THE CHANGING GLOBAL INVESTOR BASE FOR GOVERNEMENT SECURITIES

21st GLOBAL FORUM ON PUBLIC DEBT MANAGEMENT
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CONTENT

- EVOLUTION OF CENTRAL GOVERNMENT DEBT
- INCREASING GOVERNMENT FUNDING NEEDS
- INVESTOR BASE FOR EXTERNAL AND DOMESTIC DEBT
- CHALLENGING CONTEXTE FOR DOMESTIC FINANCING
- CHALLENGES AHEAD
Morocco’s Central Government Debt (MAD Billion)

- External debt
- Domestic debt
- % of GDP


Debt (MAD Billion): 118.6, 149.1, 118.6, 149.1, 58.2, 62.1, 57.3, 53.5, 50.3, 52.9, 98.6, 332.3

% of GDP: 68.1%, 67.1%, 63.7%, 60.8%, 62.1%, 57.3%, 53.5%, 47.3%, 47.1%, 50.3%, 52.9%, 98.6%
Widening of the budget deficit (% of GDP) in the last 2 years due to a voluntary Governmental policy to support domestic demand, main engine of economic growth, as a response to the global crisis

Economic policy: - support of public investment  
- income tax reduction  
- wages increases  
- maintaining of the subsidies’ system
Increasing financing needs
- Domestic resources remains the main source of financing
- Issue of a Eurobond in 2010

Domestic financing | Eurobonds | Multilateral and Bilateral financing

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Eurobonds</th>
<th>Multilateral and Bilateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>45.4</td>
<td>6.7</td>
<td>38.7</td>
</tr>
<tr>
<td>2007</td>
<td>54.5</td>
<td>7.0</td>
<td>41.9</td>
</tr>
<tr>
<td>2008</td>
<td>58.0</td>
<td>11.5</td>
<td>46.5</td>
</tr>
<tr>
<td>2009</td>
<td>88.0</td>
<td>15.1</td>
<td>72.9</td>
</tr>
<tr>
<td>2010</td>
<td>122.6</td>
<td>10.3</td>
<td>11.2</td>
</tr>
<tr>
<td>2011</td>
<td>117.2</td>
<td>10.3</td>
<td>11.2</td>
</tr>
</tbody>
</table>

MAD Billion

2006 | 2007 | 2008 | 2009 | 2010 | 2011

45.4 | 54.5 | 58.0 | 88.0 | 122.6 | 117.2

6.7 | 7.0 | 11.5 | 15.1 | 10.3 | 10.3

38.7 | 41.9 | 46.5 | 72.9 | 11.2 | 11.2

13.7 | 103.5 |
<table>
<thead>
<tr>
<th><strong>Issuer</strong></th>
<th><strong>Morocco</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>Standard &amp; Poor’s : BBB-</td>
</tr>
<tr>
<td></td>
<td>Fitch Ratings : BBB-</td>
</tr>
<tr>
<td>Amount</td>
<td>1 billion €</td>
</tr>
<tr>
<td>Interest</td>
<td>4,50% (per year)</td>
</tr>
<tr>
<td>Maturity</td>
<td>10 years (October 5th, 2020)</td>
</tr>
<tr>
<td>Issuance date</td>
<td>September 28th, 2010</td>
</tr>
<tr>
<td>Maturity date</td>
<td>October 5th, 2010</td>
</tr>
<tr>
<td>Spread / Mid swap</td>
<td>200 basis point</td>
</tr>
</tbody>
</table>
MOROCCO ACCESSED THE IFM AT FAVORABLE CONDITIONS

- Spread eurobond 2017
- Spread eurobond 2020
- EMBI+

Graph showing the spreads of eurobonds for Morocco from 2007 to 2012, with notable spikes and trends.
MOROCCO’S 2007 - 2020 ISSUE : DISTRIBUTION BY TYPES OF INVESTORS

2007

- Mutual Funds: 58%
- Banks: 28%
- Insurance and Pension Funds: 6%
- Hedge Funds: 3%
- Others: 2%

2010

- Mutual Funds: 49%
- Banks: 30%
- Hedge Funds: 14%
- Insurance and Pension Funds: 5%
- Others: 2%

Note: The percentages may not sum up to 100% due to rounding.
MOROCCO’S 2007 - 2020 ISSUE: DISTRIBUTION BY REGION

**2007**
- Europe: 47%
- USA: 20%
- MENA: 19%
- Others: 10%
- Asia: 4%
- Others: 10%

**2010**
- Europe: 75%
- USA: 9%
- MENA: 10%
- Others: 6%
DOMESTIC DEBT BY INVESTOR TYPE

2010
- Insurance and Pension Funds: 17%
- Mutual Funds: 41%
- Banks: 25%
- Non financial sector: 15%
- Financial sector other than Banks: 2%

2011
- Insurance and Pension Funds: 14%
- Mutual Funds: 32%
- Banks: 25%
- Non financial sector: 22%
- Financial sector other than Banks: 7%
THE GOVERNMENT MANAGED TO FUND ITSELF IN A CHALLENGING CONTEXT
THE GOVERNMENT MANAGED TO FUND ITSELF IN A CHALLENGING CONTEXT

A GROWING PRIVATE ISSUANCES (OUTSTANDING, MAD BILLION)
... BUT STILL AT FAVORABLE CONDITIONS

<table>
<thead>
<tr>
<th>Time</th>
<th>Interest Rate</th>
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<tbody>
<tr>
<td>13 sem.</td>
<td>3.39%</td>
</tr>
<tr>
<td>26 sem.</td>
<td>3.48%</td>
</tr>
<tr>
<td>52 sem.</td>
<td>3.59%</td>
</tr>
<tr>
<td>2 ans</td>
<td>3.80%</td>
</tr>
<tr>
<td>5 ans</td>
<td>4.00%</td>
</tr>
<tr>
<td>10 ans</td>
<td>4.20%</td>
</tr>
<tr>
<td>15 ans</td>
<td>4.42%</td>
</tr>
<tr>
<td>20 ans</td>
<td>4.54%</td>
</tr>
<tr>
<td>30 ans</td>
<td>4.72%</td>
</tr>
</tbody>
</table>
LATEST ACTIONS TAKEN TO STRENGTHEN DOMESTIC MARKET DEVELOPMENT

• Build up of benchmark bonds (5Y and 10Y)
• Doubling of their size (up to MAD 10 billion)
• Treasury commitment to regular issuances
• Introduction of buy backs and switches to manage refinancing risk
• Introduction of active cash management
CHALLENGES AHEAD

1. Domestic market:
   • Electronic quotation
   • Legal framework for future market

2. Fiscal policy to contain the budget deficit
   • Tax reform: broadening of tax base.
   • Subsidies reform.
   • Pension funds reform (main fund: 1st deficit in 2013 and reserves will run out in 2019.)

3. Exchange rate policy
   • ER regime reform: moving towards more flexibility to slowdown foreign reserve erosion and alleviate pressure on banking liquidity.
Thank you