



FONDS D'EQUIPEMENT COMMUNAL

PROSPECTUS SUMMARY

Issuance of a Bond Loan for a Maximum Amount of 2 Billion Dirhams

	Tranche A Non-Listed	Tranche B Non-Listed	Tranche C Non-Listed
Category	Conventional	Conventional	Conventional
Maximum Transaction amount	2 000 000 000 MAD		
Cap	1 500 000 000 MAD	1 500 000 000 MAD	1 000 000 000 MAD
Maximum number	15 000	15 000	10 000
Nominal Value	100 000 MAD	100 000 MAD	100 000 MAD
Facial Interest Rate	Fixed Between 3.49% and 3.89% In reference to the 15-year depreciable bond rate, as published by Bank Al Maghrib on June 21, 2019.	Reviewable on an annual basis Between 2.77% and 3.17% For the first year, with reference to the 6-month (180 days) WAR (Weighted Average Rate) published by Bank Al Maghrib.	Reviewable on an annual basis Between 2.78% and 3.08% For the first year, in reference to the 52 weeks bond rate, as published by Bank Al Maghrib on June 21, 2019.
Reference rate	BDT	TMPI	BDT
Risk premium	Between 50 and 90 pbs	Entre 50 et 90 pbs	Entre 45 et 75 pbs
Maturity	15 Years	15 Years	15 Years
Tradability of the securities	Over-the-counter (Off the market)	Over-the-counter (Off the market)	Over-the-counter (Off the market)
Repayment Method	Linear annual depreciation of the principal	Linear annual depreciation of the principal	Linear annual depreciation of the principal
Allocation method	Dutch auction with prioritization of the tranche B, then A, then C		

SUBSCRIPTION PERIOD : FROM THE 08th TILL 10th OF JULY INCLUDED

Subscription to these bonds is strictly reserved/dedicated to qualified investors under Moroccan law as listed in this prospectus

Financial Advisors



Agent in Charge of Centralization



Agents in Charge of the Placement



APPROVAL OF THE AMMC (THE MOROCCAN FINANCIAL AUTHORITY)

In accordance with the AMMC circular, delivered in application of Section 5 of Dahir No. 1-12-55 of December 28th, 2012, promulgating Act No. 44-12 on the public offering and the information required of legal persons and bodies, this prospectus was approved by the AMMC on June 28th, 2019 under the reference number VI/EM/018/2019.

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WARNING

On June 28th, 2019, the Moroccan Capital Market Authority (AMMC) referred to a prospectus related to an ordinary bond issue carried out by the Communal Facilities Fund, or FEC (Fonds d'Equipelement Communal) for the amount of 2 billion MAD.

The prospectus referred to by the AMMC is available at any time at :

- The headquarters of the FEC : Espace Oudayas. Angle avenue Annakhil et avenue Ben Barka, B.P. 2175 Hay Riad, Rabat ;
- FEC Website : <https://www.fec.ma/> (Rubrique « Publications ») ;
- The headquarters of la Société Générale Maroc : 55 Boulevard Abdelmoumen, 20100 – Casablanca ;
- The headquarters of CFG Bank Corporate Finance : 5-7 Rue Ibnou Toufail, 20100 – Casablanca.

The prospectus is also available on the AMMC website: www.ammc.ma.

This summary has been translated by Aaron & Babel under the joint responsibility of the translator and the FEC. In the event of any discrepancy between the content herein and the (original) prospectus approved by the AMMC, only the latter prospectus shall prevail.

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PART I. PRESENTATION OF THE OPERATION

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I. GÉNÉRAL FRAMEWORK OF THE OPÉRATION/TRANSACTION

Under Article 5 of Law No. 31-90 on the reorganization of the Fonds d'Équipement Communal (*Municipal Equipment Fund*) promulgated by the Dahir No. 1-92-5 of Safar 5, 1413 (August 5, 1992), as amended and completed, the Board of Directors authorized, during its meeting on May 27, 2016, a bond issuance program for an overall amount capped at 6 billion dirhams.

Following two bond issues of MAD 2 billion each in December 2017 and July 2018 respectively, the FEC wishes to continue its program with a new bond issue for an amount of up to MAD 2 billion, purpose of this prospectus.

In accordance with the powers conferred on him by the Board of Directors held on May 27, 2016, the General Manager of the FEC set forth the general terms and the specifications of this bond issue:

- Maximum amount of the Operation: two billion (2,000,000,000) dirhams;
 - Maximum number of securities: twenty thousand (20,000) bonds;
 - Nominal value: one hundred thousand (100,000) dirhams;
 - Type: ordinary bonds;
 - Maturity: 15 years;
 - Exit rate and repayment method:
- ✓ Tranche A, unlisted ordinary bonds, capped at one billion five hundred million (1,500,000,000) dirhams: Fixed Rate, with reference to the sovereign rate of equivalent maturity (15 years annually depreciable, fixed), calculated from the benchmark yield curve of the Treasury Bills' secondary market as published by Bank Al Maghrib on June 21, 2019 – a rate of 2.99%, plus a risk premium of between 50 and 90 basis points, an effective interest rate of between 3.49% and 3.89%.
 - ✓ Tranche B, unlisted ordinary bonds, capped at one billion five hundred million (1,500,000,000) dirhams: Annually Revisable Rate, with reference to the arithmetical average of the interbank average Weighted Average daily Rates observed over a period of 180 days (15 years annually depreciable, reviewable annually) on June 21, 2019 – a rate of 2.27%, plus a risk premium of between 50 and 90 basis points, that is an effective interest rate of between 2, 77% and 3.17% for the first year.
 - ✓ Tranche C, unlisted ordinary bonds, capped at one billion (1,000,000,000) of dirhams: Annually Revisable Rate, with reference to the sovereign rate of equivalent maturity, calculated from the benchmark yield curve of the Treasury Bills' secondary market of as published by Bank Al Maghrib on June 21, 2019 – a rate of 2.33%, plus a risk premium of between 45 and 75 basis points, that is an effective interest rate of between 2.78% and 3.08% for the first year.
- Entitlement Date: July 12, 2019.

The total amount of the Operation (awarded) on all tranches shall not exceed the sum of two billion (2,000,000,000) dirhams.

In the event that the bond issue is not fully subscribed upon expiry of the subscription period, the amount of this issue may be limited to the subscribed amounts, as decided by the Governor Director General, by virtue of the powers conferred on him by the Board of Directors, held on May 27, 2016.

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I. OBJECTIVES OF THE OPERATION

The positive evolution of the credit activity of the FEC during the last years has logically been accompanied by an increase in both disbursement and financing needs, which required an increasing mobilization of resources. This increase should pursue over the coming years considering the development projects launched by the territorial agencies, mainly the Regions, on a national scale.

In this context, the FEC's recourse to the bond market aims mainly at: Le financement de son activité ;

- Financing its activity;
- Diversifying the long-term funding sources and continuing the optimization of cost financing;
- Consolidating the FEC's image against the main partners and strengthening its position as a regular issuer of bonds on the market.

II. TIMETABLE FOR THE OPERATION

No.	Stages	Date
1	Procurement of AMMC visa	28 June 2019
2	Publication of the prospectus extract on the Issuer's website	28 June 2019
3	Publication of the press release by the Issuer in a Journal of legal notices	1 st july 2019
4	Opening of the subscription period	08 july 2019
5	Closure of the subscription period	10 july 2019
6	Centralization of subscription orders by Société générale Maroc	10 july 2019
7	Sécurities Allocations	10 july 2019
8	Reporting the transaction results to subscribers	11 july 2019
9	Payment / Delivery	12 july 2019
10	Publication of the results of the Transaction and the rates retained in a legal publication newspaper by the Issuer	15 july 2019

III. CHARACTERISTICS OF THE OPERATION

Characteristics of the securities of Tranche A (Fixed-rate Conventional bonds with a maturity of 15 years non-listed on the Casablanca stock-exchange)

Nature OF securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and entered into account at the authorized affiliates.
Legal Form	Bearer bonds.
Transaction Ceiling	1,500,000,000 Dh.
Maximum number of securities to be issued	15,000 bonds.
Nominal value per unit	100,000 Dh.
Subscription Price	Per valuer, 100% of the nominal value.
Maturity	15 Years.
Subscription Period	FROM July 8, 2019 TILL July 10, 2019 INCLUDED.
Vesting date	July 12, 2019.

Maturity date	July 12 th , 2034.
Allocation Method	Dutch auction with prioritization of tranche “B”, then “A”, then “C”
Facial interest rate	<p>Fixed rate (to be determined at the end of the subscription and communicated by the centralizing body Société Générale Maroc).</p> <p>The Facial interest rate is determined by reference to the sovereign rate of equivalent maturity (15 years, repayable annually, fixed), observed from the benchmark yield curve of the secondary market of Treasury Bills as published by Bank Al Maghrib on June 21th, 2019, a rate of 2,99%, increased by a risk premium of between 50 and 90 basis points, a rate of between 3,49% and 3,89%.</p>
Risk premium	Between 50 and 90 basis points.
Method of calculating interest	Interest shall be calculated according to the following formula: [Remaining capital x Facial rate].
Coupon payment	<p>The coupons will be paid annually at each anniversary date of the vesting date, i.e the July 12, 2019, or the first following working day in case that day is a non-working day.</p> <p>No deferral of the interests shall be possible in this operation.</p>
Tradability of the securities	Over-the-counter. The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal Repayment	The principal repayment of the loan's tranche A, purpose of this prospectus, will occur annually and linearly at each anniversary date of the issuance vesting date or the first working day following that date if it is a non-working day.
Anticipated Repayment	<p>The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance.</p> <p>However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.</p>
Assimilation clause	<p>The bonds issued by the FEC cannot be assimilated to any anterior securities issuance.</p> <p>In case the FEC subsequently issues new bonds with completely similar rights to tranche A bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation.</p>
Loan Ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.
Applicable Law	Moroccan Law.
Competent Jurisdiction	Commercial Court of Rabat
Bondholders Representation	Pending the General Meeting of Bondholders, the Chief Executive Officer of the FEC by virtue of the powers granted to him by the Board of Directors, held on May 27, 2016, appointed Hdid as interim agent of the bondholders of tranches A, B and C, in accordance with the relevant legal provisions. This decision will take effect as of the opening of the subscription period and will expire at the end of the election of the definitive representative by the General Meeting of the Bondholders. The Chief Executive Officer pledges that the General Meeting of the Bondholders will be convened by the interim agent no later than 30 days before the first amortization of the tranches A, B and C in order to appoint the definitive representative. It being specified that the appointed temporary proxy is the same person for tranches A, B, C and D of the

issue, which are grouped together under one single mass.

Characteristics of the securities of Tranche B (reviewable-rate conventional bonds with a maturity of 15 years non-listed on the Casablanca stock-exchange)

Nature of securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and entered into account at the authorized affiliates.
Legal Form	Bearer bonds.
Transaction Ceiling	1,500,000,000 Dh.
Maximum number of securities to be issued	15,000 bonds.
Nominal value per unit	100,000 Dh.
Subscription Price	Per value : 100% of the nominal value.
Maturity	15 ans.
Subscription Period	FROM July 8 ,2019 TILL July 10 ,2019 INCLUDED.
Vesting date	July 12 ,2019.
Maturity date	July 12 ,2034.
Allocation Method	Dutch auction with prioritization of tranche “B”, then “A”, then “C”
Facial interest rate	<p>Rate reviewable on an annual basis</p> <p>For the first year, the reference rate is determined on the basis of an arithmetic average composed of Interbank Average Weighted Interbank Rates, observed over a 6-month period ending on June 20th ,2019 as published by Bank Al Maghrib, increased by a risk premium of between 50 and 90 basis points, which is between 2,77% and 3,17%.</p> <p>For subsequent years, the Reference Rate is calculated on the basis of an arithmetic average of the Interbank Average Weighted Interbank Rates observed over a 6-month period preceding the coupon anniversary date of five business days, as published by Bank Al. Maghrib.</p> <p>Reference rates thus obtained shall be increased by a risk premium of between 50 and 90 basis points.</p>
Risk premium	Between 50 and 90 bps.
Interest Rate Fixing Date	<p>The interest rate is to be revised annually on the anniversary date.</p> <p>The new rate will be determined no later than 5 working days before the anniversary date by the centralizing body ‘Société Générale Maroc’ and communicated to investors by the domiciliation body using any means deemed practical (email, mail, etc.).</p>
Method of calculating interest	<p>Interests shall be calculated on monetary basis, i.e : [nominal amount x nominal rate x (Exact number of days*/360)]</p> <p>*Exact number of days : 365 or 366 days.</p>
Paie ment du coupon	<p>The coupons will be paid annually at each anniversary date of the vesting date, i.e July 12 ,2019, or on the first following working day in case that day is a non-working day.</p> <p>No deferral of the interests shall be possible in this operation.</p>
Tradability of the securities	Over-the-counter. The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal Repayment	Le remboursement du principal de la tranche B de l’emprunt, objet de la présente note d’information, sera effectué annuellement et de manière linéaire à chaque date d’anniversaire de la date de jouissance de l’émission ou le 1 ^{er} jour ouvré suivant cette date si celle-ci n’est pas ouvrable.
Anticipated Repayment	<p>The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance.</p> <p>However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior</p>

	consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.
Assimilation clause	The bonds issued by the FEC cannot be assimilated to any anterior securities issuance. In case the FEC subsequently issues new bonds with completely similar rights to tranche B bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation.
Loan Ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.
Applicable Law	Moroccan Law
Competent Jurisdiction	Commercial Court of Rabat
Bondholders Representation	<p>Pending the General Meeting of Bondholders, the Chief Executive Officer of the FEC by virtue of the powers granted to him by the Board of Directors, held on May 27 , 2016, appointed Hdid as interim agent of the bondholders of tranches A, B and C, in accordance with the relevant legal provisions. This decision will take effect as of the opening of the subscription period and will expire at the end of the election of the definitive representative by the General Meeting of the Bondholders. The Chief Executive Officer pledges that the General Meeting of the Bondholders will be convened by the interim agent no later than 30 days before the first amortization of the tranches A, B and C in order to appoint the definitive representative.</p> <p>It being specified that the appointed temporary proxy is the same person for tranches A, B and C of the issue, which are grouped together under one single mass.</p>

Characteristics of the securities of Tranche C (Annually-reviewable-rate conventional bonds with a maturity of 15 years non-listed on the Casablanca stock-exchange)

Nature of securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and entered into account at the authorized affiliates.
Legal Form	Bearer bonds.
Transaction Ceiling	1,000,000,000 Dh.
Maximum number of securities to be issued	10,000 Bonds
Nominal value per unit	100,000 Dh.
Subscription Price	Per valuer, 100% of the nominal value.
Maturity	15 Years.
Subscription Period	From July 8 ,2019 Till July 10 ,2019 included.
Vesting date	July 12, 2019.
Maturity date	July 12 ,2034.
Allocation Method	Dutch auction with prioritization of tranche "B", then "A", then "C"
Facial interest rate	Annually-Reviewable Rate For the first year, the reference rate is calculated with reference to the sovereign rate of equivalent maturity (52 weeks), observed from the reference rate yield curve of the secondary market of Treasury Bills as published by Bank Al

	<p>Maghrib on June 21, 2019, a rate of 2,33%, plus a risk premium of between 45 and 75 basis points, a rate between 2,78% and 3,08%.</p> <p>For the following years, the facial interest rate will be determined by reference to the sovereign rate of equivalent maturity (52 weeks), observed from the reference rate yield curve of the secondary market of Treasury Bills as published by Bank Al Maghrib 5 business days before the coupon payment date plus a risk premium (withheld at the time of the auction) between 45 and 75 basis points.</p> <p>In the event that the reference rate is not observed directly on the reference rate yield curve of secondary market Treasury Bills, the determination of the rate will be made using the linear interpolation method using the two points surrounding the full 52-week maturity (monetary base).</p> <p>This linear interpolation will be done after the conversion of the rate immediately higher than the 52-week maturity (actuarial basis) in equivalent monetary rate. The calculation formula is: $((\text{Actuarial rate} + 1)^k / \text{exact number of days} - 1) \times 360 / k$; where k: corresponds to the maturity of the actuarial rate immediately greater than 52 weeks.</p> <p>*Exact number of days : 365 or 366 days.</p>
Risk premium	Between 45 and 75 basis points.
Interest Rate Fixing Date	<p>The interest rate is to be revised annually on the anniversary date.</p> <p>The new rate will be determined no later than 5 working days before the anniversary date by the centralizing body 'Société Générale Maroc' and communicated to investors by the domiciliation body by any means deemed practical (email, mail, etc.).</p>
Method of calculating interest	<p>Interests shall be calculated on monetary basis, i.e : [nominal amount x nominal rate x (Exact number of days*/360)]</p> <p>*Exact number of days : 365 or 366 days.</p>
Coupon payment	<p>The coupons will be paid annually at each anniversary date of the vesting date, i.e July 12 , 2019, or on the first following working day in case that day is a non-working day.</p> <p>No deferral of the interests shall be possible in this operation.</p>
Tradability of the securities	Over-the-counter. The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal Repayment	The principal repayment of the loan's tranche C, purpose of this prospectus will occur annually and linearly at each anniversary date of the issuance vesting date or the first working day following that date if it is a non-working day.
Anticipated Repayment	<p>The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance.</p> <p>However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.</p>
Assimilation clause	<p>The bonds issued by the FEC cannot be assimilated to any anterior securities issuance.</p> <p>In case the FEC subsequently issues new bonds with completely similar rights to tranche C bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation</p>
Loan Ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.

Applicable Law	Moroccan Law
Competent Jurisdiction	Commercial Court of Rabat
Représentation des obligataires	<p>Pending the General Meeting of Bondholders, the Chief Executive Officer of the FEC by virtue of the powers granted to him by the Board of Directors, held on May 27, 2016, appointed Hdid as interim agent of the bondholders of tranches A, B and C, in accordance with the relevant legal provisions. This decision will take effect as of the opening of the subscription period and will expire at the end of the election of the definitive representative by the General Meeting of the Bondholders. The Chief Executive Officer pledges that the General Meeting of the Bondholders will be convened by the interim agent no later than 30 days before the first amortization of the tranches A, B and C in order to appoint the definitive representative.</p> <p>It being specified that the appointed temporary proxy is the same person for tranches A, B and C of the issue, which are grouped together under one single mass.</p>

Risk Factors Related to the Offered Financial Instruments

Liquidity Risk

Subscribers to Ordinary Bonds of the Fonds d'Équipement Communal may be subject to a liquidity risk of the security on the private debt secondary market. Indeed, depending on the market conditions (liquidity, evolution of the yield curve, etc.), the liquidity of the FEC bond securities may be temporarily affected.

However, given the large volume of FEC bond securities outstanding in the market (following the release of MAD 8 billion between 2012 and 2018), the liquidity risk associated with this security is limited.

Rate Risk

The bond issue covered herein provides for a fixed-rate tranche (tranche A), calculated on the basis of the secondary curve of the Treasury Bills as published by Bank Al Maghrib on June 21, 2019. Thus, the value of fixed-rate bonds may vary up or down, depending on the evolution of the secondary yield curve published by Bank Al Maghrib.

IV. INVESTMENT SYNDICATE AND FINANCIAL AGENTS

Type of Financial Agents	Name	Address
Financial Advisors	CFG Bank Corporate Finance Société Générale Maroc	5-7, rue Ibnou Toufail – Casablanca 55, boulevard Abdelmoumen – Casablanca
Agent in Charge of Centralization	Société Générale Maroc	55, boulevard Abdelmoumen – Casablanca
Agents in Charge of the Placement	CFG Bank Société Générale Maroc	5-7, rue Ibnou Toufail – Casablanca 55, boulevard Abdelmoumen – Casablanca
Domiciliary establishment ensuring the financial service of the issuer	BMCI	26, place des Nations Unies - 20 100 – Casablanca

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PART II. FEC PRESENTATION

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V. GENERAL INFORMATION

Corporate name	FONDS D'EQUIPEMENT COMMUNAL (FEC)
Head office	Espace Oudayas. Angle avenue Annakhil et avenue Ben Barka, B.P. 2175 Hay Riad, Rabat
Telephone	05.37.56.60.90 through 93
Fax	05.37.56.90.94
Website	www.fec.ma
Email	fec_EO@fec.ma
Creation date	June 13, 1959
Financial year	From 1 January to 31 December.
Company object (articles 3 and 3 bis of Law No. 31-90 promulgated by Dahir No. 1-92-5 of Safar 5, 1413 (August 5, 1992) reorganizing the Communal Equipment Fund, as modified and supplemented by Law 11-96)	<p>The Fonds d'Equipeement Communal is in charge of contributing to the development of local communities; to this end, it can:</p> <ul style="list-style-type: none"> ▪ grant to local authorities, their associations as well as local public institutions any and all technical or financial assistance, including in the form of loans or advances for financing studies and equipment works; ▪ assist local communities in the identification, evaluation and the monitoring of their projects' implementation; ▪ provide assistance in any form whatsoever to the State or a public body for the study and implementation of all plans and local development programs. <p>The Fonds d'Equipeement Communal can also allocate between all local authorities any amount, the management of which would be entrusted to it to that effect.</p> <p>It can also make any civil or commercial securities or real-estate transactions, related to its purpose, required to enable it to exercise the activities mentioned above.</p> <p>To implement the tasks assigned to it, the Fonds d'Equipeement Communal is authorized to perform all operations that the banks are entitled to practice under Dahir NO. 1-93-147 of 15 Muharram 1414 (6th July, 1993) Relating to the exercise of the activity of credit institutions and to the control thereof, which has been repealed and replaced by Law No. 103-12 on credit institutions and similar bodies, promulgated by Dahir No. 1-14-193 of December 24, 2014.</p>
Share capital on May 31, 2019	1,000,000,000 Dh
Capital Allocation	Capital owned 100% by the State
Competent Courts	Rabat Courts
Consultation place of legal documents	The legal documents can be consulted at the head office of the FEC
Legal texts applicable to the society	<p>Public institution governed by:</p> <ul style="list-style-type: none"> ▪ Law No. 31-90, promulgated by Dahir No. 1-92-5 of 05 safar, 1413 (05 August 1992) carrying the reorganizing the Fonds d'Equipeement Communal as amended and supplemented by Law 11-96; ▪ Decree of the Minister of Finance, Trade, Industry and Craftsmanship No. 2549-96 of 24 jourmada II 1418 (27 October 1997) approving the operations of the Funds as a bank institution; ▪ The decree No. 2-90-351 of 19 Jourmada II, 1413 (December 14th, 1992) adopted for the application of law No. 31-90 mentioned above; ▪ Organic Law N° 02-12 concerning appointment to higher positions in application of the provisions of articles 49 and 92 of the Constitution, promulgated by Dahir N° 1-12-20 of 27 Chaabane 1433 (July 17, 2012), as modified and completed; ▪ Order of the Minister of Finance and External Investments N° 2560-95 of October 9, 1995, on certain negotiable debt securities. <p>Due to its activity, the FEC is governed by Law No. 103-12 relative to credit institutions and assimilated bodies, promulgated by Dahir No. 1-14-193 of December 24th, 2014.</p>

Making public offering, the FEC is submitted to the legal and statutory requirements relative to financial markets, especially:

- dahir n ° 1-13-21 of March 13, 2013 promulgating law No. 43-12 relating to the Moroccan Capital Market Authority;
- Dahir providing law No. 1-93-211 of September 21st, 1993 concerning the Casablanca stock exchange modified and completed by the laws 34-96, 29-00, 52-01, 45-06 and 43-09;
- General regulation of the stock exchange approved by the order of Minister of Economy and Finances No. 1268-08 of July 7th, 2008, amended and completed by order of the Minister of Economy and Finance No. 1156-10 of April 7, 2010, modified and completed by the order of Minister of Economy and Finances No. 30-14 of January 06th, 2014;
- Law No. 44-12 on the public offering and the information required of legal entities and organizations making public offerings, promulgated by Dahir No. 1-12-55 of 28 December 2012;
- Dahir providing law No. 1-93-212 of September 21st, 1993 as amended and completed by the laws No. 23-01, 36-05 and 44-06;
- Dahir No. 1-96-246 of January 9th, 1997 carrying promulgation of the law No. 35-96 relative to the creation of a central depository and to the institution of a general regime for the inscription in account of certain values, modified and completed by the law No. 43-02;
- General regulation of the central Depository approved by the order of Minister of Economy and Finances No. 932-98 of April 16th, 1998 and amended by the order of Minister of Economy, Finances, Privatization and Tourism No. 1961-01 of October 30th, 2001 and by the order No. 77-05 of March 17th, 2005;
- General regulation of the AMMC such as approved by the order of Minister of Economy and Finances No. 2169/16 of the 14th of July 2016;
- Bank Al Maghrib's circular No. 2/G/96 of January 30th, 1996 relative to certificates of deposit and its modification;
- The AMMC circular as completed and amended;
- Dahir 1-95-03 of January 26th, 1995 on promulgation of the law No. 35-94 relative to certain Negotiable debt securities as amended and completed by Laws No. 35-96 and 33-06.
- arrêté du Ministère de l'Economie, des Finances, de la Privatisation et du Tourisme du 10 juillet 2001 relatif à certains titres de créances négociables.

Tax System

The *Fonds d'Equipeement Communal*, like the other banking institutions, is subject to Corporate Income Tax at a rate of 37% and to the VAT applicable to banking operations at a rate of 10%.

VI. ACTIVITE DU FEC

With an experience of half a century in the financing of the local public sector, the FEC has developed an expertise and capitalized on know-how, which consolidate its role as a technical and financial partner for the Local Authorities and the holders of local investment projects.

As a bank, the FEC seeks to control risks and to look for a level of profitability that makes the activity sustainable and more secure. As an institution with a mission of collective utility, the FEC is engaged in strengthening the local expertise and in promoting the investments which bring development. These two missions together confer to the FEC the strength of its positioning as a bank dedicated to the financing of the local public sector.

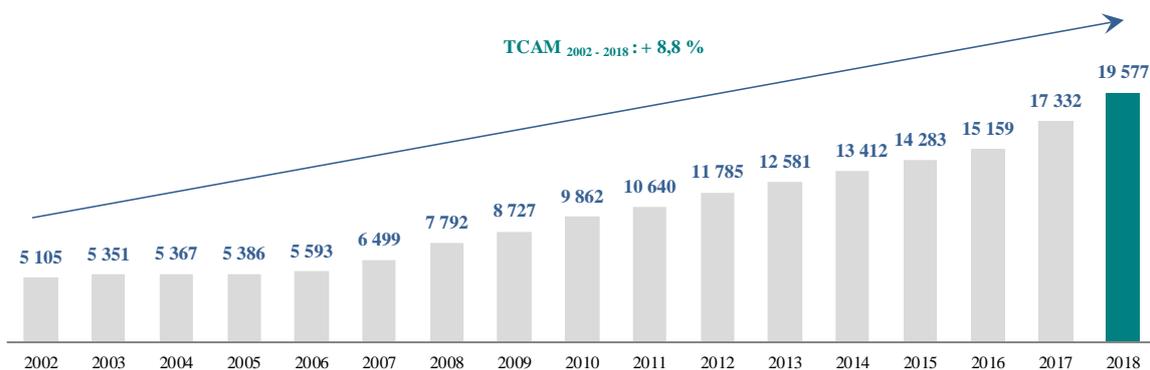
The Bank offers to its customers products and services adapted to their needs and focuses on assisting them technically for building up and deploying their equipment projects. The FEC accompanies thus its customers in expressing their investment choices and offers them the possibility to realize high value-add projects. These projects aim at improving the Citizen's quality of life and cover areas such as urban mobility, connectivity of rural areas, development of areas with an economic activity, development of sports and leisure facilities, rural electrification, sanitation and access to safe drinking water, public lighting, establishment of green areas, cleanliness and environmental protection, improvement of touristic facilities, upgrade of schools, cultural and artistic animation, development of commercial infrastructures, integration of information technologies and promotion of clean technologies.

III.1. LOAN ACTIVITIES

As part of its activity, the FEC offers:

- conventional loans to finance investment projects;
- Lines of credit (LOCs), in place since 2004, for the financing of development programs. This type of financing allows Local Authorities to have the visibility needed to secure funding for their development projects. It encourages Local Authorities to plan their investment programs in the medium and long term and enables them, thanks to its flexibility, to optimize the financing of the different components of the program.

III.2. EVOLUTION OF THE GROSS OUTSTANDING (IN MMAD)¹

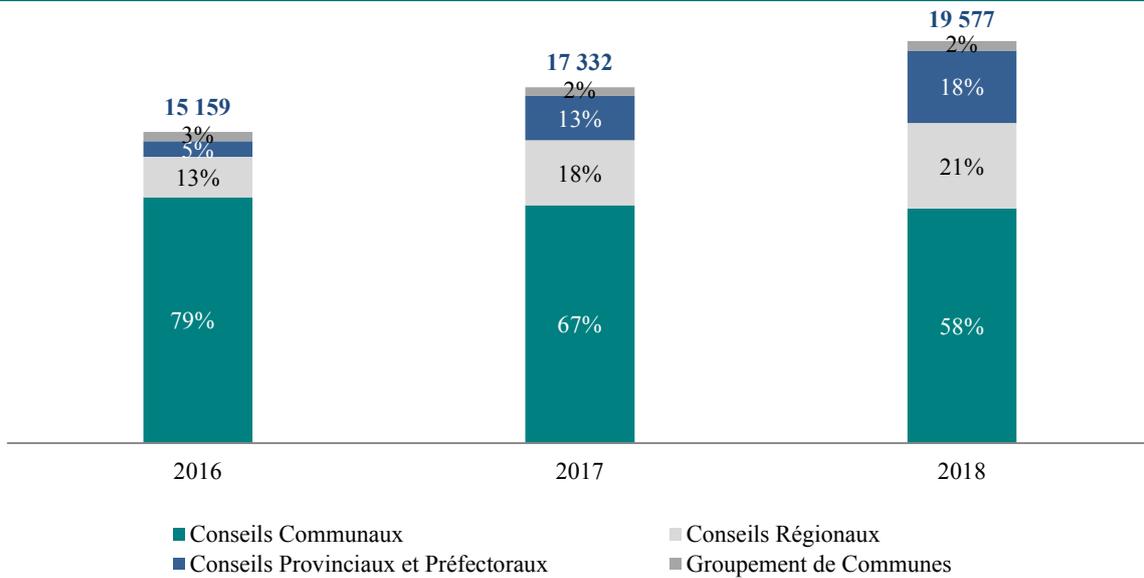


Source : FEC

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¹The gross outstanding is the due capital (disbursed amount minus capital amortization).

III.3. EVOLUTION OF THE GROSS OUTSTANDING BY TYPE OF BORROWER (IN MMAD)



Source : FEC

*Conseils communaux: Communes Councils

*Conseils Provinciaux et Préfectoraux: Provincial & prefectural councils

*Conseils Régionaux: Regional councils

*Groupement de communes: Communes Groupement

INFORMATION ON THE FEC SHARE CAPITAL

On the eve of this Operation, the share capital of the FEC is entirely owned by the State and amounts to MAD 1,000,000,000.

VII. LEGAL BODIES

IV.I. ADMINISTRATIVE BODIES

On May 31st, 2019 , the board of directors is constituted as follows :

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President

The Head of Government or the Governmental Authority Delegated by Him to that End

**Members of the Board of Directors
Representing the administration**

2 representatives of the Ministry of Interior

Mrs. Saadia LAAROUSSI
Mr. Hicham TALBY

Mr. Abdelouahab BELMADANI

Mr. Allal REKKADI

Mr. Ahmed IMZEL

Mr. Khalid HATTAB

**Members of the Board of directors
Representing the Local Officials**

Mr. Mohammed BOUDRA

Mr. Abdelaaziz OMARI

Mrs. Amina BOUHDOD

Mrs. Hakima GHERMAL

Mr. Mohammed CHAOUKI

Mr. Badr El MOUSSAOUI

Mr. El Mustapha AL GHAZAOU

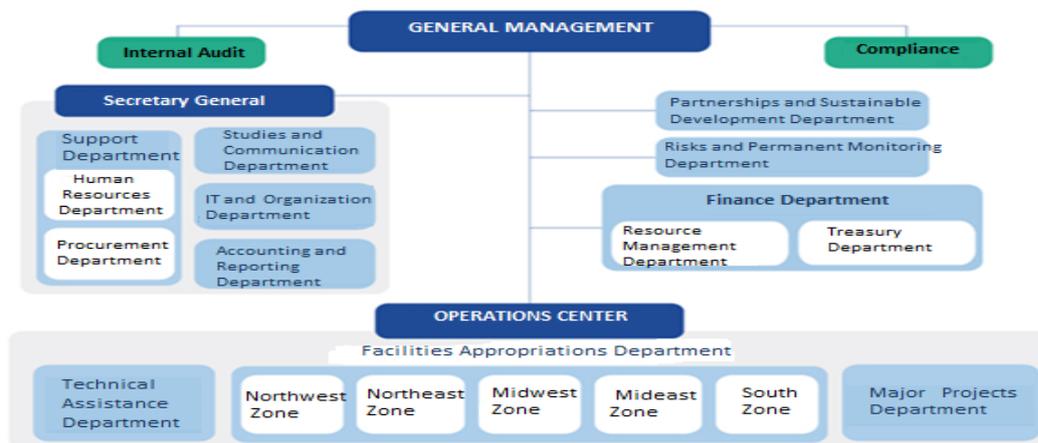
Mr. Mohammed MOUBDI

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members of the FEC are appointed, according to each case, by regulation (eight representatives of the Administration) and by decision of the Minister of the Interior for the Communal Councilors (article 4 of the law governing the FEC and article 3 of its implementing decree).

IV.II. ORGANE DE DIRECTION

As of May 31, 2019, FEC's Au 31 mai 2019, organizational chart is as follows:



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Source : FEC

PART III. FINANCIAL STATEMENT

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I. FINANCIAL STATEMENTS FOR THE 2016-2018 PERIOD

I.1. BALANCE SHEET

Million MAD	2016	2017	2018	Var. 17/16	Var. 18/17
Assets	16 476,3	18 859,5	20 392,0	14,46%	8,1%
Cash, central banks, public treasury, postal	98,8	28,6	1,0	-71,04%	-96,3%
Claims on credit and assimilated institutions	2,8	2,9	1,7	5,29%	-42,0%
Advances to customers	16 261,8	18 720,8	20 286,3	15,12%	8,4%
Receivables acquired through factoring	-	-	-	ns	ns
Trading and investment securities	-	-	-	ns	ns
Other assets	57,4	53,0	49,2	-7,59%	-7,2%
Investment securities	-	-	-	ns	ns
Equity securities and similar assets	0,0	0,0	0,0	ns	0,0%
Subordinated debts	-	-	-	ns	ns
Fixed assets given in leasing and renting	-	-	-	ns	ns
Intangible assets	1,5	1,1	0,7	-24,53%	-36,7%
Tangible assets	54,0	52,9	53,0	-2,0%	0,2%
Liabilities	16 476,3	18 859,5	20 392,0	14,46%	8,1%
Central banks, public treasury, postal	-	-	-	ns	ns
Amounts owed to credit and related institutions	5 385,9	6 516,1	6 772,7	20,98%	3,9%
Customer deposits	-	-	-	ns	ns
Issued debt securities	8 115,2	9 110,8	9 129,4	12,27%	0,2%
Other liabilities	43,1	30,2	26,7	-29,95%	-11,6%
Provisions for liabilities and charges	-	13,6	4,5	ns	-66,9%
Regulated provisions	-	-	-	ns	ns
Subsidies, allocated public and special guarantee funds	-	-	-	ns	ns
Subordinated debt	-	-	1 000,0	ns	ns
Revaluation Surplus	-	-	-	ns	ns
Reserves and additional paid-in capital	1 674,2	1 932,1	2 188,8	15,40%	13,3%
Capital	1 000,0	1 000,0	1 000,0	0,00%	0,0%
Shareholders, unpaid capital (-)	-	-	-	ns	ns
Retained earnings (+/-)	-	-	-	ns	ns
Net income pending allocation (+/-)	-	-	-	ns	ns
Net income for the fiscal year (+/-)	257,9	256,7	269,8	-0,46%	5,1%

Source : FEC

The total balance sheet of the FEC has improved significantly over the last three fiscal years (2016, 2017 and 2018), with an average annual growth of 11.3%. This change is mainly due to the annual increase in customer receivables by 11.7% over the 2016-2018 period, which count for, on average, 99.1% of the total assets for the same period.

The analysis of the structure of the balance sheet reveals that the assets are almost exclusively made of accounts receivables.

Liabilities are characterized by the predominance of debt financing, which accounts for 78%. It should be noted that following the issuance of the 1 MMDH subordinated bond issue, the relative share of equity increased from 17% at the end of 2017 to 22% at the end of 2018.

I.2. THE INCOME STATEMENT

Million MAD	2016	2017	2018	Var. 17/16	Var. 18/17
Banking operating income	961,4	999,0	1 082,6	3,9%	8,4%
Interest and similar income from transactions with credit institutions	6,1	8,6	7,0	40,0%	-18,3%
Interests and income from customer transactions	955,2	990,4	1 058,1	3,7%	6,8%
Interest and similar income from debt securities	-	-	-	ns	ns
Income from property titles	-	-	-	ns	ns
Income from capital goods leasing and renting	-	-	-	ns	ns
Commissions on service delivery	-	-	-	ns	ns
Other banking products	-	-	17,4	ns	ns
Banking Operating Expenses	494,5	515,1	588,1	4,2%	14,2%
Interest and similar expenses on transactions with credit institutions	211,3	243,4	260,0	15,2%	6,8%
Interest and similar expenses on transactions with customers	-	-	-	ns	ns
Interest and similar expenses from issued debt securities	282,9	271,5	327,7	-4,0%	20,7%
Charges on assets leased and rented	-	-	-	ns	ns
Other bank expenses	0,3	0,2	0,4	-14,5%	76,6%
Net Banking Income	466,9	483,9	494,4	3,6%	2,2%
Non-banking revenue	1,0	2,2	1,9	134,3%	-15,7%
Non-bank operating expenses	0,2	0,2	0,2	1,1%	12,5%
General Operating Expenses	58,2	58,3	58,8	0,1%	0,9%
Staff costs	41,2	44,0	42,7	6,9%	-3,0%
Taxes and duties	0,8	0,8	0,8	-1,0%	0,0%
External expenses	8,9	6,7	7,2	-24,6%	8,0%
Other General operating expenses	3,7	3,2	4,0	-13,4%	25,4%
Allocation to depreciations and provisions of assets	3,7	3,6	4,0	-2,8%	13,2%
Allocations to provisions and unrecoverable debt	1,0	13,7	11,2	>100%	-18,3%
Appropriations to provisions on debts and pending	1,0	0,1	6,7	-87,8%	>100%
Losses on unrecoverable debts	-	-	-	ns	ns
Other Provisions	-	13,6	4,5	ns	-66,9%
Reversals of provisions and recoveries on written off loans	1,8	2,3	14,2	32,7%	>100%
Reversals of provisions on debts and pending	1,8	2,3	0,6	32,7%	-72,5%
Recoveries on written off loans	-	-	-	ns	ns
Other Provisions Reversals	-	-	13,6	ns	ns
Operating result	410,2	416,3	440,4	1,49%	5,8%
Non-current income	0,0	0,1	0,3	280,3%	88,1%
Non-recurring expenses	-	0,0	10,0	-70,5%	>100%
Pre-tax income	410,2	416,5	430,6	1,5%	3,4%
Taxes on income	152,4	159,7	160,8	4,8%	0,7%
Net Income	257,9	256,7	269,8	-0,4%	5,1%

Over the period 2016 – 2018, the main operating indicators analysis of the Fonds d'Equipelement Communal highlights:

- An average annual increase in net banking income of around 2.9%, reflecting sustained loan activity and the quality of the FEC portfolio;

- Average annual increase of the gross operating income and the net income by 3.3% and 2.3% respectively over the period, taking into account the increase in net banking income and the control of general operating expenses;
- Steady increase in accounts receivables, which amount to 20,286.3 billion MAD in 2018 against 16,261.8 million MAD in 2016, as a result of the increased level of activity of the FEC.
- A delineated rate of outstanding receivables : up to 0.17% in 2018.

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PART II. RISK FACTORS

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I. INTEGRATED RISK MANAGEMENT

Risk Management: Control and Governance Principles

The governance of risk management at the Fonds d'Équipement Communal is based on:

- the strong commitment of the Board of Directors to prioritize risk management;
- the strong involvement of all the management of the institution in the process;
- clearly defined procedures and responsibilities within the organization;
- the allocation of appropriate resources for risk management and the development of risk awareness among all stakeholders.

Structure and Governance of Risk Management

Governance and risk management are ensured by the bodies presented at the level of the "Governing Bodies" and "Governance of the FEC", in particular:

- Administrative body (Board of Directors, Government Commissioner)
- Audit and Risks Committee
- Governing Body (General Management)
- Credit Committee
- Internal Risks Committee
- ALCO Committee
- Risk Management and Permanent Control Department
- Internal Audit
- Compliance Function

Risk Exposure

The risks associated to the FEC's activity are as follows:

Credit risk:

risk that counterparty is unable to fulfill its contractual obligations.

Liquidity risk:

refers to the risk that the FEC cannot meet the demand for cash or fund its obligations as they come due. The liquidity demands may occur at a debt maturation and following a credit agreement.

Interest Rate Risk:

The interest rate risk corresponds to the possible effects of interest rates fluctuations on the FEC's margins, its income and its economic value.

Operational risks:

loss risks resulting from deficiencies or failures due to procedures, to the human resources, to the internal systems or to external events.

Risk of non-compliance:

corresponds to the risk of non-conformity to laws, regulations and to applicable regulatory guidelines.

Foreign exchange risk:

due to exchange rate fluctuations.

II. CREDIT RISK

The FEC is exposed to credit risk because of its lending activity.

GENERAL LOANS POLICY

The FEC requests from its customers an auto-financing effort of at least 20% of the investment cost, except for exceptions justified and approved by the Credit Committee.

The rates applied are either fixed rates or reviewable rates without any distinction between the borrowers' categories.

The repayment of the loans (granted by the FEC) occurs through fixed annual installments, including principal and interests.

Decision making

The Risk Management is responsible for approving the project to be financed and appreciates the risk level associated with the granting of a new credit as well as the capacity of the client to successfully carry out his project.

The Credit Committee decides whether or not the loan should be granted. The loan is approved by a joint decision signed by the Ministry of Interior and the Ministry of Economy and Finance.

Credit risk management process

Upon reception of a project financing request and depending on its size, the Large Scale Projects Division or the Equipment Credits Division, both reporting to the Operations Department, proceed to the project evaluation and to the analysis of the customer's financial profile.

The evaluation of the to-be-financed project is based on a deep knowledge of the customer, on the nature of the investment, on the financial arrangement set-up.

The financial situation analysis of the customer is based on the budget data of the approved administrative accounts from the last three years and the respective approved budgets as well as the data of the draft budget of the current year.

As a first step, a retrospective analysis is made in order to establish evolution trends of the main budget lines of the local community.

In the second phase, a prospective analysis will be carried out on the basis of the observed trends in order to measure, over time, the evolution of the borrowing capacity of the local community.

The calculation of the borrowing capacity incorporates the following principles:

- the repayment capacity of the local community depends on its savings level;
- the maximum savings convertible in annuity shall not exceed 80% of the gross savings;
- the maximum debt ratio shall not be higher than 40%.

Prior to any loan approval, the Risk Management Division will appreciate the risk level incurred by the new loan granting based on:

- the analysis of the customer's information: general and legal data, financial and technical data;
- The analysis of the retrospective and prospective financial situation of the customer, to establish his intrinsic financial quality and to appreciate various debt, solvency ratios as well as the self-financing capacity;
- The appreciation of the customer's quality on the basis of the repayments history of the already granted loans and the situation of his arrears with the FEC;
- The appreciation of the project evaluation on the basis of technical ratios commonly accepted for every type of project;

- The decision to require guarantees for the to-be-granted loan and the proposition of measures to set up for risk correction.

The General Conditions to grant loans

As other debts of local authorities, annuities of the FEC's loans are accompanied by the legal obligation of registration in their budgets.

Loans contracts by FEC stipulate:

- a suspensory condition of disbursements in case of a deterioration of the financial situation of the borrower;
- a suspensory condition of disbursements in case of payments delayed by more than 30 days;

Solvency profile

At the end of December 2018 :

The net weighted risks borne by the FEC amounted to 5.762.814 KMAD and comprised 84% of the credit risk and 16% of the operational risk.

In compliance with prudential regulations, the solvency ratio stands at 77.35%, while the Tier One ratio stands at 59.92%, reflecting the Institution's sound level of solvency.

The following table presents the last 3 years assessment Solvency Ratio :

MMAD	2016	2017	2018	Var. 17/16	Var. 18/17
Solvency Ratio	53.4%	54.2%	77.4%	0.8%	23.2%

Analysis of the credit portfolio

Amounts due from customers composed of 99,71% of commitment to local Communities amounted to a total of 20.296.431 KMAD as of December 31,2018 :

The funding commitments given by the FEC to customers amount, as of December 31,2018, to 8.131.480 KMAD .

The analysis of the off-balance sheet liabilities, as of December 31, 2018, reveals that 77% of the global volume corresponds to recent loans granted less than 3 years ago.

Provisions, provisioning policy and credit risk covering

The Accounting & Reporting Division handles the process of classification and provisioning of the outstanding receivables.

A weighting rate of 20% is applied to the local communities' borrowings.

The classification and provisioning policy is compliant with the provisions of the circular No. 19/G/2002 of Bank Al Maghrib.

Coefficient of Risk Division

The FEC shall continuously ensure the ratio between the total risk exposure of one customer and his capital never exceeds 20%.

In the context of funding requests, the operating entities as well as the Risk Management Division and the Accounting & Reporting Division shall ensure compliance with the coefficient of risk division.

The coefficient of risk division stands, per the terms of the new circular No. 08/G/2012 of Bank Al Maghrib (applicable since 2013), at 9,07% as of the end of December 2018, thereby standing below the regulatory threshold set by BAM.

With the aim of reinforcing the credit risk measurement and appreciation tools, stress tests have been carried out in order to evaluate the risk aversion level of FEC.

The minimal stress tests, within the meaning of the directive, including some potential changes in the FEC's portfolio composition, demonstrate the resilience capacity of FEC to the credit risk. The FEC shows for all the scenarios a solvency ratio that is higher to the regulatory threshold and a ratio of outstanding receivables below the 1%.

a. ASSET/LIABILITY MANAGEMENT

Asset/Liability Managers

The Financial Department is in charge of Asset/Liability management.

The ALCO Committee is in charge of the transversal and collegial monitoring of the financial risks to which the institution is exposed and the approval of decisions that would affect the asset-liability management.

Gestion Actif/Passif

The bank has an ALM risk mechanism that covers the main sources of interest rate, liquidity and currency risks.

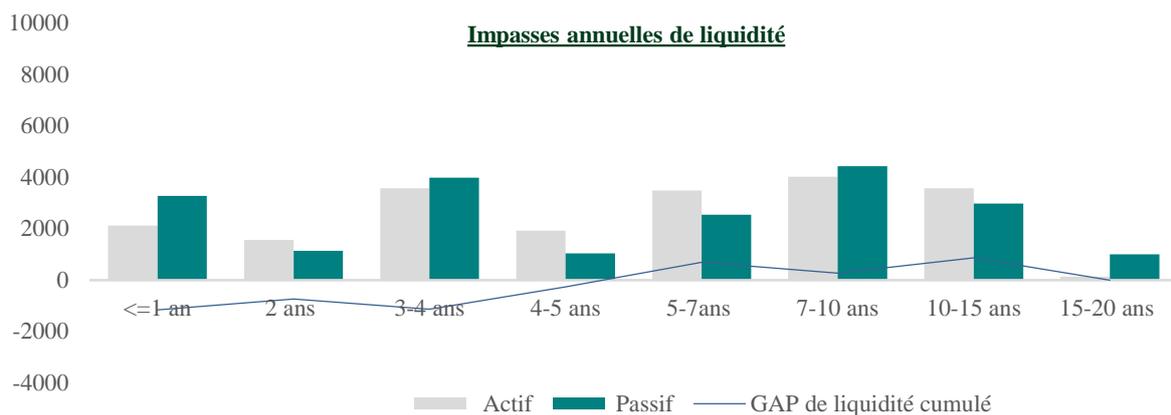
Risque de Liquidité

The bank carries out a static flow in liquidity of the positions of assets and liabilities, resulting from the banking portfolio and broken down on the regulatory tranches of maturity.

This approach allows for a global view on the Institution's liquidity profile.

» Exposition as of December 31,2018

Annual static liquidity gaps as of December 31, 2018 (in M.MAD)



As a reminder, the Central Bank shows flexibility in respect of the LCR liquidity ratio since the FEC is not subject to the same liquidity constraints as other banks that have to face the likelihood of massive withdrawal of their depositors.

On June 1, 2018, the Central Bank exempted the FEC from meeting the short-term liquidity ratio provided below conditions were met:

- Communication to the Central Bank of the short-term liquidity ratio reporting, for information and monitoring purposes;

- Strengthening the asset-liability management system in accordance with the Bank-Al-Maghrib Directive No. 31/G/2007 on the liquidity risk management system.

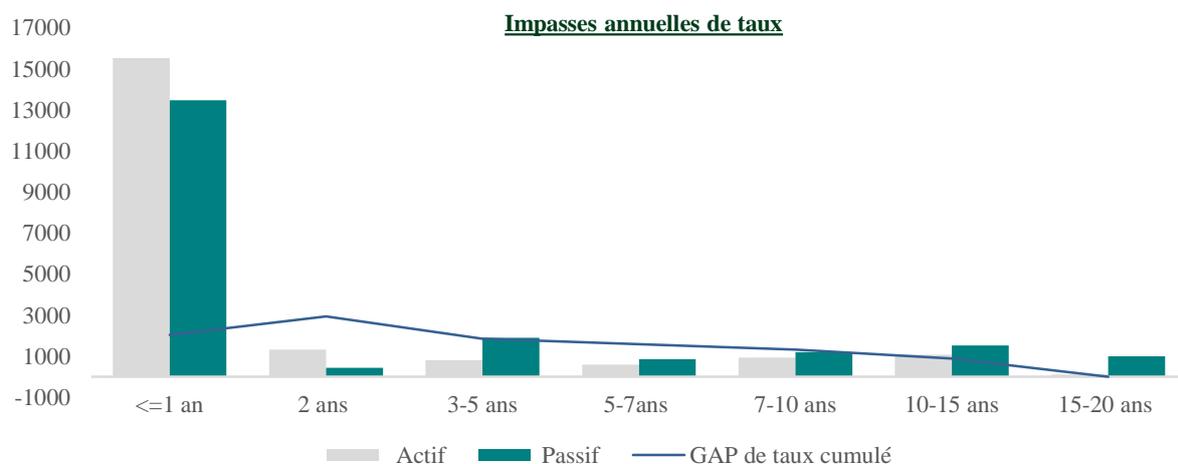
Risque de Taux

The bank performs a static rate flow of asset, liability and off-balance sheet positions from the banking portfolio, broken down into regulatory maturity tranches.

Floating rate items are spread over the time period until the next rate reset date, and fixed rate items by residual maturity.

» Exposition as of December 2018

Annual static liquidity gaps as of December 31, 2018 (in M.MAD)



At the end of December 2018, the results of the stress test reveal that a shock rate of +200 bps would generate a gain of +17% of GNP on a 12 months horizon and an increase in the economic value by -1% in terms of equity.

FOREIGN EXCHANGE RISK

The hedging of the foreign exchange risk related to the majority of external borrowing mobilized by the FEC is borne by the State (Ministry of Economy and Finance/Treasury and External Finance Directorate) against remuneration, within the framework of a system specific to each credit line.

b. OPERATIONAL RISKS

Organization and Governance

During the last years and in accordance with Bank Al-Maghrib's provisions and the principles of good governance, the FEC has implemented an evaluative internal control system enabling it to:

- guarantee the reliability and integrity of the financial and accounting information published;
- to make sure that the operations are led in accordance with the applicable laws and regulations and following the guidelines and management rules as defined by the Management and Administration Bodies, respectively;
- to prevent and control the risks associated with its activity through well-defined and regularly monitored procedures.

The General Management oversees the operational risks management system and guarantees the follow-up of the actions taken to reinforce it.

The Internal Risks Committee is responsible for deploying the operational risk management system in the different entities of the Bank.

General Framework

The FEC has undertaken several steps to reinforce its internal control system and to build the necessary foundations for a robust and sustainable operational risk management system, integrating the best practices and in compliance with the regulatory requirements:

Signature delegation mechanism

The FEC has implemented a sophisticated signature delegation system, based on a precise definition of powers and a clear delineation of responsibilities. This mechanism conforms to the following principles:

- the dual-signature rule is mandatory for all operations that affect the FEC's accounts or any other element of its assets;
- the separation of the initiation and the execution on the one hand, and the control on the other;
- Substitutions are systematically foreseen in case of absence or unavailability of a person, in order to avoid any deadlock.

General procedure manual

The FEC has developed a general procedure manual that covers all functional processes from the Piloting, Business and Support divisions based on the general cartography of the processes and procedures that was established according to the ISO 9001 V2008 Quality Standard.

Furthermore, the integration of the modeling tool 'MEGA PROCESS' has allowed for a unique repository of the procedures, structured and accessible to all collaborators of FEC through an internal website. This repository is regularly maintained.

» Manuel de procédures et d'organisation comptable

The FEC has an accounting organizational and procedure manual allowing it to ensure that:

- all operations realized by the FEC are accurately converted into accounting statements;
- all statements are compliant with the Accounting Plan of the Credit Institutions and with the applicable regulations;
- all financial and accounting information internally and externally published are reliable, complete and understandable for the users

Financial communication manual

The FEC adopted a financial communication manual.

Internal control manual

In accordance with the applicable regulations and best practices, the FEC has an internal control manual that enables it to ensure the compliance and the proper application of the implemented procedures and completes the internal control system in terms of check points formalization.

Business Continuity Plan

The FEC adopted, in accordance with the provisions of Circular No. 4/W/2014 relative to the internal control of credit institutions and the Directive No. 47/G72007 of Bank Al-Maghrib, a

Business Continuity Plan approved by the Board of Directors, which ensures, according to various crisis scenarios, the operation in degraded mode as well as the resumption of activities.

The implementation of the FEC's BCP concerned in particular the implementation of:

- Information System Continuity Plans;
- Logistic Continuity Systems;
- Human Resources Continuity Systems;
- Operations Continuity Systems.

In order to ensure the implemented operational systems are maintained, The BCP corpus of documents (Criticality Study, Continuity Strategy, Procedures, Communication Plan...) is updated regularly and a maintenance and development plan of the FEC's BCP is elaborated.

During the first half of 2018, no major disaster requiring BCP activation occurred at the FEC.

Operational Risk Management

The FEC adopted a cartography of operational risks that was rebuilt in 2010 in conformity with Basel II standard and whose update occurs annually. This cartography covers the processes around credit, support and information technology systems and allows to target the processes that require a particular or reinforced monitoring.

The system of operational risk management implemented at the FEC, within the Basel II reform and in application of the Directive No. 29/G/2007 by Bank Al Maghrib, allows for the identification, the evaluation of the operational risks as well as the follow up of the action plans defined for the major identified risks. This system was completed in 2011 by a knowledge base of incidents that gives an objective view on the risks exposure and allows for a reevaluation of these risks based on the results of the operational incidents collected.

The system's full automation is made possible thanks to an application that allows:

- The identification, the evaluation and the monitoring of the operational risks through the risks cartography;
- The conciliation of the risks cartography with the general procedures manual;
- The follow-up of the action plans defined for the major identified risks;
- The collection of incidents related to operational risks.

Organization

On the organizational side, the piloting of the operational risk management system is handled by the Risks & permanent control Management. This department uses correspondents for operational risks 'CRO' provided by the Business and Support lines.

These CROs communicate on all operational incidents, analyze the knowledge base of these incidents and implement action plans to cover major risks exposure.

Therefore, a procedure for the operational incidents collection and communication as well as a ticketing system for the notification of the occurrence of an operational incident were set up and made available to the CROs, allowing them to efficiently perform the tasks of collecting and communicating on these incidents.

The operational risks governance is handled by the Internal Risks Committee.

Operational Risk Covering

In accordance with the regulatory provisions relating to the minimal equity requirements, the FEC proceeds, since December 2011, to the coverage of operational risks.

The requirement of equity for the operational risks covering is calculated based on the « Basic Indicator approach », that equals 15% of the average net banking income, calculated on the 3 last years.

IV. NON-COMPLIANCE RISKS

In accordance with the circular No. 4/W/2014 and the circular No. 49/G/2007 of Bank Al-Maghrib, the FEC adopted a compliance policy and charter as well as cartography of non-compliance risks.

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WARNING

The above mentioned information constitutes only a part of the prospectus approved by the Moroccan Financial Authority (AMMC) under reference no. VI/EM/018/2019 on June 28th, 2019.

The AMMC recommends reading the full prospectus that is available to the public in French version.

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