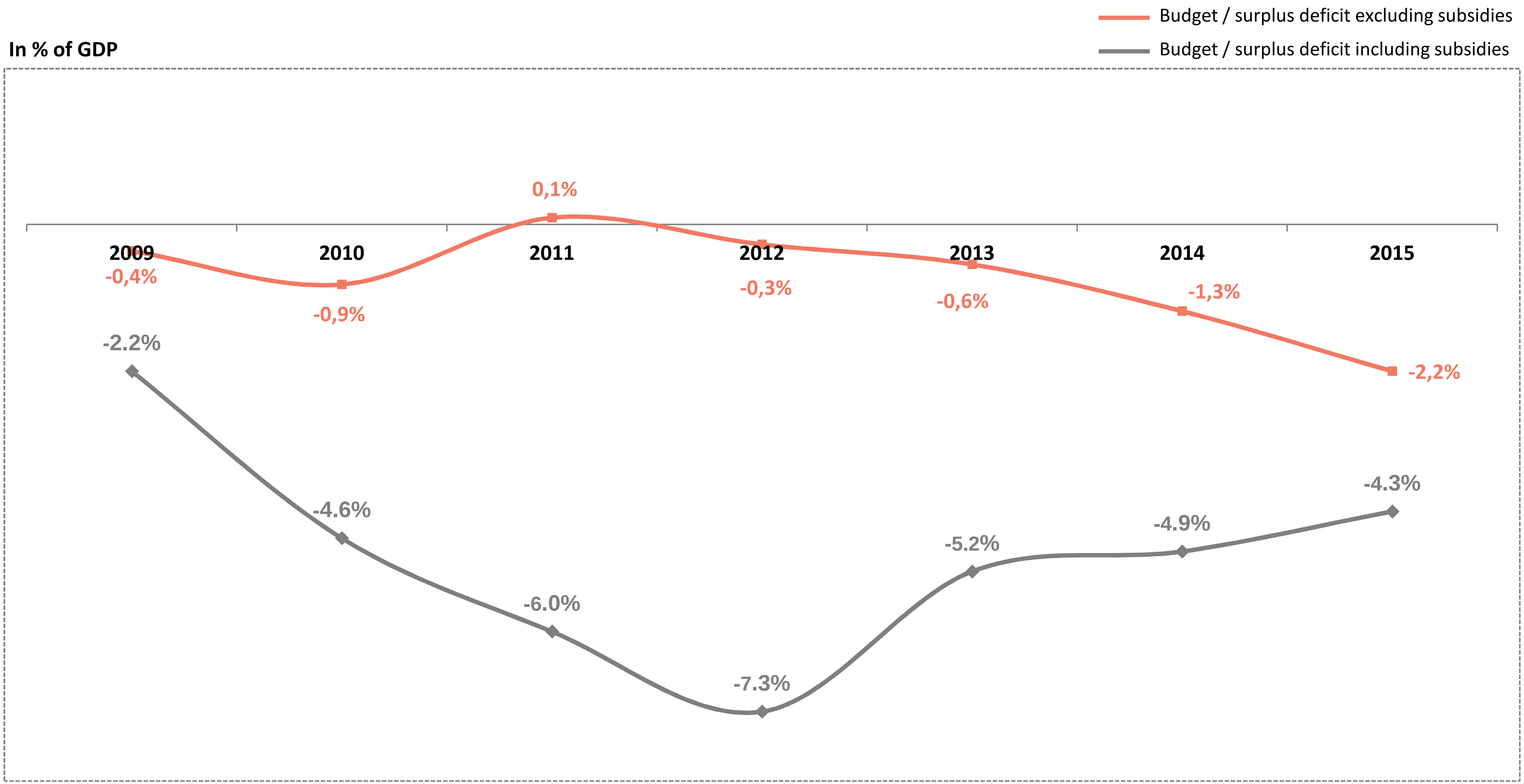


Source: MEF/HCP

Main Contributions to GDP (point of %)



Budget surplus/deficit between 2009 and 2015



National strategy: a comprehensive list of ~50 socio-economic programms

A Human and social development

A-I Education
1. INDH
2. Réforme éducation
3. Formation professionnelle
4. Sports

A-II Rural Dvt
1. PERG
2. PAGER
3. PNRR
4. Financement du rural
5. Tourisme rural

A-III Health
1. AMO
2. Couverture santé Inaya

A-IV Social
1. Développement social
2. Emploi
3. Plan Système de retraite et prévoyance
4. Solidarité nationale

A-V Administ
1. Intilaka (CDD)
2. Plan modernisation

B Economic growth and value creation

B-I Growth Sectors
1. Plan Emergence
2. Vision Artisanat 2015
3. Emergence Phosphate
4. Tourisme 2020 / Plan Azur
5. Modernisation compétitive

B-II Domestic
1. Rawaj 2020
2. Plan national Agriculture / Pêche
3. Plan Emeraude

B-III Finance
1. Développement du micro financement

B-IV Infrastructures
1. Plan autoroutier/routier
2. Plan ONCF
3. Réforme maritime et portuaire
4. Réforme de l'aérien

B-V Telecom
1. Réforme du syst audio
2. Contrats programmes NTIC
3. Plan Marwan (e-learning)

B-VI Energy
1. Plan énergétique 2020-2030
2. Réformes/libéralisation secteur énergie
3. Plan Eau 2012

C Macro economic stability and state institutional reform

C-I Other Policies
1. Plan sécurité 2012
2. Réforme de la Justice

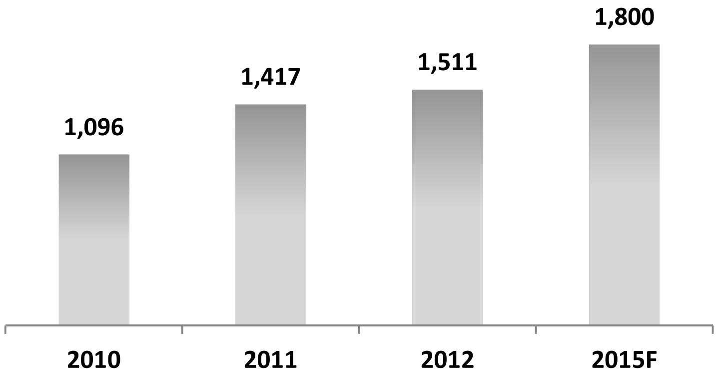
C-II Public Services
1. Dvpt Transports publics
2. Gestion eau et assainiss.

C-III Urban Dvpt
1. Programmes villes nouvelles
2. Plan de l'habitat social
3. Plan de dvpt urbain des grandes villes

C-IV Public finance
1. Réforme fiscale
2. Politique MREs
3. Réforme système des changes
4. Gestion compensation

CASE STUDY
HIGHWAY PROGRAM IN MOROCCO

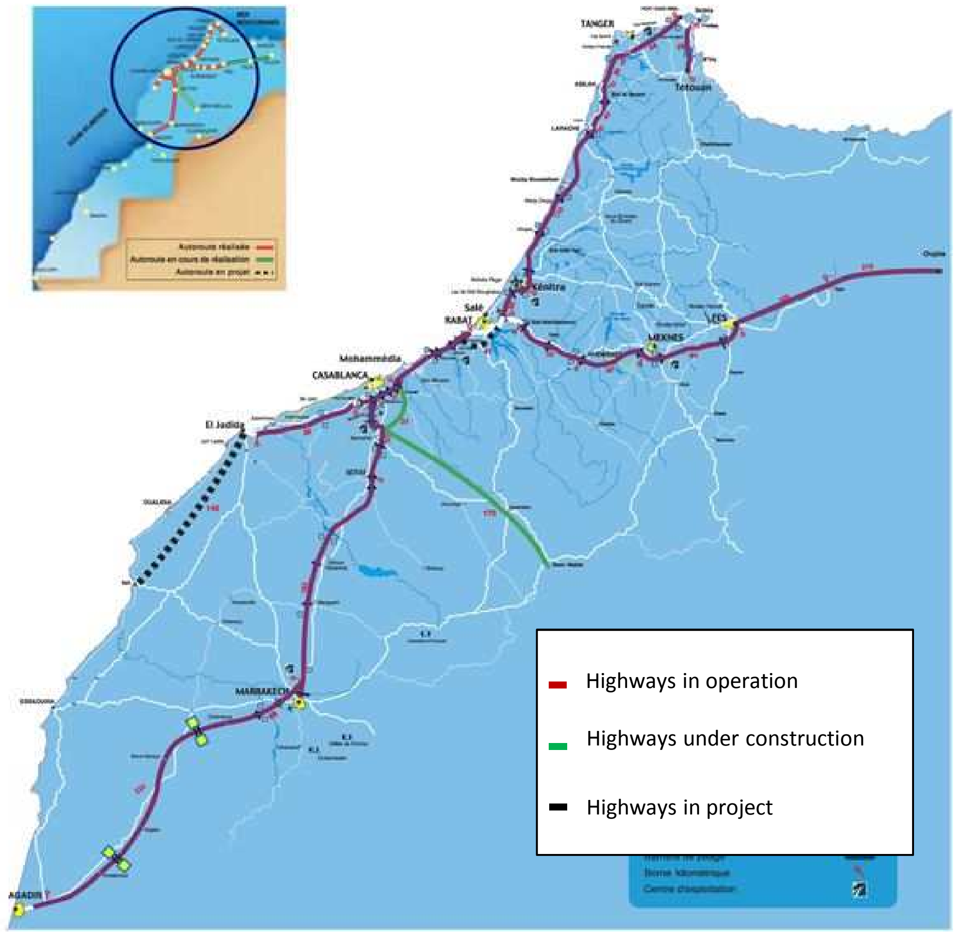
Highway Network (Km)



Key figures

- **Investments :** 4.4 USD bn since 1989
- **Future Investments :** 1.7 USD bn through 2015
- **Toll revenues :** 0.2 USD bn in 2011 (+16%)
- **Peak traffic :** 40 262 Vehicles/day (Casablanca-Rabat)

Highway network roadmap



CASE STUDY
The automotive industry in Morocco

Context

- Evolution of automobile manufacturing: Surge of emerging countries with an increased trend towards regional outsourcing (in 1990, over 80% of the production was concentrated in developed countries against 43% in 2010).
- Morocco positions itself as a platform for competitive and attractive investment, production and export at both regional and international levels
- One of the drivers of the domestic industry and the National Pact for the Industrial Emergence
- Strong growth on both equipment suppliers and Manufacturers

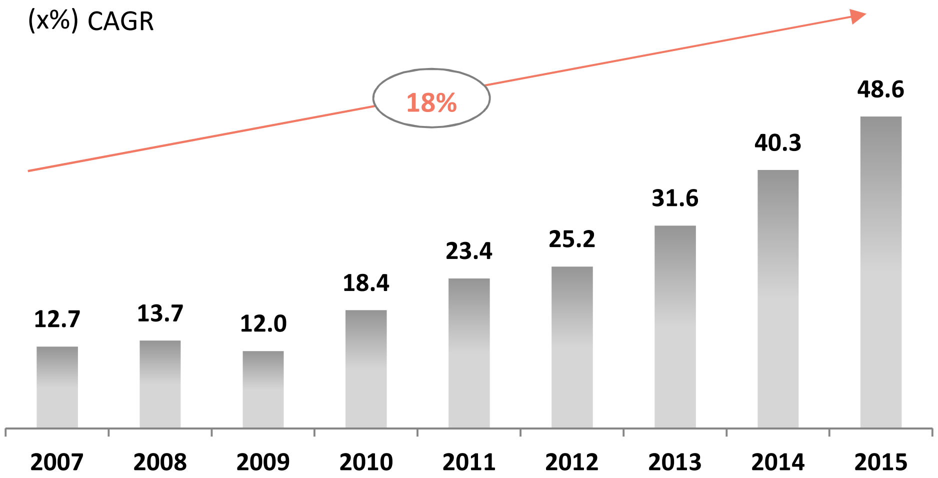
Renault Tanger Med Project

- Implementation of the first production line of the Renault plant, operational since February 2012 and inauguration of the second in October 2013
- Global cost of the project: more than one billion euros (600 m for the first part and 400 m for the second)
- Production goals: 340,000 vehicles from 2014
- More than 100,000 vehicles exported in September 2013
- Production capacity of the 2 sites: 60 cars/hour
- Green project: zero carbon industrial site and zero industrial liquid rejections
- Located between Tangier city and Tanger Med Port, at Melloussa Free Zone.
- Competitive advantages: skilled workforce at a competitive cost, attractive incentive framework through the free zone status which provides a total exemption from corporate tax and also aid for the installation of up to 10% of the total investment…

PSA Peugeot-Citroen plant

- Implementation of PSA in Kenitra which will be operational from 2019 with a production capacity of 200,000 vehicles. This project requires MAD 6 bn (€ 557 million)

Automotive exports (in MAD billions)



* An increase of 53% compared to 2013 in line with the great project of Renault Tanger

Benefits for Morocco?

- Improvement in the trade balance
- Sustainable jobs creation: 6,000 direct jobs and 30,000 indirect jobs generated by Renault and around 4,500 direct jobs and 20,000 indirect jobs created by PSA
- Transfer of technology and know-how for local skills: creation of the Institute for Training Professionals Automotive Industry (IFMIA), wholly funded by the Moroccan government

Ongoing projects

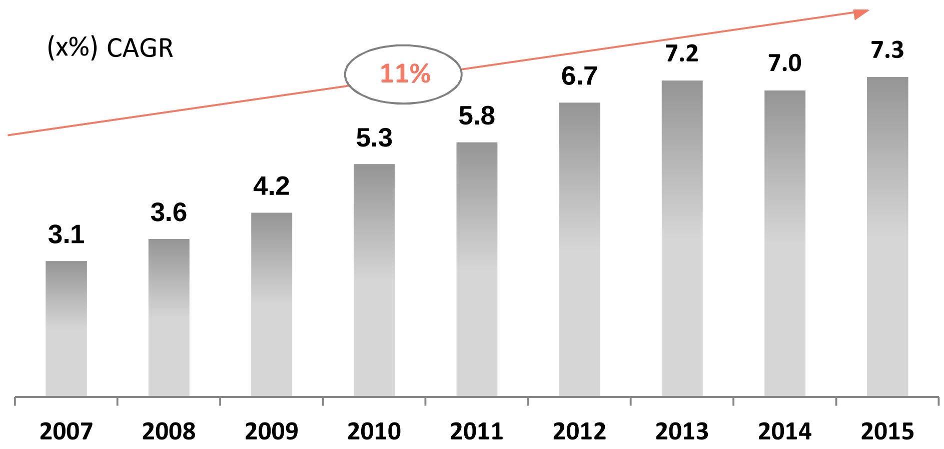
- In August 2013, signature of 6 investment contracts between the Ministry of Trade and Industry, the Hassan II Fund and companies operating in the sector
- Global cost: MAD 360 million
- Sustainable jobs creation :1 060 direct jobs
- These projects are organized around four areas:
  - Injection and joining plastic parts
  - The manufacture of components for commercial vehicles
  - Automotive wiring
  - The stamping and cutting of metal parts

CASE STUDY
The aeronautics industry in Morocco

Aeronautics Industry

- Established as one of the world's leading new businesses (the global trades in Morocco) by the National Pact for the Industrial Emergence
- 100 companies operating in the aerospace industry with the presence of reference groups such as EADS, Safran, Zodiac Aerospace, Boeing for production, services, maintenance and engineering activities
- Industry benefiting from the confidence of global investors towards Morocco as a competitive industrial platform. (As an example, the implementation of Bombardier adds to the list of large contractors and confirms the ability of Morocco to host a quality aviation platform.)
- Competitive advantages: skilled workforce at a competitive cost, attractive incentive framework through the free zone status which provides a total exemption from corporate tax and also aid for the installation of up to 10% of the total investment…
- Totally export-oriented
- Launch of 4 aeronautical ecosystems in 2015 aiming at creating 23,000 new jobs, doubling export turnover as part of 2014-2020 Industrial Acceleration Plan

Aerospace exports (in MAD billions)



Benefits for Morocco?

- Sustainable jobs creation: 8 400 highly skilled workers in 2012 against 5 769 employees in 2008 (only 3 900 in 2005)
- Transfer of technology and know-how : Launch of the Institute of Aviation Trades (IMA) in April 2011 and inauguration of the Specialised Institute of Aviation Trades and Airport Logistics (ISMALA) in 2013

Ongoing projects

- Inauguration of the "Midparc" integrated industrial platform dedicated to careers in aeronautics, space industry and electronics (September 2013) whose total cost amounts to MAD 887.6 million
- Signing of a Memorandum of Understanding with Eaton Group for the establishment of a factory in the Midparc free zone (USD 4 million), in te 51st edition of the International Paris Le Bourget Air Show

Focus on Bombardier

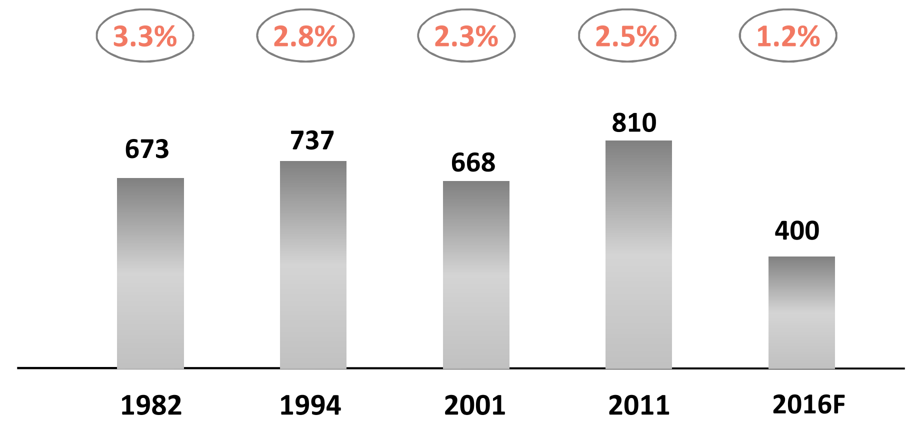
- The Signing of an agreement in November 2011 between the Moroccan government and the Canadian Bombardier Aerospace Group for the gradual establishment of an industrial unit in Casablanca
- Investment cost : MAD 1.66 billion
- Sustainable jobs creation: 850 direct jobs and more than 4 000 indirect jobs .

CASE STUDY
LOW COST HOUSING

Context

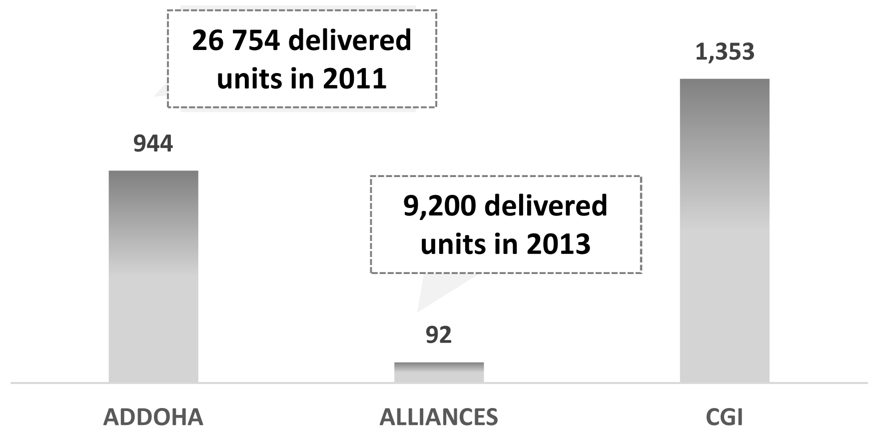
- **Strategic goals of the low cost housing program**
  - Promote the access of low-income households to the property;
  - Create 300 000 good quality and low-cost housing in the coming ten years
  - Reduce the deficit of accommodation from 608,000 in 2010 to 400,000 urban households before 2020
- **Target**
  - 1,500,000 people
- **Ressources deployed**
  - Nearly 4,000 hectares of land were released for this vast national project that will cost 60 billion MAD and will generate up to 160,000 jobs
- **Incentives for development of social housing and home ownership**
  - For developers
    - VAT Exemption
    - Corporate tax exemption
    - Reduced registration and stamps fees
    - Discount on special tax on cement
    - Land allocations by the state for the development of social housing programs
    - Facilitation of project licencing procedures
  - For buyers
    - Standardized housing with minimum quality guaranteed
    - VAT exemption (40,000 MAD)
    - Mortgage repayments deductible from income tax
    - FOGARIM loans for low or variable income populations, guaranteed by CGC (Central Guarantee Fund)
- **FOGARIM figures**
  - 11 MAD billion outstandings at the end of 2011
  - 81 000 beneficiaries since its icreation

Housing deficit (in 000)



Source : Ministry of Housing and Urban Development

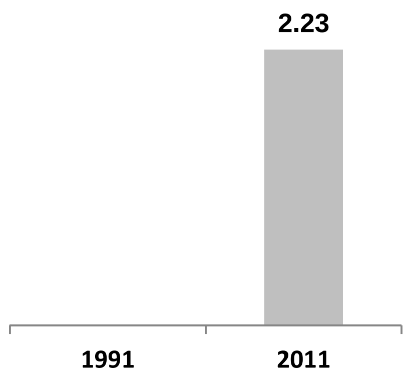
Market capitalizations of main developers (USD million, 30/06/15)



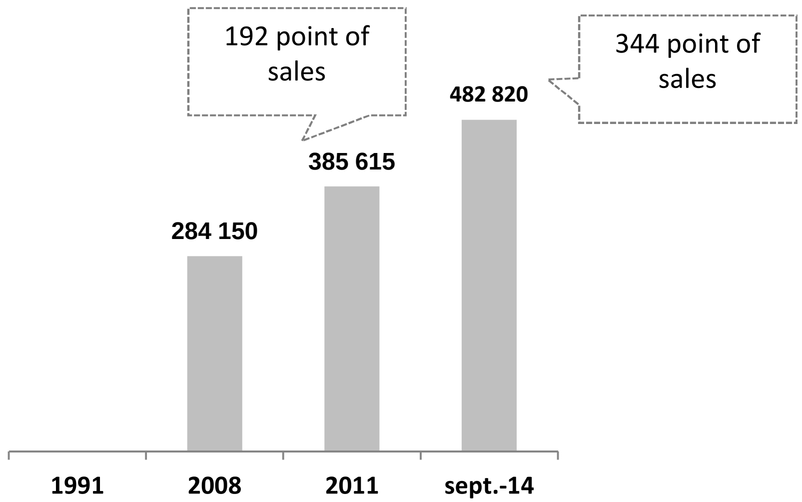
CASE STUDY
TRANSFORMATION OF RETAIL SECTOR IN MOROCCO

Evolution of sales of mass distribution between 1991 and 2011

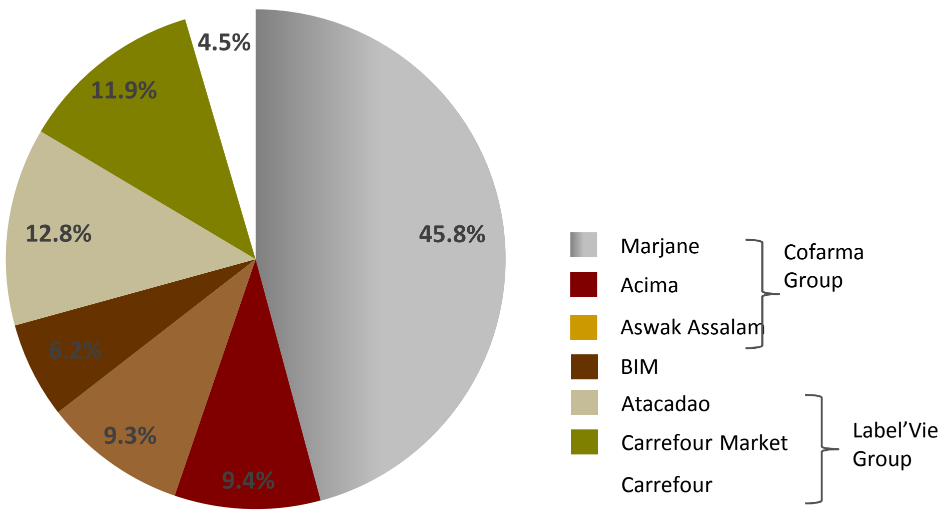
In USD bn



Evolution of mass distribution surface in Morocco (m²)



Market shares in m² (as of 30 September 2014)

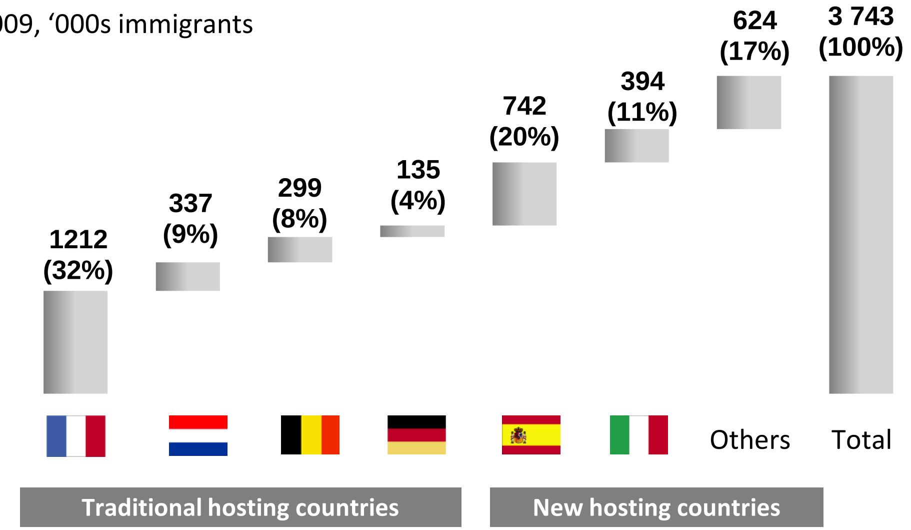


- The potential of the mass distribution **is still very important:**
  - Recent **CAGR of 16 to 20%**
  - Per capita mass distribution **surface in Morocco** is around **11 m²** (vs.40 m² for Turkey)
- Development of mass distribution was **supported by** and has **significantly supported** the rapid growth of middle class
- It has also helped develop modern payment forms (as opposed to cash) and improve transparency

CASE STUDY
IMMIGRANT BANKING

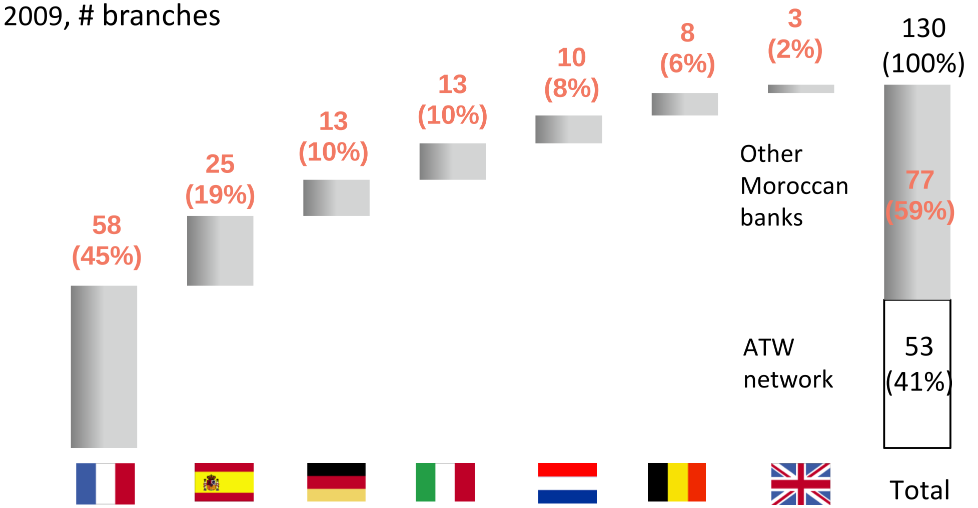
Break-down of Moroccan legal immigration by geography

2009, '000s immigrants



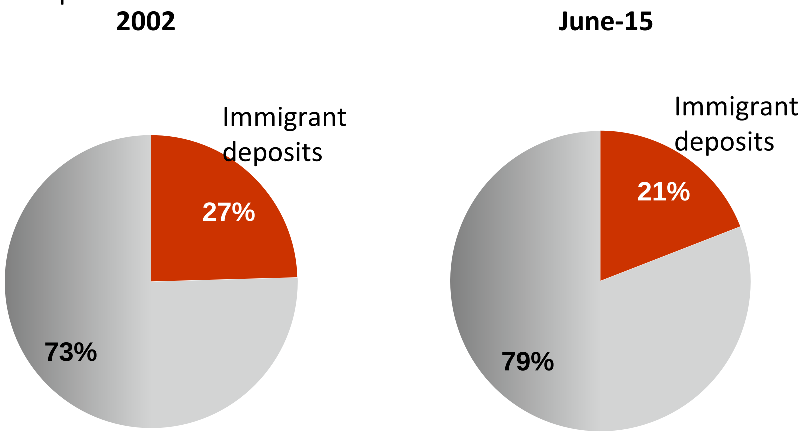
Moroccan banks network in Europe

2009, # branches



Moroccan immigrant deposits

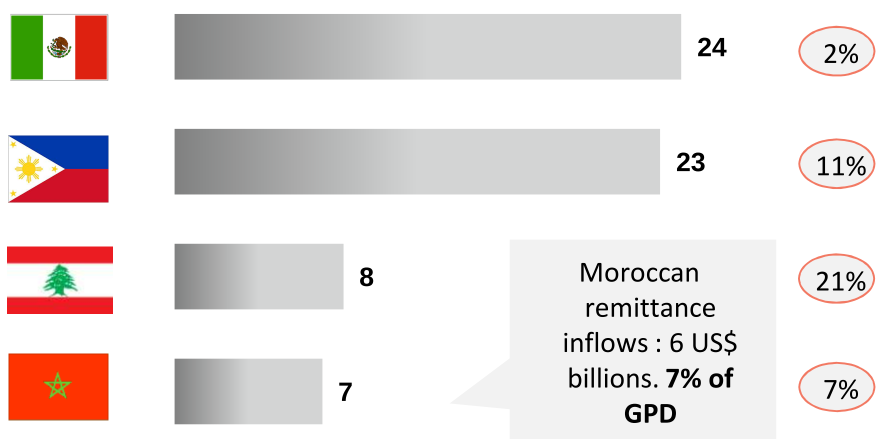
% of total deposits in Morocco



Diaspora money transfers

2011. USD Bn

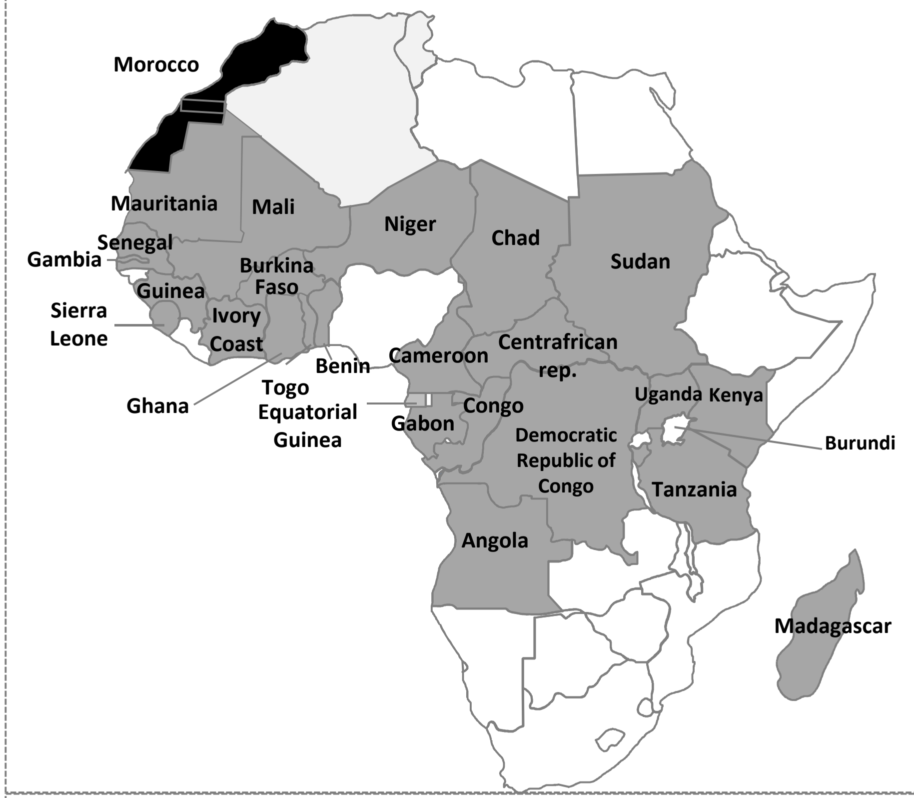
Immigrant remittances as a % of GPD



Source: World Bank. Central Bank (Morocco)

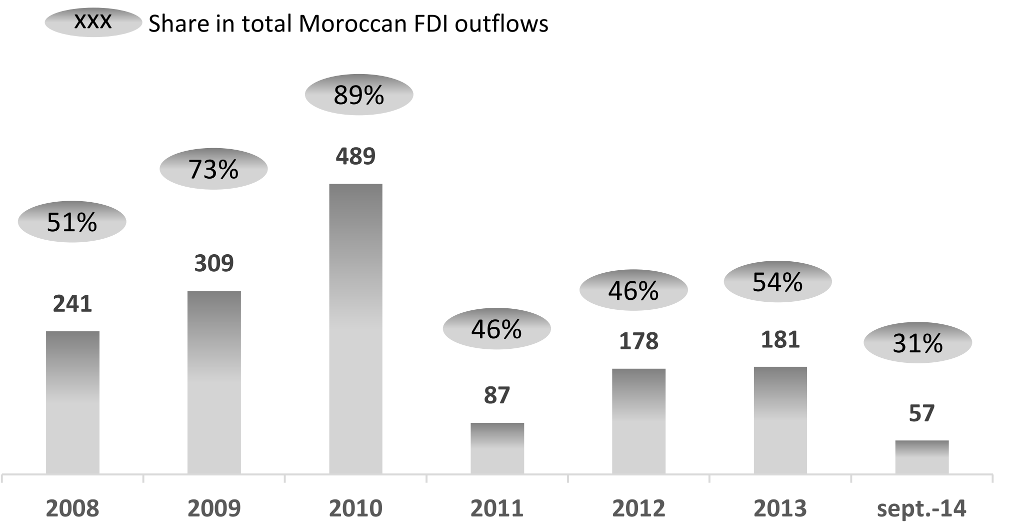
CASE STUDY
REGIONAL EXPANSION OF MOROCCAN COMPANIES IN AFRICA

Sub-Saharan footprint of Moroccan companies

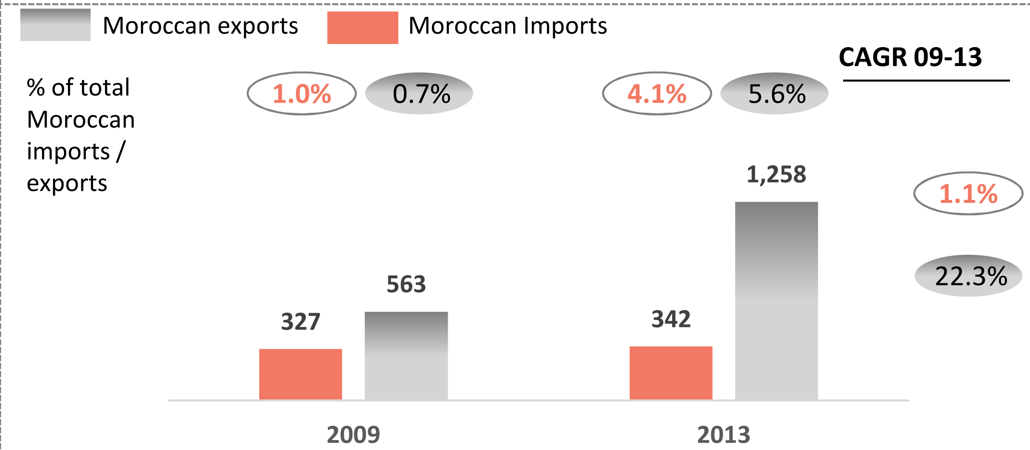


Main Moroccan companies operating in sub-Saharan Africa

Moroccan FDI outflows towards sub-Saharan Africa (USD m)



Trade between Morocco and sub-Saharan Africa* (USD m)



*Includes only South Africa, Nigeria, Equatorial Guinea, Gabon, Ivory Coast, Centrafrican Republic, Democratic Republic of Congo, Cameroon, Guinea, Senegal, Togo, Ghana, Madagascar, Mali, Benin, Burkina Faso, Kenya, Tanzania, Congo, Ouganda, Angola, Gambia, Chad, Niger, Namibia, Soudan, Liberia, Guinea Bissau...

Source : Moroccan press