

KINGDOM OF MOROCCO

FONDS  
D'EQUIPEMENT  
COMMUNAL  
صندوق التجهيز  
الجماعي

F  
E  
C

# SEMESTRIAL FINANCIAL REPORT

1<sup>st</sup> semester 2023

THE **BANK** FOR LOCAL FUNDING



**A Bank dedicated  
to Territorial  
Development**

## The FEC: the Bank of Territorial Communities

### More than 60 years at the service of territorial development's financing

In the aftermath of independence, the public authorities, at the same time as they initiated a process of local organization, ensured the setting up of instruments capable of contributing to the mobilization of the financial resources necessary for territorial development.

Thus, in 1959, the Fonds d'Equipement Communal (FEC) was created as a public institution dedicated to financing equipment projects for Territorial Communities. In 1997, the FEC became a credit institution and its role has been consolidated and renewed over the years in line with the evolution of the Moroccan economy and the local public sector.

As a public Bank dedicated to the financing of territorial development, the FEC is the privileged interlocutor of the Territorial Communities, in charge of facilitating their access to credit for the financing of their territorial development and local equipment projects.

As part of its mission, the FEC offers financing solutions adapted to the needs of Territorial Communities for the implementation of projects in various sectors that cover all their prerogatives and that aim at improving the living standard of the Citizen.

Similarly, the FEC assists the Territorial Communities, at the local level, in achieving the national objectives of sustainable development, in its economic, social and environmental dimensions, thus contributing to the reduction of territorial and social disparities and to the strengthening of the resilience of territories to climate change.

In its role as an advisory player in the field of territorial development, the FEC ensures the development of expertise that enables it to efficiently meet the various expectations of the Territorial Communities throughout the implementation of their development programs and investment projects.

Since its creation in 1959, the FEC has contributed to territorial development through:

- Nearly 67 BDH in loan commitments;
- Over 56 BDH in loan disbursements;
- For the financing of more than 5,600 development projects.

# ABBREVIATIONS

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<b>AAGR</b>	<b>Average Annual Growth Rate</b>
<b>BDH</b>	<b>Billions of dirhams</b>
<b>BOE</b>	<b>Banking Operating Expenses</b>
<b>BOI</b>	<b>Banking Operating Income</b>
<b>DFIs</b>	<b>Development Finance Institution</b>
<b>E&amp;S</b>	<b>Environmental and Social</b>
<b>ESMS</b>	<b>Environmental and Social Management System</b>
<b>GOE</b>	<b>General Operating Expenses</b>
<b>SI</b>	<b>Information system</b>
<b>MDH</b>	<b>Millions of dirhams</b>
<b>NBI</b>	<b>Net Banking Income</b>
<b>NPL</b>	<b>Non-Performing Loans</b>
<b>OBSC</b>	<b>Off-Balance Sheet Commitments</b>
<b>PRDTS</b>	<b>Program for the Reduction of Territorial and Social Disparities</b>
<b>RDP</b>	<b>Regional Development Plans</b>
<b>SSC</b>	<b>Social Solidarity Contribution</b>
<b>TCs</b>	<b>Territorial Communities</b>
<b>WAIR</b>	<b>Weighted Average Interbank Rate</b>

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**HIGHLIGHTS  
AND KEY FIGURES**

## Highlights and key figures

During the 1<sup>st</sup> semester of 2023, the Bank demonstrated resilience in a context still marked by a persistent inflationary environment as well as by the increase of refinancing costs for the Institution in the national and international markets, in connection with the tightening of monetary policies.

The FEC maintained the positive direction of its main operational and financial indicators during the first half of 2023, as loan commitments increased by nearly 72% compared to the first half of 2022, reaching over 3.1 BDH. This significant, exceptional increase is mainly linked to the commitment of two loans for financing a strategic national project aimed at combating water stress and mitigating the impacts of climate change.

Through these new financings, loan disbursements reached over 1.8 BDH in the first half of 2023, an increase of nearly 41% compared to the first half of 2022, contributing to the financing of several projects carried out by Territorial Communities, including in particular the implementation of the aforementioned strategic project. These financings also covered the implementation of road infrastructure projects, urban development, sociocultural and sports facilities, as well as educational and healthcare institutions.

Customer receivables reached over 26.5 BDH as of June 30, 2023, representing an increase of nearly 3% on an annual basis, primarily driven by Regional Councils, which accounted for approximately 40% by the end of June 2023, compared to 9% in 2015, thus confirming their growing influence in recent years, thanks to the intensification of their investment projects, particularly in the context of advanced regionalization.

Likewise, the Institution recorded positive developments in its key financial indicators as of June 30, 2023. Thus, the Net Banking Income (NBI) reached 327 MDH at the end of the first half of 2023, a slight increase compared to the first half of 2022, despite the increased refinancing costs, which were not entirely reflected in the interest rates applied to customer loans in the new production.

The current result reached 294 MDH as of June 30, 2023, a slight increase compared to June 30, 2022. However, the net result reached nearly 172 MDH as of June 30, 2023, a 1% decrease compared to the same period of the previous year, due to the impact of the increase in the corporate tax rate for banks, resulting in a decrease of 2 MDH.

Furthermore, in the first half of 2023, the FEC continued the implementation of its structural projects to align the Institution more effectively with its environment and respond efficiently to the increasing needs of Territorial Communities for the financing of their investment projects.

### Sustainability at the Core of the Bank's actions and Commitment to Sustainable Territorial Development

Through the establishment of a sustainability strategy, the Bank aims to progressively align its financing operations for territorial investments with national and international sustainability and climate goals. The Bank thus aims to contribute to sustainable, low-carbon, resilient, and inclusive territorial development, including:

- » **The integration of Environmental and Social (E&S) and Gender risks** into the due diligence process and financing decisions through the Environmental and Social Management System (ESMS), effective since April 2022.
- » **The integration of climate into the financing strategy** by enhancing internal capabilities, the support of Territorial Communities in developing climate co-benefit projects, and the structuring of sustainable financing options.

To implement its strategic vision, the Bank has established its ESMS as a fundamental pillar for proactive management of environmental, social, and climate risks, consisting primarily of the E&S policy and procedures ensuring standardized risk assessment processes.

Additionally, the Bank has taken measures to enhance its governance and technical capabilities for developing its portfolio of climate co-benefit projects.

## **Continuing the Strategy of Resource Sustainability and Diversification in Support of Territorial Investments**

As part of its financial strategy, in the absence of customer deposits and supported by its strong fundamentals, the FEC has successfully mobilized resources from the national financial market and leading international financial institutions to finance its activities and meet the growing needs of Territorial Communities. Indeed, this strategy allows the Institution to access optimized-cost financing, which it continuously seeks to reflect its financing solutions for Territorial Communities while providing the necessary volumes for its activity.

The Bank also strives to create favorable conditions for new financial synergies with major public institutional partners who share the ambition of providing joint financing for territorial development projects. An example of such a partnership is the strategic agreement between the FEC and the Caisse de Dépôt et de Gestion (CDG) for syndicated financing of Territorial Communities' development projects, in line with their investment and growth dynamics.

The FEC has also intensified its collaboration with development financial institutions (DFIs) in recent years to prepare, depending on the evolution of the Bank's needs and market conditions, drawdowns on credit lines and explore new opportunities for partnerships with other DFIs to establish new financing agreements.

## **Digital Transformation Strategy, a Vital Pillar for Modernization and Improved Customer Experience**

The challenges associated with the use of digital technologies, alongside the national momentum for digitization, are essential for enhancing service quality and increasing proximity to Territorial Communities. In this regard, the FEC has initiated the implementation of its digital transformation program to enhance services provided to its customers and improve their overall experience.

## **Gender Equality at the heart of the FEC's Human Resources Management, E&S Policy, and CSR Strategy**

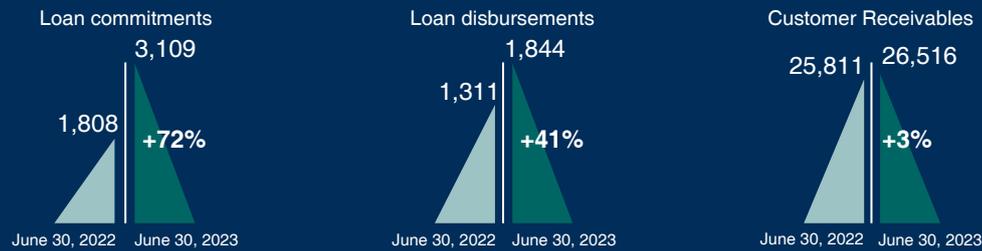
In accordance with the provisions of article 3 of the recommendation , of the Wali of Bank Al-Maghrib N° 1/W/2022 of May 19, 2022 related to the consideration of gender aspect in credit institutions, the FEC has developed a Gender Policy in 2023 to reinforce the existing E&S policy, as approved by the FEC's Board of Directors in October 2021, primarily related to integrating gender equity requirements into E&S due diligence and loan approval decisions.

This policy also aligns with the FEC's commitment to gender equality as part of its CSR strategy under development. The policy was approved by the FEC's Board of Directors' members in May 31, 2023.

## KEY FIGURES S1 2023

In MDH

### Activity indicators



For the first semester of 2023, loan commitments recorded an increase of almost 72% compared to S1 2022, reaching more than 3.1 BDH. This significant development, of an exceptional nature, is essentially linked to the commitment of two loans to finance a strategic project of national interest, aimed at combating water stress and mitigating the impacts linked to climate change.

For their part, loan disbursements reached more than 1.8 BDH for the first semester of 2023, up almost 41% compared to first semester of 2022, and contributed to the financing of several projects carried out by Territorial Communities, including in particular the implementation of the aforementioned strategic project. This financing also covered the implementation of road infrastructure projects, urban development, socio-cultural and sports facilities as well as institutions dedicated to education and health.

Through this new financing, customer receivables reached more than 26.5 BDH as of June 30, 2023, an increase of nearly 3% year-on-year, supported by the Regional Councils which represent a share of nearly 40% at the end of June 2023, compared to 9% in 2015; thus confirming their rise in power over recent years, thanks to the intensification of their investment projects, particularly as part of the implementation of advanced regionalization.

### Result Indicators

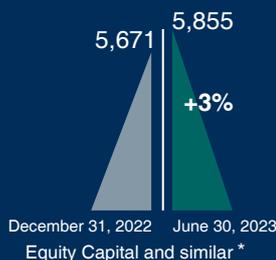


At the end of S1 2023, the NBI reached 327 MDH, a slight increase compared to that recorded at the end of June 2022, despite a context marked by the increase in the cost of refinancing the institution on the national and international markets, in connection with the tightening of monetary policies, which was not fully reflected in the rates applied to loans granted to customers within the context of the new production.



The current result reached 294 MDH as of June 30, 2023, a slight increase compared to June 30, 2022. However, the net earnings reached nearly 172 MDH as of June 30, 2023, down 1% compared to the same period last year, due to the impact of the increase in the corporate tax rate for banks, causing a decrease of 2 MDH.

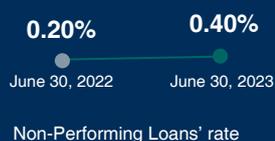
### Balance Sheet Indicators



The continued strengthening of its financial base, particularly through the continuous improvement of its equity, enables the Bank to support the growing needs of Territorial Communities.

\* including a subordinated bond loan of 1 BDH

### Risk Indicators



The control of counterparty risk to date, and the rigorous monitoring of recoveries, has enabled the Bank to maintain the NPLs' rate at a low level.



**LOAN ACTIVITY  
AT JUNE 30, 2023**

# LOAN ACTIVITY AS OF JUNE 30, 2023

## 1. Loan allocations and commitments

In the first half of 2023, loan allocations reached over 1 BDH and benefited all categories of Territorial Communities, with Regional Councils being predominant, followed by Prefectural and Provincial Councils, and Communal Councils, with 71%, 14%, and 15% of the loans allocated, respectively.

These loan allocations covered the financing of 29 projects for the benefit of 12 Territorial Communities, covering 9 sectors of intervention, with a total investment amounting to nearly 2.82 BDH. It should be noted that over 27% of these loan allocations were directed towards the healthcare sector, supporting the construction of several hospitals to expand healthcare services across the Kingdom.

Loan commitments, on the other hand, recorded a significant increase of nearly 72% compared to the first half of 2022, reaching over 3.1 BDH. This substantial growth is primarily attributed to the commitment of two loans totaling 2 BDH for the financing of a strategic national project of substantial investment volume. This project involves the development of water supply infrastructure to interconnect two hydraulic basins, aiming to combat water stress and mitigate the impacts of climate change.

These loan commitments covered the implementation of 26 projects across 8 sectors of intervention for the benefit of 16 Territorial Communities, with a total investment exceeding 13.7 BDH.



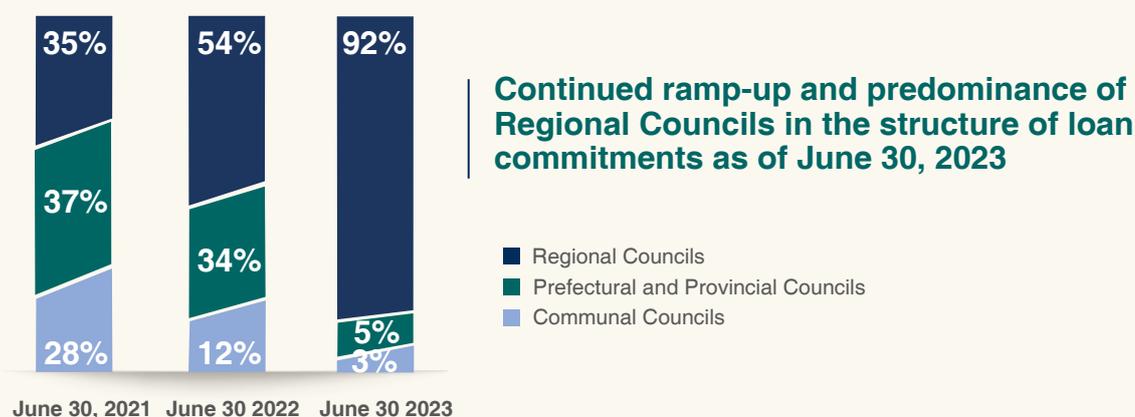
## Breakdown of loan commitments by type of borrower

The breakdown of loan commitments by type of borrower as of June 30, 2023 is as follows:

Territorial Communities	June 30, 2021		June 30, 2022		June 30, 2023	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Regional Councils	538	35%	965	54%	2,876	92%
Prefectural and Provincial Councils	566	37%	620	34%	143	5%
Communal Councils	414	28%	223	12%	90	3%
<b>Total</b>	<b>1,518</b>	<b>100%</b>	<b>1,808</b>	<b>100%</b>	<b>3,109</b>	<b>100%</b>

Loan commitments, in the 1<sup>st</sup> semester of 2023, benefited all categories of Territorial Communities with a predominance of Regional Councils, which continue to ramp-up in the structure of loan commitments to represent more than 92% for the 1<sup>st</sup> semester of 2023, which is almost the entire volume of committed loans, followed by Prefectural and Provincial Councils and Communal Councils with respectively 71%, 14% and 15% of loans commitments.

### Evolution of the structure of loan commitments by type of borrower as of June 30, 2021 - 2023



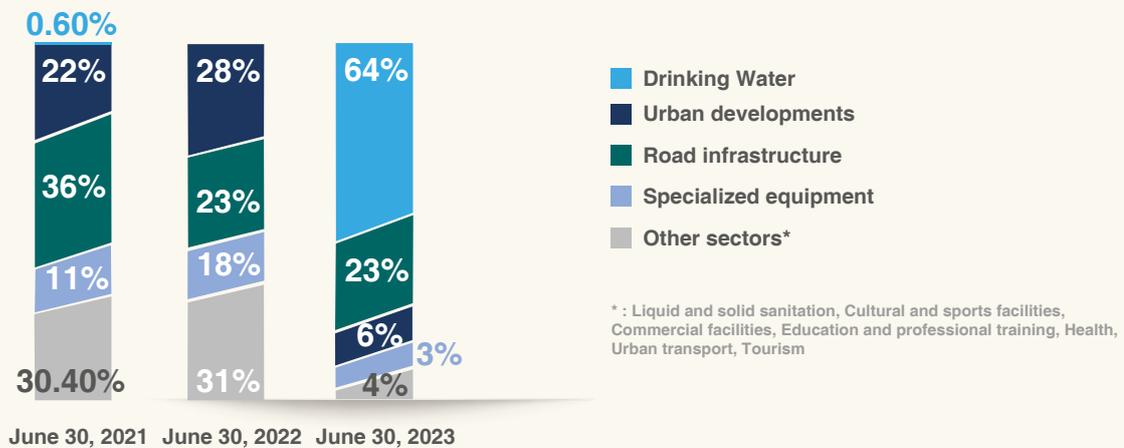
- » The amount of loan commitments for the benefit of Regional Councils nearly tripled compared to June 30, 2022, reaching 2,876 MDH by the end of the first half of 2023, representing almost the entire global volume of loan commitments, thus confirming their increasing influence in recent years through the intensification of their investment projects, especially in the context of advanced regionalization. These financings, granted to 7 Regional Councils, covered, to the extent of 70% of the committed loans, the implementation of a national strategic project within the 2020-2050 National Water Plan, aimed at addressing water stress, and the implementation of projects within the Program for Reducing Territorial and Social Disparities (PRDTS) in rural areas accounting for 18% of the committed loans, as well as within the Regional Development Programs (PDR) at 12% of the committed loans. Through these loan commitments, the FEC contributed to the financing of projects for drinking water supply, construction of major roads, development of tourist sites, construction of community schools, and the development of transport platforms for economic activities to enhance the attractiveness of the targeted regions.
- » The amount of loan commitments for Prefectural and Provincial Councils represented 5% of the loan commitments by the end of June 2023, totaling 143 MDH, and mainly pertained to the implementation of projects within the Territorial Development Programs, focusing on upgrading urban infrastructure and urban equipment for 91% of the committed loans, electrification of rural areas for 7% of the committed loans, and road infrastructure construction for 2% of the committed loans by the end of June 2023.
- » The loan commitments for the benefit of Communal Councils represented 3% of the global volume by the end of June 2023, totaling 90 MDH. It should be noted that 56% of these loan commitments correspond to the financing of urban development projects, including road construction and public lighting works. These financings also covered the construction of communal facilities, such as a communal slaughterhouse and a conference hall.

### Breakdown of loan commitments by sector of intervention

The breakdown of loan commitments by sector of intervention as of June 30, 2023 is as follows :

Sectors of intervention	June 30, 2021		June 30, 2022		June 30, 2023	
	In MDH	Share In %	In MDH	Share In %	In MDH	Share In %
Urban developments	336	22%	511	28%	181	6%
Road infrastructure	554	36%	417	23%	723	23%
Specialized equipment	160	11%	330	18%	85	3%
Liquid and solid sanitation	10	0.70%	18	1%	-	-
Cultural and sport facilities	439	29%	82	5%	5	0.20%
Drinking water	9	0.60%	-	-	2,000	64%
Commercial equipment	-	-	60	3%	-	-
Electricity	10	0.70%	65	4%	84	3%
Education and vocational training	-	-	170	10%	10	0.30%
Health	-	-	25	1%	-	-
Urban transport	-	-	130	7%	-	-
Tourism	-	-	-	-	21	0.70%
<b>Total</b>	<b>1,518</b>	<b>100%</b>	<b>1,808</b>	<b>100%</b>	<b>3,109</b>	<b>100%</b>

### Evolution of the structure of loan commitments by sector of intervention as of June 30, 2021 - 2023



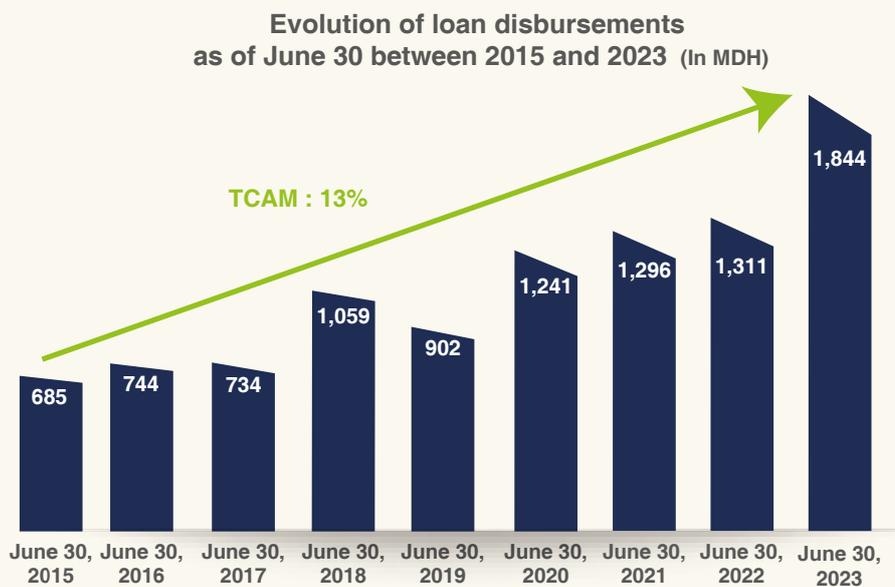
### Predominance of the drinking water and road infrastructure sectors in the structure of loan commitments at the end of June 2023

- » As a Bank dedicated to territorial development, the FEC makes sure to intervene in the financing of projects that are adapted to the priority needs of the Territorial Communities and have a strong impact on the local populations, especially those that fall within the context of their new prerogatives as well as the PRDTS. In fact, over the past few years, the structure of the Bank's financing has changed as the share of the urban development sector, which has historically been predominant, has declined to the benefit of new sectors such as road infrastructure or drinking water, which represented 87% of the overall volume of loan commitments at the end of June 2023. In fact, the urban development sector accounted for only 6% of the loan commitments by the end of June 2023, compared to 28% during the same period the previous year. However, these loan commitments primarily enabled the FEC to contribute to the financing of projects such as the development of major roads, underequipped neighborhoods, urban parks, squares, and green spaces. These financings mainly aimed to upgrade cities through road infrastructure development, public lighting, and basic infrastructure improvements, especially as part of the implementation of the Territorial Development Programs. Loan commitments related to the drinking water sector constituted 64% of the global volume by the end of June 2023, mainly related to the financing of the aforementioned strategic project, with a total amount of 2 BDH, aimed at addressing water stress through water conveyance structures within the interconnection of two hydraulic basins. On the other hand, the road infrastructure sector comes in second position in the structure of committed loans by the end of June 2023, accounting for 23% of the global volume for an amount of 723 MDH, an increase of more than 73% compared to the same period of the 2022 financial year. It should be noted that nearly 62% of these loan commitments correspond to the financing of projects within the framework of the PRDTS.
- » The committed loans related to specialized equipment sector represented 3% of the global volume of loan commitments by the end of June 2023, totaling 85 MDH, dedicated to promoting the Regional offer in terms of accommodating economic activities, through the creation of industrial parks, as well as the construction of a modern municipal slaughterhouse complying with current standards and regulations.
- » The sectors of electricity, education and vocational training, cultural and sports facilities and tourism represented nearly 4% of the global volume of committed loans, mainly covering rural electrification within PRDTS, the construction of community schools, the creation of a conference hall, and the development of tourist sites.

## 2. Loan disbursements

By the end of the first half of 2023, loan disbursements amounted to more than 1.8 BDH, an increase of nearly 41% compared to the first half of 2022. These disbursements contributed to the financing of various projects undertaken by Territorial Communities, including the implementation of the strategic project aimed at addressing water stress through the construction of water supply structures within the interconnection of two hydraulic basins. These financings also covered projects related to road infrastructure, urban development, sociocultural and sports facilities, as well as facilities dedicated to education and healthcare.

The retrospective analysis of the evolution of loan disbursements for the first semesters of the 2015-2022 period confirms the change in scale of the Bank's financing to the benefit of the local public sector. Indeed, with an average annual growth rate (AAGR) of over 13%, the volume of loan disbursements has almost doubled, rising from 685 MDH as of June 30, 2015 to over 1.8 BDH as of June 30, 2023.



**The Bank continues to support Territorial Communities and meet their needs for financing their investment projects**

**Confirmation of the change in scale made in terms of the Bank's financing for the benefit of the local public sector**

Through these disbursements, the FEC participated in the financing of 55 projects for the benefit of 29 Territorial Communities, related to structuring investments, in particular within the context of Urban Development Programs, Regional Development Programs as well as the PRDTS in rural areas.

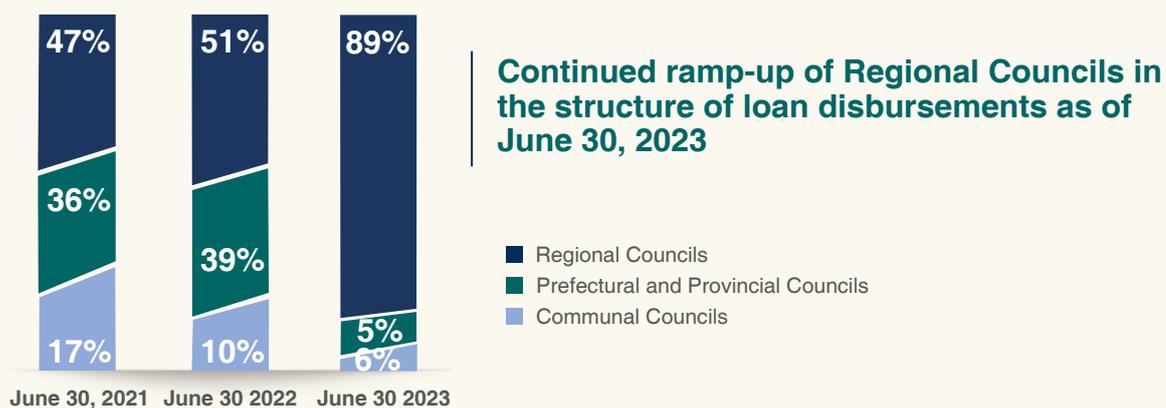
## Breakdown of loan disbursements by type of borrower

The breakdown of loan disbursements by type of borrower, as of June 30, 2023, is as follows:

Territorial Communities	June 30, 2021		June 30, 2022		June 30, 2023	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Regional Councils	617	47%	665	51%	1,651	89%
Prefectural and Provincial Councils	461	36%	515	39%	88	5%
Communal Councils	217	17%	131	10%	105	6%
<b>Total</b>	<b>1,296</b>	<b>100%</b>	<b>1,311</b>	<b>100%</b>	<b>1,844</b>	<b>100%</b>

Loan disbursements in the first half of 2023 benefited all categories of Territorial Communities, with a predominance of Regional Councils, which continued to increase their share in the structure of loan disbursements to represent 89% of the global volume, followed by Prefectural and Provincial Councils and Communal Councils with, respectively 5% and 6% of the loans disbursed by the end of June 2023.

**Evolution of loan disbursements by type of borrower as of June 30, 2021-2023**



- » Regional Councils continued to dominate the structure of loan disbursements, as the trend observed in loan commitments and loan disbursements, with a share of 89% of the global volume of loan disbursements, totaling more than 1,65 BDH by the end of June 2023.

These loan disbursements, of which over 60% were related to the strategic water supply works project and over 16% were within the PRDTS, also covered the financing of road infrastructure and urban development projects, the construction of facilities dedicated to education and healthcare as part of the State-Regional Programs for sociocultural and sports facilities, such as the construction of a grand theater, the development and equipping of an Arts House (Dar Al Founoune), as well as the acquisition of vehicles for school transportation to reduce school dropout and encourage children's education, particularly in rural areas.

- » Loan disbursements made for the benefit of Prefectural and Provincial Councils reached 88 MDH by the end of June 2023, accounting for 5% of the global volume of loan disbursements. These loan disbursements financed projects within Territorial Development Programs, especially the Urban Development Program of two major cities.
- » Loan disbursements for Communal Councils reached 105 MDH, representing 6% of the total volume by the end of June 2023.

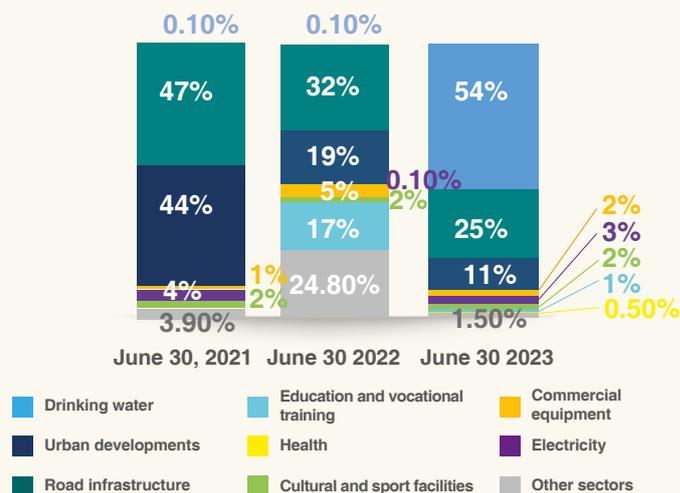
These loan disbursements cover financing for significant projects, such as modernizing commercial facilities through the construction of an agro-food platform for fruits and vegetables, a wholesale market, and weekly markets. Additionally, these funds are used to strengthen basic infrastructure and to redevelop and integrate under-equipped neighborhoods.

## Breakdown of loan disbursements by sector of intervention

The breakdown of loan disbursements by sector of intervention as of June 30, 2023 is as follows:

Sectors of intervention	June 30, 2021		June 30, 2022		June 30, 2023	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban developments	564	44%	254	19%	204	11%
Road infrastructure	581	45%	418	32%	463	25%
Liquid and solid sanitation	18	1%	36.90	2.79%	7	0.40%
Cultural and sport facilities	25	2%	26	2%	28	2%
Electricity	54	4%	0.90	0.10%	64	3%
Commercial equipment	17	1%	68	5%	42	2%
Urban transport	1	0.10%	120	9%	12	1%
Specialized equipment	32	2.50%	169	13%	2	0.10%
Drinking water	1	0.10%	1	0.10%	1,000	54%
Studies	3	0.30%	0.20	0.01%	-	-
Education and vocational training	-	-	217	17%	13	1%
Health	-	-	-	-	9	0.50%
<b>Total</b>	<b>1,296</b>	<b>100%</b>	<b>1,311</b>	<b>100%</b>	<b>1,844</b>	<b>100%</b>

### Evolution of the structure of loan disbursements by sector of intervention as of June 30, 2021 - 2023



### Predominance of the drinking water and road infrastructure sectors in the structure of loan disbursements at the end of June 2023

- » Similarly to the change observed in the structure of loan commitments during the last years, the structure of loan disbursements has followed the same trend, since the share of the urban development sector has fallen from 44% as June 30, 2021 to 11% as of June 30, 2023, in favor of new sectors. However, loan disbursements related to the urban development sector mainly concerned the development of structuring roads, under-equipped neighborhoods and urban parks, as well as squares and public gardens.
- » The drinking water supply sector saw a significant increase in disbursements, accounting for over half of the total loan disbursements as of June 30, 2023, amounting to 1 BDH related to the implementation of the aforementioned strategic water project.
- » The road infrastructure sector continues to play a significant role in the structure of loan disbursements, representing a share of 25% of the total volume as of June 2023. This is primarily due to projects aimed at improving road networks, such as the construction of road links and bridges, especially in the context of the Rural Territorial Development Programs (PRDTS). Moreover, funds are allocated for the development of expressways and bypass roads to alleviate congestion in major urban areas.
- » Financing in the electricity sector accounted for 3% of the total loan disbursements, totaling 64 MDH. These financings are allocated for projects aimed at enhancing the energy efficiency of public lighting networks and rural electrification within the framework of the PRDTS.
- » Loan disbursements as of June 30, 2023, also covered the fields of education and vocational training, as well as healthcare, in the context of State-Region Contracts arising from the initial Regional Development Programs. These two sectors received funding amounting to nearly 22 MDH and were focused on the construction of boarding schools, community schools in rural areas, and the rehabilitation of healthcare facilities.

### 3. Environmental and social risk assessment of financed projects

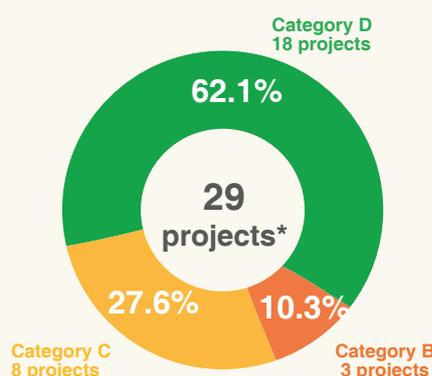
As part of the evaluation of projects submitted for its financing, the FEC systematically assesses E&S issues, in order to ensure better assessment and management of the related risks, in accordance with national regulations and international best practices in this area.

Thus, the E&S rating resulting from the E&S risk assessment of the 29 projects financed by loan allocations for the first half of 2023 shows that:

- » 62.1% of the projects financed are classified in "Category D", which includes projects with minimal risks whose probable impacts are manageable;
- » 27.6% of the projects financed are classified in "Category C", which includes minimal risk projects requiring some specific mitigation measures;
- » 10.3% of the projects financed are classified in "Category B", which includes limited risk projects requiring the integration of the measures recommended by the E&S impact studies carried out.

Furthermore, no "Category A" project has been identified. This category includes projects that may lead to negative environmental or social impacts, deemed significant, high or irreversible and difficult to control.

#### Breakdown of projects by E&S risk category



(\*) : Projects financed by loan allocations in S1 2023

#### Predominance of Category D and C projects in the structure of projects financed by loan allocations in S1 2023

### 4. Situation of Off-Balance Sheet Commitments (OBSCs)

The financing commitments given by the FEC in favor of customers amounted to 6,103 MDH as of June 30, 2023. The evolution of these commitments from December 2022 to June 2023 is as follows:

#### Situation of OBSCs as of June 30, 2023 (in MDH)

<b>Situation as of December 31, 2022</b>	<b>5,186</b>
New commitments given	3,109
Disbursements	1,844
Cancellations	348
<b>Situation as of June 30, 2023</b>	<b>6,103</b>

### Evolution of OBSCs volume as of June 30, 2018-2023 (in MDH)



\* : Given the upward trend in interest rates, and in order to protect against it, the Bank made a drawdown of an amount of 2 BDH from a variable rate bank line in order to secure the financing of the activity.  
As part of optimal management of occasional cash surpluses, the Bank made an investment in investment securities of more than 1,13 BDH.

### Continuing the convergence of the level of loan commitments with that of loan commitments received

As part of its ongoing optimization of its Asset/Liability alignment, the Bank has been ensuring in recent years that the level of loan commitments granted aligns with the level of loan commitments received to strengthen its balance sheet and enhance the management of liquidity and interest rate risks.

Furthermore, the Bank has continued the cleanup of its portfolio of OBSCs, notably through awareness campaigns and follow-up actions with the Territorial Communities. This operation led to the cancellation, at the request of the customers, of a total amount of nearly 348 MDH during the first half of 2023. It should be noted that the Bank had already canceled over 155 MDH in 2022, nearly 411 MDH in 2021, almost 385 MDH in 2020 and nearly 539 MDH in 2019.

Combined with loan disbursements related to normal activities, this approach allowed the Bank to reduce the overall volume of OBSCs by almost 30% as of June 30, 2023, compared to the level recorded on June 30, 2018, decreasing from 8,7 BDH at the end of June 2018 to 6,1 BDH at the end of June 2023, with over 71% corresponding to recently granted loans, within less than 3 years.



**FINANCING OF THE ACTIVITY  
AS OF JUNE 30, 2023**

# Financing of the activity as of June 30, 2023

## 1. Evolution of resources

As of June 30, 2023, the FEC's resources amounted to 3,809 MDH and consist mainly of the recovery of annuities up to 85.22%, for an amount of 3,246 MDH, as shown in the following table:

Ressources	(In MDH)		
	As of June 30, 2022	As of June 30, 2023	Share at June 30, 2023 in %
Annual installment recoveries	2,654	3,246	85.22%
Borrowing resources	1,150	500	13.13%
Others (Interest income, Interest on advances, Investment capital gains, etc.)	5	8	0.21%
Initial balance	24	55	1.44%
<b>Total Ressources</b>	<b>3,833</b>	<b>3,809</b>	<b>100%</b>

### Annual installments recoveries

Annual recovered installments amounted to 3,246 MDH, with a breakdown by seniority showing a predominance of the installments due in 2023, which accounted for 99.85% of total recoveries, an amount of 3,241 MDH. The remainder of recoveries relate to maturities prior to 2023, which represent 0.15% of total recoveries, an amount of 5 MDH.

### Borrowing resources

The FEC's borrowing resources consist mainly of medium and long-term loans, mobilized on the domestic financial market, through bank loans, bond issues and certificates of deposit, as well as external borrowings contracted from foreign donors.

In parallel with the mobilization of the resources necessary to finance the activity for the first semester of 2023, the FEC carried out several actions in order to set up new financings aimed at sustaining and diversifying its resources, keeping in mind that the FEC does not have deposits from its customers and does not benefit from Bank Al- Maghrib's advances.

### Bank loans

As part of its financial strategy, the Bank aims to maintain the use of long-term bank loans that are aligned with the Bank's needs in terms of maturity and type of interest rate. These loans also offer flexibility in terms of volume and fund availability.

Therefore, in the first half of 2023, the Bank drew down 500 MDH on a 15-year bank loan, through the drawing of a long-term bank loan.

### Financing with the DFIs

As part of the continued implementation of its financial strategy open to international financing, the FEC continued, during S1 2023, the exchanges with the DFIs, with a dual objective of:

- Preparing drawdowns on contracted lines, according to the evolution of the Bank's needs and market conditions;
- Continue to study new opportunities for financial partnerships, in order to concretize the implementation of new financing agreements, which are characterized by advantageous financial conditions and are usually accompanied by subsidies dedicated to technical assistance.

## Evolution of the debt structure

Over the analysis period, the outstanding debt increased from 20,7 BDH as of June 30, 2021 to 22,7 BDH as of June 30, 2023, an average annual growth rate of nearly 5% over this period.

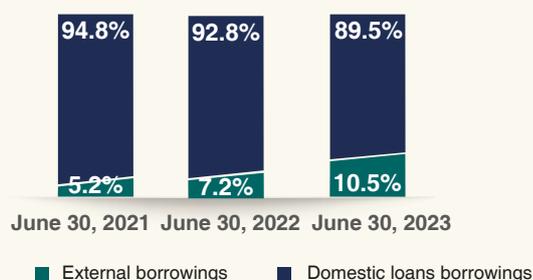
### Evolution of outstanding borrowings<sup>1</sup>



1 : Outstanding borrowings correspond to the outstanding capital excluding accrued and unmatured interest and commissions, hedging against foreign exchange rate risk, interest differentials and conversion differences.

## Debt structure by origin

### Breakdown of outstanding borrowings by origin



Resources from the domestic market continue to predominate in the debt structure by origin, and represent 89.5% of outstanding borrowings as of June 30, 2023. This situation is mainly due to the recourse to the local financial market, which presents attractive financing and liquidity conditions.

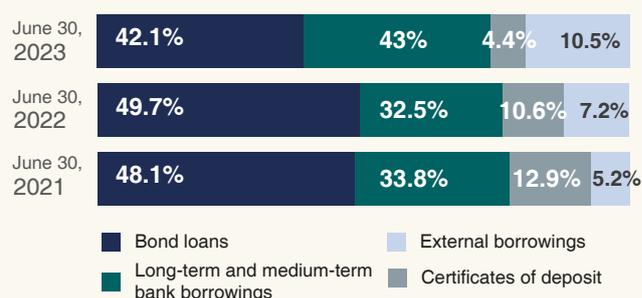
However, it is worth emphasizing the continued increase in the share of external borrowings in the overall debt of the FEC, following the mobilization during the 2021 and 2022 financial years, of a total drawing of 150 million Euros.

To this end, it should be noted that on the occasion of each drawing on international loans, the FEC sets up full coverage against the exchange risk, both in terms of duration and amounts.

## Breakdown of debt by type of borrowing

As of June 30, 2023, the FEC's debt is mainly constituted of long-term bond loans, of which the outstanding amount represent 43%, and bond loans with 42.1% of total outstanding, followed by certificates of deposit and external borrowings, of which the outstanding represents 10.5% and 4.4% respectively.

### Breakdown of debt by type of borrowing



The structure of the debt by type of borrowing reflects the FEC's resource mobilization strategy, centered on the diversification of medium and long-term resource, reconciling between Asset/Liability management constraints and optimization objectives of financing costs.

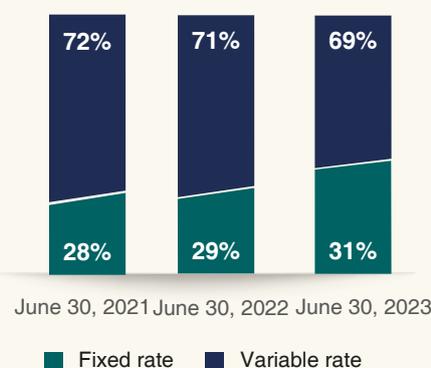
The evolution of the outstanding debt by type of borrowing confirms the preponderance of long-term resources to the detriment of medium- and short-term resources.

## Debt structure by type of interest rate

The analysis of the evolution of the structure of the debt by type of interest rate shows a predominance of variable rate resources, of which the share represented, on average, 71% between the end of June 2021 and the end of June 2023.

Indeed, it should be specified that the evolution of the structure of the debt by type of rate stems from the FEC's financing strategy, taking into account the conditions of the financial market in terms of cost and maturity, favors mobilization of resources in line with the characteristics of loans granted to customers, for continuous improvement of Asset/Liability matching.

Debt structure by type of interest rate



## 2. Evolution of uses

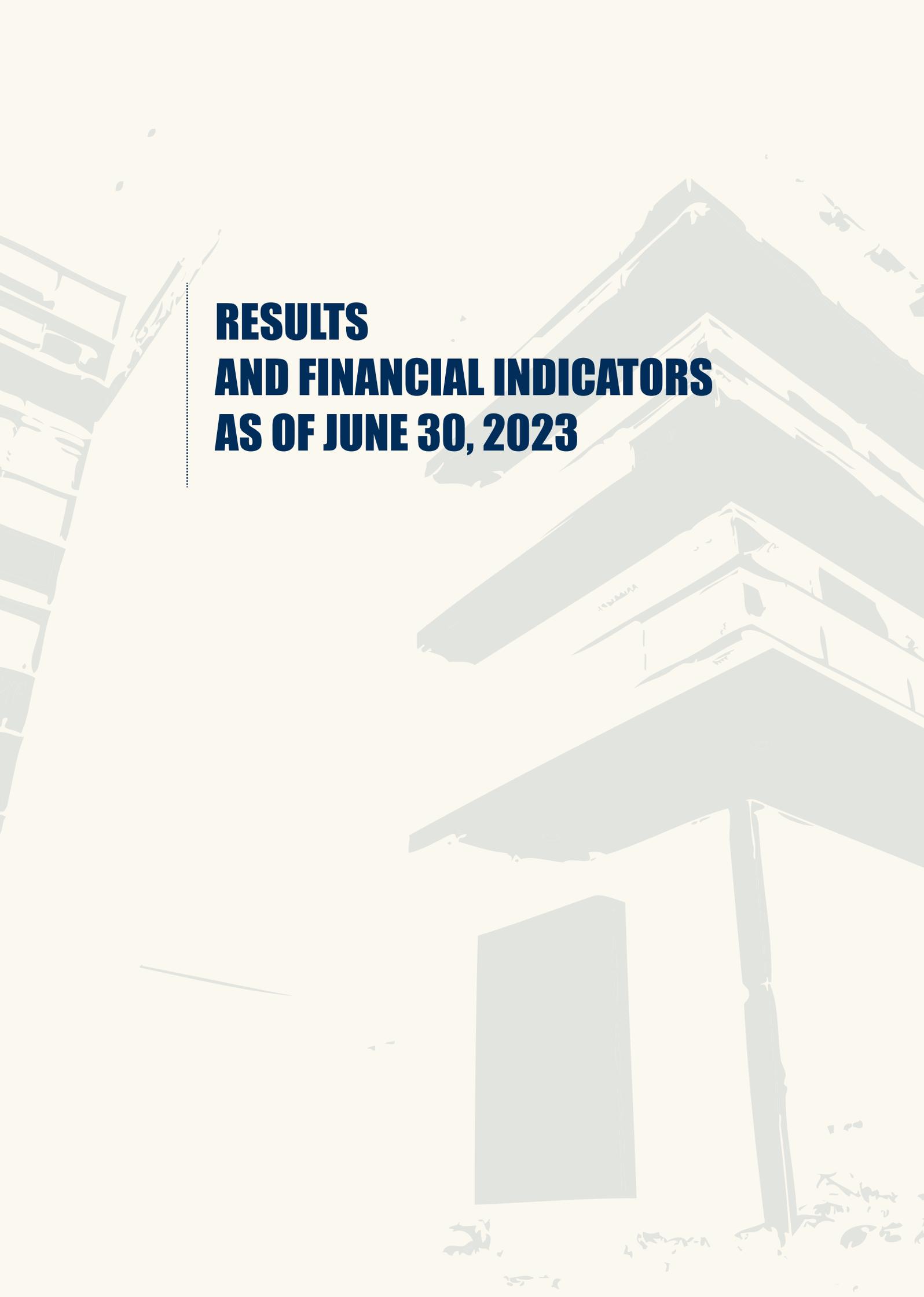
The FEC's uses, for S1 2023, were characterized by :

- » A slight increase in the volume of loan disbursements, which rose from 1,311 MDH as of June 30, 2022 to 1,844 MDH as of June 30, 2023;
- » Loan repayments represent nearly 26% of total employment, which stands at 968 MDH as of June 30, 2023.

The uses structure is detailed in the following table :

(In MDH)

Uses	As of June 30, 2022	As of June 30, 2023	Share at June 30, 2023 in %
<b>Borrowing transfers</b>	1,311	1,844	48%
<b>Loan repayments</b>	2,107	968	25%
Domestic borrowing	2,035	850	22%
External borrowing	72	118	3%
<b>Budgetary expenditure</b>	25	23	1%
<b>Other Expenses</b> (Personal Loans, Restitution, VAT and others)	85	95	3%
<b>IS regulations</b>	110	118	3%
<b>Outstanding money market advances</b>	-	700	18%
<b>Final balance</b>	195	61	2%
<b>Total uses</b>	<b>3,833</b>	<b>3,809</b>	<b>100%</b>



**RESULTS  
AND FINANCIAL INDICATORS  
AS OF JUNE 30, 2023**

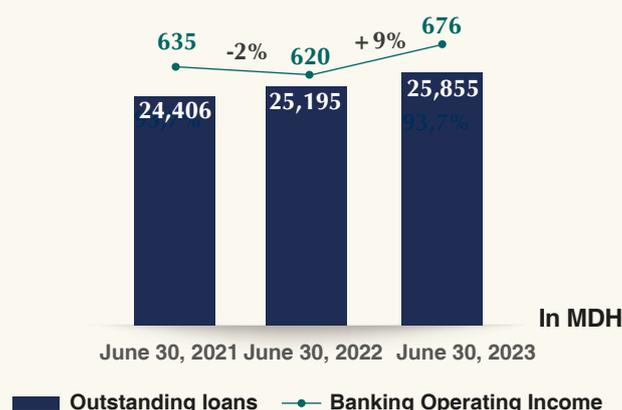
# Results and financial indicators as of June 30, 2023

The FEC's accounts, closed on June 30, 2023, in accordance with the regulatory provisions in force and in compliance with the accounting principles provided for by the Chart of Accounts of Credit Institutions, are as follow :

## 1. Operating indicators

Income and Expense Statement	In MDH			
	June 30, 2021	June 30, 2022	June 30, 2023	Variation 2023/2022
Banking Operating Income	635	620	676	+9%
Banking Operating Expenses	315	297	349	+18%
Net Banking Income	321	323	327	+1%
General Operating Expenses	29	31	30	-3%
Allocations to provisions on NPLs	1	2	4	+100%
Reversals of provisions on NPLs	-	1	1	-
Non-current expenses (NCE)	10	14	15	+7%
Corporate tax	104	104	107	+3%
Net earnings	177	174	172	-1%

## Banking Operating Income (BOI)

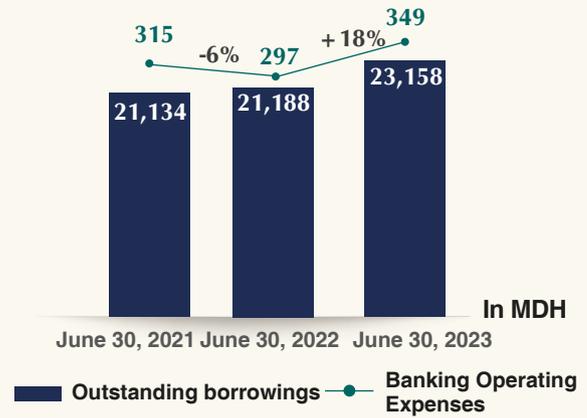


As of June 30, 2023, the BOIs reached 676 MDH, up 9% compared to June 30, 2022, thanks to the evolution of outstanding loans on the one hand, which recorded an increase of nearly 3%, from 25,195 MDH on June 30, 2022 to 25,855 MDH on June 30, 2023; and on the other hand, to the upward variation in exit rates and the WAIR, following the increase in the Central Bank's key rate.

Thus, the recorded evolution of BOIs can be explained simultaneously by the rate effect of 38 MDH and the volume effect of 18 MDH.

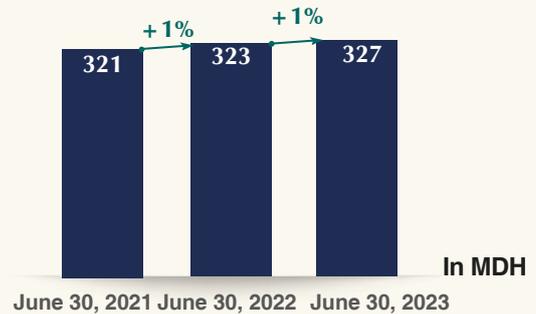
### Banking Operating Expenses (BOEs)

As of the first half of 2023, Bank Operating Expenses (BOEs) increased by nearly 18%, reaching 349 MDH, compared to 297 MDH during the same period in the previous year. This increase can be attributed to both the interest rate effect, accounting for 38 MDH, reflecting the impact of the increase of refinancing costs of the Bank in the national and international markets, in connection with monetary policy tightening. Additionally, the volume effect, accounting for 14 MDH, is related to the evolution of outstanding loans, which increased from 21,188 MDH as of June 30, 2022, to 23,158 MDH as of June 30, 2023, representing an increase of more than 9%.



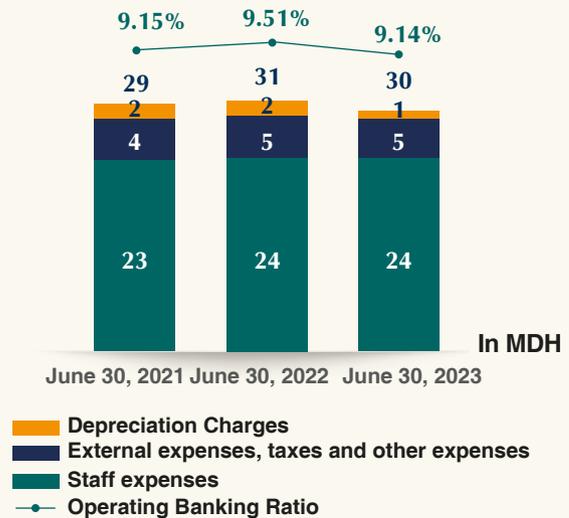
### Net Banking Income (NBI)

The combined evolution of BOIs and BOEs resulted in a slight increase in Net Banking Income (NBI) compared to that recorded as of June 2022, amounting to 327 MDH at the end of the first half of 2023.



### General Operating Expenses (GOEs)

The continued rationalization of operating expenses allows the Bank to maintain General Operating Expenses (GOEs) at a level similar to that recorded as of June 30, 2021 and 2022. As of June 30, 2023, GOEs mainly consist of personnel expenses accounting for 81%, external expenses accounting for 15%, and depreciation allocations for fixed assets accounting for 4%. Consequently, the operating ratio continues to improve and reached 9.14% as of June 30, 2023, compared to 9.51% as of June 30, 2022.



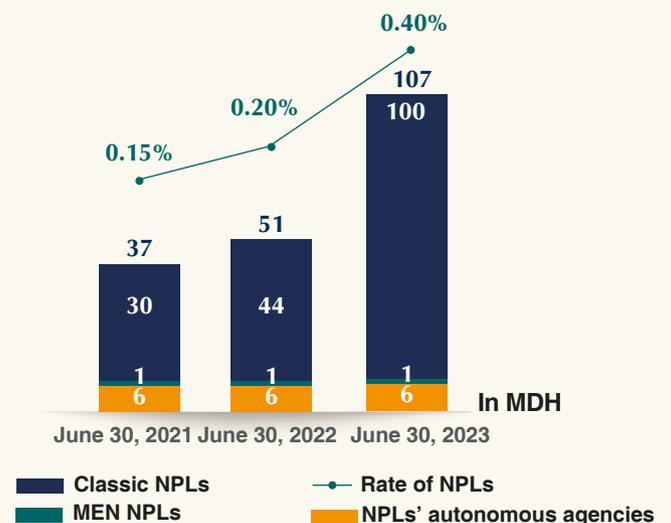
### Non Performing Loans (NPLs) and the cost of credit risk

As of June 30, 2023, NPLs primarily consist of unrecovered receivables from traditional loans, involving 10 Territorial Communities for an amount of 100 MDH.

Furthermore, the Bank's robust risk management and diligent collection efforts enable the Bank to maintain a low level of NPLs.

The cost of credit risk has increased as the amount of reversals of provisions based on recoveries from NPLs was less than the amount of provisions set aside, as detailed in the table below:

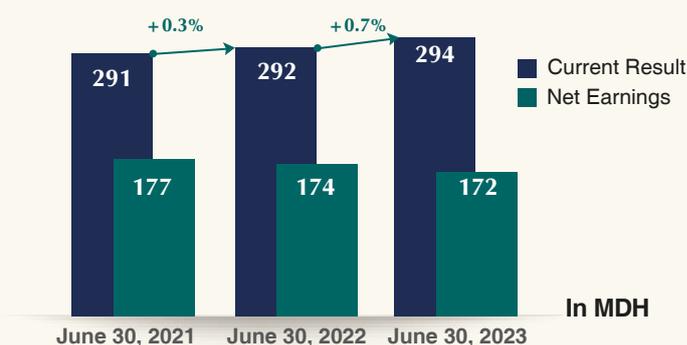
In MDH	June 30, 2021	June 30, 2022	June 30, 2023
Allocations to provisions on NPLs (1)	1.27	1.72	3.91
Reversals of provisions on NPLs (2)	-	0.91	0.61
<b>Cost of credit risk (3) = (1) - (2)</b>	<b>1.27</b>	<b>0.81</b>	<b>3.30</b>



## Net Earnings

In view of the above-mentioned elements and in particular:

- » An increase in NBI;
- » the control of GOEs;
- » the good quality of the client portfolio;



The current result amounted to 294 MDH as of June 30, 2023, a slight increase compared to June 30, 2022. However, the net earnings reached nearly 172 MDH, as of June 30, 2023, down 1%, due to the impact of the increase in the corporate tax rate for banks, causing a decrease of 2 MDH.

## 2. Balance sheet

	In MDH				
ASSETS	June 30, 2021	Dec 31, 2021	June 30, 2022	Dec 31, 2022	June 30, 2023
Cash values, Central Banks and Public Treasury and receivables from credit institutions and similar	303	25	195	54	762
Customer receivables	25,153	26,183	25,811	26,849	26,516
Other assets	248	301	321	563	478
Investment securities	-	-	-	1,131	1,149
Fixed asset	46	45	43	42	41
<b>TOTAL</b>	<b>25,750</b>	<b>26,554</b>	<b>26,370</b>	<b>28,639</b>	<b>28,946</b>
LIABILITIES	June 30, 2021	Dec 31, 2021	June 30, 2022	Dec 31, 2022	June 30, 2023
Central Banks, Public Treasury	-	-	-	-	-
Debts to credit institutions and similar	8,551	9,959	8,755	12,666	12,736
Debt of securities issued	11,938	11,187	11,747	9,958	9,759
Other liabilities	62	34	320	271	523
Equity and similar funds	5,199	5,374	5,548	5,744	5,928*
<b>TOTAL</b>	<b>25,750</b>	<b>26,554</b>	<b>26,370</b>	<b>28,639</b>	<b>28,946</b>

(\*) : Including a provision for general risks amounting to 72,71 MDH.

The analysis of the structure of the balance sheet of the 1<sup>st</sup> semester of 2023, shows that the assets, which consist almost exclusively of customer receivables, increased by 1% to reach nearly 29 BDH as of 30 June 2023.

For its part, liabilities are characterized by the predominance of financing debts, distributed between long-term borrowings and debt securities issued, which represent nearly 78% of the balance sheet total at the end of June 2023.

### 3. Regulatory ratios

The FEC constantly monitors compliance with the prudential ratios decreed by Bank Al-Maghrib. These ratios aim to preserve the financial balances of credit institutions through the coverage of risks by prudential capital.

The prudential ratios as of June 30, 2023 are as follow:

#### Solvency ratio



#### Maximum Coefficient of Risk Division (MCRD)



#### Leverage ratio





**FINANCIAL COMMUNICATION  
AS OF JUNE 30, 2023**



**FINANCIAL STATEMENTS**  
**as of June 30, 2023**

BALANCE SHEET <span style="float: right;">(In thousand MAD)</span>		
ASSETS		
	June 30, 2023	Dec 31, 2022
CASH VALUE, CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE	8,619	54,474
RECEIVABLES ON CREDIT INSTITUTIONS AND SIMILAR	752,930	221
On sight	2,706	221
At term	750,224	-
CUSTOMER RECEIVABLES	26,516,473	26,848,614
Cash and consumer loans and participatory financing	2,551	2,787
Loans and participatory financing for equipment	26,403,893	26,816,162
Real estate loans and participatory financing	15,496	17,186
Other loans and participatory financing	94,532	12,479
RECEIVABLES ACQUIRED THROUGH FACTORING	-	-
TRADING AND INVESTMENT SECURITIES	-	-
Treasury bills and similar securities	-	-
Other debt securities	-	-
Property securities	-	-
Sukuks Certificates	-	-
OTHER ASSETS	478,026	562,766
INVESTMENT SECURITIES	1,148,932	1,131,044
Treasury bills and similar securities	1,148,932	1,131,044
Other debt securities	-	-
Sukuks Certificates	-	-
EQUITY SECURITIES AND SIMILAR ASSETS	25	25
Participation in related companies	-	-
Other equity securities and similar uses	-	-
Moudaraba and Moucharaka securities	25	25
SUBORDINATED RECEIVABLES	-	-
INVESTMENT DEPOSITS PLACED	-	-
FIXED ASSETS GIVEN IN LEASING AND RENTING	-	-
FIXED ASSETS GIVEN IN IJARA	-	-
INTANGIBLE FIXED ASSETS	75	154
TANGIBLE FIXED ASSETS	41,128	42,138
<b>TOTAL ASSETS</b>	<b>28,946,208</b>	<b>28,639,435</b>

LIABILITIES <span style="float: right;">(In thousand MAD)</span>		
	June 30, 2023	Dec 31, 2022
CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE	-	-
DEBTS TO CREDIT INSTITUTIONS AND SIMILAR	12,736,425	12,665,807
On sight	-	-
At term	12,736,425	12,665,807
CUSTOMER DEPOSITS	-	-
Demand accounts payable	-	-
Savings Accounts	-	-
Term deposits	-	-
Other accounts payable	-	-
DEBTS TO CUSTOMERS ON PARTICIPATORY PRODUCTS	-	-
ISSUED DEBT SECURITIES	9,758,594	9,958,173
Issued negotiable debt securities	1,014,139	1,000,155
Bond loans	8,744,455	8,958,018
Other debt securities issued	-	-
OTHER LIABILITIES	523,403	271,396
PROVISIONS FOR RISKS AND EXPENSES	72,709	72,709
REGULATED PROVISIONS	-	-
SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS	-	-
SUBORDINATED DEBT	1,022,555	1,010,790
INVESTMENT DEPOSITS RECEIVED	-	-
REVALUATION DIFFERENCES	-	-
RESERVES AND RELATED PREMIUM CAPITAL	3,660,561	3,322,666
CAPITAL	1,000,000	1,000,000
SHAREHOLDERS' UNPAID CAPITAL (-)	-	-
RETAINED EARNINGS (+/-)	-	-
NET EARNINGS PENDING ALLOCATION (+/-)	-	-
NET EARNINGS FOR THE FISCAL YEAR (+/-)	171,961	337,895
<b>TOTAL LIABILITIES</b>	<b>28,946,208</b>	<b>28,639,435</b>

OFF-BALANCE SHEET <span style="float: right;">(In thousand MAD)</span>		
	June 30, 2023	Dec 31, 2022
COMMITMENTS GIVEN	6,102,872	5,185,755
Financing commitments given to credit institutions and similar	6,102,872	5,185,755
Financing commitments given to customers	-	-
Guarantee commitments for credit institutions and similar	-	-
Guarantee commitments on behalf of customers	-	-
Securities purchased with repurchase option	-	-
Other securities to be delivered	-	-
COMMITMENTS RECEIVED	4,171,037	2,781,831
Financing commitments received from credit institutions and similar	4,171,037	2,781,831
Guarantee commitments received from credit institutions and similar	-	-
Guarantee commitments received from the State and from various guarantee bodies	-	-
Sold securities with repurchase option	-	-
Other securities to receive	-	-
Moucharaka and Moudaraba securities to be received	-	-

STATEMENT OF INCOME AND EXPENSES <span style="float: right;">(In thousand MAD)</span>		
	June 30, 2023	June 30, 2022
<b>BANKING OPERATING INCOME</b>	<b>676,255</b>	<b>619,855</b>
Interest, remunerations and similar income from transactions with credit institutions	7,606	1,360
Interest, remunerations and similar income from transactions with customers	649,179	618,495
Interest and similar income from debt securities	17,888	-
Income from property securities and certificates of Sukuks	-	-
Income based on Moudaraba and Moucharaka securities	-	-
Income from fixed assets leased and rented	-	-
Income from fixed assets given in Ijara	-	-
Commissions on services	553	-
Other banking income	1,029	-
Transfer of expenses on investment deposits received	-	-
<b>BANKING OPERATING EXPENSES</b>	<b>349,104</b>	<b>296,865</b>
Interest and similar expenses on transactions with credit institutions	188,591	121,819
Interest and similar expenses on transactions with customers	-	-
Interest and similar expenses on debts issued	160,462	174,956
Expenses on Moudaraba and Moucharaka securities	-	-
Expenses on fixed assets leased and rented	-	-
Expenses on fixed assets given in Ijara	-	-
Other bank expenses	51	89
Transfer of income on investment deposits received	-	-
<b>NET BANKING INCOME</b>	<b>327,151</b>	<b>322,990</b>
Non-banking operating income	264	995
Non-banking operating expenses	89	89
<b>GENERAL OPERATING EXPENSES</b>	<b>29,895</b>	<b>30,707</b>
Staff expenses	24,153	24,320
Taxes and dues	426	421
External expenses	2,726	2,554
Other general operating expenses	1,403	1,864
Allocations for depreciation and provisions of tangible and intangible fixed assets	1,187	1,550
<b>ALLOCATIONS TO PROVISIONS AND UNRECOVERABLE RECEIVABLES</b>	<b>3,910</b>	<b>1,720</b>
Allocations to provisions on receivables and pending commitments by signature	3,910	1,720
Losses on unrecoverable receivables	-	-
Other allocations to provisions	-	-
<b>REVERSALS OF PROVISIONS AND RECOVERIES ON WRITTEN OFF RECEIVABLES</b>	<b>613</b>	<b>907</b>
Reversals of provisions on receivables and pending commitments by signature	613	907
Recoveries on written off receivables	-	-
Other reversals of provisions	-	-
<b>OPERATING RESULT</b>	<b>294,134</b>	<b>292,375</b>
Non-operating income	19	2
Non-operating expenses	15,119	14,087
<b>PRE-TAX EARNINGS</b>	<b>279,034</b>	<b>278,290</b>
Earnings Taxes	107,073	104,479
<b>NET EARNINGS FOR THE FISCAL YEAR</b>	<b>171,961</b>	<b>173,810</b>



STATUS OF MANAGEMENT BALANCES <span style="float: right;">(In thousand MAD)</span>		
I- INCOME STATEMENT TABLE		
	June 30, 2023	June 30, 2022
(+) Interest and similar income	674,679	619,855
(-) Interest and similar expenses	349,053	296,775
<b>INTEREST MARGIN</b>	<b>325,620</b>	<b>323,080</b>
(+) Income on participatory financing	-	-
(-) Expenses on participatory financing	-	-
<b>MARGIN ON PARTICIPATORY FINANCING</b>	<b>-</b>	<b>-</b>
(+) Income from fixed assets leased and rented	-	-
(-) Expenses on fixed assets leased and rented	-	-
<b>RESULT OF LEASING AND RENTAL TRANSACTIONS</b>	<b>-</b>	<b>-</b>
(+) Income on fixed assets given in Ijara	-	-
(-) Expenses on fixed assets given in Ijara	-	-
<b>RESULT OF IJARA OPERATIONS</b>	<b>-</b>	<b>-</b>
(+) Commissions received	553	-
(-) Commissions paid	51	89
<b>MARGIN ON COMMISSIONS</b>	<b>502</b>	<b>89</b>
(+) Result of trading securities operations	1,029	-
(+) Result of investment securities operations	-	-
(+) Result of exchange operations	-	-
(+) Result of derivative products operations	-	-
<b>RESULT OF MARKET OPERATIONS</b>	<b>1,029</b>	<b>-</b>
(+) Result of operations on Moudaraba and Moucharaka securities	-	-
(+) Various other banking products	-	-
(-) Various other banking expenses	-	-
<b>SHARE OF INVESTMENT DEPOSIT ACCOUNT HOLDERS</b>	<b>-</b>	<b>-</b>
<b>NET BANKING INCOME</b>	<b>327,151</b>	<b>322,990</b>
(+) Net income from financial fixed assets	-	-
(+) Other non-banking operating income	264	995
(-) Other non-banking operating expenses	89	89
(-) General operating expenses	29,895	30,707
<b>GROSS OPERATING RESULT</b>	<b>297,430</b>	<b>293,189</b>
(+/-) Net allocations of reversals to provisions for receivables and non performing commitments by signature	3,297	814
(+/-) Other net allocations of reversals to provisions	-	-
<b>OPERATING RESULT</b>	<b>294,134</b>	<b>292,375</b>
<b>NON-OPERATING RESULT</b>	<b>15,100</b>	<b>14,085</b>
(-) Earnings Taxes	107,073	104,479
<b>NET EARNINGS FOR THE FISCAL YEAR</b>	<b>171,961</b>	<b>173,810</b>

II- SELF-FINANCING CAPACITY <span style="float: right;">(In thousand MAD)</span>		
	June 30, 2023	June 30, 2022
<b>(+) NET EARNINGS FOR THE FISCAL YEAR</b>	<b>171,961</b>	<b>173,810</b>
(+) Allocations to amortization and provisions of tangible and intangible fixed assets	1,187	1,550
(+) Allocations to provisions for depreciation of financial fixed assets	-	-
(+) Allocations to provisions for general risks	-	-
(+) Regulated provisions allocations	-	-
(+) Non-operating provisions allocations	-	-
(-) Reversal of provisions	-	-
(-) Capital gains on disposals of tangible and intangible fixed assets	-	-
(+) Capital losses on disposals of intangible and tangible fixed assets	-	-
(-) Capital gains on disposals of financial fixed assets	-	-
(+) Capital losses on disposals of financial fixed assets	-	-
(-) Reversal of investment grants received	-	-
<b>(+) SELF-FINANCING CAPACITY</b>	<b>173,148</b>	<b>175,360</b>
(-) Distributed Profit	-	-
<b>(+) SELF-FINANCING</b>	<b>173,148</b>	<b>175,360</b>

CASH FLOW STATEMENT <span style="float: right;">(In thousand MAD)</span>		
	June 30, 2023	Dec 31, 2022
Banking operating income received	676,255	1,257,205
Recoveries on written off receivables	-	-
Non-banking operating income received	264	1,718
Banking operating expenses paid	349,104	595,745
Non-banking operating expenses paid	15,208	28,587
General operating expenses paid	28,708	57,147
Earnings taxes paid	107,073	216,131
<b>NET CASH FLOWS FROM THE STATEMENT OF INCOME AND EXPENSES</b>	<b>176,444</b>	<b>361,313</b>
Variation of:		
Receivables on credit institutions and similar	752,710	725
Receivables on customers	328,845	665,597
Trading and investment securities	-	-
Other assets	84,739	261,356
Moudaraba and Moucharaka securities	-	-
Fixed assets leased and rented	-	-
Fixed assets given in Ijara	-	-
Investment deposits placed with credit institutions and similar	-	-
Debt to credit institutions and similar	70,618	2,706,780
Customer deposits	-	-
Debt to customers on participatory products	-	-
Issued receivables securities	187,814	1,217,641
Other liabilities	252,007	237,239
<b>II. BALANCE OF VARIATIONS IN OPERATING ASSETS AND LIABILITIES</b>	<b>204,314</b>	<b>800,149</b>
<b>III. NET CASH FLOWS FROM OPERATING ACTIVITIES (I + II)</b>	<b>27,869</b>	<b>1,161,462</b>
Income from disposals of financial fixed assets	-	-
Income from disposals of tangible and intangible fixed assets	-	-
Acquisition of financial fixed assets	17,888	1,131,044
Acquisition of tangible and intangible fixed assets	88	328
Interest received	-	-
Dividends received	-	-
<b>IV. NET CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>17,986</b>	<b>1,131,372</b>
Subsidies, public funds and special guarantee funds received	-	-
Issuance of subordinated debts	-	-
Investment deposits received	-	-
Issue of shares	-	-
Repayment of equity capital and similar	-	-
Investment deposits reimbursed	-	-
Interest paid	-	-
Remuneration paid on investment deposits	-	-
Dividends paid	-	-
<b>V. NET CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>VI. NET VARIATION IN CASH</b>	<b>45,855</b>	<b>30,091</b>
<b>VII. CASH POSITION AT THE BEGINNING OF THE FISCAL YEAR</b>	<b>54,474</b>	<b>24,384</b>
<b>VIII. CASH POSITION AT THE END OF THE FISCAL YEAR</b>	<b>8,619</b>	<b>54,474</b>

MAIN APPLIED EVALUATION METHODS	
INDICATION OF THE EVALUATION METHODS APPLIED BY THE INSTITUTION	
<p>*Application of the evaluation methods provided for in the "Chart of Accounts of Credit Institutions" which came into force on 01/01/2000.</p> <p>*Non-Performing Loans (NPLs) on the clients are accounted for and valued in accordance with current banking regulations.</p> <p>The main provisions applied can be summarized as follows :</p> <ul style="list-style-type: none"> <li>- Non-Performing Loans (NPLs) are, depending on the degree of risk, classified as pre-doubtful, doubtful or compromised loans.</li> <li>- Non-Performing Loans (NPLs) are, after deduction of the guarantee rates provided for by the regulations in force (Circular Letter No. 25/G/97, Circulars No. 19/G/2002 and 38/G/2004), provisioned for : <ul style="list-style-type: none"> <li>- 20% for pre-doubtful loans,</li> <li>- 50% for doubtful loans,</li> <li>- 100% for compromised loans.</li> </ul> </li> </ul> <p>*Intangible and tangible fixed assets are recorded in the balance sheet at cost less accumulated amortization, calculated on a straight-line basis over estimated lifespan.</p> <p>Intangible and tangible fixed assets are amortized according to the regulations in force.</p> <p>*The summary statements are presented in accordance with the provisions of the Chart of Accounts of Credit Institutions.</p>	

STATUS OF EXEMPTIONS	
INDICATIONS OF EXEMPTIONS	JUSTIFICATIONS FOR EXEMPTIONS
I. Exemptions from fundamental accounting principles	<b>NONE</b>
II. Exemptions from assessment methods	
III. Exemptions from the rules for drawing up and presenting summary statements	

STATUS OF CHANGES IN METHODS	
INDICATIONS OF CHANGES	JUSTIFICATIONS OF CHANGES
I. Changes affecting assessment methods	<b>NONE</b>
II. Changes affecting presentation rules	

RECEIVABLES ON CREDIT INSTITUTIONS AND SIMILAR						
RECEIVABLES	Bank Al-Maghrib, Public Treasury and Postal Checks Service	Banks in Morocco	Other credits and similar institutions in Morocco	Credit institutions abroad	Total	
					June 30, 2023	Dec 31, 2022
ORDINARY DEBIT ACCOUNTS	7,600	2,701	5	-	10,306	54,203
VALUES RECEIVED IN PENSION	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-	-	-
CASH LOANS	-	750,000	-	-	750,000	-
Day by day	-	-	-	-	-	-
At term	-	750,000	-	-	750,000	-
FINANCIAL LOANS	-	-	-	-	-	-
OTHER RECEIVABLES	-	-	-	-	-	-
ACCRUED INTEREST RECEIVABLE	980	224	-	-	1,204	489
NON PERFORMING LOANS	-	-	-	-	-	-
<b>TOTAL</b>	<b>8,580</b>	<b>752,925</b>	<b>5</b>	<b>-</b>	<b>761,510</b>	<b>54,692</b>

CUSTOMER RECEIVABLES						
RECEIVABLES	Public sector	Private sector			Total	
		Financial companies	Non-financial companies	Other customers	June 30, 2023	Dec 31, 2022
Cash loans	-	-	-	-	-	-
Current debit accounts	-	-	-	-	-	-
Trade receivables on Morocco	-	-	-	-	-	-
Export credits	-	-	-	-	-	-
Other cash loans	-	-	-	-	-	-
CONSUMER LOANS	-	-	-	2,551	2,551	2,787
EQUIPMENT LOANS	25,846,519	-	-	-	25,846,519	26,081,692
REAL ESTATE LOANS	-	-	-	15,496	15,496	17,186
OTHER CASH LOANS	-	-	-	-	-	-
RECEIVABLES ACQUIRED THROUGH FACTORING	-	-	-	-	-	-
ACCRUED INTERESTS RECEIVABLE	557,375	-	-	-	557,375	734,469
NON PERFORMING LOANS	94,532	-	-	-	94,532	12,479
Pre-doubtful loans	93,869	-	-	-	93,869	10,060
Doubtful loans	-	-	-	-	-	1,756
Compromised loans	663	-	-	-	663	663
<b>TOTAL</b>	<b>26,498,425</b>	<b>-</b>	<b>-</b>	<b>18,048</b>	<b>26,516,473</b>	<b>26,848,614</b>

BREAKDOWN OF TRANSACTION AND PLACEMENT SECURITIES AND INVESTMENT SECURITIES BY ISSUER CATEGORY						
Securities	Credit institutions and similar	Public issuers	Private issuers		Total	
			Financial	Non-Financial	June 30, 2023	Dec 31, 2022
Quoted securities	-	-	-	-	-	-
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
Non-quoted securities	-	1,148,932	-	-	1,148,932	1,131,044
Treasury bills and similar securities	-	1,148,932	-	-	1,148,932	1,131,044
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>1,148,932</b>	<b>-</b>	<b>-</b>	<b>1,148,932</b>	<b>1,131,044</b>

INTANGIBLE AND TANGIBLE FIXED ASSETS									
NATURE	Gross amount at the beginning of the fiscal year	Amount of acquisitions during the fiscal year	Amount of disposals or withdrawals during the fiscal year	Gross amount at the end of the fiscal year	Depreciation and/or provisions			Cumulative	Net amount at the end of the fiscal year
					Amount of depreciation and/or provisions at the beginning of the fiscal year	Depreciation and/or provisions	Amount of depreciation and/or provisions on fixed assets withdrawn		
INTANGIBLE FIXED ASSETS	21,041	-	-	21,041	20,888	79	-	20,966	75
Lease rights	-	-	-	-	-	-	-	-	-
Research and development fixed assets	-	-	-	-	-	-	-	-	-
Other operating intangible fixed assets	21,041	-	-	21,041	20,888	79	-	20,966	75
Non-operating intangible fixed assets	-	-	-	-	-	-	-	-	-
TANGIBLE FIXED ASSETS	124,013	98	-	124,111	81,875	1,108	-	82,983	41,128
OPERATING BUILDINGS	89,323	-	-	89,323	29,964	776	-	30,740	38,983
Operating land	7,229	-	-	7,229	-	-	-	-	7,229
Operating buildings - Offices	61,194	-	-	61,194	29,360	765	-	30,125	31,089
Operating buildings - Staff housing	900	-	-	900	604	11	-	615	285
FURNITURE AND OPERATING EQUIPMENT	27,561	98	-	27,659	26,672	214	-	26,886	772
Operating office furniture	7,876	45	-	7,921	7,652	26	-	7,678	243
Operating office equipment	949	-	-	949	949	0	-	949	-
Computer equipment	18,058	53	-	18,112	17,395	188	-	17,582	529
Rolling stock related to operations	677	-	-	677	677	-	-	677	-
Other operating equipment	-	-	-	-	-	-	-	-	-
OTHER OPERATING TANGIBLE ASSETS	17,309	-	-	17,309	17,220	25	-	17,245	84
NON-OPERATING TANGIBLE FIXED ASSETS	9,820	-	-	9,820	8,019	93	-	8,112	1,708
Non-operating land	-	-	-	-	-	-	-	-	-
Non-operating buildings	5,545	-	-	5,545	3,922	69	-	3,992	1,553
Non-operating furniture and equipment	2,344	-	-	2,344	2,207	14	-	2,220	124
Other non-operating tangible fixed assets	1,931	-	-	1,931	1,890	10	-	1,900	31
<b>TOTAL</b>	<b>145,054</b>	<b>98</b>	<b>-</b>	<b>145,152</b>	<b>102,762</b>	<b>1,187</b>	<b>-</b>	<b>103,950</b>	<b>41,203</b>

BREAKDOWN OF TRANSACTION AND PLACEMENT SECURITIES AND INVESTMENT SECURITIES						
Securities	Gross book value	Present value	Redemption value	Unrealized capital gains	Unrealized capital losses	Provisions
Trading securities	-	-	-	-	-	-
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
Placement securities	-	-	-	-	-	-
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
Investment securities	1,148,932	1,148,932	-	-	-	-
Treasury bills and similar securities	1,148,932	1,148,932	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,148,932</b>	<b>1,148,932</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

DETAILS OF OTHER ASSETS		
ASSETS	June 30, 2023	Dec 31, 2022
Optional instruments purchased	-	-
Miscellaneous transactions on securities	-	-
Other debtors	150,623	251,367
Amounts due by the State	149,576	250,385
Amounts due by provident organizations	-	-
Miscellaneous amounts due by staff	-	-
Client accounts for non-banking services	-	-
Various other debtors	1,045	982
Various values and uses	-	-
Regulation accounts	327,404	311,399
Adjustment accounts for the off-balance sheet transactions	-	-
Counterpart of the off-balance sheet exchange result	-	-
Counterpart of the result on off-balance sheet derivative products	-	-
Counterpart of the result on off-balance sheet securities	-	-
Currency and securities gap accounts	43,488	50,290
Results of hedging derivative products	217,625	219,556
Deferred expenses over several fiscal years	4,198	5,560
Liaison accounts between headquarters, branches and agencies in Morocco	-	-
Accrued receivable income and prepaid expenses	61,749	35,643
Other regularisation accounts	345	351
Non Performing loans on miscellaneous transactions	-	-
<b>TOTAL</b>	<b>478,026</b>	<b>562,766</b>

PARTICIPATION SECURITIES AND SIMILAR ASSETS									
Name of the issuing company	Activity sector	Share capital	Equity's participation (%)	Total acquisition price	Net book value	Extract from the last summary statements of the issuing company			Products recorded in the Statement of Income and Expenses (SIE) for the fiscal year
						Closing date of the fiscal year	Net position	Net earning	
Participation in affiliated companies									
Other equity participation securities									
MAROCLEAR SA	Central depository	100,000	0.025%	25	25	12/31/2022	334,068	12,559	-
<b>TOTAL PARTICIPATIONS</b>				<b>25</b>	<b>25</b>		<b>334,068</b>	<b>12,559</b>	<b>-</b>
SIMILAR ASSETS									
<b>GRAND TOTAL</b>				<b>25</b>	<b>25</b>		<b>334,068</b>	<b>12,559</b>	<b>-</b>

SUBORDINATED RECEIVABLES					
SUBORDINATED RECEIVABLES	Amount			Including affiliated and related companies	
	June 30, 2023	Dec 31, 2022	Net	June 30, 2023	Dec 31, 2022
	Gross	Provisions	Net	Net	Net
Subordinated receivables from credit institutions and similar	<b>NONE</b>			<b>NONE</b>	
Subordinated receivables to customers	<b>NONE</b>			<b>NONE</b>	
<b>TOTAL</b>	<b>NONE</b>			<b>NONE</b>	

FIXED ASSETS GIVEN IN LEASE CREDIT, LEASE WITH PURCHASE OPTION AND SIMPLE LEASE									
NATURE	Gross amount at the beginning of the fiscal year	Amount of acquisitions during the fiscal year	Amount of disposals or withdrawals during the fiscal year	Gross amount at the end of the fiscal year	Depreciation	Provisions	Net amount at the end of the fiscal year	June 30, 2023	
								Allocation for the fiscal year	Accounting provisions
Fixed assets given in lease credit, lease with purchase option	-	-	-	-	-	-	-	-	-
Intangible fixed assets lease	-	-	-	-	-	-	-	-	-
Equipment lease	-	-	-	-	-	-	-	-	-
Equipment leases in progress	-	-	-	-	-	-	-	-	-
Equipment leased under operating lease	-	-	-	-	-	-	-	-	-
Equipment lease not leased after termination	-	-	-	-	-	-	-	-	-
Real estate lease	-	-	-	-	-	-	-	-	-
Real estate lease in progress	-	-	-	-	-	-	-	-	-
Real estate leased under operating lease	-	-	-	-	-	-	-	-	-
Real estate lease not leased after termination	-	-	-	-	-	-	-	-	-
Accrued rent receivable	-	-	-	-	-	-	-	-	-
Restructured rents	-	-	-	-	-	-	-	-	-
Unpaid rents	-	-	-	-	-	-	-	-	-
Non-Performing Loans	-	-	-	-	-	-	-	-	-
Fixed assets given in simple lease	-	-	-	-	-	-	-	-	-
Furnished goods under simple lease	-	-	-	-	-	-	-	-	-
Real estate under simple lease	-	-	-	-	-	-	-	-	-
Accrued rent receivable	-	-	-	-	-	-	-	-	-
Restructured rents	-	-	-	-	-	-	-	-	-
Unpaid rents	-	-	-	-	-	-	-	-	-
Non-Performing Loans	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

INTANGIBLE AND TANGIBLE FIXED ASSETS									
NATURE	Gross amount at the beginning of the fiscal year	Amount of acquisitions during the fiscal year	Amount of disposals or withdrawals during the fiscal year	Gross amount at the end of the fiscal year	Depreciation and/or provisions			Cumulative	Net amount at the end of the fiscal year
					Amount of depreciation and/or provisions at the beginning of the fiscal year	Depreciation and/or provisions	Amount of depreciation and/or provisions on fixed assets withdrawn		
INTANGIBLE FIXED ASSETS	21,041	-	-	21,041	20,888	79	-	20,966	75
Lease rights	-	-	-	-	-	-	-	-	-
Research and development fixed assets	-	-	-	-	-	-	-	-	-
Other operating intangible fixed assets	21,041	-	-	21,041	20,888	79	-	20,966	75
Non-operating intangible fixed assets	-	-	-	-	-	-	-	-	-
TANGIBLE FIXED ASSETS	124,013	98	-	124,111	81,875	1,108	-	82,983	41,128
OPERATING BUILDINGS	89,323	-	-	89,323	29,964	776	-	30,740	38,983
Operating land	7,229	-	-	7,229	-	-	-	-	7,229
Operating buildings - Offices	61,194	-	-	61,194	29,360	765	-	30,125	

**VALUES GAINS OR LOSSES ON DISPOSALS OR WITHDRAWALS OF FIXED ASSETS** (In thousand MAD)

Date of sale or withdrawal	Nature	Gross amount	Accumulated depreciation	Net book value	Disposal income	Capital gains on disposal	Capital losses on disposal
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NONE

TOTAL

**DEBTS TO CREDIT INSTITUTIONS AND SIMILAR** (In thousand MAD)

DEBTS	Bank Al-Maghrib, Public Treasury and Postal Checks Service	Banks in Morocco	Other credit institutions and similar in Morocco	Credit institutions abroad	Total	
					June 30, 2023	Dec 31, 2022
ORDINARY CREDIT ACCOUNTS	-	-	-	-	-	-
VALUES GIVEN IN PENSION	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-	-	-
CASH LOANS	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-	-	-
FINANCIAL BORROWINGS	-	9,404,635	350,000	2,625,527	12,380,161	12,353,528
OTHER DEBTS	-	-	-	209,593	-	207,148
ACCRUED INTEREST PAYABLE	-	121,731	4,786	20,154	146,670	105,131
<b>TOTAL</b>	-	<b>9,526,366</b>	<b>354,786</b>	<b>2,855,273</b>	<b>12,736,425</b>	<b>12,665,807</b>

**CUSTOMER DEPOSITS** (In thousand MAD)

DEPOSITS	Public Sector	Private Sector			Total	
		Financial companies	Non-Financial Companies	Other customers	June 30, 2023	Dec 31, 2022
Current credit accounts	-	-	-	-	-	-
Savings accounts	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-
Other credit accounts	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

NONE

**DEBT SECURITIES ISSUED** (In thousand MAD)

NATURE OF THE SECURITIES (1)	Date of entitlement	Maturity date	Characteristics		Repayment method (2)	Amount	Of which		Unamortized amount of issue or redemption premiums
			Nominal value per unit	Nominal rate			Robust companies	Other related parties	
<b>Negotiable debt securities</b>						<b>1,000,000</b>			
Certificates of Deposit	12/30/2019	12/30/2024	100	2.82%	In fine	1,000,000	-	-	-
<b>Bond loans</b>						<b>9,567,867</b>			
Bond loans	01/20/2012	01/20/2027	100	5.30%	Redeemable	266,667	-	-	-
Bond loans	12/08/2014	12/08/2029	100	3.44%	Redeemable	396,200	-	-	-
Bond loans	12/08/2014	12/08/2024	100	3.50%	In fine	151,000	-	-	-
Bond loans	07/13/2015	07/13/2030	100	4.60%	Redeemable	384,000	-	-	-
Bond loans	07/13/2015	07/13/2025	100	2.39%	In fine	60,000	-	-	-
Bond loans	07/13/2015	07/13/2025	100	2.49%	In fine	250,000	-	-	-
Bond loans	10/13/2016	10/13/2031	100	3.92%	Redeemable	192,000	-	-	-
Bond loans	10/13/2016	10/13/2026	100	2.79%	In fine	226,000	-	-	-
Bond loans	10/13/2016	10/13/2031	100	3.19%	Redeemable	273,000	-	-	-
Bond loans	12/06/2017	12/06/2032	100	3.53%	Redeemable	333,333	-	-	-
Bond loans	12/06/2017	12/06/2027	100	3.30%	In fine	200,000	-	-	-
Bond loans	12/06/2017	12/06/2032	100	3.50%	Redeemable	656,667	-	-	-
Bond loans	07/19/2019	07/19/2033	100	3.84%	Redeemable	753,233	-	-	-
Bond loans	07/12/2019	07/12/2034	100	3.49%	Redeemable	400,000	-	-	-
Bond loans	07/12/2019	07/12/2034	100	2.20%	Redeemable	1,200,000	-	-	-
Bond loans	12/18/2020	03/31/2036	100	2.98%	Redeemable	1,733,333	-	-	-
Bond loans	01/12/2022	01/12/2037	100	2.51%	Redeemable	933,333	-	-	-
<b>TOTAL</b>						<b>9,567,867</b>			

(1) These are: Certificates of deposit - Bond loans - Finance company bonds - Other debt securities  
(2) Amortization: Annual - In fine

**DETAILS OF OTHER LIABILITIES** (In thousand MAD)

LIABILITIES	June 30, 2023	Dec 31, 2022
<b>Optional instruments sold</b>	-	-
<b>Miscellaneous transactions on securities</b>	-	-
<b>Other creditors</b>	<b>485,242</b>	<b>233,118</b>
Amounts due to the State	137,012	230,288
Amounts due to the provident organizations	960	1,355
Miscellaneous amounts due to the staff	-	-
Various amounts due to shareholders and partners	-	-
Suppliers of goods and services	1,391	1,445
Various other creditors	345,879	30
<b>Regularisation accounts</b>	<b>38,161</b>	<b>38,278</b>
Adjustment accounts for off-balance sheet transactions	-	-
Currency and securities gap accounts	-	-
Results on hedging derivative products	28,936	27,598
Liaison accounts between headquarters, branches and agencies in Morocco	-	-
Accrued expenses and deferred income	8,730	10,400
Other regularisation accounts	290	290
<b>TOTAL</b>	<b>523,403</b>	<b>271,396</b>

**PROVISIONS** (In thousand MAD)

	Outstanding Dec 31, 2022	Allocations	Reversals	Other variations	Outstanding June 30, 2023
<b>PROVISIONS DEDUCTED FROM ASSETS ON :</b>	<b>16,813</b>	<b>3,910</b>	<b>613</b>	-	<b>20,110</b>
Receivables on credit institutions and similar	-	-	-	-	-
Receivables on customers	6,118	3,910	613	-	9,415
Investment securities	-	-	-	-	-
Equity securities and similar assets	-	-	-	-	-
Fixed assets leased and rented	-	-	-	-	-
Other assets	10,695	-	-	-	10,695
<b>PROVISIONS RECORDED UNDER LIABILITIES :</b>	<b>72,709</b>	-	-	-	<b>72,709</b>
Provisions for risks of implementing commitments by signature	-	-	-	-	-
Provisions for exchange risks	-	-	-	-	-
Provisions for general risks	72,709	-	-	-	72,709
Provisions for retirement pensions and similar obligations	-	-	-	-	-
Provisions for other risks and expenses	-	-	-	-	-
Regulated provisions	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>89,522</b>	<b>3,910</b>	<b>613</b>	-	<b>92,819</b>

**SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS** (In thousand MAD)

	Economic purpose	Total amount	Amount Dec 31, 2022	Use June 30, 2023	Amount June 30, 2023
<b>Subsidies</b>					
<b>Allocated public funds</b>					
<b>Special guarantee funds</b>					
<b>TOTAL</b>					

NONE

**SUBORDINATED DEBTS** (In thousand MAD)

Currency of the loan	Amount in currency of the loan	Price (1)	Rate	Term (2)	Prepayment, subordination and convertibility conditions (3)	Amount of the loan in national currency (MAD equivalent)	Of which affiliated companies		Of which related companies	
							Amount (equivalent MAD) June 30, 2023	Amount (equivalent MAD) Dec 31, 2022	Amount (equivalent MAD) June 30, 2023	Amount (equivalent MAD) Dec 31, 2022
Dirhams	200 000		2.30%	10		200 000	-	-	-	-
Dirhams	800 000		2.35%	10		800 000	-	-	-	-
<b>TOTAL</b>	<b>1 000 000</b>					<b>1 000 000</b>	-	-	-	-

(1) Bank Al-Maghrib price at 12/31 /N  
(2) Eventually undetermined  
(3) Refer to the subordinated debt contract


**EQUITY CAPITAL** (In thousand MAD)

EQUITY CAPITAL	Outstanding as of Dec 31, 2022	Allocation of earnings	Other variations	Outstanding at June 30, 2023
<b>Revaluation differences</b>	-	-	-	-
<b>Reserves and premiums related to capital</b>	<b>3,322,666</b>	<b>337,895</b>	-	<b>3,660,561</b>
Legal reserve	-	-	-	-
Other reserves	3,322,666	337,895	-	3,660,561
Issuance, merger and contribution premiums	-	-	-	-
<b>Capital</b>	<b>1,000,000</b>	-	-	<b>1,000,000</b>
Called up capital	-	-	-	-
Uncalled capital	-	-	-	-
Investment certificates	-	-	-	-
Allowance fund	1,000,000	-	-	1,000,000
<b>Shareholders - Unpaid capital</b>	-	-	-	-
<b>Retained earnings (+/-)</b>	-	-	-	-
<b>Net earnings pending allocation (+/-)</b>	-	-	-	-
<b>Net earnings of the fiscal year (+/-)</b>	<b>337,895</b>	<b>337,895</b>	<b>171,961</b>	<b>171,961</b>
<b>TOTAL</b>	<b>4,660,561</b>	<b>337,895</b>	<b>171,961</b>	<b>4,832,522</b>

**FINANCING AND GUARANTEE COMMITMENTS** (In thousand MAD)

COMMITMENTS	June 30, 2023	Dec 31, 2022
<b>Financing and guarantee commitments given</b>	<b>6,102,872</b>	<b>5,185,755</b>
<b>Financing commitments in favor of credit institutions and similar</b>	-	-
Import documentary credits	-	-
Payment acceptances or commitments	-	-
Opening of confirmed credit	-	-
Substitution commitments on issuing of securities	-	-
Irrevocable leasing commitments	-	-
Other financing commitments given	-	-
<b>Financing commitments in favor of customers</b>	<b>6,102,872</b>	<b>5,185,755</b>
Import documentary credits	-	-
Payment acceptances or commitments	-	-
Opening of confirmed credit	6,102,872	5,185,755
Substitution commitments on issuing of securities	-	-
Irrevocable leasing commitments	-	-
Other financing commitments given	-	-
<b>Commitments to guarantee orders from credit institutions and similar entities</b>	-	-
Confirmed export documentary credits	-	-
Payment acceptances or commitments	-	-
Credit guarantees given	-	-
Other sureties, endorsements and guarantees given	-	-
Non-performing commitments	-	-
<b>Customer order guarantee commitments</b>	-	-
Credit guarantees given	-	-
Bonds and guarantees in favor of the public administration	-	-
Other deposits and guarantees given	-	-
Non-performing commitments	-	-
<b>Financing and guarantee commitments received</b>	<b>4,171,037</b>	<b>2,781,831</b>
<b>Financing commitments received from credit institutions and similar</b>	<b>4,171,037</b>	<b>2,781,831</b>
Opening of confirmed credit	4,171,037	2,781,831
Substitution commitments on issuing of securities	-	-
Other financing commitments received	-	-
<b>Guarantee commitments received from credit institutions and similar</b>	-	-
Credit guarantees	-	-
Other guarantees received	-	-
<b>Guarantee commitments received from the State and various guarantee organizations</b>	-	-
Credit guarantees	-	-
Other guarantees received	-	-

**COMMITMENTS ON SECURITIES** (In thousand MAD)

COMMITMENTS	Amount	June 30, 2023
<b>Commitments given</b>		
Securities purchased with a repurchase option	-	-
Other securities to be delivered	-	-
<b>Commitments received</b>		
Securities sold with a repurchase option	-	-
Other securities to be received	-	-

NONE

**FORWARD EXCHANGE TRANSACTIONS AND COMMITMENTS ON DERIVATIVE PRODUCTS** (In thousand MAD)

	Hedging transactions		Other transactions	
	June 30, 2023	Dec 31, 2022	June 30, 2023	Dec 31, 2022
<b>Forward exchange transactions</b>	<b>188,789</b>	<b>191,967</b>	-	-
Currencies to be received	-	-	-	-
Dirhams to be delivered	217,625	219,556	-	-
Currencies to be delivered	-	-	-	-
Dirhams to be received	28,836	27,588	-	-
Of which financial currency swaps	-	-	-	-
<b>Commitments on derivative products</b>	-	-	-	-
Commitments on regulated interest rate markets	-	-	-	-
Commitments on over-the-counter interest rate markets	-	-	-	-
Commitments on regulated exchange rate markets	-	-	-	-
Commitments on over-the-counter exchange rate markets	-	-	-	-
Commitments on regulated markets for other instruments	-	-	-	-
Commitments on over-the-counter markets for other instruments	-	-	-	-



## VALUES GAINS OR LOSSES ON DISPOSALS OR WITHDRAWALS OF FIXED ASSETS

June 30, 2023  
(In thousand MAD)

Values and sureties received as guarantee	Net book value	Receivables or commitments by signature given posted to assets or to off balance sheet	Amounts of receivables on commitments by signature given and covered
Treasury bills and similar values	-	-	-
Other securities	-	-	-
Mortgages	380,000	Account 2313	380,000
Other real values and sureties	-	-	-
<b>TOTAL</b>	<b>380,000</b>		<b>380,000</b>

Values and sureties given as guarantee	Net book value	Debts or commitments by signature received posted to liabilities or to off balance sheet	Amounts of debts on commitments by signature received and covered
Treasury bills and similar values	-	-	-
Other securities	-	-	-
Mortgages	-	-	-
Other real values and sureties	-	-	-
<b>TOTAL</b>	<b>NONE</b>		<b>NONE</b>

## BREAKDOWN OF USES AND RESOURCES BY RESIDUAL DURATION

June 30, 2023  
(In thousand MAD)

	D ≤ 1 month	1 month < D ≤ 3 months	3 months < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years	TOTAL
<b>ASSETS</b>						
Receivables from credit institutions and similar	194,277	-	-	-	-	194,277
Receivables from customers	317,649	235,120	1,919,490	9,163,634	14,153,400	25,789,293
Debt securities	-	-	-	-	-	-
Subordinated receivables	-	-	-	-	-	-
Leasing and similar	-	-	-	-	-	-
<b>TOTAL</b>	<b>511,926</b>	<b>235,120</b>	<b>1,919,490</b>	<b>9,163,634</b>	<b>14,153,400</b>	<b>25,983,571</b>
<b>LIABILITIES</b>						
Debts to credit institutions and similar	136,614	70,833	882,633	4,393,279	7,106,396	12,589,755
Debts to customers	-	-	-	-	-	-
Receivables securities issued	248,000	-	494,933	4,761,067	4,063,867	9,567,867
Subordinated loans	-	-	-	-	1,000,000	1,000,000
<b>TOTAL</b>	<b>384,614</b>	<b>70,833</b>	<b>1,377,566</b>	<b>9,154,345</b>	<b>12,170,262</b>	<b>23,157,621</b>

## CONCENTRATION OF RISKS ON A SINGLE BENEFICIARY

June 30, 2023  
(In thousand MAD)

Number	Total amount of risks	Amount of risk exceeding 10% of capital equity		
		Credit by disbursement	Credit by signature	Amount of securities held in the capital of the beneficiary
2	5,952,036	5,405,146	546,890	-

## BREAKDOWN OF TOTAL ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS IN FOREIGN CURRENCY

June 30, 2023  
(In thousand MAD)

BALANCE SHEET	Amount
<b>ASSETS</b>	-
Cash value, Central banks, Public treasury, Postal checks service	-
Receivables from credit institutions and similar	-
Receivables from customers	-
Trading, placement and investment securities	-
Other assets	-
Participation securities and similar uses	-
Subordinated receivables	-
Leased and rented fixed assets	-
Intangible and tangible fixed assets	-
<b>LIABILITIES</b>	<b>2,855,273</b>
Central Banks, Public Treasury, Postal Checks Service	-
Debt to credit institutions and similar	2,855,273
Customer deposits	-
Receivables securities issued	-
Other liabilities	-
Subsidies, allocated public funds and special guarantee funds	-
Subordinated debts	-
<b>OFF-BALANCE SHEET</b>	<b>Amount</b>
<b>COMMITMENTS GIVEN</b>	-
<b>COMMITMENTS RECEIVED</b>	<b>2,171,037</b>

## INTEREST MARGIN

(In thousand MAD)

	June 30, 2023	June 30, 2022
<b>Interest perceived</b>	<b>674,673</b>	<b>619,855</b>
Interest and similar income on transactions with credit institutions	7,606	1,360
Interest and similar income on transactions with customers	649,179	618,495
Interest and similar income on receivables securities	17,888	-
<b>Interest served</b>	<b>349,053</b>	<b>296,775</b>
Interest and similar expenses on transactions with credit institutions	188,591	121,819
Interest and similar expenses on transactions with customers	-	-
Interest and similar expenses on receivables securities issued	160,462	174,956
<b>TOTAL</b>	<b>325,620</b>	<b>323,080</b>

## INCOME FROM PROPERTY SECURITIES

June 30, 2023  
(In thousand MAD)

CATEGORY OF SECURITIES	Income received
Investment securities	-
Equity securities	-
Investments in affiliated companies	-
Portfolio activity securities	-
Similar uses	-
<b>TOTAL</b>	<b>NONE</b>

## COMMISSIONS

June 30, 2023  
(In thousand MAD)

COMMISSIONS	Amount
<b>Commissions received</b>	<b>553</b>
On transactions with credit institutions	-
On transactions with customers	-
On exchange transactions	-
Related to interventions on primary securities markets	-
On derivative products	-
On securities transactions under management and on deposit	-
On payment methods	-
On advisory and assistance activities	-
On sales of insurance products	-
On other services	553
<b>Paid commissions</b>	<b>51</b>
On transactions with credit institutions	36
On transactions with customers	-
On exchange transactions	-
Related to interventions on primary securities markets	-
On derivative products	-
On securities transactions under management and on deposit	15
On payment methods	-
On advisory and assistance activities	-
On sales of insurance products	-
On other services	-

## RESULT OF MARKET OPERATIONS

(In thousand MAD)

INCOME AND EXPENSES	June 30, 2023	Dec 31, 2022
<b>Income</b>	<b>1,029</b>	<b>-</b>
Gains on trading securities	1,029	-
Value gain on disposal of investment securities	-	-
Reversal of provision for depreciation of investment securities	-	-
Gains on derivative products	-	-
Gains on exchange transactions	-	-
<b>Expenses</b>	<b>-</b>	<b>-</b>
Losses on trading securities	-	-
Value loss on investment securities	-	-
Allocation to provisions for depreciation of investment securities	-	-
Losses on derivative products	-	-
Losses on exchange transactions	-	-
<b>RESULT</b>	<b>1,029</b>	<b>-</b>

## GENERAL OPERATING EXPENSES

June 30, 2023  
(In thousand MAD)

	Amount
Staff expenses	24,153
Taxes and duties	426
External expenses	2,726
Other general operating expenses	1,403
Allocations to depreciation and provisions for tangible and intangible fixed assets	1,187
<b>TOTAL</b>	<b>29,895</b>

## OTHER INCOME AND EXPENSES

June 30, 2023  
(In thousand MAD)

	Amount
<b>Other banking income and expenses</b>	
Other banking income	1,029
Other banking expenses	51
<b>Non-banking operating income and expenses</b>	
Non-banking operating income	264
Non-banking operating expenses	89
<b>Allocations to provisions and losses on uncollectible receivables</b>	<b>3,910</b>
<b>Reversals of provisions and recoveries of written-off receivables</b>	<b>613</b>
<b>Non-current income and expenses</b>	
Non-current income	19
Non-current expenses	15,119

## BREAKDOWN OF RESULTS BY BUSINESS LINE OR ACTIVITY POLE AND BY GEOGRAPHICAL ZONE

June 30, 2023  
(In thousand MAD)

BREAKDOWN BY ACTIVITY POLE			
Activity Pole	Net Banking Income	Gross Operating Earnings	Pre-Tax Earnings
Bank activity	327,151	297,430	279,034
Other activities	-	-	-
<b>TOTAL</b>	<b>327,151</b>	<b>297,430</b>	<b>279,034</b>
BREAKDOWN BY GEOGRAPHICAL ZONE			
Geographical Zone	Net Banking Income	Gross Operating Earnings	Pre-Tax Earnings
Morocco	327,151	297,430	279,034
Other Zones	-	-	-
<b>TOTAL</b>	<b>327,151</b>	<b>297,430</b>	<b>279,034</b>

TRANSITION FROM NET BOOK EARNINGS TO NET FISCAL EARNINGS		June 30, 2023 (In thousand MAD)	
Titles	Amount	Amount	
<b>I- Net book earnings</b>	<b>171,961</b>		
Net gain	171,961		
Net loss	-		
<b>II- Tax reintegrations</b>	<b>121,676</b>		
1- Current	-		
2- Non-current	121,676		
Corporate income tax	107,073		
Social solidarity contribution	14,603		
-	-		
-	-		
<b>III- Tax deductions</b>	<b>10,000</b>		
1- Current	-		
-	-		
-	-		
-	-		
2- Non-current	10,000		
1/5 Contribution to the Special Fund for the management of the Coronavirus (Covid-19) pandemic	10,000		
-	-		
-	-		
-	-		
<b>TOTAL</b>	<b>293,637</b>	<b>10,000</b>	
<b>IV- Gross fiscal earnings</b>	<b>283,637</b>		
Gross fiscal profit (A)	283,637		
Gross fiscal deficit (B)	-		
<b>V- Deferred tax deficit (C)*</b>			
Fiscal year N-4	-		
Fiscal year N-3	-		
Fiscal year N-2	-		
Fiscal year N-1	-		
<b>VI- Net fiscal earnings</b>	<b>283,637</b>		
Net fiscal profit (A - C) or	283,637		
Net fiscal deficit (B)	-		
<b>VII- Cumulative fiscal deferred depreciation</b>			
<b>VIII- Cumulative fiscal deficits to be carried forward</b>			
Fiscal year N-4	-		
Fiscal year N-3	-		
Fiscal year N-2	-		
Fiscal year N-1	-		

(\* ) Within the limit of the amount of gross fiscal profit (A)

DETERMINATION OF CURRENT EARNINGS AFTER-TAX		June 30, 2023 (In thousand MAD)	
I- EARNINGS DETERMINATION	Amount		
Current earnings according to the statement of income and expenses	294,134		
(+) Tax reintegrations on current transactions	-		
(-) Tax deductions on current transactions	-		
(=) Current earnings theoretically taxable	294,134		
(-) Theoretical tax on current income	111,035		
(=) Current earnings after tax	183,098		
<b>II. INDICATIONS OF THE TAX SYSTEM AND THE BENEFITS GRANTED BY THE INVESTMENT CODES OR BY SPECIFIC LEGAL PROVISIONS</b>			

DETAIL OF VALUE ADDED TAX					June 30, 2023 (In thousand MAD)	
NATURE	Balance at the beginning of the fiscal year (1)	Accounting transactions for the fiscal year (2)	VAT claims for the fiscal year (3)	Balance at the end of the fiscal year (4=1+2-3)		
<b>A- VAT collected</b>	<b>9,764</b>	<b>99,748</b>	<b>90,399</b>	<b>19,112</b>		
<b>B- VAT to be recovered</b>	<b>14,578</b>	<b>22,476</b>	<b>31,989</b>	<b>5,065</b>		
On expenses	14,576	22,455	31,967	5,063		
On fixed assets	3	21	22	1		
<b>C- VAT due or VAT credit (A-B)</b>	<b>4,814</b>	<b>77,271</b>	<b>58,410</b>	<b>14,047</b>		

SHARE CAPITAL DISTRIBUTION					June 30, 2023 (In thousand MAD)	
Amount of capital :		1,000,000				
Amount of uncalled subscribed share capital :		-				
Nominal value of the shares :		-				
Name of the main shareholders or partners	Address	Number of shares held		Share of capital held (%)	Percentage of voting rights (%)	
		Previous fiscal year	Current year			
STATE				100	100	
<b>TOTAL</b>				<b>100</b>	<b>100</b>	

STATEMENT OF NON PERFORMING LOANS AND RELATED PROVISIONS						June 30, 2023		Dec 31, 2022		(In thousand MAD)	
		Receivables	Provisions	Receivables	Provisions						
<b>Conventional loans</b>											
pre-doubtful loans		99,717	3,910	10,584	419						
doubtful loans		-	-	2,125	194						
compromised loans		5,927	5,344	5,927	5,344						
Subtotal 1		<b>105,644</b>	<b>9,253</b>	<b>18,635</b>	<b>5,957</b>						
<b>MEN loans</b>											
pre-doubtful loans		-	-	-	-						
doubtful loans		-	-	-	-						
compromised loans		995	162	995	162						
Subtotal 2		<b>995</b>	<b>162</b>	<b>995</b>	<b>162</b>						
<b>GRAND TOTAL</b>		<b>106,639</b>	<b>9,415</b>	<b>19,631</b>	<b>6,118</b>						

ALLOCATION OF EARNINGS THAT OCCURRED DURING THE FISCAL YEAR				June 30, 2023 (In thousand MAD)	
A- Origin of the allocated earnings	Amount	B- Earnings allocation	Amount		
<b>Decision of the Board of Directors : 05/31/2023</b>					
Retained earnings	-		-		
Net earnings being allocated	-		-		
Net earnings for the fiscal year	337,895		337,895		
Deduction from profits	-		-		
Other deductions	-		-		
<b>TOTAL A</b>	<b>337,895</b>	<b>TOTAL B</b>	<b>337,895</b>		

EARNINGS AND OTHER ELEMENTS FOR THE LAST THREE FISCAL YEARS				June 30, 2023		Dec 31, 2022		Dec 31, 2021	
<b>Capital equity and similar</b>	<b>4,832,522</b>	<b>4,660,561</b>	<b>4,322,666</b>						
To be deducted -Amount concerning the Fonds d'Accompagnement des Collectivités Territoriales (Support Fund for Territorial Communities)	-	-	-						
<b>Net capital equity and similar</b>	<b>4,832,522</b>	<b>4,660,561</b>	<b>4,322,666</b>						
<b>Operations and earnings for the fiscal year</b>									
Net banking income	327,151	661,461	637,426						
Pre-tax earnings	279,034	554,026	536,964						
Earnings taxes	107,073	216,131	208,484						
Distributed profits	-	-	-						
Retained earnings (placed in reserves or pending allocation)	171,961	337,895	328,481						
<b>Earnings per share (in MAD)</b>									
Net earnings per share or unit	-	-	-						
Earnings distributed per share	-	-	-						
Gross remuneration for the fiscal year	25,730	40,887	40,366						
Average number of employees during the fiscal year	91	91	92						

DATING AND SUBSEQUENT EVENTS		(In thousand MAD)	
<b>I. DATING</b>			
Closing date (1)		06/30/2023	
Date of preparation of the summary statements (2)		September 2023	
(1) Justification in case of change in the closing date of the fiscal year			
(2) Justification in case of exceeding the three-month regulatory deadline for the preparation of the summary statements			

II. EVENTS OCCURRING AFTER THE END OF THE FISCAL YEAR AND NOT RELATED TO THE FISCAL YEAR AND KNOWN BEFORE THE FIRST EXTERNAL COMMUNICATION OF THE SUMMARY STATEMENTS	
Dates	Indication of events
	Favorables
	Unfavorables
	<b>NONE</b>

STAFF			(In number)	
STAFF	June 30, 2023	Dec 31, 2022		
Paid staff	91	91		
Staff used	91	91		
Full-time equivalent staff	91	91		
Administrative and technical staff (full-time equivalent)	-	-		
Staff assigned to banking tasks (full-time equivalent)	-	-		
Executives (full-time equivalent)	84	84		
Employees (full-time equivalent)	7	7		
Of which, staff employed abroad	-	-		

SECURITIES AND OTHER ASSETS UNDER MANAGEMENT OR ON DEPOSIT				June 30, 2023		Dec 31, 2022		June 30, 2023		Dec 31, 2022	
SECURITIES	Number of accounts	Amount									
Securities for which the institution is custodian											
Securities managed under a management mandate											
Securities of UCITS for which the institution is custodian											
Securities of UCITS managed under a management mandate											
Other assets of which the institution is custodian											
Other assets managed under a management mandate											
											<b>NONE</b>

NETWORK			(In number)	
NETWORK	June 30, 2023	Dec 31, 2022		
Permanent branches				
Temporary branches				
Automatic teller machines and Bank ATMs				
Branches and agencies abroad				
Representative offices abroad				
				<b>NONE</b>

CUSTOMER ACCOUNTS			(In number)	
CUSTOMER ACCOUNTS	June 30, 2023	Dec 31, 2022		
Current accounts				
Checking accounts of Moroccans living abroad				
Other checking accounts				
Factoring accounts				
Savings accounts				
Term accounts				
Cash vouchers				
Other deposit accounts				
				<b>NONE</b>

# **GLOBAL RISK MANAGEMENT MECHANISM**



# 1. Integrated Risk Management

## 1.1 Risk Management Control and Governance Principles

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

- the Board of Directors' commitment to prioritizing risk management ;
- the strong involvement of the entire Institution's management in the process ;
- clearly defined procedures and responsibilities within the organization ;
- the allocation of appropriate resources for risk management and the development of risk sensitivity among all stakeholders.

## 1.2 Structure and Governance of Risk Management

The bodies described below ensure governance and risk management :

### Administrative Body

The Board of Directors is chaired by the Head of Government or by the Government Authority delegated by him for this purpose.

It also includes the following members:

- 2 representatives of the Ministry of the Interior;
- 2 representatives of the Ministry of the Economy and Finance;
- 1 representative of the Ministry of Health and Social Protection;
- 1 representative of the Ministry of Equipment and Water;
- 1 representative of the Ministry of Energy Transition and Sustainable Development;
- The representative of the National Agency for the Strategic Management of State participants and Monitoring of the Performance of Public Institutions and Enterprises (ANGSPE);
- The General Manager of the Caisse de Dépôt et de Gestion (CDG);
- Members representing elected officials: 8 communal councillors appointed from among the communal councillors appearing on a list established for this purpose.

The Board of Directors meets when convened by its Chairman as often as the needs of the FEC require and at least twice a year.

The Government Commissioner appointed to the FEC, in accordance with the regulations in force, attends the meetings of the Board of Directors in an advisory capacity.

### Audit and Risk Committee

The Board of Directors is assisted by an Audit and Risk Committee, in accordance with legal and regulatory provisions related to the internal control of credit institutions.

The Audit and Risk Committee includes, in addition to the General Manager of the National Agency for the Strategic Management of State participants and Monitoring of Performance of Public Institutions and Enterprises, or his representative, as Chairman:

- the Wali, Inspector General of Territorial Administration, or his representative (Ministry of the Interior);
- the Director of the Treasury and External Finance, or his representative (Ministry of the Economy and Finance).

The Audit and Risk Committee is particularly in charge of assessing the quality of the internal control system and the coherence of risk measurement, monitoring, and control systems.

### Governing Body

The General Management of the FEC evaluates the effectiveness of the risk management process and conducts a regular review of policies, strategies and key initiatives in terms of risk management.

The General Management makes presentations to the Audit and Risk Committee, emanating from the Board of Directors, on the main aspects and major changes in the risk management strategy. The ARC reports on its work regularly to the Board of Directors at each of its meetings.

### Credit Committee

The Credit Committee is in charge of reviewing and granting loans under the conditions set by the Board of Directors.

The FEC's Credit Committee includes, in addition to the Governor, General Manager of the FEC, Chairman:

- 2 representatives appointed by the Ministry of the Interior;
- 2 representatives appointed by the Ministry of the Economy and Finance;
- 1 representative appointed by the General Manager of Caisse de Dépôt et de Gestion.

The Credit Committee meets when convened by its Chairman as often as necessary and at least once a month.

### Internal Risk Committee

The Internal Risk Committee, chaired by the Governor, General Manager of the FEC, is particularly in charge of:

- ensuring the monitoring of the implementation of the FEC's global risk management strategy;
- ensuring compliance of internal procedures with current legal and regulatory requirements as well as professional and ethical norms and standards;
- monitoring and evaluating the risk prevention measures put in place by the FEC;
- ensuring the implementation of recommendations from the Audit and Risk Committee and external control stakeholders regarding risk prevention;
- reviewing risk management information and ensuring its reliability before transmitting it to third parties.

### ALCO Committee

The ALCO Committee, chaired by the Governor, General Manager of the FEC, is in charge of:

- developing and implementing the Bank's Asset-Liability management policy, in its various components (refinancing, investment, transformation, hedging, Return On Equity (ROE)...), in accordance with the strategic orientations of the Board of Directors and the legislative and regulatory provisions;
- assessing the pricing policy applied to customers;
- defining the necessary limits for managing interest rate and liquidity risks;
- monitoring the Bank's balance sheet stability;
- assessing the impact of the launch of new products, or any new activity involving an interest rate risk or liquidity risk, on the Bank's financial situation ;
- monitoring the Bank's risk profile (liquidity, interest rate and foreign exchange risk) according to the internal and regulatory limits set by the Bank ;
- validating the conventions and the rate flow methods.

### Risks and Permanent Control Division

The Risks and Permanent Control Division is particularly in charge of ensuring the reliability and security of operations carried out by the FEC as well as the implementation of effective processes for measuring, controlling and monitoring risks.

### Internal Audit

Internal Audit is in charge of audit operations relating to the organization, procedures and operation of the FEC.

This entity ensures the performance of audit assignments as well as the preparation and follow-up of the meetings of the Audit and Risk Committee.

Internal Audit is also in charge of providing the necessary assistance to external control stakeholders and monitoring the implementation of their recommendations.

### Compliance function

The Compliance function is in charge of monitoring the compliance of operations and acts of the FEC with regard to the legal and regulatory provisions applicable to the FEC.

It is also in charge of implementing and monitoring the code of ethics applicable to the FEC's employees.

# 2. Risk exposure

The risks associated with the activities of the Fonds d'Équipement Communal are as follow :

**Credit risk:** the risk that a counterparty may not be able to honor its contractual obligations.

**Liquidity risk:** refers to the risk that the FEC will not be able to meet liquidity demands and meet its obligations as they become due. Requests for liquidity may arise upon maturity of a debt and as a result of a credit agreement.

**Interest rate risk:** Interest rate risk is the effect that fluctuations in interest rates could have on the FEC's margins, revenues and economic value.

**Operational risks:** risk of losses resulting from deficiencies or failures due to procedures, human resources, internal systems or external events.

**Non-compliance risk:** corresponds to the risk of an institution's exposure to a risk of reputation, financial loss or sanctions due to non-compliance with legal and regulatory provisions, standards and practices applicable to its activities or codes of conduct.

**Currency risk:** due to fluctuations in exchange rates.

## 2.1 Credit Risk

The FEC is exposed to credit risk due to its lending activity.

### General loan policy

The FEC requires its clients to self-finance at least 20% of the investment cost, except for justified exceptions approved by the Credit Committee.

The rates applied are either fixed rates or revisable rates.

The FEC's loans are repaid in annual installments, comprising principal and interest.

### Decision-making

The Risk and Permanent Control Division is in charge of approving the project to be financed and assessing the level of risk involved by the granting of the new loan as well as the client's ability to carry out his project.

The Credit Committee decides on the granting of the loan. The latter is authorized by a joint decree signed by the Ministers of the Interior and the Economy and Finance.

### Credit risk management process

Upon receipt of a request for financing a project and depending on its size, the Operations' Pole carries out the evaluation of the project and analyzes the client's financial quality.

The evaluation of the project to be financed is based on an in-depth knowledge of the client, the nature of the investment to be made and the financial package put in place.

The analysis of the client's financial situation covers the budgetary data of the budget execution balance sheets for the last three years, and the approved relative budgets as well as the data of the current year's provisional budget.

A retrospective analysis is first established in order to identify the trends in the main budget headings of the Territorial Community.

Secondly, a prospective analysis is carried out on the basis of the trends observed in order to measure, over time, the evolution of the Territorial Community's borrowing capacity.

The calculation of the borrowing capacity incorporates the following principles:

- the repayment capacity of the Community depends on the level of the generated savings;
- the maximum savings convertible into an annuity must not exceed 80% of the gross savings ;
- the maximum debt ratio must not exceed 40%, unless expressly waived by the Board of Directors.

Prior to any loan approval, the Risk and Permanent Control Division is in charge of assessing the level of risk involved in the granting of the new loan based on:

- Analysis of the content of the client's file: general and legal data, financial and technical data.
- The analysis of the retrospective and prospective financial situation of the client, which allows to determine the intrinsic financial quality of the latter and to assess various debt and solvency ratios as well as self-financing capacity.
- The assessment of the quality of the client based on the background of repayments of loans already contracted and the situation of its arrears regarding the FEC.
- The assessment of project evaluation based on commonly accepted technical ratios by type of project.
- The assessment of the need to match the loan to be granted to the provision of guarantees and proposal of risk correction measures to be implemented.

### General conditions for granting loans

As with the other debts of the Territorial Communities, the FEC's loan annuities are subject to the legal requirement of being included in their budgets.

The FEC's loan contracts include:

- a suspensive clause for disbursements in the event of a deterioration in the borrower's financial situation;
- a suspensive clause for disbursements in the event of late payment exceeding 30 days.

### Solvency profile

At the end of June 2023:

The weighted net risks carried by the FEC reached 7,591,498 thousand MAD and consist of 84% of credit risk and 16% of operational risk.

In compliance with prudential requirements, the solvency ratio reached 76.80%, while the Tier One ratio reached 63.63%, thus reflecting the good level of solvency of the Institution.

### Analysis of the credit portfolio

Customer receivables, consisting of 99.89% of commitments for the benefit of Territorial Communities, have totalled 26,528,580 thousand MAD as of June 30, 2023.

The financing commitments given by the FEC in favor of the clients amounted on June 30, 2023 to 6,102,872 thousand MAD.

The analysis of the situation of off-balance sheet commitments as of June 30, 2023 shows that 71.24% of the overall volume corresponds to recent loans committed for less than 3 years.

### Provisions, provisioning policy and credit risk coverage

The Accounting and Reporting Division is in charge of the process of classifying and provisioning non-performing loans.

Receivables from Territorial Communities are assigned a weighting rate of 20%.

The classification and provisioning policy complies with the provisions of Bank Al-Maghrib's Circular No. 19/G/2002.

### Risk Division Coefficient

The FEC constantly monitors compliance with the maximum ratio of 20% between the total risks incurred on the same client and its equity.

As part of the financing requests, the operating entities as well as the Risk and Permanent Control Division ensure compliance with the risk division coefficient, which is also monitored by the Accounting and Reporting Division.

According to the terms of Bank Al-Maghrib's Circular No. 08/G/2012, the risk division coefficient is established at 10.29% at the end of June 2023, thus remaining below the regulatory threshold set by BAM.

Pursuant to Bank Al-Maghrib's Directive No. 2/G/2010, relating to the practice of stress tests and in order to strengthen the tools for measuring and assessing credit risk, stress tests were carried out in order to assess the degree of aversion of the FEC to this risk.

The results from the minimum stress tests within the meaning of that directive, incorporating potential changes in the composition of the FEC's portfolio, reflect the FEC's capacity to withstand credit risk. In all scenarios, the FEC displays a solvency ratio above the regulatory threshold and a non-performing loans rate not exceeding 1%.

## 2.2 Asset / Liability Management

### Asset/Liability Managers

The Management Control and ALM Department carries out ALM risk management within the Financial Division.

The ALCO committee, chaired by the Governor, General Manager of the FEC, is in charge of the transversal and collective monitoring of the financial risks to which the institution is exposed and is also in charge of reviewing decisions that may affect Asset-Liability Management.

### Asset / Liability Management

The FEC has set up a mechanism for managing balance sheet risks such as liquidity, interest rate and exchange rate risks, in order to be able to continuously monitor their evolution according to the trend of the financial markets, and to the Bank's activity.

In order to preserve the Bank's financial balances, the ALM system aims to:

- ensure sufficient liquidity level, enabling the Bank to meet its obligations at any time and safeguarding it from potential crisis;
- ensure that the inherent risk in foreign currency positions does not diminish the Bank's profit margin;
- ensure stability of results against interest rate variations by preserving interest margin and optimizing the economic value of equity;
- guide the Bank's strategy in terms of refinancing.

### Liquidity risk

Liquidity risk is defined as the risk that the Bank may not be able to meet its obligations at their maturity under normal conditions.

The FEC may be exposed to liquidity risk, which may arise in one of the following forms:

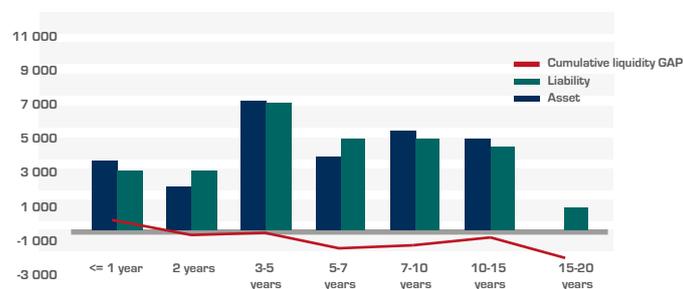
- The inability of the institution to raise necessary funds to meet unexpected short-term situations, notably a significant drawdown of funding commitments given to TCs.
- The mismatched assets and liabilities or financing of medium and long-term assets by short-term liabilities.

### Used approach to calculate Liquidity Gaps :

The measurement of this risk is based on balance sheet items at a given closing date, classified according to their residual maturity, and to which the flow laws and the ALM conventions are applied. The static flow gap makes it possible to determine the surplus or requirement of resources in the medium to long term, assuming that there is no new production of assets and liabilities.

At June 30, 2023, the profile of liquidity gaps is as follows:

### ANNUAL LIQUIDITY GAPS



### Interest Rate Risk Management (IRRM)

Interest rate risk corresponds to the sensitivity of the balance sheet to future interest rate movements. The assessment of this risk is carried out through a series of stress test simulations, in particular in the context of the following six regulatory scenarios:

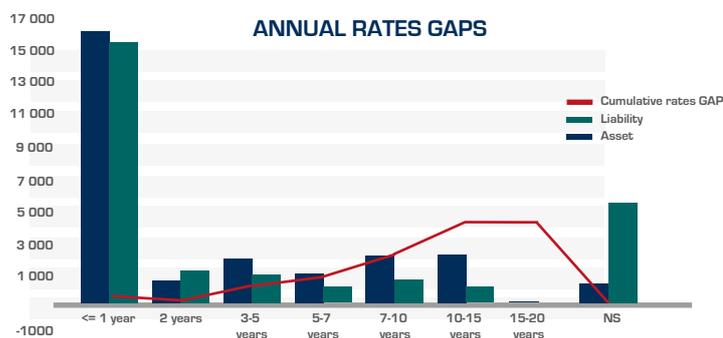
- Scenario 1: Parallel shift of the interest rate curve upwards (+200 bps);
- Scenario 2: Parallel shift of the interest rate curve downwards (-200 bps);
- Scenario 3: Rise in short rates;
- Scenario 4: Fall in short rates;
- Scenario 5: Flattening of the yield curve;
- Scenario 6: Steepening of the yield curve.

The analysis and assessment of interest rate risks follows a dual logic, namely the preservation of the interest margin and the economic value of equity capital.

The Bank has opted for the approach known as the static mode maturity method. This approach consists of liquidating all balance sheet positions in static mode according to their contractual or conventional characteristics.

### Exposure as of June 30, 2023

The flow of interest rate gaps as of June 30, 2023 is as follows:



The impact of regulatory scenarios is -2.55% on the forecasted net interest margin and 11.91% on the economic value of capital equity.

### Foreign exchange risk

In order to hedge against foreign exchange risk, the FEC has implemented a perfect and comprehensive coverage policy since 2019 for draws on credit lines contracted with foreign lenders.

As a reminder, the foreign exchange risk coverage related to the majority of the external loans mobilized by the FEC during the 1990s is taken in charge by the State (Ministry of the Economy and Finance/Treasury and External Finance Division) for compensation, within a system specific to each credit line.

## 2.3 Operational Risks

Over the past few years and in accordance with the provisions of Bank Al-Maghrib and the principles of good governance, the FEC has put in place an evolving internal control system that allows to:

- ensure the reliability and integrity of the financial and accounting information produced;
- ensure that operations are carried out in accordance with the laws and regulations in force and according to the management guidelines and standards defined by the Management Body and the Administrative Body;
- prevent and control the risks associated with its activity through well-defined and regularly monitored procedures.

The General Management supervises the operational risk management system and monitors the actions taken to strengthen it.

### General framework

The FEC has undertaken several actions to strengthen the internal control system and the establishment of the necessary foundation for the construction of a robust and long-lasting operational risk management system backed by best practices and in compliance with regulatory requirements:

#### » Signature delegation mechanism

The FEC has set up an advanced signature delegation mechanism, based on a precise definition of powers and a clear delimitation of responsibilities. This mechanism meets the following principles:

- The principle of double signature is mandatory for all transactions affecting the accounts of the FEC or other elements of its assets;
- The separation between initiation and execution on the one hand, and control on the other;
- The replacements are systematically scheduled in the event of the absence or impediment of a person in order to ensure continuity of service.

#### » General procedures manual

The FEC has a general procedures manual covering all the functional processes of the Steering, Business and Support fields. The general mapping of processes and procedures has been developed according to the requirements of the ISO 9001 V2008 Quality standard.

In addition, the integration of the MEGA process modeling tool has made it possible to have a single, structured procedure referential accessible by all FEC's employees through an intranet site. This referential is subject to regular progressive maintenance.

#### » Manual of procedures and accounting organization

The FEC has a manual of procedures and accounting organization to ensure that:

- all operations carried out by the FEC are faithfully translated into accounting records ;
- all records comply with the Chart of Accounts for Credit Institutions and the regulations in force ;
- all internal and external financial and accounting informations are reliable, complete and understandable for its users.

#### » Internal control manual

In accordance with the regulations in force and best practices in this area, the FEC has an internal control manual enabling it to ensure the regularity and proper application of the procedures put in place as well as the formalization of control points.

#### » Business Continuity Plan

In accordance with the provisions of Circular No. 4/W/2014 of the Wali of Bank Al-Maghrib on internal control of credit institutions and Directive No. 47/G/2007 of Bank Al-Maghrib on business continuity plan within credit institutions, the FEC has a Business Continuity Plan (BCP) that has been approved by the Board of Directors.

The BCP enables the FEC to ensure the Bank's operations in degraded mode and the resumption of activities, according to various crisis scenarios.

The implementation of the FEC's BCP focused in particular on the establishment of:

- Information System continuity mechanisms;
- Logistical continuity mechanisms;
- Human resources continuity mechanisms;
- Business continuity mechanisms.

In order to ensure the operational maintenance of the mechanisms put in place, the BCP documentation corpus (criticality Study, continuity Strategy, Procedures, communication Plan, etc.) is regularly updated. Additionally, a maintenance and enhancement plan for the FEC's BCP has been developed.

Moreover, the FEC continues to ensure a permanent monitoring regarding the occurrence of any event that may require the activation of its BCP, in order to guarantee the continuity of the Bank's activity and the safety of its employees. Thus, and in the absence of any incident requiring its activation, the FEC's BCP has not been activated during the first semester of the year 2023.

### Operational risk management

The FEC has an operational risk map which was reconstructed in 2010 based on the Basel II typology and which is updated annually. This mapping covers the processes in the areas of credit, support and information systems and allows to target the processes requiring special or reinforced monitoring.

The operational risk management system deployed at the FEC, as part of the Basel II reform and in application of Directive No. 29/G/2007 issued by Bank Al-Maghrib, allows the identification and assessment of operational risks as well as the follow-up of action plans adopted for the identified major risks. This system was supplemented in 2011 by an incident collection database, which provides an objective view of the risks incurred and the reassessment of these risks by the results of the collection of operational incidents.

The operational risk management system is fully automated following the deployment of an IS application, allowing it to ensure:

- The identification, assessment and monitoring of operational risks through risk mapping.
- The reconciliation of the risk mapping with the general procedures manual.
- The monitoring of action plans adopted for the major risks identified.
- The collection of incidents related to operational risks.

### Organization

On the organizational level, the Risk and Permanent Control Division carries out the management of the operational risk management system. It is supported by Operational Risk Correspondents (ORCs) at the Business and Support entities' level.

These ORCs are in charge of reporting operational incidents, analysing the collection base for these incidents and implementing action plans to cover major risks.

To this end, a procedure for collecting and reporting operational incidents as well as a reporting form for the occurrence of an operational incident have been developed and made available to the ORCs in order to equip the collection and reporting process for incidents.

The Internal Risk Committee ensures the governance of operational risks.

### Hedging of operational risks

In accordance with the regulatory provisions relating to minimum equity requirements, the FEC has been covering operational risks since December 2011.

The equity requirement to cover operational risks is calculated using the "basic indicator" approach, which is equal to 15% of the average net banking income, calculated over the past 3 years.

## 2.4 Risks of Non-Compliance

In accordance with Bank Al-Maghrib's Directive No. 49/G/2007 relating to the compliance function of August 31, 2007, the FEC has adopted a compliance and a charter policy.

**mazars**

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**FONDS D'EQUIPEMENT COMMUNAL**

**ATTESTATION D'EXAMEN LIMITE DES COMMISSAIRES AUX COMPTES SUR LA SITUATION  
INTERMEDIAIRE DES COMPTES SOCIAUX**

**PERIODE DU 1<sup>er</sup> JANVIER AU 30 JUIN 2023**

En application des dispositions de la loi n°44-12 relative à l'appel public à l'épargne et aux informations exigées des personnes morales et organismes faisant appel public à l'épargne, nous avons procédé à un examen limité de la situation intermédiaire du Fonds d'Equipeement Communal comprenant le bilan, le compte de produits et charges, l'état des soldes de gestion, le tableau des flux de trésorerie et une sélection des états des informations complémentaires (ETIC) relatifs à la période du 1<sup>er</sup> janvier au 30 juin 2023. Cette situation intermédiaire qui fait ressortir un montant de capitaux propres et assimilés totalisant 5.855.077 KMAD dont un bénéfice net de 171.961 KMAD, relève de la responsabilité des organes de gestion de l'émetteur.

Nous avons effectué notre mission selon les normes de la profession au Maroc relatives aux missions d'examen limité. Ces normes requièrent que l'examen limité soit planifié et réalisé en vue d'obtenir une assurance modérée que la situation intermédiaire ne comporte pas d'anomalie significative. Un examen limité comporte essentiellement des entretiens avec le personnel du fonds et des vérifications analytiques appliquées aux données financières ; il fournit donc un niveau d'assurance moins élevé qu'un audit. Nous n'avons pas effectué un audit et, en conséquence, nous n'exprimons donc pas d'opinion d'audit.

Sur la base de notre examen limité, nous n'avons pas relevé de faits qui nous laissent penser que la situation intermédiaire, ci-jointe, ne donne pas une image fidèle du résultat des opérations du semestre écoulé ainsi que de la situation financière et du patrimoine du Fonds d'Equipeement Communal établis au 30 juin 2023, conformément au référentiel comptable admis au Maroc.

Casablanca, le 25 septembre 2023

**Les Commissaires aux Comptes**

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