

KINGDOM OF MOROCCO

FONDS
D'EQUIPEMENT
COMMUNAL
صندوق التجهيز
الجماعي

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ANNUAL FINANCIAL REPORT | 2023

THE **BANK** FOR LOCAL FUNDING



A Bank dedicated to Territorial Development

The FEC: the Bank of Territorial Communities

With over 60 years of experience, the Fonds d'Équipement Communal (FEC), as a public Bank dedicated to financing territorial development, positions itself today as the leading technical and financial partner of Territorial Communities (TCs). The Bank constantly works to facilitate access to borrowing for its clientele to finance their territorial investments and development projects, notably through financing solutions adapted to their needs.

Committed as a responsible Bank, the FEC ensures that its role is aligned with the consolidation and renewal logic in light of the developments in the Moroccan economy and the local public sector. It continually adapts its services and interventions to the challenges faced by TCs and the priorities of sustainable territorial development, particularly in terms of reducing territorial and social disparities, transitioning towards a low-carbon development, and strengthening territorial resilience against the effects of climate change.

It is in this spirit that the Bank has made the strategic choice to integrate Environmental, Social, and Governance (ESG) sustainability factors into its financing operations and its relationships with stakeholders. This responsible commitment to the fundamental principles of sustainable development has notably been translated into the integration of Environmental and Social (E&S) risk criteria into the Bank's overall risk management and decision-making processes.

In this regard, the Bank adopted an E&S policy, which came into effect in April 2022, formalizing its commitment to systematically integrate sustainability factors into its due diligence processes and financing operations. The operational implementation of this commitment is based on a framework consisting of relevant procedures and tools to effectively manage the risks inherent in projects submitted for its financing.

It should be noted that this E&S policy takes into account all national laws and their implementing regulations, as well as all relevant international conventions ratified by the Kingdom, for the implementation of environmental and social safeguard measures. The FEC's commitment to enhancing the greening of its activities represents a strategic challenge, particularly in light of the increasing financial support it provides in line with the evolution of territorial investment levels and the scale change since the start of the implementation of advanced regionalization.

This evolution enables the FEC to both support the growth dynamics of territories and contribute to their inclusive development by adding an additional dimension to their actions aimed at improving the conditions and quality of life of local populations. This promotes projects with significant social and environmental impact beneficial to TCs, highlighting that, as per the E&S rating for the 2023's financial year, almost all the projects financed by the Bank present minimal and easily manageable risks.

It is also worth noting that the integration of sustainability principles and environmental and climate concerns constitute an important asset for the Bank, particularly in its strategy of opening up to the international financial market, enabling it to access competitive financing, including climate finance, to offer the best support and financing conditions to its clients.



MANAGEMENT REPORT

2023

ABBREVIATIONS

AAGR	Average Annual Growth Rate
ACAPS	Supervisory Authority of Insurance and Social welfare
BAM	Bank Al-Maghrib
BD	Board of Directors
BDH	Billions of dirhams
BHLS	Bus with High Level of Service
BOE	Banking Operating Expenses
BOI	Banking Operating Income
DFIs	Development Finance Institutions
E&S	Environmental and Social
ESMS	Environmental and Social Management System
FML-TF	Fight against Money Laundering and Terrorist Financing
GOE	General Operating Expenses
ICI	Inter-municipal Cooperation Institutions
INPPLC	National Authority for Probity, Prevention, and the Fight against Corruption
MCMA	Moroccan Capital Market Authority
MDH	Millions of dirhams
NBI	Net Banking Income
NDISS	National Directive on Information Systems Security
NPLs	Non Performing Loans
OBSC	Off-Balance Sheet Commitments
PGR	Provisions for General Risks
PRDTS	Program for the Reduction of Territorial and Social Disparities
RDP	Regional Development Plans
CER	Corporate and Environmental Responsibility
TC	Territorial Communities
TDP	Territorial Development Program

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HIGHLIGHTS

In 2023, the FEC continued to achieve operational and financial performances that demonstrate the strength of its fundamentals and reflect the results of the structuring initiatives the institution is implementing to strengthen its interventions and preserve the centrality of its role. Thus, and despite the context of inflation and tightening of refinancing conditions both nationally and internationally, the FEC's key indicators experienced a favorable evolution, indicating the Bank's determination to support the investment and growth dynamics of Territorial Communities.

Loan commitments and disbursements reached over 4.3 BDH and over 4 BDH respectively by the end of 2023, a significant increase compared to 2022, with over 60% for loan commitments and over 38% for loan disbursements. This evolution was mainly driven by the commitment and disbursement of the entire amount of two loans for the financing of a national-scale project aimed at combating water stress and mitigating the impacts of climate change, distinguished by the magnitude of its investment volume.

These financings have contributed to the implementation of several projects in various intervention sectors and have benefited all categories of Territorial Communities, with a strong predominance of Regional Councils confirming their increasing involvement in the structure of loans granted by the Bank in recent years, thanks to the intensification of their investment projects, particularly within the framework of advanced regionalization implementation.

Regarding financial indicators, the Net Banking Income (NBI) reached 669 MDH by the end of 2023, a slight increase compared to the level recorded last year, mainly due to the combined effect of the level of operations and the quality of the portfolio to date, despite a context marked by the increase in the Institution's refinancing cost on the national and international markets, in connection with the tightening of monetary policies, which has not been fully reflected in the rates applied to loans granted to customers as part of the new production.

The current result reached 590 MDH at the end of 2023, a slight increase compared to 2022. However, the net earnings amounted to 199 MDH for the year 2023, a decrease compared to 2022, taking into account the Bank's contribution to the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco.

Excluding this contribution, the net earnings would have been of the same order as that recorded in the previous year.

During the year 2023, the FEC continued the implementation of its structuring projects aimed at aligning the Institution more closely with its environment and effectively responding to the growing needs of Territorial Communities for the financing of their investment projects:

1. Strengthening the Bank's dynamic focused on the sustainable development of territories

The Bank places sustainability at the heart of its strategy and actions, particularly through the strengthening of its dynamic focused on territorial development, aiming to progressively align the financing operations of territorial investments with national and international challenges and commitments in sustainable development and climate.

In line with its strategic vision, the Bank has implemented its Environmental and Social Management System (ESMS), which has been in effect since April 2022, integrating Environmental and Social (E&S) and Gender risks into the diligence process and financing decisions. Consequently, and in accordance with its Environmental and Social (E&S) policy, all projects submitted for financing by the Bank undergo a systematic assessment and rating of their risks.

Moreover, considering the significant challenges related to climate change, which call for a firm commitment from all stakeholders, the Bank has adopted a pro-climate approach, notably through the integration of climate into its financing strategy. This approach aims to mobilize competitive financing, including climate finance, to structure sustainable financing offers and support Territorial Communities in promoting the emergence of sustainable development projects with climate co-benefits.

2. A financial strategy focused on the sustainability and diversification of resources to support the growth dynamics of territories

In recent years, the Bank has taken several actions to sustain and diversify its sources of financing, aiming to offer the best interest rate conditions for Territorial Communities. Indeed, through its internationally open financial strategy and the strength of its fundamentals, the FEC successfully mobilizes resources for its activities, both on the national financial market and from leading international financial institutions, despite the absence of customer deposits.

With this goal in mind, the FEC seeks to enhance exchanges with Development Financial Institutions (DFIs) to prepare, based on the Bank's evolving needs and market conditions, drawdowns on contracted credit lines, and continue to explore new partnership opportunities with other DFIs to establish new financing agreements. In line with the success of operations implemented since 2018 with international institutions, negotiated based solely on the Institution's achievements in terms of solvency and financial solidity, the FEC and the African Development Bank (AfDB) signed a loan agreement on March 15, 2024, for 100 million euros to finance new sustainable investment and infrastructure projects initiated by Territorial Communities.

The objective of this operation is to strengthen and modernize public service offerings, especially in rural areas, and to promote new economic activities and investment and employment opportunities to contribute to improving the living conditions of local populations and enhance the attractiveness of territories.

International openness is an essential element of the FEC's refinancing strategy and resource diversification efforts, accompanied by a regular presence in the bond market and the use of syndicated financing operations for the benefit of Territorial Communities. The bond market leverage further strengthens the trust relationship established over the years with its historical financial partners and enables the FEC to finance its activities under optimal conditions and to diversify its long-term sources of financing.

3. Formalization of the overall risk strategy

The evolving regulatory and competitive environment of the FEC has necessitated the formalization of a new risk management framework that fully addresses these changes and integrates the best practices in risk management observed at the banking institutions' level.

In this context, the FEC proceeded in 2023 to formalize its overall risk strategy and its derivatives in risk-type-specific strategies and policies, as well as risk appetite framework.

The global risk strategy, which supersedes the FEC's general policy statement dating back to 1993, was approved by the FEC's Board of Directors at its meeting on October 31, 2023, and came into effect on March 1, 2024.

4. Implementation of the Bank's IS and digital strategy, an essential pillar for modernization and improving the customer experience

Given the challenges associated with the use of digital technologies and in order to support the acceleration of the national digitization dynamic, the FEC has initiated the implementation of its digital transformation program with the aim of enhancing the Bank's proximity to its customers, leveraging the services provided, and improving their experience.

In this perspective, the FEC has started the execution of priority projects identified in the IS and digital roadmap. Thus, the Security projects aimed at strengthening the security and resilience of the FEC's Information System (IS) against cyberattack risks and threats, and preserving informational assets, have been completed. These projects have enabled the development of the FEC's IS security documentation framework, aligned with the National Directive on Information System Security (DNSSI).

Additionally, scoping works for the implementation of priority projects related to Core Banking and digitization of the credit granting and disbursement process are underway.

5. Strengthening the Bank's Governance

Formalization of the FEC's policy in the fight against money laundering and terrorist financing

The FEC has formalized its policy on combating money laundering and terrorist financing (AML/CFT). This policy outlines the key principles adopted by the Bank in AML/CFT matters, in accordance with the legislative and regulatory texts in force.

This policy was approved by the FEC's Board of Directors at its meeting on October 31, 2023, and came into effect on March 1, 2024.

A strong commitment to fighting corruption

In line with the FEC's compliance with the provisions of BAM's Wali Directive No. 1/W/2022 regarding the prevention and management by credit institutions of corruption risks, which came into effect on May 19, 2023, as well as the anti-corruption guide developed under the cooperation agreement in the field of prevention and fight against corruption in the financial sector, signed in November 2019 by Bank Al-Maghrib (BAM), the Moroccan Capital Market Authority (AMMC), the Insurance and Social Welfare Supervisory Authority (ACAPS), and the National Authority for Probity, Prevention, and Fight against Corruption (INPPLC), the FEC has developed its anti-corruption policy.

This policy outlines the key principles implemented by the Bank in the fight against corruption. It also defines the main components of the FEC's anti-corruption system, enabling it to identify, prevent, detect, and remedy any act of corruption and, in general, any breach of probity.

This policy was approved by the FEC's Board of Directors at its meeting on October 31, 2023, and came into effect on March 1, 2024.

Gender equality at the heart of the FEC's Human Resources Management policy, its E&S policy, and CSR strategy

In line with the provisions of Article 3 of Bank Al-Maghrib Wali's Recommendation No. 1/W/2022 dated May 19, 2022, regarding the consideration of gender aspects in credit institutions, the FEC developed, during 2023, a Gender Policy that strengthens the statements of its existing E&S policy, as approved by its Board of Directors in October 2021, particularly regarding the integration of requirements related to gender equity into its E&S due diligence and loan granting decisions.

This policy was approved by the FEC's Board of Directors at its meeting on May 31, 2023.

Strengthening the ethics and professional conduct system

As part of enhancing its ethics and professional conduct system, the FEC updated its "Code of Ethics", now renamed "Code of Ethics and Professional conducts", in 2024, taking into account new legislative and regulatory requirements, including the provisions of BAM's Directive No. 1/W/2022 on the prevention and management of corruption risks by credit institutions. The new code includes new provisions related to fight against corruption, influence peddling, as well as establishing an ethics alert mechanism and managing conflict of interest situations.

This code, an integral part of the FEC's anti-corruption system approved by the Board of Directors on October 31, 2023, came into effect on March 1, 2024.

6. Cooperation and International exchange

Moreover, as part of cooperation and exchange actions, the FEC received delegations representing different countries in Africa and the Arab world, in this case its Palestinian, Ghanaian and Ivorian counterparts. These meetings provided an opportunity to exchange experiences on Moroccan financing of the local sector and the central role of the FEC as a leading technical and financial partner of Moroccan Territorial Communities in the country's territorial development.

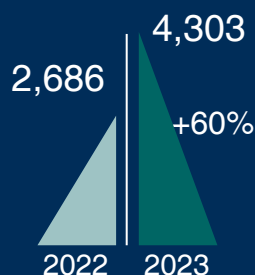
The desire to give a new dimension to South-South cooperation also contributes to formalizing the FEC's framework for exchanges with its African counterparts and promoting inspiring practices for financing territorial development and the well-being of populations on the continent.

KEY FIGURES 2023

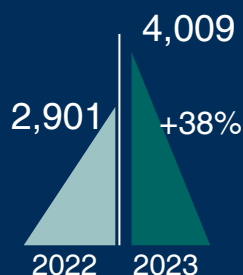
In MDH

Activity indicators

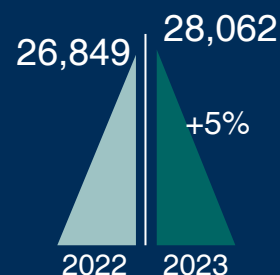
Loan commitments



Loan disbursements



Customer Receivables

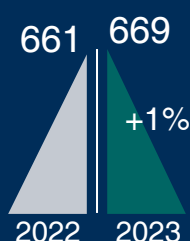


The main operational and financial indicators recorded by the Bank at the end of 2023 showed a favorable evolution compared to last year and testify to its resilience and the solidity of its fundamentals, in a context marked by a tightening of the refinancing conditions both nationally and internationally.

On the operational level, loan commitments and disbursements reached respectively more than 4.3 BDH and more than 4 BDH for the year 2023, a significant increase compared to 2022, of more than 60% of loan commitments, and more than 38% for loan disbursements.

This level of loan activity is exceptional given the co-financing by the FEC of a strategic project of national interest, which aims to fight against water stress and mitigate the impacts linked to climate change.

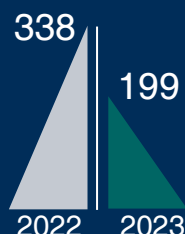
Performance indicators



Net Banking Income

A slight increase in net banking income, which reached 669 MDH at the end of 2023, thanks in particular to the quality of the loan portfolio to date, and the increase in customer receivables.

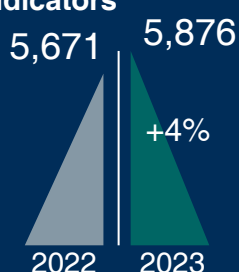
Net Earnings



The current result reached 590 MDH at the end of 2023, a slight increase compared to 2022. However, the net earnings reached 199 MDH for the 2023 financial year, down compared to 2022, taking into account the Bank's contribution to the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco.

Restated for the said contribution, the net earnings would have been of the same order as that recorded last year.

Balance Sheet Indicators



Equity capital and similar*

* Including a subordinated bond issue of 1 BDH

Equity capital and similar reached over 5.8 BDH at the end of 2023, reflecting an increase of almost 4% compared to 2022, thus allowing the Bank to strengthen its financial position, in order to continue to support the growing needs of Territorial Communities.

Risk indicators



Non-Performing Loans' rate

A relatively low level of NPLs' rate, thanks in particular to the effective management of counterparty risk, to date.

LOAN ACTIVITY AS OF DECEMBER 31, 2023

1. Loan allocations and commitments

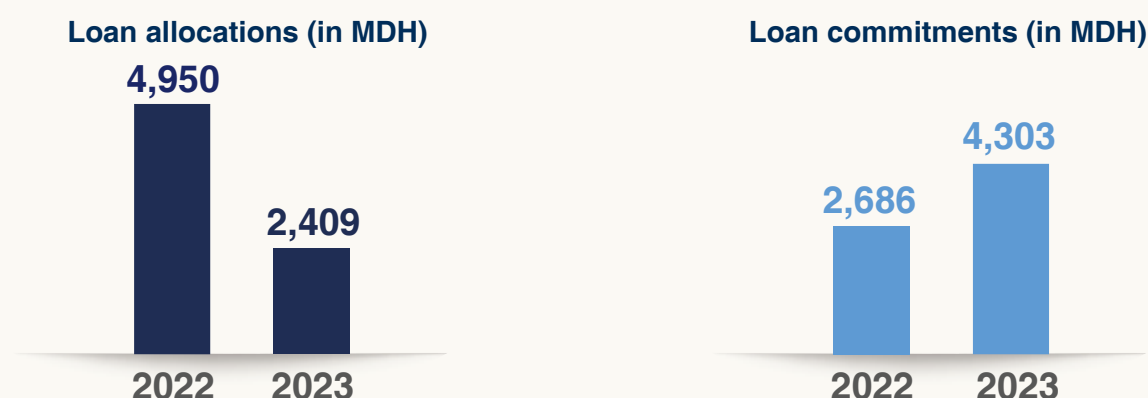
As of December 31, 2023, loan allocations amounted to over 2.4 BDH and involved financing for 46 projects across 10 sectors of intervention, totaling an investment of over 5.3 BDH benefiting 21 Territorial Communities.

Although the recorded volume is lower than that of 2022, which saw an exceptional level of loan allocations reaching nearly 5 BDH, notably due to the allocation of two loans totaling 2 BDH for the financing of a national strategic project involving the construction of water supply works as part of the interconnection of two hydraulic basins. These financings enabled the Bank to contribute to the achievement of significant investments by Territorial Communities.

These primarily focused on structuring projects for the construction of road infrastructure, reinforcement of basic infrastructure, modernization of specialized and commercial equipment, as well as projects covering the health, education, and vocational training sectors, aimed at improving equipment offerings, particularly within the framework of State-Region contracts resulting from the initial Regional Development Programs (PDRs).

On the other hand, loan commitments reached an exceptional level of over 4.3 BDH by the end of 2023, representing an increase of over 60% compared to 2022, due to contracting two loans as part of the aforementioned strategic project for a total amount of 2 BDH. This large-scale project, which aims at combating water stress and mitigating the impacts of climate change, is part of the infrastructure's major projects policy and aligns with national priorities in sustainable development.

Loan commitments for the financial year 2023 focused on the implementation of 55 projects, covering 10 sectors of intervention for the benefit of 25 Territorial Communities, with a total investment of nearly 10.7 BDH.



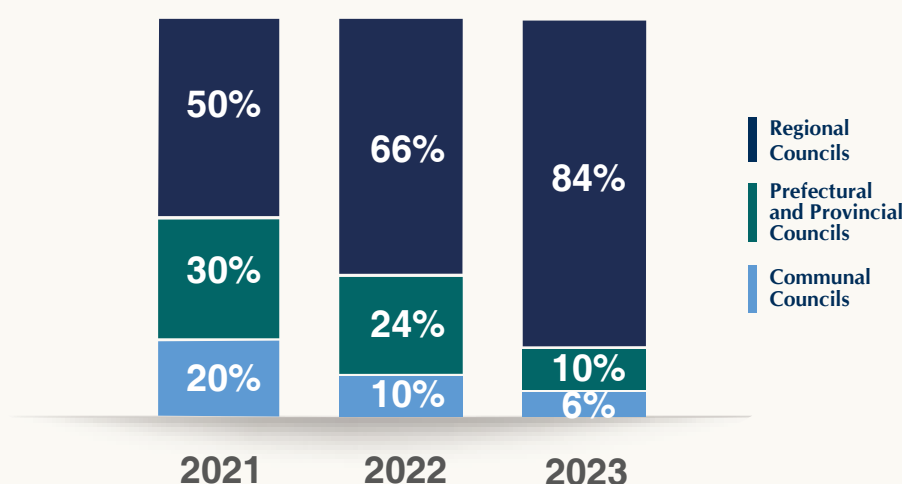
Breakdown of loan commitments by type of borrower

The breakdown of loan commitments by type of borrower in 2023 is as follows:

	2021		2022		2023	
Territorial Communities	In MDH	Share In %	In MDH	Share In %	In MDH	Share In %
Regional Councils	1,399	50%	1,780	66%	3,633	84%
Prefectural and Provincial Councils	824	30%	632	24%	420	10%
Communal Councils	550	20%	274	10%	250	6%
Total	2,772	100%	2,686	100%	4,303	100%

Loan commitments for the 2023 financial year benefited all categories of Territorial Communities with a predominance of Regional Councils, which continue to increase in the structure of loan commitments, followed by Prefectural and Provincial Councils and Communal Councils with 84%, 10% and 6% of loans committed at the end of 2023 respectively.

**Evolution of the structure of loan commitments
by type of borrower 2021 - 2023**



Continued ramp-up of the Regional Councils, which predominate in the structure of loan commitments at the end of 2023

- » Loan commitments for the benefit of Regional Councils represented almost the entire volume of loan commitments at the end of 2023, for an amount of 3,633 MDH, which is a share of 84%, confirming their continued rise in the loan commitment structure observed in recent years, thanks in particular to the implementation of Regional Development Programs (RDPs) as well as the Program of the Reduction of Territorial and Social Disparities (PRDTS) in rural areas, representing respectively 55%, 26% and 19% of their loan commitments.

Through these contributions, the FEC has contributed to finance projects for drinking water supply, development of structuring roads, construction of healthcare facilities, enhancement of tourist sites, construction of community schools, and development of economic activity platforms to boost the attractiveness of target areas.

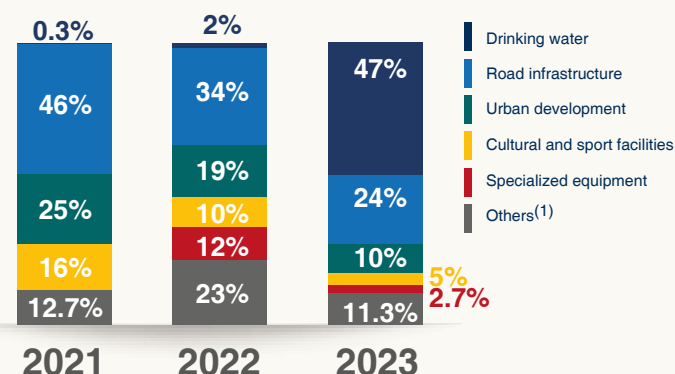
- » The Prefectural and Provincial Councils represented 10% of the overall volume of loan commitments at the end of 2023, amounting to 420 MDH. These financings mainly concerned the implementation of territorial development programs, with a predominance of projects related to the upgrading of urban infrastructure and equipment, which represent a share of 85%. These financings also covered liquid sanitation, rural electrification and road infrastructure construction projects.
- » The Communal Councils represented a share of 6% of the overall volume of loan commitments at the end of 2023, for an amount of 250 MDH, which allowed the financing of several urban development projects, in particular the development of roads, the construction of public lighting works, the restructuring of under-equipped neighborhoods and the rehabilitation of an old medina. This financing also allowed the FEC to contribute to the creation of several municipal facilities, through the construction of a conference room, a municipal stadium, a municipal slaughterhouse and a municipal theater.

Breakdown of loan commitments by sector of intervention

The breakdown of loan commitments by sector of intervention in 2023 is as follows :

Sectors of intervention	2021		2022		2023	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban development	704	25%	499	19%	442	10%
Road infrastructure	1,271	46%	907	34%	1,028	24%
Cultural and sport facilities	440	16%	286	10%	195	5%
Urban transport	31	1.1%	157	6%	-	-
Specialized equipment	-	-	331	12%	115	2.7%
Electricity	9	0.3%	65	2%	94	2.2%
Liquid and solid sanitation	28	1%	43	2%	57	1.3%
Drinking water	9	0.3%	46	2%	2,035	47%
Commercial equipment	-	-	102	4%	-	-
Education and Professional training	280	10.3%	193	7%	29	0.7%
Health	-	-	57	2%	287	6.7%
Tourism	-	-	-	-	21	0.4%
Total	2,772	100%	2,686	100%	4,303	100%

Evolution of the structure of loan commitments by sector of intervention 2021-2023



(1) : Electricity, Liquid and solid sanitation, Education and Professional training, Urban transport, Commercial equipment, Health, Tourism

Predominance of the Drinking Water sector and Road Infrastructure sector in the structure of loan commitments at the end of 2023

» As a Bank dedicated to territorial development, the FEC ensures to finance 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. Through its financing, the FEC contributes to the implementation of local investments aimed at strengthening the regional economic base, enhancing territory attractiveness for investors, modernizing infrastructure, creating jobs, stimulating economic growth, and improving citizens' living conditions.

In doing so, the structure of financing provided by the Bank has changed in recent years, as the share of the urban development sector, historically dominant, has decreased in favor of new sectors. Indeed, the urban development sector represented only 10% of loan commitments by the end of 2023, compared to 41% in 2020, 25% in 2021, and 19% in 2022. However, loan commitments in this sector have enabled the FEC to contribute to the financing of projects such as road construction, public lighting, restructuring of under-equipped neighborhoods, waterfronts, squares, and green spaces.

Thus, the structure of loan commitments was marked by the predominance of the drinking water supply sector, representing 47% of the total volume by the end of 2023, reaching 2,035 BDH, taking into account the aforementioned strategic project involving the interconnection of two hydraulic basins.

- » The road infrastructure sector comes in second position in the structure of loans committed by the end of 2023, with a share of 24%, amounting to 1,028 BDH, an increase of over 13% compared to the 2022 financial year. These financings mainly involve the strengthening of road networks and the opening up of rural areas, particularly through the opening of tracks and the development of road links, with nearly 58% of projects falling within the framework of the PRDTS in rural areas.
- » Loan commitments related to the health sector represented 7% of the total loan commitments by the end of 2023, amounting to 287 MDH, dedicated to financing the construction of several hospitals aimed at expanding healthcare services, particularly in areas with limited access to healthcare.
- » The cultural and sports equipment sector shows a volume of committed loans of 195 MDH, with over 77% dedicated to the financing of cultural facilities, including a reading circuit, a convention center, a conference hall, and a municipal theater. These commitments have also enabled the Bank to contribute to improving the infrastructure for sports facilities through the construction and renovation of several sports facilities and the construction of a municipal stadium.

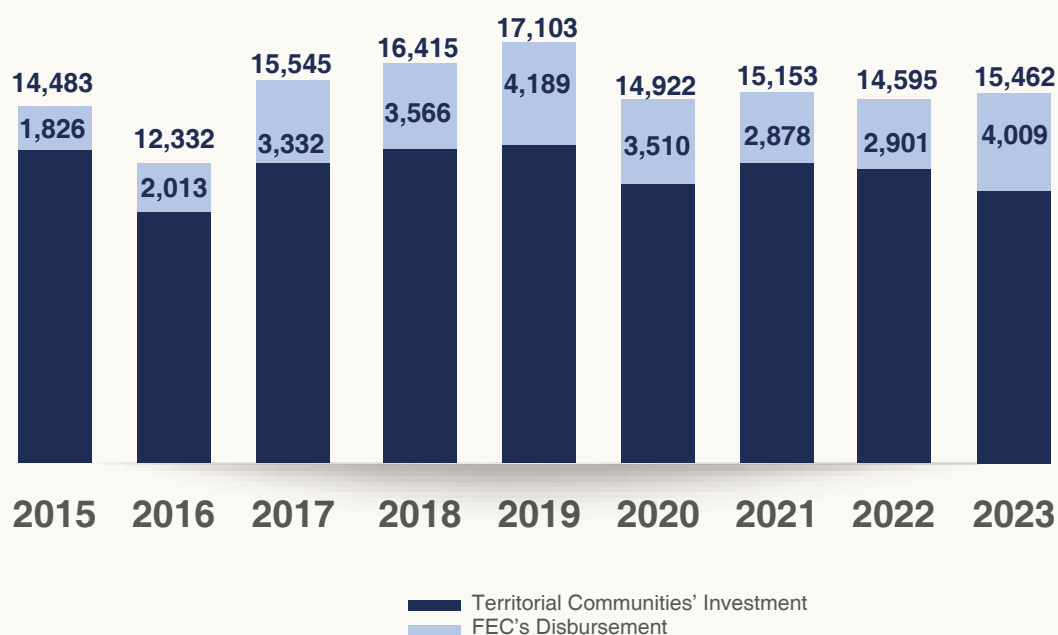
- » The specialized equipment sector recorded, for its part, a volume of committed loans reaching 115 MDH as of December 2023. These financings involve the development of several industrial parks and the construction of a modern municipal slaughterhouse meeting current requirements and standards.
- » The sectors of electrification, education and vocational training, liquid and solid sanitation, and tourism represent nearly 4.5% of the total volume of loan commitments and mainly involve rural electrification, construction of community schools, development of a university campus, connection to liquid sanitation networks, protection against flooding, and the development of tourist sites.

2. Loan disbursements

As of the end of 2023, loan disbursements reached over 4 BDH, an increase of over 38% compared to the level recorded in 2022. This exceptional level of activity is driven by the financing mobilized by the FEC as part of the aforementioned strategic project aimed at combating water stress through the construction of water supply works as part of the interconnection of two hydraulic basins, for an amount of 2 BDH.

These financings covered the implementation of 117 projects benefiting various categories of Territorial Communities and covering various infrastructure and superstructure sectors in both urban and rural areas.

Evolution of the share of the FEC's borrowing in the financing of the investment of Territorial Communities 2015-2023 (in MDH)



The FEC's borrowing resources support the evolution of Territorial Communities' investment and the growth dynamics of territories

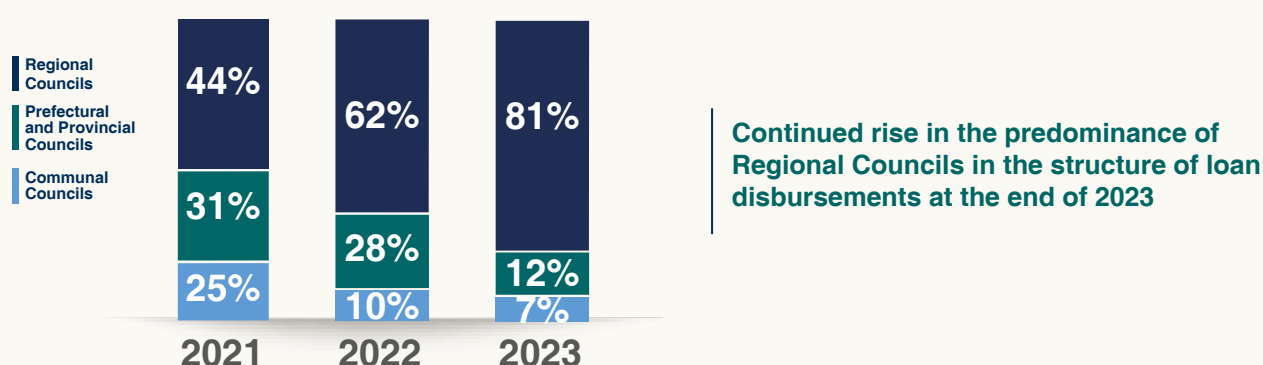
Breakdown of loan disbursements by type of borrower

The breakdown of loan disbursements by type of borrower in 2023 is as follows :

	2021		2022		2023	
Territorial Communities	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Regional Councils	1,270	44%	1,791	62%	3,262	81%
Prefectural and Provincial Councils	900	31%	827	28%	488	12%
Communal Councils	708	25%	283	10%	259	7%
Total	2,878	100%	2,901	100%	4,009	100%

Loan disbursements for the 2023 financial year benefited all categories of Territorial Communities with a predominance of Regional Councils in the structure of loan disbursements, followed by Prefectural and Provincial Councils and Communal Councils with respectively shares of 81%, 12% and 7% of loan disbursements' volume at the end of 2023.

**Evolution of the structure of loan disbursements
by type of borrower 2021 - 2023**



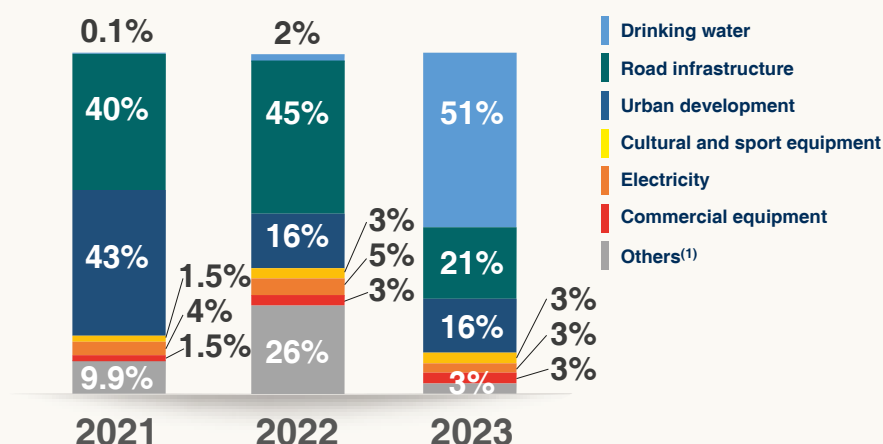
- » Loan disbursements to the Regional Councils reached 3,262 MDH in 2023, an increase of 82% compared to the level recorded in 2022, and mainly concerned four Regions for respective amounts of 1,000 MDH, 1,000 MDH, 439 MDH, and 307 MDH, which is a share of over 84%. These loan disbursements mainly focused on the construction of water supply works and drinking water supply. These financings also included projects for road infrastructure development to improve access for rural populations, particularly within the framework of the Program for the reduction of Territorial and Social Disparities (PRDTS), urban development projects to enhance basic infrastructure, as well as projects to modernize specialized equipment, commercial facilities, and socio-cultural amenities. Through these financings, the FEC contributed to the development of economic activity zones, the construction of facilities for education and healthcare, particularly within the framework of State-Regional program contracts, and the implementation of climate co-benefit projects in the urban transport sector, focusing on the construction of a High Level Service Bus line (BHLS).
- » Loan disbursements for the benefit of the Prefectural and Provincial Councils reached 488 MDH, representing over 12% of the total loan disbursements by the end of 2023. The majority of these loan disbursements corresponded to the financing of educational programs for territorial development, including development programs for two major cities, urban development projects focusing on the strengthening of basic infrastructure, urban integration of under-equipped neighborhoods, socio-sports facilities, environmental protection, and projects dedicated to the development of tourist sites. These financings also focused on improving energy efficiency in public lighting networks and the construction of roads and bypasses to alleviate congestion in major urban areas.
- » Loan disbursements to the Communal Councils reached 259 MDH, representing 7% of the total volume by the end of 2023. These financings focused on the implementation of various projects primarily related to urban upgrading, road link construction, modernization of commercial facilities through the construction of weekly souks, wholesale markets, and agro-food centers, as well as the construction of cultural and sports facilities, including the construction of a museum of popular arts.

Breakdown of loan disbursements by sector of intervention

The breakdown of loan disbursements by sector of intervention in 2023 is as follows:

Sectors of intervention	2021		2022		2023	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban development	1,228	43%	480	16%	659	16%
Road infrastructure	1,164	40%	1,304	45%	849	21%
Liquid and solid sanitation	36	1%	41,8	1%	12	0.3%
Cultural and sport equipment	42	1.5%	87	3%	138	3%
Electricity	105	4%	135	5%	125	3%
Commercial equipment	42	1.5%	87	3%	92	3%
Urban transport	-	-	134	5%	30	1%
Specialized equipment	103	3.6%	232	8%	43	1%
Drinking water	4	0.1%	67	2%	2,033	51%
Studies	6	0.2%	0,2	0.01%	-	-
Education and professional training	148	5.1%	278	10%	19	0.5%
Health	-	-	55	2%	9	0.2%
Total	2,878	100%	2,901	100%	4,009	100%

Evolution de la structure des décaissements de prêts
par secteur d'intervention 2021 - 2023



(1) : Urban transport, Specialized equipment, Education and professional training, Liquid and solid sanitation, Health, Studies

Predominance of the Drinking Water, Road Infrastructure and Urban development sectors in the structure of loan disbursements at the end of 2023

- » Similarly to the change observed in the structure of loan commitments, the structure of loan disbursements followed the same trend, experiencing an increase in the drinking water supply sector due to the implementation of the aforementioned strategic project, accounting for nearly 51% by the end of 2023, totaling 2,033 MDH.
- » The road infrastructure sector comes in second position in the structure of loan disbursements, with a share of 21%, totaling 849 MDH by the end of 2023. These disbursements mainly financed the upgrading of road links and structures, particularly within the PRDTS framework in rural areas, as well as the development of expressways and bypasses to streamline traffic flow in urban areas.
- » The urban development sector witnessed a decrease in its share in the structure of loan disbursements, from 43% in 2021 to 16% in 2023, totaling 659 MDH. However, these disbursements primarily financed projects related to road construction, public squares and gardens, tourism site enhancement, basic infrastructure upgrades, and restructuring of under-equipped neighborhoods, particularly as part of the implementation of territorial development programs.

- » The commercial equipment, electricity, cultural and sport equipment sectors collectively represented over 9% of the total loan disbursements in 2023, mainly involving the construction and modernization of souks and agro-food platforms, improving the energy efficiency of public lighting networks, rural electrification under PRDTS, and the construction of popular art museums and a grand theater.
- » Loan disbursements in 2023 also covered the urban transport, education and vocational training, and health sectors. These financings facilitated projects under State-Regional contracts stemming from the initial PDRs, including the acquisition of vehicles for school transport to combat school dropout rates and encourage enrollment, particularly in rural areas, as well as the construction of a BHLS line, a hospital, and community schools and boarding facilities in rural areas.

3. Evaluation of environmental and social risks of financed projects

In accordance with its Environmental and Social (E&S) policy, the FEC systematically evaluates the E&S risks of projects submitted for its financing.

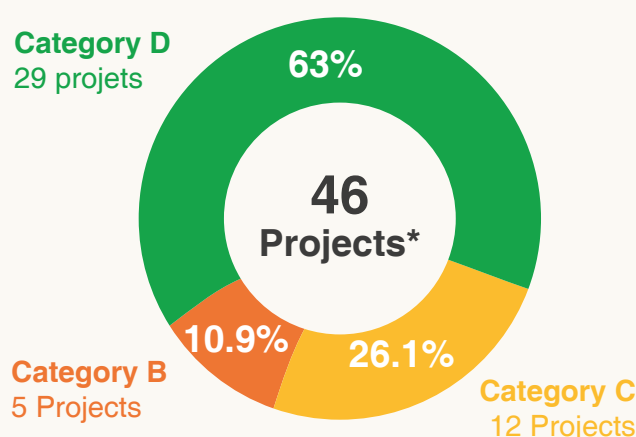
The 46 projects financed by the Bank in 2023 focused on sustainable socio-economic investments in terms of E&S, thereby contributing to sustainable and resilient territorial development in the face of climate change effects.

Thus, the results of the E&S rating for the 2023 financial year are as follow :

- 63% of the financed projects are classified in "Category D", which includes projects with minimal risks whose probable impacts are controllable;
- 26.1% of the financed projects are classified in "Category C", which includes projects with minimal risks requiring some specific mitigation measures;
- 10.9% of the financed projects are classified in "Category B", which includes projects with limited risks that require the integration of the recommended measures of the E&S impact studies carried out.

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

Breakdown of projects by E&S risk category



(*) : Projects committed at the end of December 2023

Predominance of projects classified in “Categories D and C”, which is more than 89%, and which concern projects with minimal and easily controllable risks

4. Situation of off-balance sheet commitments (OBSCs)

The financing commitments granted by the FEC in favor of customers amounted to nearly 4,991 MDH at the end of 2023. The evolution of these commitments from December 2022 to December 2023 is as follows:

Evolution of OBSCs (in MDH)

Situation as of December 31, 2022	5,186
New given commitments	4,303
Loan disbursements	4,009
Cancellations	489
Situation as of December 31, 2023	4,991

Evolution of given commitments and received commitments 2018-2023 (in MDH)



As part of optimal management of occasional cash surpluses, the Bank carried out the following operations :

* 1,13 MDH of investments in BDT at the end of 2022

** 1,25 MDH of investments made at the end of 2023

Over the last few years, the FEC has ensured that the level of commitments given converges with the level of commitments received to strengthen the Asset/Liability ratio for better management of liquidity and interest rate risks. Similarly, the Bank has continued to clean up its OBSCs portfolio, notably through awareness campaigns and follow-up actions with Territorial Communities. These operations led to the cancellation of a total amount of over 489 MDH in 2023, recalling that the FEC had already canceled an amount of nearly 1,491 MDH between 2019 and 2022.

Combined with disbursements related to normative activity, this approach allowed the Bank to reduce the overall volume of OBSCs by over 39% in 2023 compared to the level recorded in 2018, decreasing from 8,13 BDH in 2018 to 4,99 BDH in 2023, with over 67% corresponding to recent loans committed within less than 3 years.

Financing of the activity as of December 31, 2023

1. Evolution of Resources

The FEC's resources are established to 8,035 MDH at the end of 2023, and consist mainly of annuity collections of more than 53%, or an amount of 4,265 MDH, and borrowing resources of almost by 32%, or an amount of 2,550 MDH as shown in the following table:

Ressources (In MDH)	2022	2023	Share in 2023 in %
Annual installement recoveries	3,601	4,265	53.1%
Borrowing resources	5,419	2,550	31.7%
Domestic borrowings (medium and long terms)	4,350	2,000	24.9%
External borrowings	1,069	550	6.8%
Others (Interest income, refunds,.....)	12	13	0.2%
Sale of Treasury bonds	-	1,153	14.3%
Initial balance	24	54	0.7%
Total Ressources	9,056	8,035	100%

Annual installments recoveries

As of December 31, 2023, the annual recovered instalments amounted to 4,265 MDH, with a breakdown by seniority, showing a predominance of instalments for the 2023 fiscal year, representing 99.84% of the total amount, which is 4,258 MDH. The remaining repayments relate to maturities prior to 2023, representing 0.16% of the total recoveries, which is 7 MDH.

Borrowing resources

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

In addition, and depending on the evolution of its needs and the conditions of the financial market, the FEC occasionally calls for short-term bridging resources, pending their transformation into medium and long-term financing.

In parallel with the mobilization of the resources necessary to finance the activity for the 2023 fiscal year, the FEC carried out a certain number of actions to establish new financing in order to sustain and diversify its resources and continue to meet the Territorial Communities' growing needs. It should be noted that the FEC does not have customer deposits.

Mobilization of new financing from DFIs

During the 2023 fiscal year, the FEC continued its financial strategy oriented towards opening up to international financings that are characterized by optimal financial conditions and are usually accompanied by subsidies for technical assistance.

In this context, the FEC intensified exchanges with development financial institutions (DFIs), with a dual objective of preparing drawdowns on contracted credit lines, based on the evolution of the Bank's needs and market conditions, and of implementing new financing agreements.

Thus, and following a first drawdown of 50 million euros and 100 million euros made respectively in 2021 and 2022, the FEC proceeded to a third drawdown of 50 million euros in December 2023 under the new credit line of 200 million euros contracted with AFD in July 2021. Similarly, and like the previous drawdowns, the FEC has set up a perfect and integral hedge against the exchange rate, thus allowing it to be totally immune to this risk.

In addition, the FEC continues to explore new opportunities for financial partnerships with other DFIs, including financing lines and technical assistance subsidies.

Bank loans

As part of its financial strategy, the FEC ensures that it continues to use long-term bank loans that are adapted to the characteristics of the FEC's uses, particularly in terms of maturity and type of rate, and that also offer flexibility in terms of volume and availability of funds.

Thus, in the 2023 fiscal year, the FEC mobilized a total amount of 2 BDH over a maturity of 15-years, through drawdowns on long-term bank credit lines.

Short-term borrowings

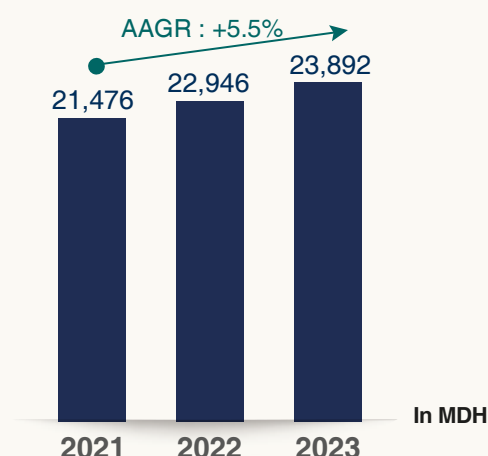
In order to optimize cash flow management and meet ad hoc needs during the year, the FEC used short-term bridging resources through interbank market advances during 2023, which were fully repaid before the end of 2023.

Evolution of the debt structure

The evolution of the outstanding debt shows an upward trend over the period of 2021-2023, reflecting the increase in recourse to borrowing to finance the growing needs of the FEC's activity.

Thus, the outstanding debt increased from nearly 21,5 BDH in 2021 to nearly 23,9 BDH in 2023, representing an average annual growth rate of nearly 5.5%.

Evolution of outstanding borrowings¹

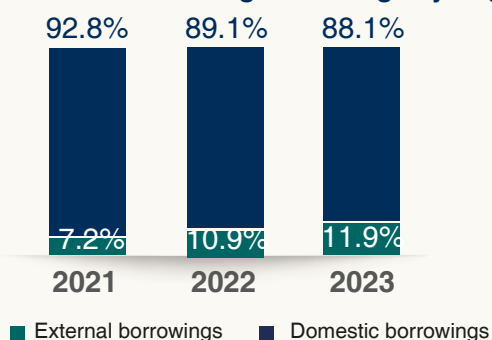


Debt structure by origin

An analysis of the debt structure by origin reveals a predominance of resources from the domestic financial market over those from the foreign market, as domestic borrowing represents 88.1% as of December 31, 2023.

However, it should be noted that there has been an upward trend in the share of foreign borrowings in the overall debt, which has risen from 7.2% at the end of 2021 to 11.9% at the end of 2023. This was particularly following the drawdowns made over the last three fiscal years on the second credit line contracted by the FEC with the AFD in July 2021.

Breakdown of outstanding borrowings by origin

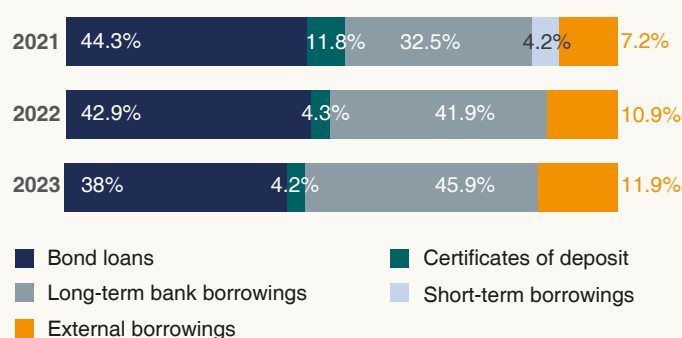


(1) : Outstanding borrowings correspond to outstanding capital excluding accrued interest and commissions, foreign exchange hedging, interest rate differentials and conversion differences.

Breakdown of debt by type of borrowings

As of December 31, 2023, the FEC's debt is mainly composed of long-term bank loans and bond issues, which represent respectively 45.9% and 38% of the total debt, followed by external borrowings, which represent 11.9% of the total debt. Finally, the share of certificates of deposit reached 4.2% of the outstanding debt as of December 31, 2023.

Breakdown of debt by type of borrowings



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

The structure of the debt by type of borrowing reflects the FEC's financial strategy, centered on the diversification of medium and long-term resources, while balancing asset/liability management constraints and financing cost optimization objectives.

Indeed, over the period 2021 to 2023, the share of long-term bank loans and bond issues is at sustained levels and represents 83.9% of the overall outstanding amount at the end of 2023. Similarly, the outstanding amount of external borrowing increased to nearly 11.9% of the overall outstanding debt at the end of 2023.

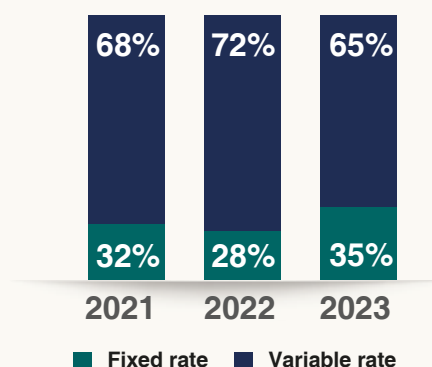
Furthermore, the outstanding certificates of deposit recorded a decline from 11.8% as of December 31, 2021 to 4.2% as of December 31, 2023, in the absence of new issues over this period.

Debt structure by type of interest rate

The analysis of the evolution of the debt structure highlights the predominance of variable-rate resources, whose share slightly decreased to 65% at the end of December 2023. This decrease is mainly due to the mobilization of fixed-rate resources during the financial year 2023.

Moreover, it should be emphasized that the evolution of the debt structure by type of interest rate follows the financing strategy of the FEC, which, taking into account the financial market conditions in terms of cost and maturity, favors the mobilization of resources in line with the characteristics of loans granted to customers, in order to ensure better asset/liability matching.

Debt structure by type of interest rate



2. Evolution of Uses

The FEC's uses were characterized as of December 31, 2023 by :

- » An increase of loan disbursements from 2,910 MDH in 2022 to 4,009 MDH in 2023;
- » A level of loan repayments representing 26% of total uses, and which amounts to 2,175 MDH.

The breakdown of the uses structure at the end of 2023 is detailed in the following table :

Uses (in MDH)	2022	2023	Share in 2023 in %
Borrowing transfers	2,901	4,009	50%
Loan Repayments	4,566	2,175	26%
Domestic borrowings	4,419	1,930	24%
External borrowings	147	245	2%
Budgetary expenditure	44	48	1%
Others (VAT, IR, Refunds,)	146	147	2%
IS regulations	214	221	3%
BDT Purchase	1,131	-	-
DAT investment	-	850	10.6%
Outstanding advances on the money market	-	400	5%
State Grant (Special Earthquake Fund for managing the effects of the earthquake that hit the Kingdom of Morocco)	-	150	2%
Final balance	54	35	0.4%
Total uses	9,056	8,035	100%

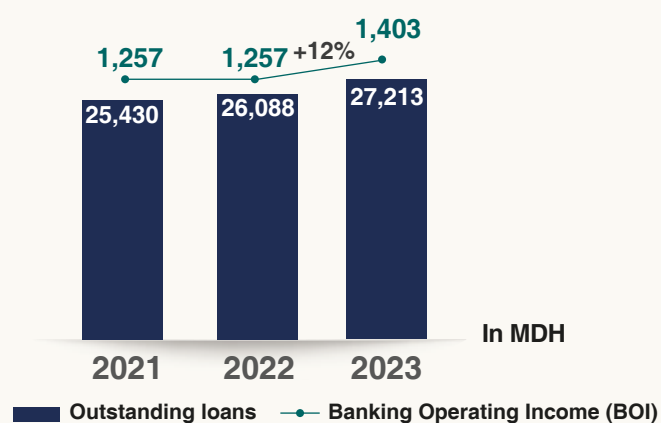
Results and financial indicators as of December 31, 2023

The FEC's financial statements closed on December 31, 2023, in accordance with the current regulatory provisions and in compliance with the accounting principles provided for by the Accounting Plan for Credit Institutions (APCI) are presented as follow:

1. Operating indicators

				In MDH
Income and Expense Statement	2021	2022	2023	Variation 2023/2022
Banking Operating Income	1,257	1,257	1,403	12%
Banking Operating Expenses	619	596	734	23%
Net Banking Income	637	661	669	1%
General Operating Expenses	59	60	62	3%
Cost of risk	--	-1	2	> 100%
Non-current Expenses	19	28	180	> 100%
Corporate tax	208	216	211	-2%
Net earnings	328	338	199	-41%

Banking Operating Income (BOI)

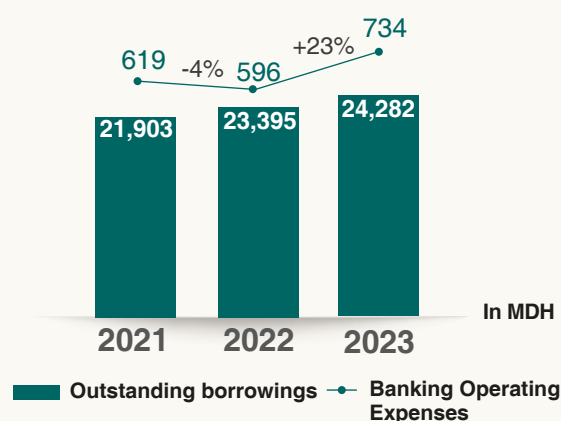


At the end of 2023, the Banking Operating Income reached 1,403 MDH, an increase of nearly 12% compared to 2022, taking into account the evolution of outstanding loans which recorded an increase of more than 4%, from 26,088 MDH in 2022 to 27,213 MDH in 2023, which is an increase of 1,125 MDH, and a recovery rate of almost 100%, allowing almost all of the expected interest income for the financial year to be recognized.

Banking Operating Expenses (BOEs)

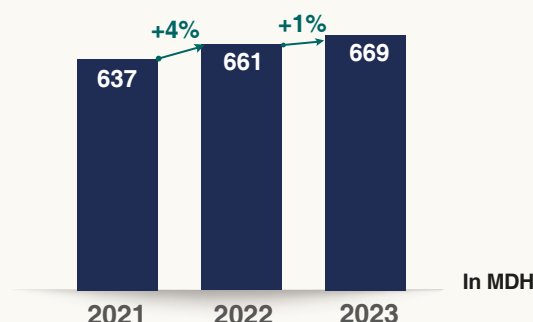
Banking operating expenses increased by over 23% as of December 31, 2023 compared to the previous financial year, reaching 734 MDH in 2023, compared to 596 MDH in 2022.

This increase is mainly explained, on the one hand, by the increase in the volume of borrowings, which reached 24,282 MDH as of December 31, 2023, compared to 23,395 MDH as of December 31, 2022, and on the other hand, by the increase in the cost of refinancing for the Bank on the national and international markets, in connection with the tightening of monetary policies.



Net Banking Income (NBI)

The combined evolution of the BOIs and BOEs generated a NBI of 669 MDH as of the end of 2023, slightly higher than the previous year, thanks in particular to the quality of the loan portfolio to date, and the increase in customer receivables.

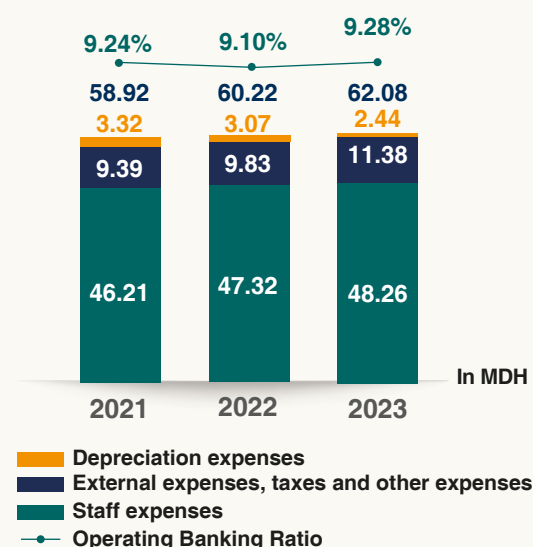


General Operating Expenses (GOEs)

The General Operating Expenses (GOEs) reached 62 MDH in 2023, up 3% from 2022, mainly explained by the FEC's contribution to on-site inspection fees by Bank Al-Maghrib.

As of the end of 2023, the GOEs mainly consist of personnel expenses accounting for 78%, external expenses for 18%, and depreciation expenses of fixed assets for 4%.

Consequently, the Operating Ratio reached 9.28% as of the end of 2023.

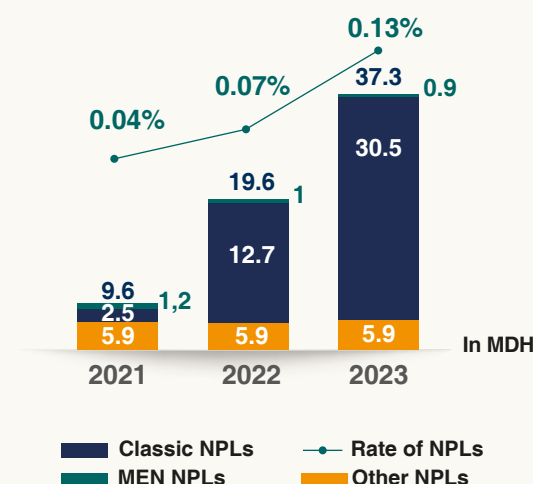


Non Performing Loans (NPLs) and cost of credit risk

Non-Performing Loans (NPLs) amounted to 37.3 MDH as of the end of 2023 and mainly consist of unrecovered loans from conventional loans, involving 5 Territorial Communities for an amount of 30.5 MDH.

The cost of credit risk shows an increase at the end of 2023, as the amount of provisions released based on the recoveries of NPLs was lower than the amount of allocations to provisions made, as shown in the table below :

In MDH	2021	2022	2023
Allocations to provisions on NPLs (1)	0.47	0.61	2.20
Reversals of provisions on NPLs (2)	0.02	1.27	0.67
Cost of credit risk (3) = (1) – (2)	0.45	-0.66	1.53



Provisions for General Risks (PGRs)

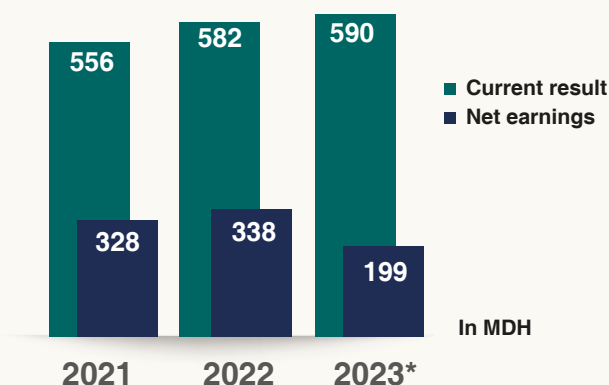
In order to ensure coverage against certain general risks, the FEC proceeded during the 2023 fiscal year to the constitution of net allocations to provisions of an amount of 15.76 MDH, thus bringing the total amount of PGRs to 88.47 MDH.

Furthermore, it should be noted that, in compliance with the tax regulations in force, these allocations to provisions have been fully reintegrated in the basis of calculation of corporate income tax.

Net earnings

Considering the elements presented above, particularly :

- » the evolution of the NBI;
- » the control of GOEs;
- » the good quality of the client portfolio;



(*) : The net earnings for the 2023 financial year was marked by the recognition of the FEC's contribution of 150 MDH for the benefit of the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco

The current result reached 590 MDH as of the end of 2023, slightly higher than in 2022. However, the net earnings reached 199 MDH for the 2023 financial year, down compared to 2022, taking into account the Bank's contribution to the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco. Indeed, as a Public Citizen Bank, the FEC responded to the call of national duty and made a contribution of 150 MDH to this Fund in 2023.

Excluding this contribution, the net earnings would have been similar to that recorded last year.

2. Balance sheet

En MDH

ASSETS	2021	2022	2023	LIABILITIES	2021	2022	2023
Cash values, Central Banks and Public Treasury and receivables from credit institutions and similar	25	54	1 260	Central Banks, Public Treasury	-	-	-
Receivables from customers	26,183	26,849	28,062	Debts to credit institutions and similar	9,959	12,666	14,428
Other assets	301	563	539	Debt securities issued	11,187	9,958	9,226
Investment securities	-	1,131	-	Other liabilities	34	271	283
Fixed assets	45	42	41	Equity and similar funds	5,374	5,744	5,965*
TOTAL	26,554	28,639	29,902	TOTAL	26,554	28,639	29,902

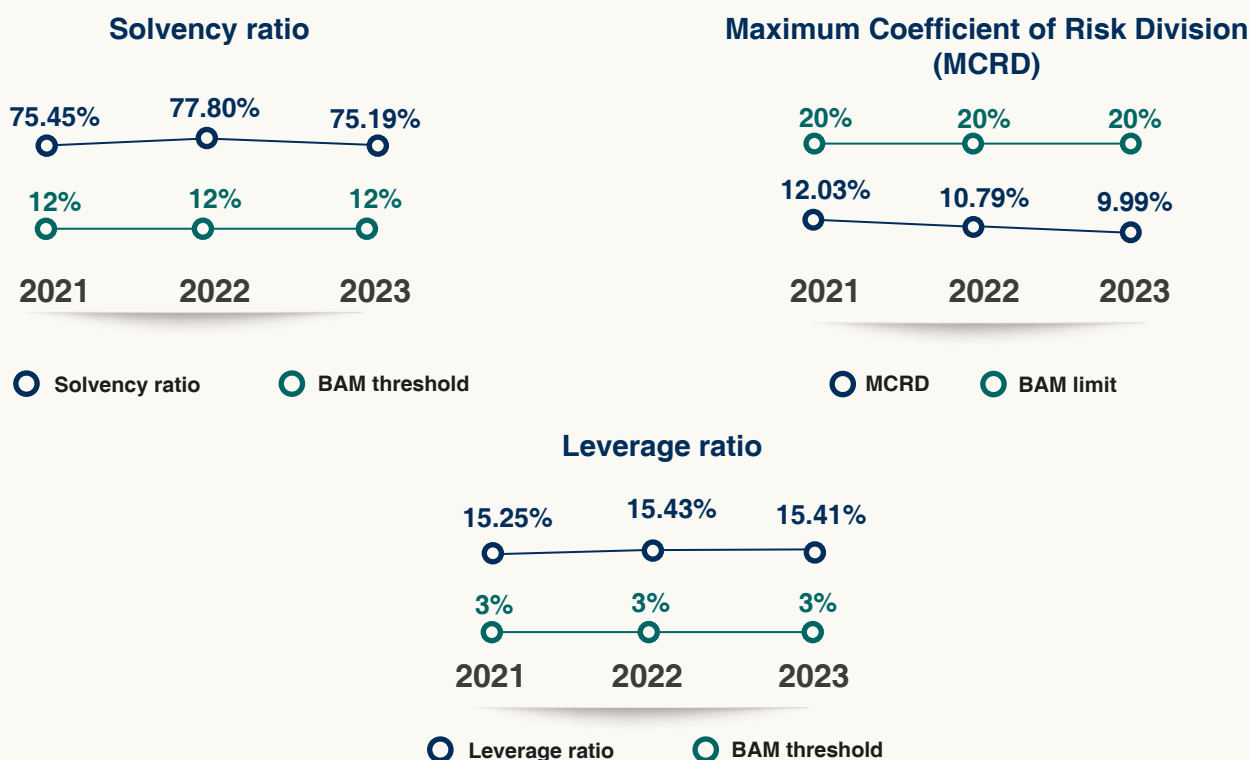
(*) : Including a provision for general risks amounting to 88.47 MDH.

The analysis of the balance sheet structure shows that the assets, which amount to 29,902 MDH and which consist almost exclusively of customer receivables, increased by more than 1,3 BDH, mainly due to the level of loan disbursements for the 2023 financial year which reached more than 4 BDH.

The structure of liabilities is characterized by the predominance of financing debts, distributed between long-term borrowings and issued debt securities, which represent more than 79% of the total balance sheet.

3. Regulatory ratios

The FEC constantly ensures compliance with the prudential ratios established by Bank Al-Maghrib aimed at preserving the financial balance of credit institutions and covering risks, as shown by the following indicators:

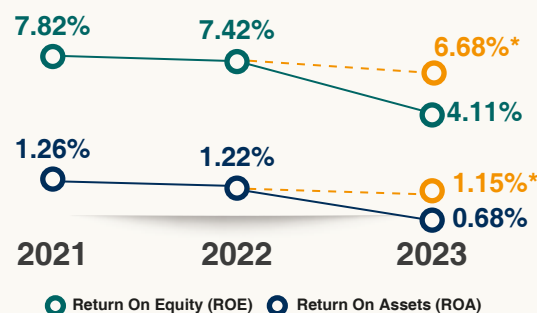


4. Profitability indicators

IN MDH	2021	2022	2023	2023 Retirees of the contribution to the special Earthquake Fund
Net earnings	328	338	199	338
Equity capital (excluding subordinated bond loans)	4,374	4,733	4,948	5,087
Average equity capital ² (excluding subordinated bond loans)	4,198	4,554	4,841	4,910
Return On Equity (ROE)	7.82%	7.42%	4.11%	6.88%
Net earnings	328	338	199	338
Total balance sheet	26,554	28,639	29,902	30,052
Total average balance sheet ³	26,036	27,597	29,271	29,346
Return On Assets (ROA)	1.26%	1.22%	0.68%	1.15%

(2): (Equity (excluding subordinated bond loans) of year N-1 + Equity (excluding subordinated bond loans) of year N) / 2
 (3): (Total balance sheet for year N-1 + Total balance sheet for year N) / 2

ROE and ROA respectively reached 4.11% and 0.68% at the end of 2023 against 7.42% and 1.22% at the end of 2022. Their evolution is mainly linked to the decline in Net earnings and asset evolution.



(*) : ROE and ROA retirees for the FEC's contribution to the Special Fund for the management of the effects of the earthquake which hit the Kingdom of Morocco.

KINGDOM OF MOROCCO

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D'EQUIPEMENT
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ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT | 2023

THE **BANK** FOR LOCAL FUNDING

ABBREVIATIONS

ALCO	Asset / Liability Management Committee
BD	Board of Directors
SA	Statutory Auditors
ARC	Audit and Risks Committee
BGACW	Book of General Administrative Clauses applicable to Works contracts
DFIs	Development Finance Institutions
NCIS	National Commission for Impact Studies
NCC	Nomination and Remuneration Committee
OISC	Organization and Information Systems Committee
URIC	Unified Regional Investment Commission
IRC	Internal Risks Committee
TC	Territorial Communities
E&S	Environmental and Social
ESG	Environment, Social and Governance
ISSC	Information System Security Committee
MEF	Ministry of the Economy and Finance
MI	Ministry of the Interior
SDGs	Sustainable Development Goals
PRDTS	Program for the Reduction of Territorial and Social Disparities
CER	Corporate and Environmental Responsibility
ESMS	Environmental and Social Management System
ESIA	Environmental and Social Impact Assessment
MLDI	Multidimensional Local Development Index
GIS	Geographic Information System
NSDS	National Sustainable Development Strategy

SUMMARY

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1. GENERAL ELEMENTS

1.1. Profile and strategy of the FEC's Corporate and Environmental Responsibility (CER)

1.1.1. The Fonds d'Equipeement Communal: A public bank dedicated to Territorial Development

As a public Bank dedicated to financing territorial development, and with over 60 years of experience, the Fonds d'Equipeement Communal (FEC) is now positioned as the privileged technical and financial partner of Territorial Communities (TCs). In its mission, the Bank constantly works to facilitate its clients' access to credit for the financing of their investments and their territorial development projects, particularly through financing solutions adapted to their priority needs.

Committed as a responsible Bank, the FEC ensures that its role is anchored in a logic of consolidation and renewal in the light of the evolutions of the Moroccan economy and the local public sector. It continually adapts its services and interventions to the challenges faced by TCs and the priorities of sustainable territorial development, particularly in reducing territorial and social disparities, transitioning to low-carbon development, and strengthening the resilience of territories to the effects of climate change.

Territorial Communities, that constitute the basis of sectoral public policy implementation, are now at a crossroads, considering their role in both strengthening infrastructure and equipment and responding effectively to the imperatives of sustainable and resilient territorial development.

1.1.2. FEC's CER strategy

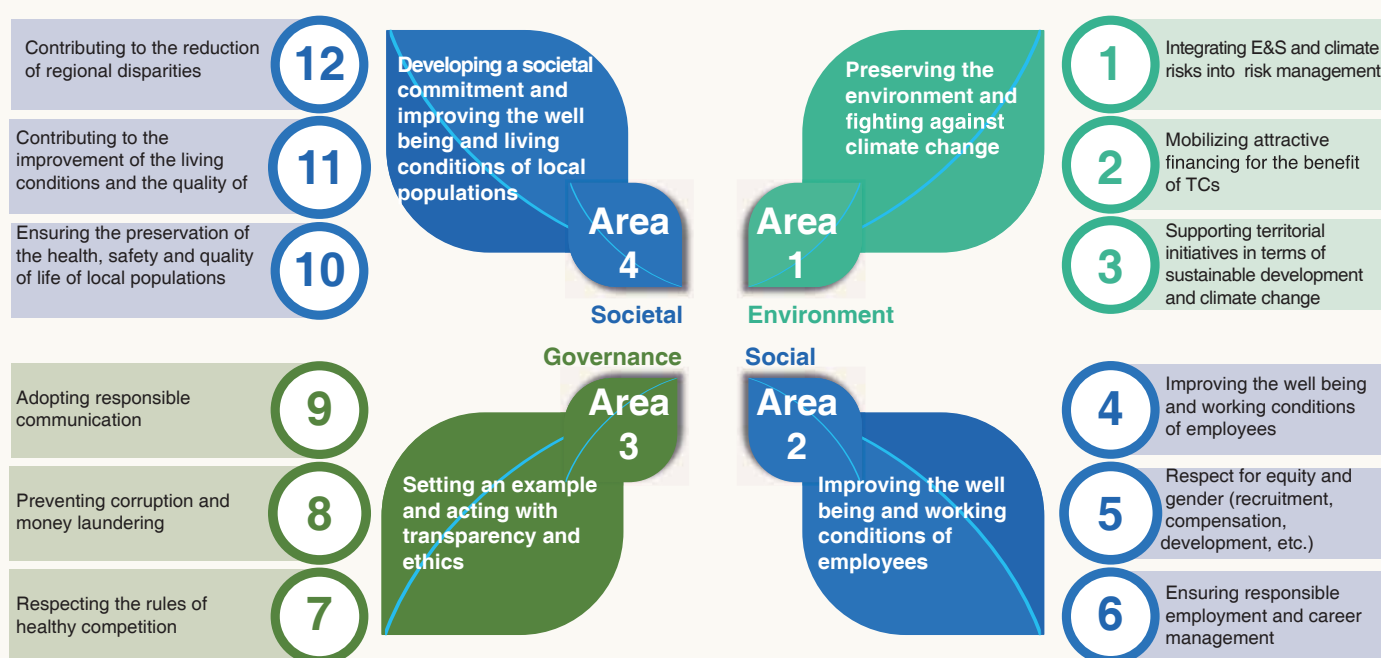
As part of its CER approach and with the objective of adapting its services and interventions to the priorities of sustainable territorial development, the Bank has strategically chosen to integrate "Environmental, Social, and Governance" (ESG) sustainability factors into its activities and financing operations, as well as its relations with stakeholders. This responsible commitment to the fundamental principles of sustainable development is particularly reflected in the integration of E&S risk criteria into the Bank's overall risk management and decision-making processes.

Through its sustainability strategy, the Bank aims for a progressive alignment of its territorial investment financing operations with international and national sustainability and climate commitments, thus contributing to establishing sustainable, low-carbon, resilient and inclusive territorial development.

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

Similarly, the Bank has implemented measures to improve its governance and strengthen its technical capacities for developing its portfolio of climate co-benefit projects.

To align with national and international standards and best practices and to evaluate its CER approach, the Bank has initiated a process to define its priority and significant issues. This process identified 12 commitments shared with stakeholders and added value carriers, structured around 4 axes consolidating the main actions undertaken in this area and allowing the strategic vision of the Bank in this matter to be implemented.



1.2. Scope of ESG reporting

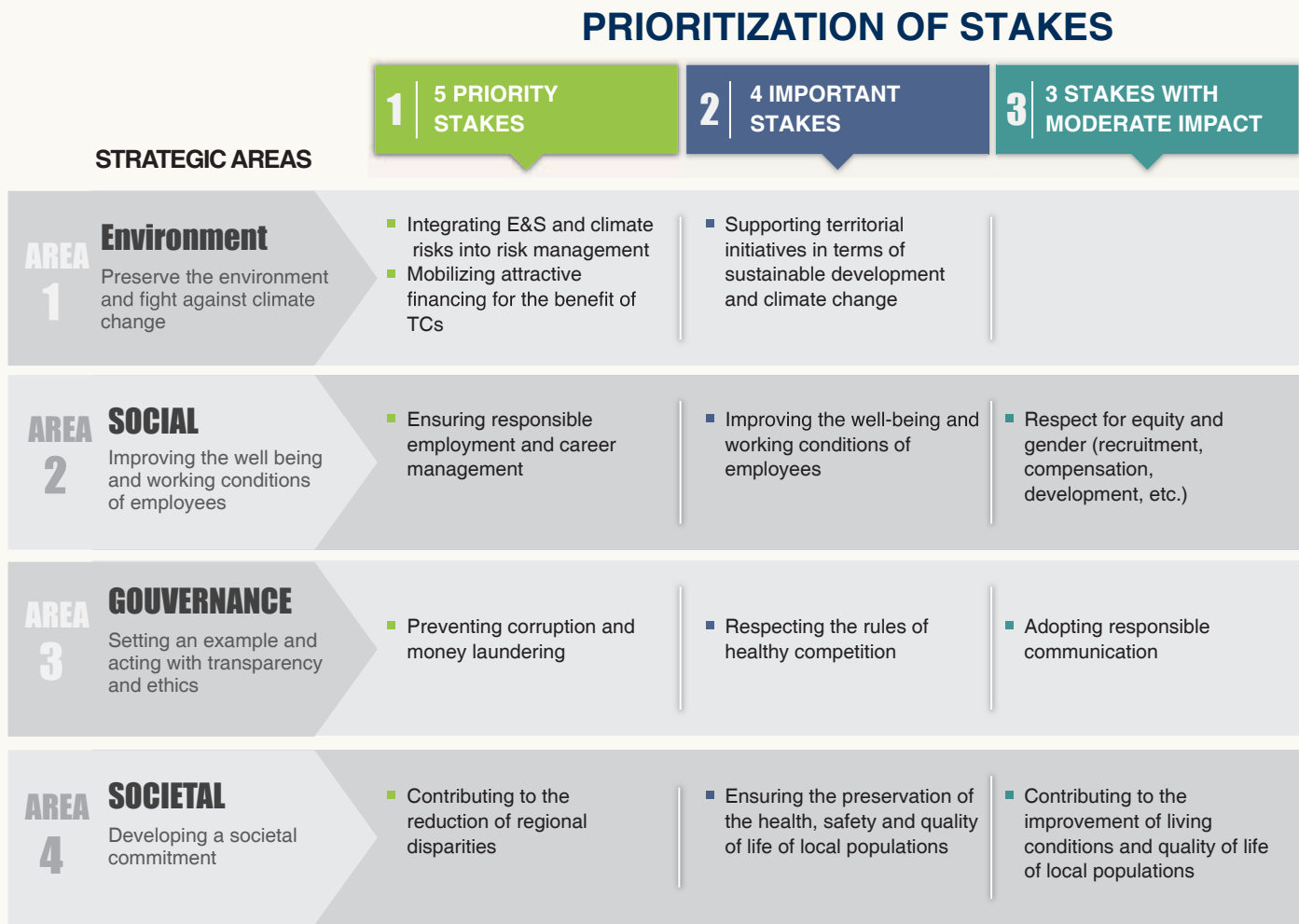
The scope of this report concerns exclusively the Environmental, Social and Governance (ESG) indicators relating to Territorial Communities' projects financed by the Bank in the context of its lending activity.

1.3. Materiality of ESG aspects

The materiality analysis is based on a double prioritization of ESG issues, in order to identify those that meet both the Bank's performance objectives and the expectations of stakeholders. This analysis provides the Bank with a materiality matrix of ESG aspects, which allows it to better communicate on the important issues, to streamline dialogue with its stakeholders, with the aim of complying with their new expectations and regulatory changes.

The materiality matrix of the issues established represents the relevance of the stakes identified on the basis of the magnitude of their impact on the performance of the Bank and its stakeholders. These issues are prioritized into four themes, according to three levels of priority:

- Priority stakes ;
- Important stakes ;
- Stakes with moderate impacts.



1.4. Methodology of the process related to extra-financial information, quantitative indicators and calculation methods

The methodological approach for identifying, collecting and processing extra-financial information related to E&S aspects is based on an analysis of technical documents related to projects submitted for FEC’s financing. During the evaluation of the E&S risks for each project, the relevant indicators are identified and the related information is provided at the level of environmental and social data sheets for each project.

The quantitative indicators related to climate co-benefit components are calculated based on technical tools developed with the support of experts in the field. These tools use methodologies recognized nationally and internationally, particularly in terms of quantifying carbon emission reductions and verifying resilience to climate hazards.

For information related to E&S complaints, the FEC relies on an existing complaints management information system, which generates periodic reports on these complaints. Similarly, the FEC joined the national complaints platform Chikaya.ma.

The relevant non-financial information, as well as the main quantitative indicators selected and gradually deployed are described as follows :

Environmental information

Project E&S risk management

- Percentage in number of projects by E&S risk category
- Number of projects rejected for reasons of high E&S risks
- Number of E&S complaints received

Benefits and positive impacts on the environment

- Amount of energy saved (KWh/year)
- Volume of waste water treated (m³/day)
- Volume of waste water reused (m³/day)
- Volume of CO₂ emission reduction (TeqCO₂)
- Quantity of renewable energy produced (KWh/year)

Social information

Benefits and positive impacts on the population

- Number of disenclaved inhabitants
- Number of financed public transportation users
- Number of inhabitants whose drinking water supply quality system is improved
- Number of inhabitants whose sanitation system quality is improved
- Number of inhabitant protected against flooding
- Number of students whose mobility conditions are improved
- Number of inhabitants with access to electrical energy
- Number of inhabitants whose quality of care service is improved
- Number of jobs created

Responsible career and skills management

- Number of employee representatives
- Number of strike days per financial year
- Number of workplace accidents per financial year
- Number of dismissals by financial year and by category
- Number of resignations by financial year and by category
- Number of recruitments per financial year and per category
- Turnover rate per financial year
- Number and nature of social disputes per financial year

Governance

- Number of mandates per administrator
- Number and nature of actions taken to prevent corruption
- Number of complaints about breaches of ethics and professional conduct
- Number of corruption incidents

1.5. External verification of ESG information

The impact indicators are used, within the framework of contractual accountability requirements, to establish periodic reports for the Bank's financial partners, in particular international donors. To this end, information on achievements in terms of E&S risk management, project components with climate co-benefits and contribution to the reduction of territorial and social disparities are examined and refined.

2. SPECIFIC ELEMENTS : Environmental, Social and Governance Information

2.1. Environmental information

2.1.1. Presentation of activities with an impact on the environment

The Bank constantly strives to promote the social and environmental benefits of the projects it finances. These projects undeniably have positive impacts on the quality and living conditions of the population, particularly regarding health, hygiene, and safety, as well as access, especially for the most vulnerable populations, to basic infrastructure (drinking water, sanitation, electricity, paved roads...) and the job opportunities generated by these projects.

As a responsible and committed Bank, the institution is aware that the projects it finances involve environmental and social risks. Therefore, and as part of its financing activities, it ensures to integrate and support the adoption of sustainable development practices and E&S risk management aimed at minimizing the environmental and social risks and impacts of the financed projects to improve their environmental performance.

In the same spirit, the Bank does not finance activities that present significant environmental risks to the natural environment or high or substantial social risks to the social environment.

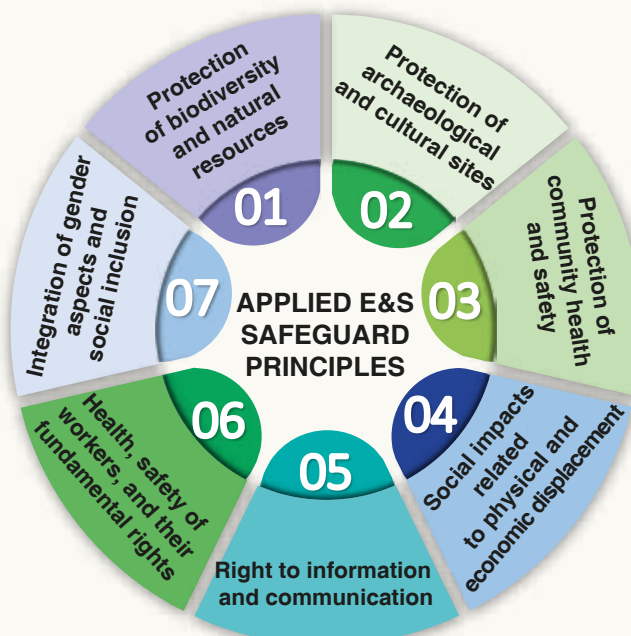
The social and environmental risks of the financed projects are generally low to medium, easily manageable, and controllable.

Therefore, the financing agreement cannot be granted unless land-related issues are resolved and cleared beforehand, and the affected persons are informed or compensated.

Projects subject to the law in force related to impact studies must provide an Environmental and Social Impact Assessment (ESIA) and an Environmental and Social Management Plan (ESMP), accompanied by an environmental authorization in the form of an environmental acceptability letter issued by a national or regional commission, as applicable.

2.1.2. The FEC's Environmental and Social Policy

As a financial actor serving sustainable territorial development, the Bank ensures to fully integrate E&S risk management into its development strategy for responsible conduct of its financing activities. In this spirit, the Bank adopted, in 2022, an E&S policy that formalizes its commitment to systematically consider sustainability factors in its due diligence processes and its financing operations by applying E&S safeguard principles. The operational implementation of this commitment is based on a body of operational procedures and relevant tools that allow for effective management of the risks inherent in projects submitted for its financing.



The FEC's E&S policy aims to strengthen its commitment to continuous improvement in the environmental and social management of the projects it finances. It outlines its commitments to controlling the environmental and social risks related to its activity and its contribution to achieving the objectives of the National Sustainable Development Strategy (NSDS) in accordance with national regulations and the country's international commitments. To this end, the Bank has ensured to anticipate the adaptation of its E&S management approach to the new provisions of law No. 49-17 on environmental assessment dated August 8, 2020, with the application texts currently being approved.

2.1.3. Litigation or lawsuits related to environmental issues

The Bank has deployed an E&S complaints management system based on an information system and a dedicated procedure allowing it to be informed of any E&S complaints that could be issued in connection with financed projects, and to ensure the processing provided by the TC concerned until remediation and closure of the complaints received.

This system being in place and operational, the FEC has not received from the TCs, to date, any environmental and social complaint in relation to the projects financed by the Institution.

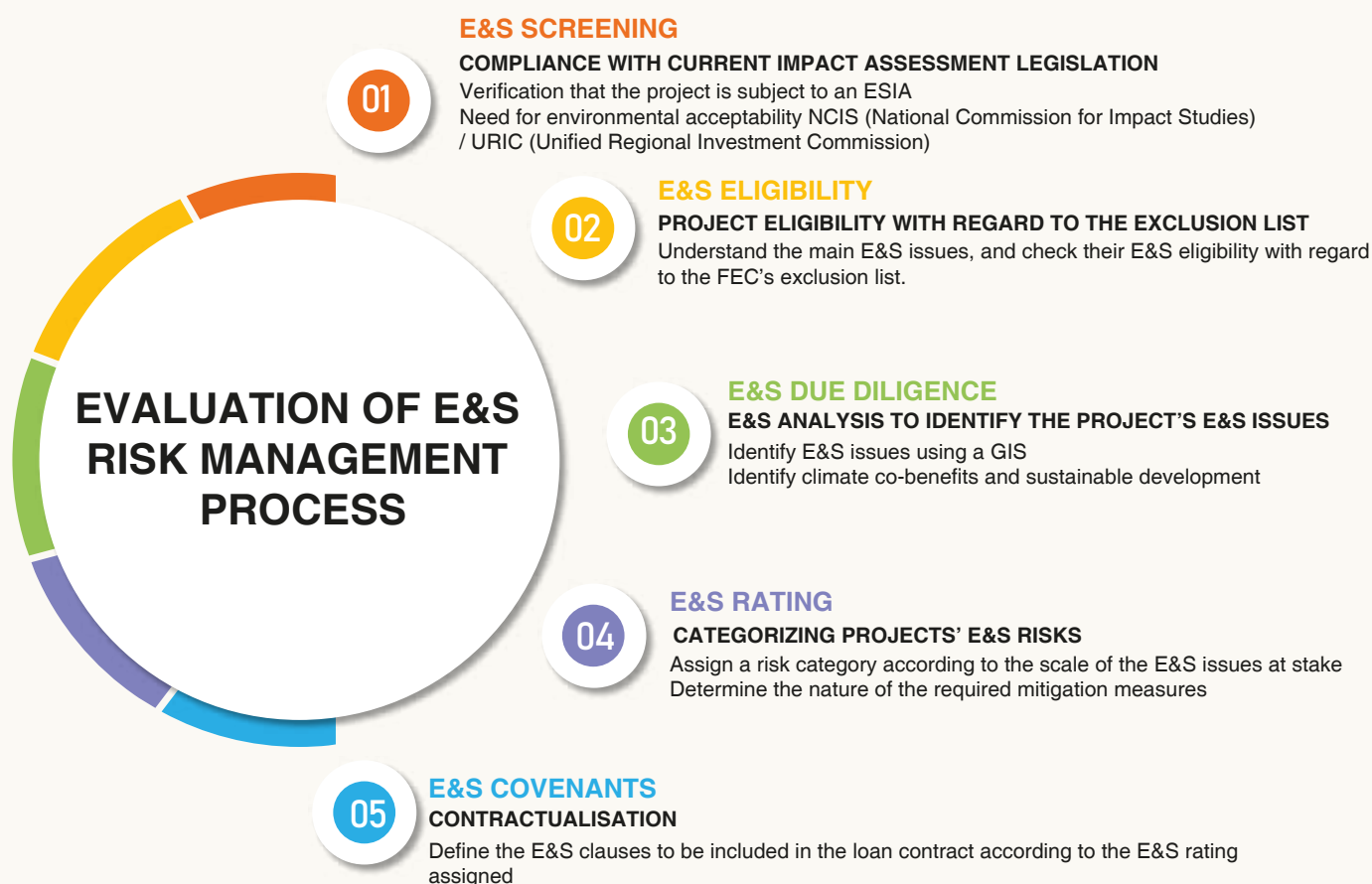
2.1.4. Actions and measures implemented to evaluate and minimize the E&S impacts of the activity

E&S risk and impact management process

The E&S risk assessment process, conducted concomitantly with the technical and financial assessment of loan application files, consists of assigning an E&S rating to each project submitted for Bank's financing.

The findings of the E&S risk assessment are reported in an E&S risk assessment sheet, which presents the results of the assessment of the negative and positive impacts of the project on the environment and the local population, as well as the mitigation measures to be undertaken and the E&S conditionalities to be planned according to the E&S risk rating assigned to the project.

The E&S risk management process is as follows:



2.2. Social information

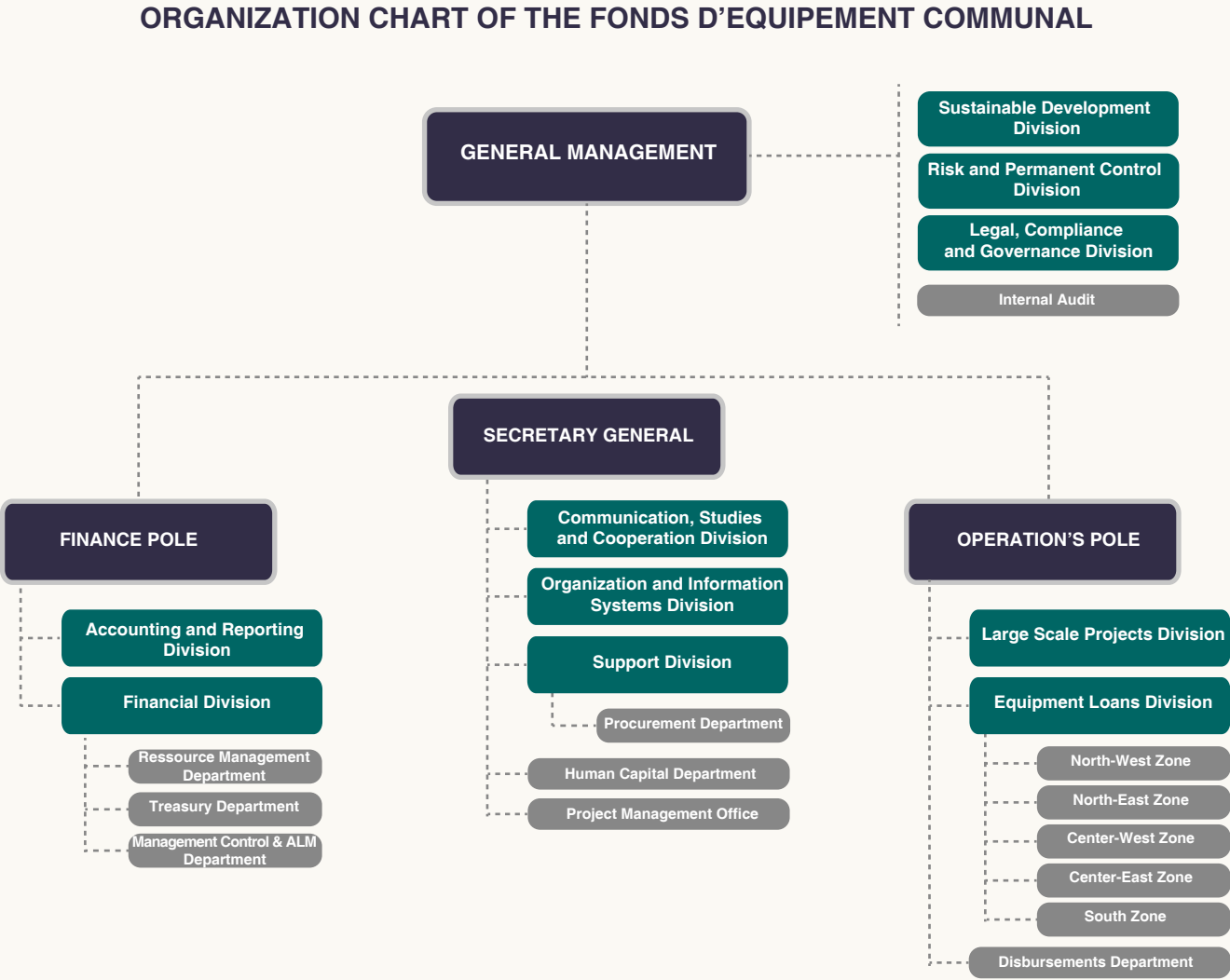
2.2.1. Human resources management policy

In recent years, the FEC has established a modern organization adapted to the specificities of the Bank's activities, centered on a General Management and functional entities promoting a client-oriented organization that values the coherent interaction between its different structures and the synergies among them.

The strategic HR vision has led to a progressive grouping of the Bank's business activities around "Pools of Expertise," particularly regarding loan activities, finance, and sustainable development. Thus, the year 2023 was marked by the following developments:

- 1. The merger of the Sustainable Development Division and the Technical Assistance Division, aiming to improve the support, coordination, and management of new support offers and capacity building for Territorial Communities in the context of financing innovative projects, as defined in the Bank's strategic vision ;
- 2. The creation of the Finance Pole by integrating the Financial Division and the Accounting and Reporting Division. This Pole carries out the Bank's strategic actions aimed at the sustainability and diversification of its resources through national and international financing partnerships as well as the development of syndication operations with leading financial institutions, particularly for the financing of strategic territorial development projects ;
- 3. The recruitment of a Chief Project Management Office (PMO), in charge of the strategic management and operational execution of the Bank's key projects.

The organization chart of the Fonds d'Equipeement Communal is as follows :



Recruitment

Recruitment is governed by a recruitment system approved by the FEC's Board of Directors on October 30, 2013.

During the year 2023, the Bank conducted two recruitments through internal and external calls for applications:

1. Recruitment of the Director of the Finance Pole, continuing the approach based on the grouping of complementary activities around "Pools of Expertise";
2. Recruitment of a Chief Project Management Office (PMO), mainly in charge of the strategic management and operational execution of key projects, particularly those related to the Institution's digital transformation.

Compensation

The compensation of the Bank's employees is based on a dual system placing employment at the heart of the compensation, by adopting a weighing and classification of jobs according to the missions and responsibilities assigned.

Moreover, the compensation policy for the FEC's employees is governed by the provisions of Title III of the internal staff regulations, and the implementation decisions are taken by the Governor, General Manager.

Career Management

The FEC's Career Management is based on the principle of evaluating employees on the basis of the gaps between required and acquired skills. This assessment and evaluation system allows employees to access both horizontal and vertical mobility, targeted training, as well as an annual bonus proportional to performance.

Training

Employee training is an important lever for developing and enriching skills within the Institution. In this context, the year 2023 was marked by the organization of thematic seminars and internal training sessions for the benefit of the Bank's employees, in particular:

1. Training sessions for the Bank's executives and managers in terms of the identification, structuring, and financing of climate co-benefit projects ;
2. Training and awareness sessions for the benefit of all the Bank's employees in terms of Information Systems security.

Additionally, in 2023, six Bank's employees participated in the 10th edition of the " Financial Strategy of Local Communities" training program organized jointly by the Agence Française de Développement (AFD) and the World Bank in the city of Marseille.

Budget commitments related to training for the period 2021-2023 benefited 26 employees, representing nearly 30% of the Bank's total workforce in 2023.

The training budget for the period 2021-2023 is as follows :

In KDH	2021	2022	2023
Training budget	250	250	250
Training Budget / Staff Costs Ratio	0.5%	0.5%	0.5%
Achievement rate	12.5%	37.5%	59.5%

Gender Equality

The provisions of the FEC's Internal Regulations, as well as the decisions derived from them, are based on the principles of gender neutrality and non-discrimination. In this regard, the Bank is committed to ensuring gender equality, in particular through the implementation of concrete actions in all areas of human resources management, including recruitment, remuneration, vertical mobility of which only the criteria of training, experience, and merit are considered, access to various categories of loans and social donations, etc.

2.2.2. Workforce over the last three fiscal years

Breakdown by type of employment contract

The breakdown and evolution of the FEC's workforce over the last three years, by type of employment contract, are as follows :

Breakdown of the workforce by type of contract	2021	2022	2023
OPEN-ENDED CONTRACT	83	84	81
FIXED-TERM CONTRACT	-	-	-
Statutory	8	7	6
Total	91	91	87

Overall breakdown by gender

The distribution and evolution of the FEC's workforce over the last three years, by gender, is as follows :

	2021		2022		2023	
Gender	Women	Men	Women	Men	Women	Men
Workforce breakdown	41	50	42	49	39	48
Total	91		91		87	

Overall distribution by gender and by management ratio

The management ratio of the Bank's workforce (High school degree + Bachelor degree and above) over the period 2021-2023, broken down by gender, is as follows :

Category	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
≥ High school degree + Bachelor degree and above	28	42	29	41	27	40
< High school degree + Bachelor degree	13	8	13	8	12	8
Workforce by gender	41	50	42	49	39	48
Overall workforce	91		91		87	
Management ratio	77%		77%		77%	

The management ratio exceeded 77% in 2023. Depending on gender, this rate is proportional to the total workforce and has remained stable during the period 2021-2023.

Overall breakdown by gender and by category

The breakdown and evolution of the FEC's workforce by gender and by category are as follow :

Category	2021		2022		2023	
	Women	Men	Women	Men	Women	Men
General Management	-	1	-	1	-	2
Directors	2	8	2	8	2	6
Managers	6	5	7	6	6	6
Managerial staff	31	30	31	29	29	30
Employees	2	6	2	5	2	4
Workforce by gender :	41	50	42	49	39	48
Total	91		91		87	

Breakdown by seniority

The breakdown and evolution of the FEC's workforce by seniority is as follows :

Seniority	2021	2022	2023
Range ≥ to 20 years	33	35	33
10 years < range < to 20 years	43	45	42
5 ans < range < to 10 years	9	4	7
Range < to 5 years	6	7	5
Total	91	91	87

2.2.3. Employee profit-sharing and incentive scheme over the last three fiscal years

To date, there is no profit-sharing plan or participation of the staff in the FEC's capital, given its status of a public institution owned 100% by the State.

2.2.4. Human resources indicators over the last three fiscal years

Number of staff representatives

The staff representatives during the period under review are as follows :

	2021*	2022	2023
Employee representatives	-	-	-

(*) : The staff elections were carried out in accordance with the decree of the Minister of Economy and Finance n°1010.21 of 06/04/2021. At the end of these elections, no list was presented.

Number of strike days per fiscal year

The FEC has not recorded any strike days in the last three years.

Number of work accidents per fiscal year

The FEC has not recorded any work-related accidents in the last three years.

Number of layoffs per fiscal year and per category

During the fiscal years under review, no layoffs were recorded in the FEC.

Number of resignations by fiscal year and by category

The number of resignations of the FEC's staff over the past three fiscal years is as follows :

Number of resignations	2021	2022	2023
General Management	-	-	-
Directors	1	-	-
Managers	-	-	1
Managerial staff	-	1	1
Employees	-	-	-
Total resignations	1	1	2

In addition, the number of departures (retirement, temporary leave of absence, etc.) of the FEC's staff over the last three fiscal years is as follows:

Number of departures	2021	2022	2023
General Management	-	-	-
Directors	1	1	1
Managers	1	-	1
Managerial staff	-	-	1
Employees	-	1	-
Total departures	2	2	3

Number of recruitments by fiscal year and by category

The number of the FEC's staff recruitments over the past 3 fiscal years, by category, is as follows :

Number of recruitments	2021	2022	2023
General Management	-	-	-
Directors	1	-	-
Managers	-	2	1
Managerial staff	-	1	-
Employees	-	-	-
Total of recruitments	1	3	1

Taking into account the different elements presented above, the turnover within the FEC has evolved during the period under review as follows :

	2021	2022	2023
Recruitments	1	3	1
Departures	2	2	3
Resignations	1	1	2
Workforce	91	91	87
Turnover rates* (in %)	2.2%	3.3%	3.4%

(*) : Turnover = (Recruitments + Departures + Resignations) / 2 / Workforce

The turnover rates recorded at the Bank level ranged from 2.2% to 3.4% over the past three years.

Number and nature of social disputes by financial year

No social dispute (collective or individual) was recorded over the 2021-2023 period.

2.3. Governance

2.3.1. Composition of the governance body

The FEC's Board of Directors (BD)

In accordance with the provisions of Article 4 of Law n° 31-90 on the reorganization of the FEC, promulgated by Dahir n° 1-92-5 of August 5, 1992, as amended and supplemented, and the provisions of Article 3 of Decree n° 2-90-351 of December 14, 1992, issued to implement the aforementioned Law n° 31-90, the FEC is administered by a Board chaired by the Head of Government or by the Governmental Authority delegated by him for this purpose. In this case, the Minister of the Interior who, according to article 2 of the aforementioned decree, ensures the supervision of the FEC, subject to the powers and responsibilities vested in the Minister of the Economy and Finance by the laws and regulations on public institutions.

In accordance with Article 5 of Law No. 82-20 establishing the National Agency for Strategic Management of State Holdings and Monitoring the Performance of Public Institutions and Enterprises (ANGSPE), the FEC's Board of Directors, at its meeting on May 31, 2023, acknowledged the designation of the ANGSPE representative as a member of the Board.

The FEC's Board of Directors is composed of 9 members representing the Administration and 8 members representing the local elected officials. In addition to its Chairman, it includes the following non-executive members¹ :

- Two representatives of the Ministry of Interior;
- Two representatives of the Ministry of the Economy and Finance;
- A representative of the National Agency for Strategic Management of State Holdings and Monitoring the Performance of Public Institutions and Enterprises (ANGSPE);
- One representative of the Ministry of Health and Social Protection;
- One representative of the Ministry of Equipment and Water;
- One representative of the Ministry of Energy Transition and Sustainable Development;
- The General Manager of the Caisse de Dépôt et de Gestion or his representative;
- Eight communal councilors designated by decision of the Minister of the Interior, in accordance with the provisions of Article 4 of the aforementioned Law n°31-90.

It emerges that in accordance with the provisions of Article 4 of Law n° 31-90 on the reorganization of the FEC, as amended and completed, and those of Article 3 of its implementing decree :

- The members of the FEC's Board of Directors, representing the Administration, are appointed by regulation;
- The members of the Board of Directors representing the local elected officials are appointed by decision of the Minister of the Interior.

As of December 31, 2023, the FEC's Board of Directors is composed as follows :

(1) : The Governor of Bank Al-Maghrib is no longer a member of the Board of Directors, which had taken note of BAM's withdrawal from the FEC's Board of Directors during its May 30, 2006 meeting.

Composition of the FEC's Board of Directors (BD) as of December 31, 2023 ¹

Composition of the FEC's Board of Directors (BD) as of December 31, 2023 ¹									
Last names and first names	Age	Man / Woman	Nationality	Date of first appointment	Term expiry year of the mandate	Number of directorships in other companies		Meeting attendance rate	FEC Committee Membership
						Total number of mandates	of which in publicly traded companies		
President									
M. Abdelouafi LAFTIT, Minister of the Interior	56 years	Man	Moroccan	--	--	--	--	1/2*	--
Executive Directors									
--	--	--	--	--	--	--	--	--	--
Non-executive directors ²									
Directors of the FEC representing the administration									
Two (2) representatives of the Ministry of the Interior (Members not designated intuitu personae)									
--	--	--	--	--	--	--	--	--	--
Mr. Khalid EL HATTAB ³	46 years	Man	Moroccan	March 14, 2023	--	23	5	2/2	Chairman of the FEC's Audit and Risks Committee
Mr. Hamid TAWFIKI	59 years	Man	Moroccan	March 31, 2023	--	10	4	2/2	--
Mrs. Saadia LAAROUSHI	50 years	Women	Moroccan	November 09, 2015	--	--	--	2/2	Member of the FEC Credit Committee
Mr. Mohammed EL IDRISI ⁵	49 years	Man	Moroccan	January 03, 2022	--	1	1	1/2	Member of the FEC Audit and Risks Committee
Mr. Abdelouahab BELMADANI ⁶	44 years	Man	Moroccan	October 29, 2018	--	--	--	1/2	--
Mr. Mohamed OUHMED ⁷	54 years	Man	Moroccan	April 12, 2021	--	--	--	1/2	--
Mr. Abdellatif FAZOUANE	55 years	Man	Moroccan	December 06, 2021	--	1	1	2/2	--
FEC administrators representing local elected officials									
Mrs. Mina BOUHDOUD	59 years	Women	Moroccan	May 03, 2017	--	--	--	2/2	--
Mr. Mohammed CHAOUKI	50 years	Man	Moroccan	May 03, 2017	--	--	--	2/2	--
Mr. Badr EL MOUSSAOUI	42 years	Man	Moroccan	May 03, 2017	--	--	--	2/2	--
Five (5) members representing elected officials are being appointed following the September 2021 elections (Termination of office)									
--	--	--	--	--	--	--	--	--	--
Independent Administrators ⁴									
--	--	--	--	--	--	--	--	--	--

* The administrators present or represented unanimously designated Mr. Wail, Secretary General of the Ministry of the Interior, President of the meeting of October 31, 2023.

1- The composition of the FEC's Board of Directors is determined according to the provisions of Article 3 of Decree No. 2-90-351 of December 14, 1992, taken for the application of Law No. 31-90 on the reorganization of the FEC.

2- The members of the FEC's Board of Directors are appointed, as the case may be, by regulation (eight representatives of the administration) and by decision of the Minister of the Interior for the communal councilors (article 4 of the abovementioned law No. 31-90 and article 3 of its implementation decree).

3- In accordance with article 5 of law n°82-20 establishing the National Agency for the Strategic Management of State Holdings and monitoring the performance of Public Institutions and Enterprises (ANGSPE), the FEC's Board of Directors' meeting on May 31, 2023, took note of the designation of the ANGSPÉ representative as a member of the said Board.

4- The provisions of the Circular No. 5W/16 of the Wall of Bank Al-Maghrib dated June 10, 2016 setting the conditions and procedures for appointing independent administrators within the administrative body of credit institutions could only be taken into account in the context of the envisaged institutional reform of the FEC.

5- During the meeting of the FEC's Board of Directors on May 31, 2023, Mr. Mohammed EL IDRISI, representative of the Ministry of Economy and Finance, Treasury and External Finance Department, was represented by Mrs. Saloua QUASSIF.

6- During the meeting of the FEC Board of Directors on May 31, 2023, Mr. Abdelouahab BELMADANI, representative of the Ministry of Health and Social Protection, was represented by Mr. Abdellah AL MARNISSI.

7- During the meeting of the FEC's Board of Directors on October 31, 2023, Mr. Mohamed OUHMED, representing the Ministry of Energy Transition and Sustainable Development, was represented by Mrs. Aicha LAABDAOUI.

Brief information on the qualifications and professional experience of the FEC's administrators

I. Chairman of the FEC's Board of Directors²

Mr. Abdelouafi LAFTIT, was reappointed Minister of the Interior by HM King Mohammed VI, may God assist him, on October 7, 2021.

Mr. LAFTIT was born on September 29, 1967 in Tafraout. A graduate of the Ecole Polytechnique de Paris in 1989 and the Ecole Nationale des Ponts et Chaussées in 1991, he began his professional career in the financial sector in France before joining the Office d'Exploitation des Ports (ODEP) where between 1992 and 2002, he successively held the position of director of ports in Agadir, Safi and Tangier, before being appointed, in May 2002, director of the Regional Investment Center of Tangier-Tetouan.

On September 13, 2003, Mr. LAFTIT was appointed by HM King Mohammed VI, may God assist him, Governor of the Fes-Meknes Region, before being appointed, in October 2006, Governor of the Region of Nador, position which he held until his appointment in March 2010, Chairman and CEO of the development company for the conversion of the port area of Tangier city.

On January 24, 2014, the Sovereign renewed his confidence in him by appointing him Wali of the region of Rabat-Salé-Zemmour-Zaïr, Governor of the Prefecture of Rabat.

On April 5, 2017, Mr. LAFTIT was appointed by HM King Mohammed VI as Minister of the Interior, a position he currently holds.

II. Members of the Board of Directors representing the Administration :

Mr. Khalid EL HATTAB : Administrator of the FEC representing the National Agency for the Strategic Management of State Holdings and Monitoring of the Performance of Public Institutions and Enterprises (ANGSPE)

With an MBA in Finance from Oklahoma City University (USA), Mr. Khalid EL HATTAB has twenty-three years of experience in management, strategy and development, market and corporate finance, risk management, banks and consulting, in reference organizations (Bank Al-Maghrib, Caisse de Dépôt et de Gestion, Mazars, etc.).

Mr. Khalid EL HATTAB is currently Director of the Finance and Performance Management Pole within the National Agency for the Strategic Management of State Holdings and Monitoring of the Performance of Public Institutions and Enterprises (ANGSPE) and is also administrator and Member/Chairman of the Audit & Risks/Investment Committees of several institutions and companies within the scope of the Agency and operating in the main sectors of the economy, territorial development, investment, tourism, infrastructure, banks ...

Mr. HAMID TAWFIKI: FEC's Administrator representing the Caisse de Dépôt et de Gestion (CDG)

Mr. TAWFIKI graduated from the École Polytechnique de Paris and the École Nationale Supérieure des Mines de Paris. He also holds a DEA in Mathematics from the University of Paris Dauphine.

Mr. TAWFIKI has been Deputy Managing of the CDG Group since May 2023. He was previously Administrator and Managing Director of CDG Capital since September 2010. He served as Chairman of the Casablanca Stock Exchange (2016-2020) and Chairman of Maghreb Titrisation (2010-2021).

Mr. TAWFIKI is currently a Board Member of CDG Capital, FEC, SCR, CIH, the Casablanca Stock Exchange, and Atlanta-Sanad.

Before joining the CDG Group, Mr. TAWFIKI was Chairman and Co-founder of Avenir Global Investment Advisors, an investment and asset management consulting firm specialized in sustainable development based in Switzerland.

Mr. TAWFIKI has nearly 34 years of experience in International Finance, having held several senior positions in Europe, the Middle East, and Asia. Within the Suez Group and the Crédit Agricole Group, Mr. TAWFIKI was successively: Managing Director, Global Head of Commodity Derivatives; Managing Director, in charge of Capital Market Activities in Emerging Countries; Regional Director of Investment Banking in Asia; Director of Marketing and Investments; and Head of Strategic Studies and International Organization.

(2) Source : Express biography of the Minister of the Interior, published in Le Matin newspaper of October 8, 2021 (electronic version)

Mr. TAWFIKI is a member of the Bretton Woods Committee and Co-chair of the International Development Finance Club (IDFC). He is passionate about sustainable finance and development finance.

Mrs. Saadia LAAROUSSI: Administrator of the FEC representing the Ministry of the Economy and Finance

Holder of an engineering degree in statistics from the National Institute of Statistics and Applied Economics in Rabat, Ms. Saadia LAAROUSSI joined the Ministry of the Economy and Finance in 1997 as an executive in the Division of Local Finance in the Budget Department. In 2015, Mrs. LAAROUSSI was appointed Head of Local Finance Division. Since 2019, she has held the position of Head of the Department for Monitoring Resources Allocated to Territorial Communities within the aforementioned Local Finance Division.

Mr. Mohammed El IDRISSE: Administrator of the FEC representing the Ministry of Economy and Finance

Mr. Mohammed El Idrissi is a graduate of the National School of Administration of Rabat. He began his career in 1997 at the Customs Administration where he held several positions, notably that of Inspector at the Port of Casablanca and Head of the Collection Monitoring and Support Office for Collectors.

In 2009, Mr. Mohammed El Idrissi joined the Office of the General Inspectorate of Finance. Subsequently, Mr. Mohammed El IDRISSE joined the Department of Treasury and External Finance of the Ministry of the Economy and Finance where he held the position of Head of Department in the the Financial Sector's Division, then in the Pole in charge of Relations with the Africa and Europe.

Mr. Mohammed El IDRISSE currently holds the position of Head of the Sectorial Financing and Financial Inclusion Division within the Treasury and External Finance Department of the Ministry of the Economy and Finance.

Mr. Abdellatif FAZOUANE: Administrator of the FEC representing the Ministry of Equipment and Water

Mr. Abdellatif FAZOUANE holds a degree in Bridge and Road Engineering from Paris obtained in 1992. He began his career in 1992 at the Port Operations Office as a project manager and subsequently, was appointed head of the development and construction department at the port of Casablanca.

In 1996, Mr. Abdellatif FAZOUANE joined the Ministry of Equipment, as Provincial Director of BENSLIMANE. Subsequently, he held several positions within the CDG group, notably that of Project Manager for the General Management (Subsidiary Monitoring & Bouregreg Valley development project), General Director of the Société de Développement Al kora subsequently renamed Société Dyar AL MANSOUR, General Director of Foncière Chellah, CEO of Arribat Center, Director of several subsidiaries or participations, CEO of Compagnie Générale des Parkings as well as Director of several SDLs.

In 2018, Mr. Abdellatif FAZOUANE returned to the Ministry of Equipment and Water where he will occupy several positions, namely that of Project Manager at the DATRP level, Director of Strategy, Financing and IP Cooperation.

Mr. Abdellatif FAZOUANE currently holds the position of Director of Strategy and IP Financing within the Ministry of Equipment and Water and sits on several EEP Boards of Directors under the supervision of the MEE or other organizations.

Mr. Mohamed OUHMED: Administrator of the FEC representing the Ministry of Energy Transition and Sustainable Development

Mr. OUHMED currently holds the position of Director of Renewable Energies and Energy Efficiency at the Ministry of Energy, Mines and Environment of the Kingdom of Morocco.

He holds a State Engineering degree from the Ecole Nationale Supérieure des Mines in Rabat and an International MBA from the Dauphine University of Paris.

Mr. OUHMED has held several positions of responsibility within the Ministry of Energy, Mines and the Environment, mainly as "Head of the Coordination and Legal Affairs Division", as "in Charge of Studies" to the General Secretary and as 'Head of Distribution and Oil Market Management'.

Mr. Abdelouahab BELMADANI: Administrator of the FEC representing the Ministry of Health and Social Protection

Mr. Abdelouahab BELMADANI has been Director of Planning and Financial Resources at the Ministry of Health and Social Protection in Morocco since 2018. He also holds the position of Acting Director of the Department of Equipment and Maintenance.

Prior to his current role at the Ministry of Health and Social Protection, Mr. BELMADANI held positions of responsibility in the Budget Division at the Ministry of the Economy and Finance (2010-2018) where he participated in the process preparation and implementation of the Organic Finance Law as well as several structuring projects related to public financing and cooperation with international Technical and Financial Partners.

Mr. BELMADANI actively participated in the management of the COVID-19 crisis in Morocco due to his responsibilities as the acting director in charge of investments and equipment of healthcare facilities, as well as his attributions related to financing and international cooperation at the level of the Division of Planning and Financial Resources.

As part of his capacity as coordinator of international health cooperation, Mr. BELMADANI co-chairs with the WHO the health group for the development and monitoring of the UNDAF (United Nations Development Assistance Framework) as well as the new Cooperation Framework for Sustainable Development (CFSD). He is an alternate member of the WHO Executive Board and focal point for health cooperation with the African Union.

Mr. BELMADANI holds a State Engineer degree in agro-economics from IAV Hassan II and a master's degree in Banking and Financial Markets from the François Rabelais University of Tours (France). He also has completed several certified training programs in the field of finance and leadership on the Sustainable Development Goals.

III. Members of the Board of Directors representing elected officials :**■ Mrs. Mina BOUHDOUD: Administrator of the FEC representing local elected officials**

Mrs. BOUHDOUD is elected President of the Communal Council of ELGFIFATE - Province of TAROUDANT.

■ Mr. Mohammed CHAOUKI: Administrator of the FEC representing local elected officials

Mr. CHAOUKI is elected President of the Communal Council of FOUM JEMAA - Province of AZILAL.

■ Mr. Badr EL MOUSSAOUI: Administrator of the FEC representing local elected officials

Mr. EL MOUSSAOUI is elected President of the Communal Council of EL MARSA - Province of LAAYOUNE.

Furthermore, and in accordance with the provisions of Article 10 of the aforementioned Law No. 31-90, the state's financial control of the institution is ensured by a Government Commissioner in charge of ensuring the conformity of the FEC's decisions with the provisions of Law No. 31-90 relating to the reorganization of the FEC and the State's general policy in financial matters. Its assent is required by the Board for :

- Approval of the general program of loans;
- Approval of the Fund's operating and investment budget;
- Allocation of profits;
- The status and remuneration of Employees.

It is important to specify that the mission and the operating modalities of the FEC's Board of Directors (composition, convocation of members, quorum, deliberations, etc.) are governed by the provisions of the aforementioned law n° 31-90 and by its implementing decree, considering the status of the FEC, which is a public institution endowed with legal personality and financial autonomy, subject to the provisions of the Law No. 103-12 related to credit institutions and similar organizations, as amended and completed.

Finally, in application of the provisions of article 5 of the aforementioned decree n° 2-90-351, the FEC Board of Directors meets at least twice a year :

- Before May 31st to close the accounts for the past financial year;
- Before October 31st to examine and approve the FEC's budget and the forecasted program for the following year.

Prior to the holding of each meeting of the Board of Directors, the FEC's General Management sends to the Chairman of the Board of Directors a file containing the following elements :

- The agenda of the meeting;
- The minutes of the previous meeting;
- The draft resolutions to be approved at the next meeting;
- The management report to be presented at the Board meeting and, if applicable, the documents or reports on the basis of which the administrators will be able to participate in the discussions and take the necessary decisions;
- A matrix highlighting the implementation of directors' recommendations from previous meetings, if any.

This file is also sent to all the administrators, the Government Commissioner and the Statutory Auditors, prior to each Board meeting.

Aware of the importance of promoting gender equality within the Bank and encouraging the representation of both genders in its organization³, the FEC is in the process of finalizing its gender policy, in accordance with Bank Al-Maghrib's recommendation No. 1/W/2022 of May 19, 2022 related to the consideration of the gender dimension in credit institutions in force. This policy will thus make it possible to promote the strengthening of equality between men and women (recruitment policy, career management, remuneration, training, etc.) and to ensure a balance between men and women within its various bodies. of governance.

This policy will also consolidate the statements of the Environmental and Social (E&S) policy of the FEC, mainly in terms of respect for gender equality and will be based on the axes of the CER strategy of the FEC, in particular area 2 " Social" (*see point 1.1 related to the FEC's Corporate and Environmental Responsibility (CER) Profile and Strategy*).

(3) : The Bank's commitments to ensure gender equality are detailed in point 2.2 related to social information of this ESG Report.

Specialized Committees

Committees of the Board of Directors

Audit and Risks Committee

The FEC's status as a bank has enabled it to align itself with the strictest governance practices. Thus, in accordance with banking regulations, the FEC has had an Audit Committee since 2003 in charge of assisting the Board of Directors in assessing the coherence and adequacy of the internal control system.

In accordance with the provisions of the Circular of the Wali of Bank Al-Maghrib No. 4/W/2014 related to the internal control of credit institutions dated October 30, 2014, the Board of Directors of the FEC approved during its meeting held on May 26, 2015, the proposal to set up an Audit and Risks Committee considering the size of the Institution, and set its composition.

Composition of the Audit and Risks Committee

The General Manager of the National Agency for the Strategic Management of State Holdings and Monitoring of the Performance of Public Institutions and Enterprises (ANGSPE) or his representative	Chairman
The Wali, Inspector General of the Territorial Administration (Ministry of the Interior) or his representative	Permanent member
The Director of the Treasury and External Finance (Ministry of the Economy and Finance) or his representative	Permanent member

The FEC's Audit and Risks Committee is governed by a charter that specifies its missions, composition, scope of intervention and operating rules. This charter was approved by the Board of Directors at its May 27, 2016 meeting.

The work of the Audit and Risks Committee has the dual objective of assisting the Board of Directors in assessing the quality and consistency of the FEC's internal control system and supporting it in terms of strategy and risk management.

The Audit and Risks Committee's responsibilities include:

1. In terms of financial and accounting information :

- verify the reliability and accuracy of financial information intended for the Board of Directors and third parties, and to assess the relevance of the accounting methods adopted for the preparation of the accounts.

2. In terms of internal control :

- Assess the quality of the internal control system;
- Assess the relevance of the corrective measures taken or proposed to remedy the deficiencies or inadequacies identified in the internal control system;
- Recommend the appointment of Statutory Auditors (SAs);
- Define the minimum risk areas that the internal auditors and SAs must cover;
- Approve the audit charter and the audit plan and assess the human and material resources allocated to the internal audit function;
- Review the activity reports and recommendations of the internal audit, permanent control and compliance functions, the SAs and the supervisory authorities, as well as the corrective measures taken.

3. On strategy and risk management :

- Advise the Board of Directors on risk strategy and risk aversion;
- Ensure that the level of risks incurred is contained within the limits set by the management body according to the degree of risk aversion defined by the Board of Directors;
- Evaluate the quality of the FEC's risk measurement, control and monitoring system;
- Ensure the adequacy of the IS with respect to the risks incurred;
- Evaluate the human and material resources allocated to the FEC's risk management and permanent control function and ensure its independence.

The scope of intervention of the Audit and Risks Committee extends to all FEC's entities. It intervenes in all administrative, accounting and financial, functional or operational areas or processes.

The Audit and Risks Committee meets at the invitation of its Chairman at least once every six months and as often as necessary. It reports on its work to the Board of Directors.

Nomination and Compensation Committee

In accordance with the provisions of the Circular No. 4/W/2014 of the Wali of Bank Al-Maghrib related to the internal control of credit institutions dated October 30, 2014 and those of the Directive of the Wali of Bank Al-Maghrib No.1/W/2014 related to governance within credit institutions dated October 30, 2014, the FEC's Board of Directors instituted, during its meeting held on May 29, 2019, a Nomination and Compensation Committee (NCC) and approved its charter, which defines its missions, its composition and its operating methods.

This Committee is composed of 3 non-executive members, currently being appointed. It may also call on any expert or person whose contribution is deemed useful, with regard to the items on the agenda of its meetings.

This Committee's missions are in particular to:

- Advise on the recruitment and appointment process of the FEC's executives;
- Give an opinion on the FEC's compensation policy.

The Nomination and Compensation Committee meets when convened by its Chairman, at least once a year, and as often as required.

Committee established by the FEC's Law Credit Committee

In accordance with the provisions of Article 7 of the above-mentioned Law No. 31-90, a Credit Committee is set up within the FEC, in charge of examining and granting loans and advances under the conditions set by the Board of Directors.

Composition of the Credit Committee (see Article 6 of the above-mentioned Decree No. 2-90-351)

The Governor, General Manager of the FEC	Chairman
Two representatives appointed by the Minister of the Interior	Permanent member
Two representatives appointed by the Minister of the Economy and Finance	Permanent member
One representative appointed by the General Manager of the Caisse de Dépôt et de Gestion	Permanent member

The Credit Committee may appoint, in an advisory capacity, representatives of any ministry or organization whose opinion it deems necessary.

In accordance with the provisions of Article 7 of the aforementioned Decree No. 2-90-351, this committee meets convened by its Chairman as often as required and at least once a month. When circumstances so require, the Credit Committee may meet at the written request of one of its members.

Committees emanating from the General Management

Internal Risks Committee

Since 2009, the FEC has had an internal risks committee whose missions and operating procedures were reviewed in 2019. In accordance with the Governor, Director General's decision No. 32 of April 03, 2019, the Internal Risks Committee's missions include:

1. In terms of credit risk management :
 - Ensure the consistency of the FEC's activities with its strategic orientations and its risk aversion level;
 - Examine the application of general risk aversion levels to internal limits and ensure that these limits are respected;
 - Ensure the effectiveness of the system for measuring, controlling and monitoring credit concentration risk;
 - Review and monitor the evolution of past due and vulnerable loans and decide on the measures to be taken;
 - Regularly review the adequacy of stress tests, assess the results, and initiate risk mitigation actions when stress tests reveal vulnerabilities.
2. In terms of operational risk management :
 - Ensure the deployment of the operational risk management system in the various entities of the Bank;
 - Perform a periodic review of changes in operational risk exposure, losses and operational incidents;
 - Examine and validate changes in the mapping of operational risks;
 - Monitor the evolution of the cost of operational risk when operational losses are reported;
 - Ensure the effectiveness of the incident collection and reporting system;
 - Ensure the follow-up of the formalization of controls and risk management at the level of the various FEC's entities;
 - Examine and evaluate the Bank's business continuity system;
 - Validate the reports on operational risk management to be submitted to the ARC and/or the Board of Directors.

3. In terms of risk management related to outsourced activities :

- Ensure the monitoring of risks related to outsourced activities.

4. In terms of strengthening the internal control system :

- Ensure the adequacy and effectiveness of the internal control system;
- Carrying out effective and regular monitoring of measures to improve the internal control system and strengthen the internal control culture in the Bank's various entities;
- Ensuring the compliance of internal procedures with the legal and regulatory requirements in force as well as with professional and ethical standards and practices;
- Dealing with any issue related to the improvement of the internal control system;
- Examine and validate the internal control manual;
- Examining the annual report on internal control to be transmitted to Bank Al-Maghrib;
- Monitor the implementation of all action plans in order to remedy the dysfunctions identified by the internal and external control bodies.

5. In terms of compliance with regulatory and prudential requirements :

The Internal Risks Committee ensures that the risk management systems and models in place comply with the requirements of prudential regulations. It also ensures compliance with prudential standards applicable to the FEC.

In this context, the Internal Risks Committee ensures compliance with:

- Solvency rules;
- The system for limiting the concentration of credit risk with respect to a single counterparty.

6. Governance, supervision and external control of the FEC :

The Internal Risks Committee ensures the implementation of the recommendations within its scope of responsibility, which are made by the Board of Directors, the Audit and Risks Committee and the external supervisory and control bodies.

The Internal Risks Committee is governed by a charter that defines its missions, composition and operating procedures.

Composition of the Internal Risks Committee

The Governor, General Manager or the person delegated by him for this purpose	Chairman
The Secretary General	Permanent member
The Director of the Operations Pole	Permanent member
The Director of the Financial Pole	Permanent member
The Deputy Director in charge of the Risks and Permanent Control Division	Permanent member
The Deputy Director in charge of the Accounting and Reporting Division	Permanent member
The Compliance and Governance Manager	Permanent member

The Internal Risks Committee meets when convened by its Chairman at least once a quarter and as often as required.

Asset/liability management committee (ALCO)

Since 2017, the FEC has had an ALM-Treasury Committee whose name, mission, composition and operating procedures were reviewed in 2019. As part of the implementation of the action plan in compliance of the FEC with the provisions of the Directive of the Wali of Bank Al-Maghrib n°2/W/2021 related to the management of the interest rate risk inherent in the banking portfolio of March 04, 2021, the composition of this Committee has been reviewed in 2021, pursuant to the decision of the Governor, General Manager No. 2367 of September 15, 2021.

In accordance with the decision of the Governor, General Manager of the FEC No.25 of February 22, 2019, as modified by the aforementioned decision No. 2367, the ALCO Committee has the following attributions :

- Develop and implement the Bank's Asset-Liability Management policy, in its various components (refinancing, investment, transformation, hedging, return on equity...), in accordance with the strategic orientations of the Board of Directors and the legislative and regulatory provisions;
- Evaluate the pricing policy applied to customers;
- Define the limits necessary to manage interest rate and liquidity risks;
- Monitor the Bank's balance sheet;
- Evaluate the impact of the launch of new products or any new activity involving interest rate or liquidity risk on the Bank's financial position;
- Monitor the Bank's risk profile (liquidity, interest rate and foreign exchange risk) in light of the internal and regulatory limits set by the Bank;
- Validate the agreements and methods of interest rate flow.

Composition of the ALCO Committee

The Governor, General Manager or the person delegated by him for this purpose	Chairman
The Secretary General	Permanent member
The Director of Operations Pole	Permanent member
The Director of the Financial Pole	Permanent member
The Deputy Director in charge of the Risks and Permanent Control Division	Permanent member
The Deputy Director in charge of the Accounting and Reporting Division	Permanent member
The Head of the Management Control and ALM Department	Permanent member
The Compliance and Governance Manager	Permanent member

The ALCO Committee is governed by a charter that defines its missions, composition and operating procedures.

The ALCO Committee meets, when convened by its Chairman, at least once a quarter and as often as required.

Organization and Information System Committee (OISC)

Since April 2019, the FEC has had a OISC in charge of steering the FEC's strategy regarding the organization, development and governance of the Bank's information system.

In accordance with the decision of the Governor, General Manager No. 4300 of December 15, 2023, OISC's missions include :

- Ensuring the alignment of the IT strategy with the one of the Bank;
- Monitoring the implementation of the IS project portfolio and security;
- Providing an opinion on the various components of IS governance;
- Providing an opinion on the budgets allocated to the organization and IS projects;
- Ensuring the implementation of action plans designed in response to IS-related issues.

Composition of the Organization and Information System Committee

The Governor, General Manager or the person he has delegated for this purpose	Chairman
The Secretary General	Permanent member
The Director of Operations Pole	Permanent member
The Director of the Financial Pole	Permanent member
The Deputy Director in charge of the Organization and Information System Division	Permanent member
The Deputy Director in charge of the Support Division	Permanent member
The Deputy Director in charge of the Risks and Permanent Control Division	Permanent member
The Compliance and Governance Manager	Permanent member
The Chief, Project Management Office	Permanent member
The Organization and Information Security Manager	Permanent member

The Committee may call upon any expert or person whose contribution is deemed useful in relation to the items on the agenda of its meetings.

The OISC is governed by a charter that defines its missions, composition and operating procedures.

The OISC meets in person or remotely, convened by its Chairman at least once a semester and as often as required.

Information System Security Committee (ISSC)

Since December 2023, the FEC has had an Information System Security Committee (ISSC) in charge of managing the FEC's strategy in terms of security of the Bank's information system.

According to the decision of the Governor, General Manager No. 4301 dated December 15, 2023, the ISSC's missions include:

- Monitoring the implementation of the IS security policy and ensuring its compliance by the FEC's employees and third parties;
- Managing the overall action plans in the IS security field, including validation, commitment of associated resources, and verification of the proper execution of these action plans;
- Monitoring the progress of the IS security risk treatment plan and ensuring regular review of the security risk map;
- Monitoring structural projects in the IS security field;

- Reviewing IS security indicators and ensuring the follow-up of actions to improve them;
- Addressing issues related to major IS security incidents;
- Approving the allocation of resources necessary for the implementation of information system security actions;
- Prioritizing the bank's IS security needs.

Composition of the Information System Security Committee

The Secretary General or the person he has delegated for this purpose	Chairman
The Deputy Director in charge of the Organization and Information System Division	Permanent member
The Deputy Director in charge of the Risks and Permanent Control Division	Permanent member
The Chief, Project Management Office	Permanent member
The Organization and Information Security Manager	Permanent member
The Technological Infrastructure Manager (Operational Security)	Permanent member

The Committee may call upon any expert or individual whose contribution is deemed useful, depending on the items on the agenda of its meetings.

The ISSC is governed by a charter that defines its missions, composition and operating methods.

The ISSC meets in person or remotely, upon the President's convocation, at least once per semester and as often as necessary.

The Ethics Committee (EC)

On July 17, 2023, the FEC established an Ethics Committee (EC), which became operational on March 1, 2024. This committee is specifically in charge of the following missions :

- Providing opinions on any ethical matters listed on its agenda and making recommendations in this regard;
- Implementing actions to promote the development of an ethical culture within the Bank;
- Updating the Code of Ethics and Professional Conduct;
- Conducting or commissioning the Internal Audit Function and/or an internal or external third party to undertake the necessary investigations to assess the validity of matters subject to an ethics alert, according to the conditions set out in the "Ethics Alert" procedure;
- Periodically evaluate the ethics alert system to ensure its effectiveness and efficiency.

Chaired by the Governor, General Manager of the FEC, or his representative designated among non-operational employees, the Ethics Committee (EC) is composed of the following members:

Composition of the Ethics Committee

The Governor, General Manager or the person he has delegated for this purpose	Chairman
The Secretary General	Permanent member
The Compliance and Governance Manager	Permanent member
The Internal Audit Function Manager	Permanent member

The EC is governed by a charter, which defines its missions, composition and operating procedures.

The EC meets in person or remotely, upon the President's convocation, at least once per semester and as often as necessary.

Compensation of Administrators

The FEC's Administrators representing the Administration and local elected officials do not receive any compensation or attendance fees, in accordance with circular No. 12-99 of May 10, 1999 related to the indemnities allocated to the members of the Boards of Directors of public institutions.

Compensation of Executives

The compensation of the General Management is fixed by decision of the Minister of the Interior and the Minister of the Economy and Finance.

Relationship with shareholders

Being 100% state-owned, the FEC has no other shareholders.

2.3.2. Ethics, deontology and prevention of corruption

Prevention of corruption

Since 2008, the FEC has had a code of ethics that sets out the principles and rules of good conduct, with which all the FEC's employees must identify and adhere in the performance of their duties.

These principles and rules aim in particular to affirm the Bank's commitment to preventing the risks associated with corruption. Indeed, the FEC's code of ethics establishes specific rules of good conduct to be respected in terms of accepting gifts, invitations, financial benefits or other forms of advantages.

Furthermore, the FEC's Code of Ethics was strengthened in 2015 by the introduction of new provisions aimed at further strengthening the Bank's commitment to preventing all risks related to corruption. Indeed, the FEC has established the fight against corruption as one of the general principles of the Bank's code of ethics. New provisions specific to employees involved in the process of awarding and executing public contracts have also been introduced. Similarly, a model declaration related to situations of conflict of interest has been appended to the FEC's code of ethics, in order to better anticipate and avoid them.

It should be noted that, since the adoption of the Code of Ethics by all FEC's employees, and according to the observations and feedback that have been sent to the Compliance and Governance Manager, as the person in charge of ethics, no particular difficulty has been noted in the implementation of the said Code.

Furthermore, as part of strengthening its ethics and Professional Conduct system, the FEC has updated the "Code of Ethics" which is now called the "Code of Ethics and Professional Conduct." This new code marks the FEC's strong commitment to maintaining and reinforcing the highest standards of integrity, ethics, and transparency in its activities as well as its internal and external relationships.

This code has been strengthened to incorporate new legislative and regulatory requirements, particularly the provisions of BAM Directive No. 1/W/2022 related to the prevention and management of corruption risks by credit institutions, gender considerations, the establishment of an Ethics Committee, and an ethics alert system. This code is an integral part of the FEC's anti-corruption system, approved by the Board of Directors on October 31, 2023, and effective from March 1, 2024.

Additionally, the FEC has a procurement regulation that serves as the reference framework for procurement operations initiated by the Bank. These principles ensure the efficiency of purchases and the proper use of allocated resources.

In accordance with the provisions of Bank Al-Maghrib (BAM) Directive No. 1/W/2022 dated May 19, 2022, on the prevention and management of corruption risks by credit institutions, the FEC has formalized its anti-corruption system, which outlines its overall strategy for managing corruption risks.

This system aims to define the key components of the FEC's anti-corruption policy, enabling the identification, analysis, evaluation, prevention, detection, and sanctioning of any behavior likely to be qualified of corruption or a breach of integrity.

The anti-corruption policy also aims to state the main principles implemented by the FEC in its fight against corruption, reaffirm the FEC's commitment to a "zero tolerance" approach to all forms of corruption, and define the roles and responsibilities of the Bank's employees and its various stakeholders.

To this end, and in accordance with the provisions of the aforementioned BAM Directive No. 1/W/2022, particularly Article 4, the Board of Directors approved the aforementioned anti-corruption policy of the FEC at its meeting on October 31, 2023, which came into effect on March 1, 2024.

Corruption incidents

To date, the FEC has not recorded any incidents of corruption.

2.4. Information on stakeholders

2.4.1. Economic and social impacts of the FEC's activities on the population and territorial development

Aware that public investment is a crucial instrument for driving regional economic growth, the Bank has continued its efforts to increase its financial assistance to accompany the investment dynamics at the regional level and the scale change since the start of the advanced regionalization implementation.

The Bank's commitment to strengthening the greening of its activities represents a strategic challenge aimed at contributing to resilient and inclusive territorial development through the financing of local investments with high social and environmental impact. These investments reduce disparities in all its forms, improve the living conditions of local populations, and create wealth and job opportunities.

In 2023, loan commitments and disbursements to Territorial Communities reached more than 4.3 BDH and 4 BDH, respectively, showing a significant increase compared to 2022, with loan commitments up by more than 60% and loan disbursements up by more than 38%.

Additionally, loan allocations reached more than 2.4 BDH and financed 46 projects, enabling the Bank to contribute to the achievement of significant investments by Territorial Communities.

These financings have facilitated the implementation of investment projects covering several sectors of intervention, in particular road infrastructure, urban development, cultural and sports facilities, urban transport, health, education and vocational training, by improving the living conditions and quality of life of local populations.

Contributing to the reduction of social and territorial disparities :

The Bank supports TCs in their efforts to address deficits in access to basic infrastructure and services in rural areas. The financed projects mainly aim to improve the accessibility of isolated populations to the national road network, and to connect them to drinking water, sanitation, and electricity networks. These projects, which have a significant social impact, contribute greatly to improving the living and health conditions of vulnerable populations and to the socio-economic development of the Territorial Communities. The indicators presented below pertain to projects allocated for the 2023 fiscal year.

RURAL ROADS OPENING UP

Road connections

Financing of projects aimed at reducing rural road deficits and improving transport conditions and access to social services for the benefit of isolated rural populations :

A beneficiary rural
population of

486,555
inhabitants

108

Road connections

410 km

of rural
access roads

Opening
up

188

Douars

Distributed over

4

Regions

18

Prefectures and Provinces

64

Communes

27

Schools covered

Road upgrades

Financing of a structuring project to reinforce a high traffic national road, allowing to improve safety conditions for users and traffic flow between two towns.

Reinforcement and widening of

19 km

of national road

DRINKING WATER & ELECTRIFICATION

Access to the drinking water network

Financing of projects aimed at improving access to drinking water and the living and health conditions of the population in order to fight against the rural exodus :

A beneficiary
population of

22,637

inhabitants in a Province

32 km

of drinking water network

Coverage of

206

Douars

distributed over **6**
Communes

from a Province

Access to electricity network

Financing of projects aimed at improving access to electrical energy and the living conditions of the population :

Coverage of

153

households

A beneficiary population of

765

inhabitants

40 km

of electrical network

Coverage of

9

Douars from a Province

Distributed over

4

Communes

HIGHER EDUCATION

Improving Teaching Conditions

Financing a project for the redevelopment of a university campus aimed at improving traffic conditions within the campus, promoting sports, and enhancing learning conditions.

60,000

Students benefiting

from the faculties, institutes, and centers comprising the university campus

Distributed over

1

Beneficiary Commune

LOCAL SPORTS FACILITIES

Generalization of Sports Facilities

Financing of projects aimed at the construction of sport facilities (local omnisports fields, social and sports centers, swimming pools...) allowing the development of rural and peri-urban areas, and facilitating the practice of sports in the best conditions for young people as well as helping them develop and consolidate their talents.

53,868

Young beneficiaries

8

Sports facilities in rural and peri-urban areas

8

Beneficiary Communes

across

6

Provinces

in

2

Regions

Contributing to urban upgrading and requalification of under-equipped neighborhoods

URBAN UPGRADING AND REQUALIFICATION OF UNDER-EQUIPPED NEIGHBORHOODS

Contribution to the implementation of regional and urban development programs through the financing of development and urban upgrading projects as well as the requalification of under-equipped neighborhoods :

251,113

Inhabitants benefiting from improved traffic, mobility, and safety conditions

Development of 120 km of roads and pedestrian paths

4,927

Light points equipped with LED fixtures allowing for electrical energy savings

11,803 m² Of landscaped green spaces

33,200 km Of rain water drainage network

16 Beneficiary Communes in

8 Provinces
6 Regions

ENHANCEMENT OF ECOLOGICAL, CULTURAL, AND HISTORICAL HERITAGE

Financing of 2 projects to enhance ecological, cultural, and historical heritage of both national and global significance. These projects aim to raise awareness and educate, especially children and young people, about the importance of preserving this heritage, and to promote the quality of cultural and tourist offerings in 2 Communes.

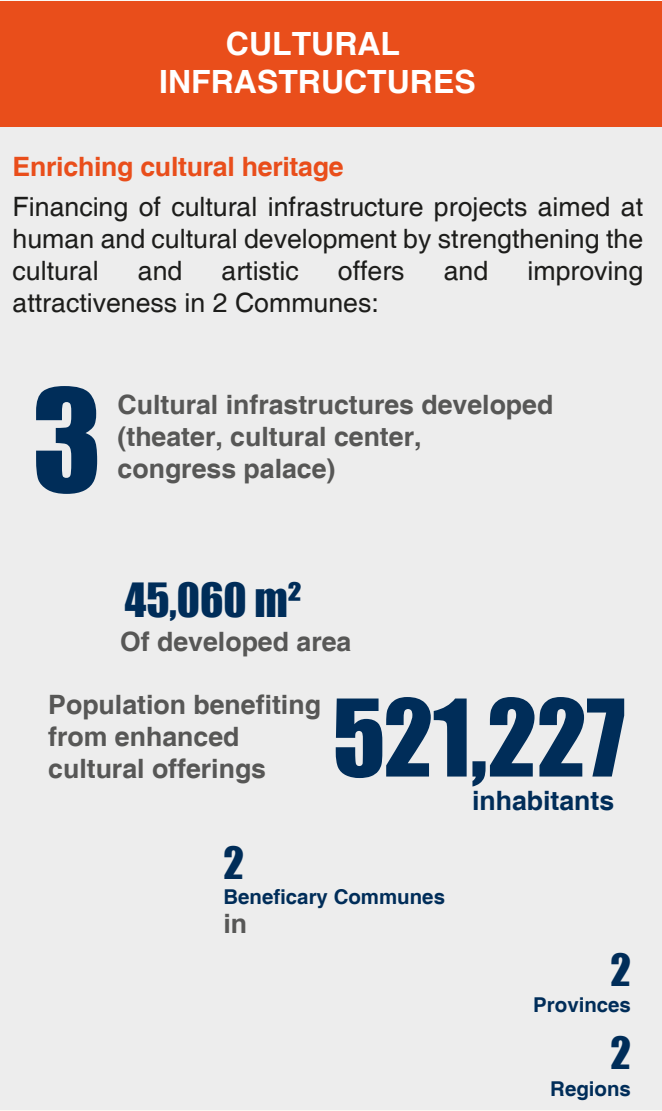
60,401 Trees and shrubs planted

A beneficiary population of 794,462 inhabitants mainly children and young people

2 Beneficiary Communes

in 2 Provinces
2 Regions

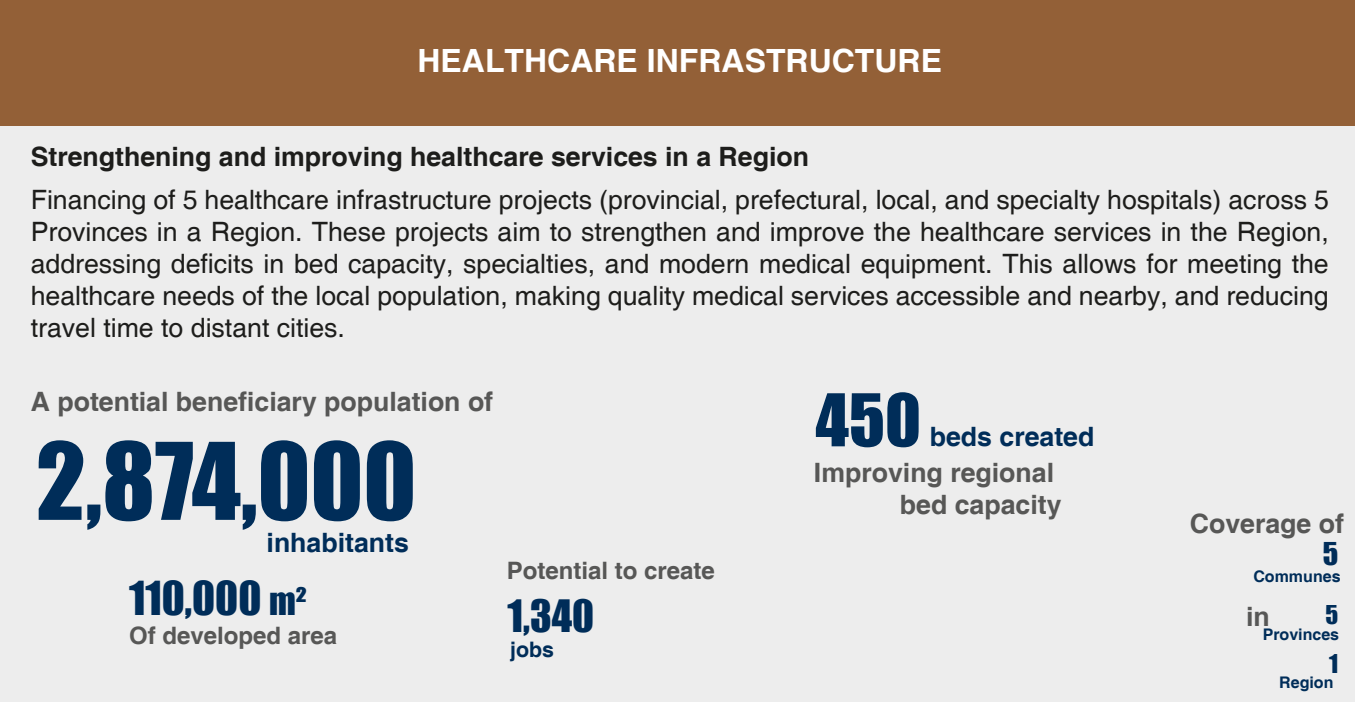
Contributing to the Development and Promotion of Cultural and Socio-Economic Activities



Contributing to the Regional Development of Economic and Industrial Activities



Contributing to the Modernization and Enhancement of Healthcare Services and Infrastructure



Contributing to the Resilience of Territories Against Climate Change Effects

REUSE OF TREATED WASTEWATER FOR IRRIGATION AND INDUSTRY

Financing a key project aimed at reusing treated wastewater for irrigation, especially for green spaces, and meeting the water needs of the industrial sector. This solution will address water stress situations caused by recurrent droughts in the region:

44,000 m³/day
Daily flow
of treated and reused wastewater
by 2025

1,000 hectares
irrigated by treated
and reused wastewater

In
1
Province
1
Region

FLOOD PROTECTION

Financing flood protection projects to enhance the adaptive capacities of territories and to protect lives and property against these climatic risks.

1,810 inhabitants
With improved protection conditions

In
3
Communes
1
Province
1
Region

Contributing to the Low-Carbon Transition of Territories

CARBON EMISSION REDUCTION AND ENERGY SAVINGS

Financing projects that incorporate energy efficiency measures, generating benefits in terms of reducing carbon emissions and saving energy, as well as economic gains by lowering the energy bills of Territorial Communities :

63,000 tCO_{2e}
Cumulative reduction
in greenhouse gas emissions

69,000 MWh
Potential cumulative
energy savings

Cumulative over the projects' life cycle

Improved living
conditions for
81,262
inhabitants

RENEWABLE ENERGY PRODUCTION

Funding a project incorporating renewable energy production solutions: energy recovery from sludge through cogeneration and the installation of photovoltaic panels. This allows for generating savings on energy bills and avoiding carbon emissions to meet in-situ electricity needs.

258,460 tCO_{2e}
Avoided cumulative emissions

358,000 MWh
Forecasted renewable
energy production

Cumulative over the projects' life cycle

2.4.2. Corrective actions implemented within activities with potential or proven negative impacts on Local Communities

The Bank applies E&S (Environmental & Social) safeguard measures to improve the E&S performance of projects it finances. Positive impacts are highlighted and valued, while negative repercussions that these projects may have on the environment, workers, and Territorial Communities are identified and properly managed with appropriate measures based on the E&S rating assigned to the project.

The E&S rating of projects submitted for the Bank's financing helps to determine the extent of the mitigation measures required to anticipate, minimize and reduce negative impacts to acceptable levels or to compensate for them when they persist, if necessary. These measures include :

- General measures provided for in the Book of General Administrative Clauses in connection with the protection of the environment, the health and safety of workers and the population and the management of construction waste, etc.;
- Specific measures that require the implementation of an E&S Management Plan based on the nature and scale of the project.

Mitigation measures required according to E&S risk category are as follow :

Project ratings according to the level of E&S risks

E&S RISK LEVEL		EXTENT OF MITIGATION MEASURES
Category A	High risk	<ul style="list-style-type: none"> - Environmental Acceptability Letter - E&S Impact Study - E&S Management Plan - GCC-T Measures* (The General Conditions of Contract)
Category B	Medium risk	<ul style="list-style-type: none"> - Environmental Acceptability Letter - E&S impact notice - E&S Management Plan - GCC-T Measures* (The General Conditions of Contract)
Category C	Low to medium risk	<ul style="list-style-type: none"> - E&S Management Plan (Restricted) - GCC-T Measures* (The General Conditions of Contract)
Category D	Low risk	<ul style="list-style-type: none"> - GCC-T Measures* (The General Conditions of Contract)
A	This category includes projects that may result in adverse environmental and/or social impacts that, at the time of the project assessment, are deemed to be significant, high and/or irreversible and difficult to control.	
B	This category includes projects presenting limited potential environmental and social risks and/or with the potential to generate few impacts, generally specific to the project site, largely reversible and which can be easily addressed through mitigation measures.	
C	This category includes projects with minimal environmental and social risks or adverse impacts, but which still require specific measures to limit the risks of environmental impacts.	
D	This category includes projects with minimal risks and whose probable impacts are easily controllable by known and applied standard measures, or projects considered to have no significant environmental and social risks.	

* : Book of General Administrative Clauses applicable to Works contracts (decree n°2-14-394 of May 13, 2016)

2.4.3. Conditions for dialogue with stakeholders

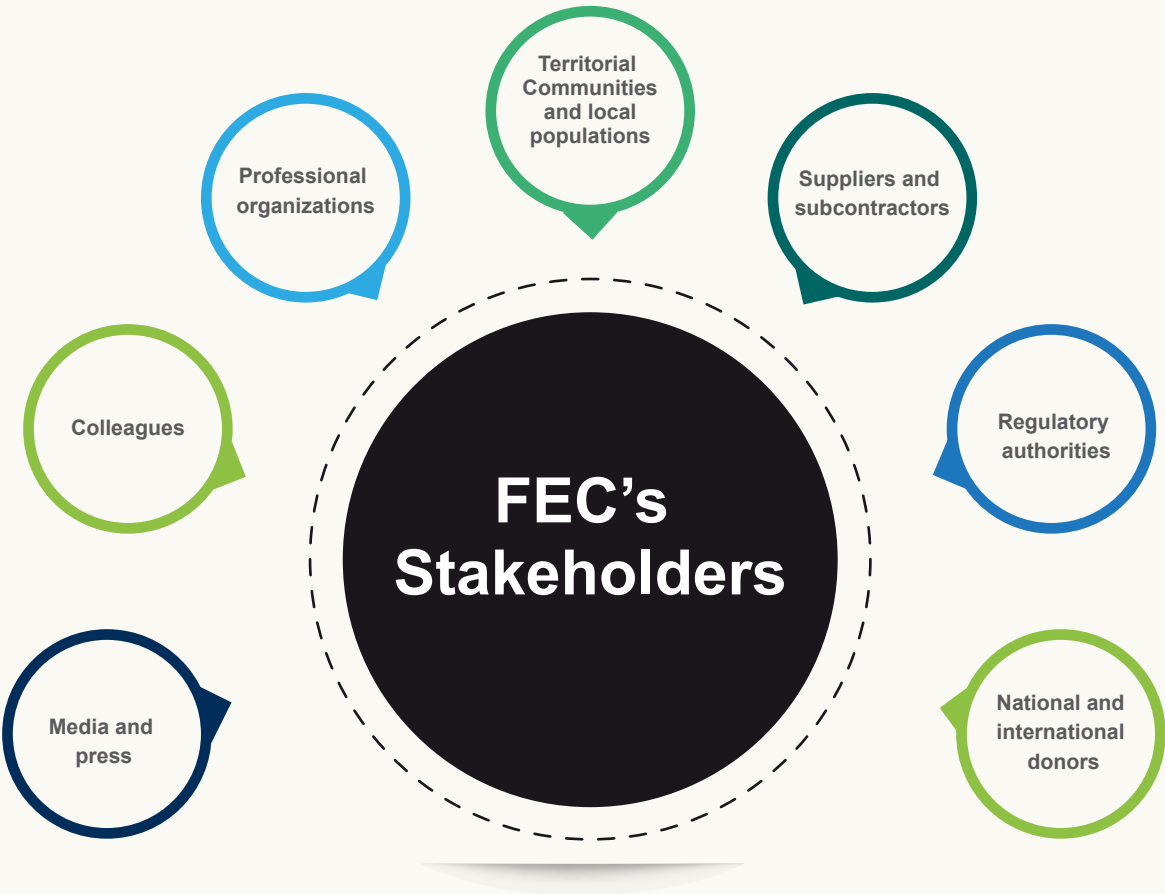
The Bank strives to maintain optimal conditions for dialogue and exchange with the main stakeholders through appropriate communication channels, on a regular or ad hoc basis, in order to respond effectively to their expectations and needs.

Through an E-services platform, the Bank provides Territorial Communities with an adequate digital service, allowing them to access information on their commitments and to monitor and process their correspondence with the Bank.

In addition, the Bank pays particular attention to the proactive involvement of TCs and its institutional partners, particularly when developing new offers dedicated to TCs with the aim of providing appropriate and effective responses to their expectations, needs and specificities in terms of financing and support requirements.

2.4.4. Mapping of stakeholders

The main FEC’s stakeholders are as follow:



The main communication channels with stakeholders are as follows :

Stakeholders	Communication Channels *	Frequency
Territorial Communities (Regions, Prefectures, Provinces, Communes...)	<ul style="list-style-type: none"> - E-Service platform - Meetings, field missions... - Visits to prospects or clients, meetings, seminars, workshops... - Institutional communication supports - Website, emails, phone contacts... 	Daily, weekly, monthly or punctual and as required
National and international donors	<ul style="list-style-type: none"> - Due diligence missions, especially in the context of financing with DFIs - Meetings, field missions... - Institutional communication supports - Website, emails, phone contacts... 	Daily, weekly, monthly or punctual and as required
Regulatory authorities	<ul style="list-style-type: none"> - Reports, financial statements, financial publications and press releases (website, legal notices...) - Website, emails, phone contacts... 	Annual, semestrial and quarterly or punctual
Professional organizations	<ul style="list-style-type: none"> - Thematic committees - Risk reporting 	Monthly or quarterly
Suppliers and subcontractors	<ul style="list-style-type: none"> - Purchasing regulations Website, emails, phone contacts... 	Punctual and as needed
Media and press	<ul style="list-style-type: none"> - Financial publications and press releases (website, legal notices...) 	Regular, punctual and as needed

(*) Non-exhaustive list

2.4.5. Stakeholder Selection Policy and Criteria

Territorial Communities

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 which cover all of their prerogatives, as defined by Organic Laws No. 111-14, 112-14 and 113-14 related respectively to the Regions, Prefectures and Provinces and Communes, and which aim to improve the living environment of the Citizen.

In order to have access to the FEC's financing solutions, the borrower must meet certain conditions, which essentially aim at analyzing the solvency of the TCs, namely:

- Have a debt ratio (Total annuities compared to the Territorial Community resources) lower than 40% unless waived by the BD;
- Have a debt service of less than 80% of the operating surplus;
- Participate in the financing of the project up to 20% of its cost with the need to present a clean land;
- Have the human, material and organizational resources to carry out the project in order to avoid any operational risk.

For their part, projects eligible for FEC's financing must meet the criteria as defined by the Institution's risk management model.

Suppliers

The selection of the FEC's suppliers is carried out in accordance with the rules defined by the FEC's Purchasing Regulations /Procurement Rules in force as approved by its Board of Directors. The latter sets the conditions and forms in which the FEC's works, supply and service contracts are awarded. It also sets the rules for the execution of the said contracts and their control.

The FEC procurement is based on the principles of free access to public procurement, equal treatment and guarantee of the rights of competitors as well as transparency in the choices made by the contracting authority.

These principles ensure the effectiveness of public procurement and the proper use of public funds. They require a prior definition of needs, compliance with advertising and competitive bidding obligations and the selection of the most economically advantageous offer.

Partners

As part of its mission, the FEC acts in interaction with the evolution of its environment and in support of the various public policies. It is constantly seeking to create conditions that favor new opportunities for financial partnerships with specialized institutions, particularly the DFIs. These new financial synergies include, beyond the lines of financing that focus on projects with climate co-benefits, subsidies for technical assistance for the benefit of Territorial Communities.

2.5. Others

2.5.1. The FEC's CER objectives and commitments

The Bank's environmental responsibility is reflected in its commitment to control E&S risks related to its activity and its contribution to achieving the objectives of the NSSD in accordance with national regulations and the Kingdom's international commitments.

The commitments made in terms of CER allow the Bank to contribute to the efforts of the TCs in terms of integrating and implementing sustainability at the territorial level. To better assess its contribution in this area, the Bank uses the Sustainable Development Goals as a dashboard for monitoring the positive effects and impacts of the financed projects in the achievement of sustainability objectives.



2.5.2. CER achievements over the last three fiscal years

Integration of E&S risks

> Approval of the Environmental and Social Policy

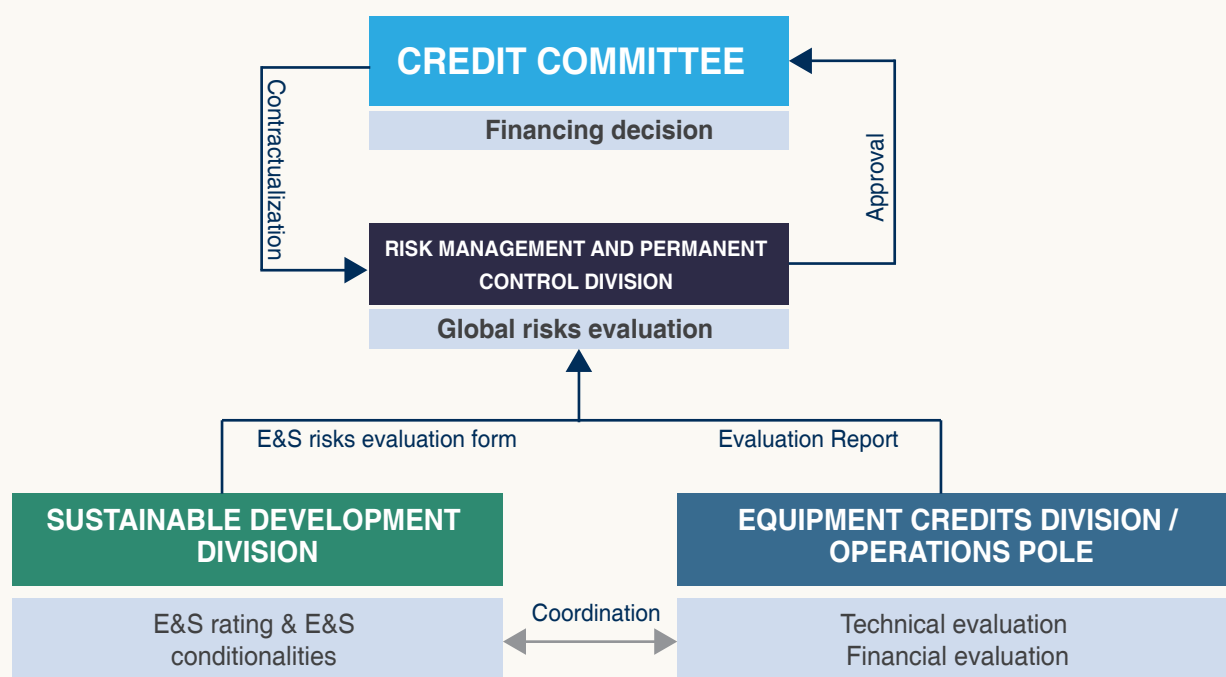
In line with the strategic vision of the Kingdom in terms of sustainable development of territories, and in view of the importance of environmental, social and climatic criteria, the FEC initiated, from 2020, the implementation of its Environmental Management System and Social (ESMS).

In October 2021, the Bank's Board of Directors approved the FEC Environmental and Social Policy, which forms the main pillar of the ESMS. This policy, which entered into force in April 2022, made it possible to formalize and give a new dimension to the integration of E&S risks in the Bank's decision-making process.

> Governance related to E&S risk management

The integration of E&S risks, in application of the principle of separation of responsibilities, has resulted in three levels of management and control, and consequently strengthening the governance of global risk management.

The financing decision is granted by the credit committee based on technical, financial, environmental and social criteria. The organizational structure related to E&S risk management is presented below:

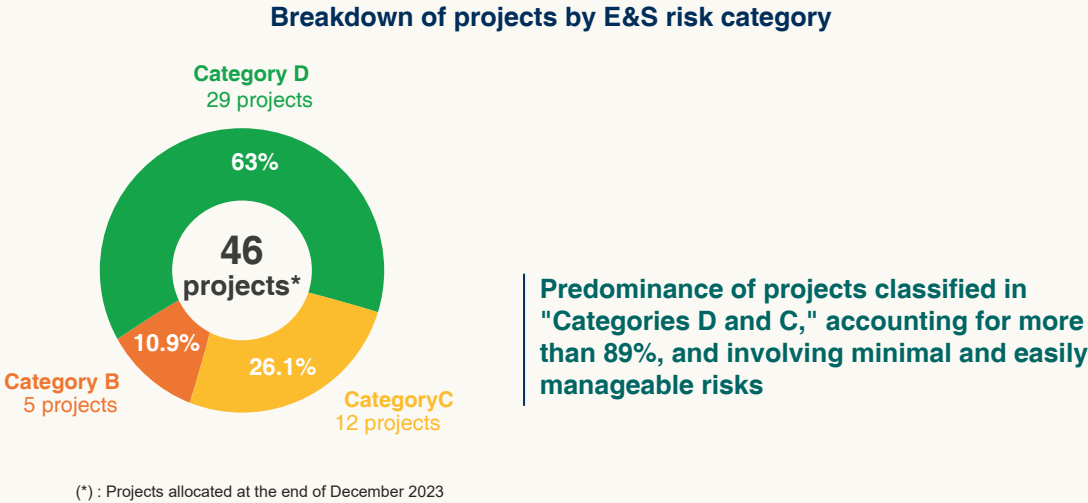


> Deployment of the ESMS

In accordance with its Environmental and Social (E&S) policy, any project submitted for financing by the Bank is systematically assessed and rated for its Environmental & Social (E&S) risks.

Thus, the results of the E&S rating of the 46 projects financed in 2023 show a predominance of projects classified in "Categories D and C," accounting for more than 89%, and involving projects with minimal and easily manageable risks. Category B projects represent 10.9% of the financed projects. These projects present limited potential E&S risks that can be easily addressed through mitigation measures.

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 manage.



Increasing the Financing of Climate Co-Benefits Projects

Territorial Communities are increasingly considered as key players in implementing national mitigation and adaptation objectives at the territorial level. Consequently, they are now more than ever called upon to implement low-carbon and climate-resilient programs and projects. Achieving this goal requires better integration of the climate dimension in territorial planning, strengthening internal capacities, and significant financial resources.

Aware that the challenges of climate change require a firm commitment from all stakeholders, the Bank has adopted a pro-climate approach aimed at supporting Territorial Communities in order to promote the emergence of sustainable development and climate co-benefit projects.

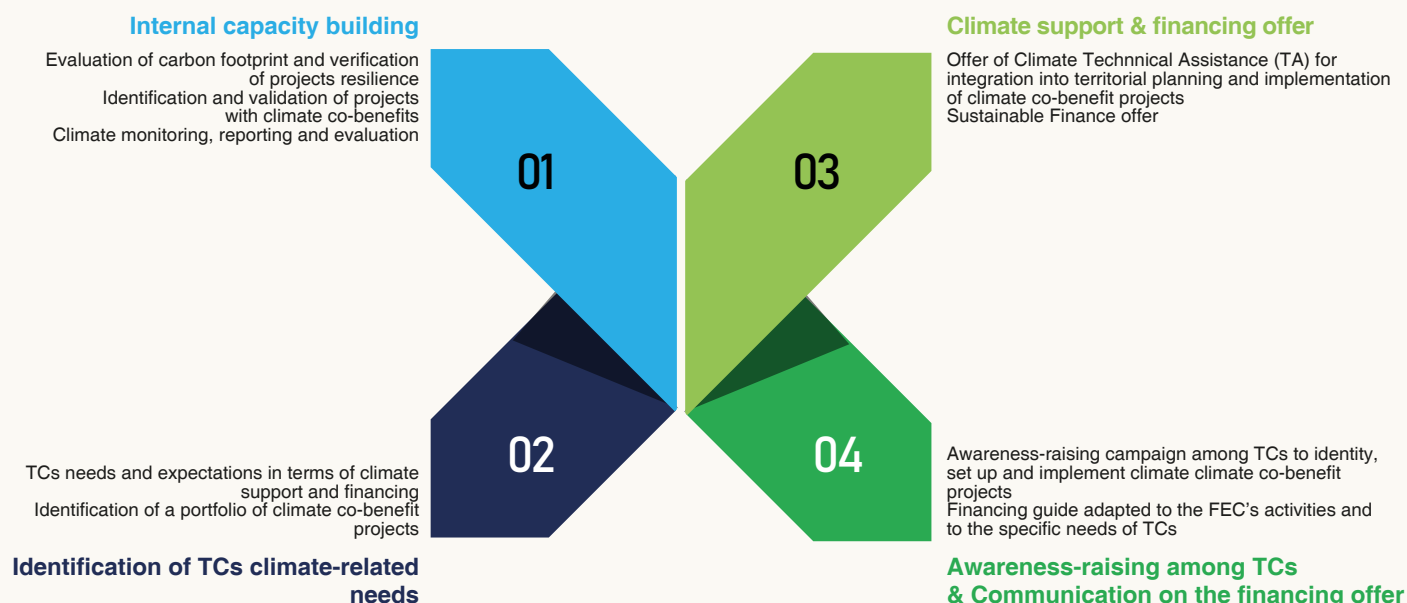
> Climate Integration Roadmap

The Bank has established a roadmap underlying its pro-climate approach, aiming to align its financing activities with national objectives and contribute to the efforts of Territorial Communities to achieve resilience and low-carbon transition objectives. Integrating climate into the financing strategy should enable the mobilization of competitive financing, including climate finance, and improve financing conditions for Territorial Communities to support the emergence of climate co-benefits projects, thus increasing the Bank's climate-focused financing.

> Supporting the Emergence of Climate Co-Benefits Projects

In 2023, the Bank developed technical tools with the support of a specialized firm to assist Territorial Communities in identifying, validating, and evaluating climate co-benefits projects.

The Bank continued its efforts to implement means to improve its governance and enhance its technical capacities for developing its portfolio of climate co-benefits projects.



Financial Inclusion: Supporting Territorial Communities with Low Development Index

The Bank has strengthened the trust built over time with Territorial Communities, allowing it to have a perfect understanding of the needs and specificities of the local sector, particularly those with the highest deficit in basic infrastructure, as reflected in the Multidimensional Local Development Index (MLDI). The Bank has continuously innovated to provide appropriate responses to their specific needs by leveraging loans and enhancing their operational capacities for integrated territorial development focused on sustainability and citizens' quality of life in an egalitarian and diverse approach.

In 2023, the Bank, in collaboration with its partners, deployed a pilot operation concerning an initial group of Territorial Communities with low MLDI for projects aimed at reducing territorial and social disparities and adapting to climate change effects.

Reducing the FEC's Carbon Footprint

Aware of its role in promoting responsible principles set out in the National Sustainable Development Strategy (NSDS), the FEC initiated a process to measure its carbon footprint related to its own operations and to take necessary measures to reduce its emissions. This includes reducing its electric energy consumption at its headquarters as a crucial leverage point to lessen its carbon footprint. To this end, an energy audit was conducted in 2023, identifying options for rationalizing energy consumption and exploring possibilities for offsetting its carbon footprint through the use of clean energy.



FINANCIAL COMMUNICATION as of December 31, 2023



FINANCIAL STATEMENTS **as of December 31, 2023**

BALANCE SHEET (In thousand MAD)		
ASSETS	Dec 31, 2023	Dec 31, 2022
CASH VALUE, CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE	8,522	54,474
RECEIVABLES ON CREDIT INSTITUTIONS AND SIMILAR	1,251,600	221
On sight	907	221
At term	1,250,692	-
CUSTOMER RECEIVABLES	28,061,641	26,848,614
Cash and consumer loans and participatory financing	2,403	2,787
Loans and participatory financing for equipment	28,017,114	26,816,162
Real estate loans and participatory financing	14,559	17,186
Other loans and participatory financing	27,565	12,479
RECEIVABLES ACQUIRED THROUGH FACTORING	-	-
TRADING AND INVESTMENT SECURITIES	-	-
Treasury bills and similar securities	-	-
Other debt securities	-	-
Property securities	-	-
Sukuks Certificates	-	-
OTHER ASSETS	539,438	562,766
INVESTMENT SECURITIES	-	1,131,044
Treasury bills and similar securities	-	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	25	25
Moudaraba and Moucharaka securities	-	-
SUBORDINATED RECEIVABLES	-	-
INVESTMENT DEPOSITS PLACED	-	-
FIXED ASSETS GIVEN IN LEASING AND RENTING	-	-
FIXED ASSETS GIVEN IN IJARA	-	-
INTANGIBLE FIXED ASSETS	95	154
TANGIBLE FIXED ASSETS	40,931	42,138
TOTAL ASSETS	29,902,251	28,639,435

LIABILITIES	Dec 31, 2023	Dec 31, 2022
CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE		
DEBTS TO CREDIT INSTITUTIONS AND SIMILAR	14,428,012	12,665,807
On sight	-	-
At term	14,428,012	12,665,807
CUSTOMER DEPOSITS	-	-
Demand accounts payable	-	-
Savings Accounts	-	-
Term deposits	-	-
Other accounts payable	-	-
DEBTS TO CUSTOMERS ON PARTICIPATORY PRODUCTS	-	-
ISSUED DEBT SECURITIES	9,226,263	9,958,173
Issued negotiable debt securities	1,000,154	1,000,155
Bond loans	8,226,109	8,958,018
Other debt securities issued	-	-
OTHER LIABILITIES	283,028	271,396
PROVISIONS FOR RISKS AND EXPENSES	88,469	72,709
REGULATED PROVISIONS	-	-
SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS	-	-
SUBORDINATED DEBT	1,016,831	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 (+/ -)	199,087	337,895
TOTAL LIABILITIES	29,902,251	28,639,435

OFF-BALANCE SHEET (In thousand MAD)	Dec 31, 2023	Dec 31, 2022
COMMITMENTS GIVEN	4,990,773	5,185,755
Financing commitments given to credit institutions and similar	-	-
Financing commitments given to customers	4,990,773	5,185,755
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	2,132,329	2,781,831
Financing commitments received from credit institutions and similar	2,132,329	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 (In thousand MAD)	Dec 31, 2023	Dec 31, 2022
BANKING OPERATING INCOME	1,402,869	1,257,205
Interest, remunerations and similar income from transactions with credit institutions	11,801	1,972
Interest, remunerations and similar income from transactions with customers	1,360,901	1,255,077
Interest and similar income from debt securities	27,744	-
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	1,394	156
Other banking income	1,029	-
Transfer of expenses on investment deposits received	-	-
BANKING OPERATING EXPENSES	733,618	595,745
Interest and similar expenses on transactions with credit institutions	396,295	255,315
Interest and similar expenses on transactions with customers	-	-
Interest and similar expenses on debts issued	337,175	340,207
Expenses on Moudaraba and Moucharaka securities	-	-
Expenses on fixed assets leased and rented	-	-
Expenses on fixed assets given in Ijara	-	-
Other bank expenses	149	222
Transfer of income on investment deposits received	-	-
NET BANKING INCOME	669,251	661,461
Non-banking operating income	459	1,712
Non-banking operating expenses	216	178
GENERAL OPERATING EXPENSES	62,079	60,222
Staff expenses	48,256	47,319
Taxes and dues	847	840
External expenses	6,698	5,375
Other general operating expenses	3,835	3,613
Allocations for depreciation and provisions of tangible and intangible fixed assets	2,442	3,075
ALLOCATIONS TO PROVISIONS AND UNRECOVERABLE RECEIVABLES	23,563	24,713
Allocations to provisions on receivables and pending commitments by signature	2,200	613
Losses on unrecoverable receivables	-	-
Other allocations to provisions	21,363	24,100
REVERSALS OF PROVISIONS AND RECOVERIES ON WRITTEN OFF RECEIVABLES	6,268	4,370
Reversals of provisions on receivables and pending commitments by signature	665	1,275
Recoveries on written off receivables	-	-
Other reversals of provisions	5,603	3,095
OPERATING RESULT	590,120	582,429
Non-operating income	81	5
Non-operating expenses	180,294	28,409
PRE-TAX EARNINGS	409,906	554,026
Earnings Taxes	210,819	216,131
NET EARNINGS FOR THE FISCAL YEAR	199,087	337,895



STATUS OF MANAGEMENT BALANCES (In thousand MAD)	Dec 31, 2023	Dec 31, 2022
I- INCOME STATEMENT TABLE		
(+) Interest and similar income	1,400,446	1,257,049
(-) Interest and similar expenses	733,469	595,522
INTEREST MARGIN	666,977	661,527
(+) Income on participatory financing	-	-
(-) Expenses on participatory financing	-	-
MARGIN ON PARTICIPATORY FINANCING	-	-
(+) Income from fixed assets leased and rented	-	-
(-) Expenses on fixed assets leased and rented	-	-
RESULT OF LEASING AND RENTAL TRANSACTIONS	-	-
(+) Income on fixed assets given in Ijara	-	-
(-) Expenses on fixed assets given in Ijara	-	-
RESULT OF IJARA OPERATIONS	-	-
(+) Commissions received	1,394	156
(-) Commissions paid	149	222
MARGIN ON COMMISSIONS	1,245	- 66
(+) Result of trading securities operations	1,029	-
(+) Result of investment securities operations	-	-
(+) Result of exchange operations	-	-
(+) Result of derivative products operations	-	-
RESULT OF MARKET OPERATIONS	1,029	-
(+) Result of operations on Moudaraba and Moucharaka securities	-	-
(+) Various other banking products	-	-
(-) Various other banking expenses	-	-
SHARE OF INVESTMENT DEPOSIT ACCOUNT HOLDERS	-	-
NET BANKING INCOME	669,251	661,461
(+) Net income from financial fixed assets	-	-
(+) Other non-banking operating income	459	1,712
(-) Other non-banking operating expenses	216	178
(-) General operating expenses	62,079	60,222
GROSS OPERATING RESULT	607,414	602,772
(+/-) Net allocations of reversals to provisions for receivables and non performing commitments by signature	1,535	- 662
(+/-) Other net allocations of reversals to provisions	15,760	21,004
OPERATING RESULT	590,120	582,429
NON-OPERATING RESULT	- 180,214	- 28,403
(-) Earnings Taxes	210,819	216,131
NET EARNINGS FOR THE FISCAL YEAR	199,087	337,895

* For the 2023 fiscal year, the FEC's net earnings are down compared to 2022, due to the Bank's contribution to the Special Fund for the management of the effects of the earthquake that affected the Kingdom of Morocco. Excluding the said contribution, the net earnings would have been similar to last year's.

II- SELF-FINANCING CAPACITY	Dec 31, 2023	Dec 31, 2022
(+) NET EARNINGS FOR THE FISCAL YEAR	199,087	337,895
(+) Allocations to amortization and provisions of tangible and intangible fixed assets	2,442	3,075
(+) Allocations to provisions for depreciation of financial fixed assets	-	-
(+) Allocations to provisions for general risks	21,363	24,100
(+) Regulated provisions allocations	-	-
(+) Non-operating provisions allocations	-	-
(-) Reversal of provisions	5,603	3,095
(-) 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	-	-
(+) SELF-FINANCING CAPACITY	217,289	361,975
(-) Distributed Profit	-	-
(+) SELF-FINANCING	217,289	361,975

CASH FLOW STATEMENT (In thousand MAD)	Dec 31, 2023	Dec 31, 2022
Banking operating income received	1,402,869	1,257,205
Recoveries on written off receivables	-	-
Non-banking operating income received	540	1,718
Banking operating expenses paid	733,618	595,745
Non-banking operating expenses paid	180,511	28,587
General operating expenses paid	59,638	57,147
Earnings taxes paid	210,819	216,131
NET CASH FLOWS FROM THE STATEMENT OF INCOME AND EXPENSES	218,823	361,313
Variation of :		
Receivables on credit institutions and similar	- 1,251,379	725
Receivables on customers	- 1,214,874	- 665,597
Trading and investment securities	-	-
Other assets	23,641	- 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	1,762,205	2,706,780
Customer deposits	-	-
Debt to customers on participatory products	-	-
Issued receivables securities	- 725,869	- 1,217,641
Other liabilities	11,632	237,239
II. BALANCE OF VARIATIONS IN OPERATING ASSETS AND LIABILITIES	- 1,394,644	800,149
III. NET CASH FLOWS FROM OPERATING ACTIVITIES (I + II)	- 1,175,821	1,161,462
Income from disposals of financial fixed assets	-	-
Income from disposals of tangible and intangible fixed assets	-	-
Acquisition of financial fixed assets	- 1,131,044	1,131,044
Acquisition of tangible and intangible fixed assets	1,176	328
Interest received	-	-
Dividends received	-	-
IV. NET CASH FLOWS FROM INVESTMENT ACTIVITIES	1,129,869	- 1,131,372
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	-	-
V. NET CASH FROM FINANCING ACTIVITIES	-	-
VI. NET VARIATION IN CASH	- 45,952	30,091
VII. CASH POSITION AT THE BEGINNING OF THE FISCAL YEAR	54,474	24,384
VIII. CASH POSITION AT THE END OF THE FISCAL YEAR	8,522	54,474

MAIN APPLIED EVALUATION METHODS

INDICATION OF THE EVALUATION METHODS APPLIED BY THE INSTITUTION

* Application of the evaluation methods provided for in the "Chart of Accounts of Credit Institutions" which came into force on 01/01/2000.

* Non-Performing Loans (NPLs) on the clients are accounted for and valued in accordance with current banking regulations.

The main provisions applied can be summarized as follows :

- **Non-Performing Loans (NPLs)** are, depending on the degree of risk, classified as pre-doubtful, doubtful or compromised loans.

- 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 :

- 20% for pre-doubtful loans.

- 50% for doubtful loans.

- 100% for compromised loans

* 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.

Intangible and tangible fixed assets are amortized according to the regulations in force.

*The summary statements are presented in accordance with the provisions of the Chart of Accounts of Credit Institutions.

STATUS OF EXEMPTIONS

INDICATIONS OF EXEMPTIONS	JUSTIFICATIONS FOR EXEMPTIONS	INFLUENCE OF EXEMPTIONS ON PATRIMONY, FINANCIAL SITUATION AND RESULTS
I. Exemptions from fundamental accounting principles	NONE	
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	INFLUENCE OF CHANGES ON PATRIMONY, FINANCIAL SITUATION AND RESULTS
I. Changes affecting assessment methods		NONE
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 credit and similar institutions in Morocco	Credit institutions abroad	Total Dec 31, 2023	Total Dec 31, 2022
ORDINARY DEBIT ACCOUNTS	6,317	903	4	-	7,224	54,203
VALUES RECEIVED IN PENSION	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-	-	-
CASH LOANS	-	1,250,000	-	-	1,250,000	-
Day by day	-	-	-	-	-	-
At term	-	1,250,000	-	-	1,250,000	-
FINANCIAL LOANS	-	-	-	-	-	-
OTHER RECEIVABLES	-	-	-	-	-	-
ACCRUED INTEREST RECEIVABLE	2,159	692	-	-	2,851	489
NON PERFORMING LOANS	-	-	-	-	-	-
TOTAL	8,476	1,251,595	4	-	1,260,076	54,692

CUSTOMER RECEIVABLES

RECEIVABLES	Public sector	Private sector			Total Dec 31, 2023	Total Dec 31, 2022
		Financial companies	Non-financial companies	Other customers		
Cash loans	-	-	-	-	-	-
Current debit accounts	-	-	-	-	-	-
Trade receivables on Morocco	-	-	-	-	-	-
Export credits	-	-	-	-	-	-
Other cash loans	-	-	-	-	-	-
CONSUMER LOANS	-	-	-	2,403	2,403	2,787
EQUIPMENT LOANS	27,193,075	-	-	-	27,193,075	26,081,692
REAL ESTATE LOANS	-	-	-	14,559	14,559	17,186
OTHER CASH LOANS	-	-	-	-	-	-
RECEIVABLES ACQUIRED THROUGH FACTORING	-	-	-	-	-	-
ACCRUED INTERESTS RECEIVABLE	824,039	-	-	-	824,039	734,469
NON PERFORMING LOANS	27,565	-	-	-	27,565	12,479
Pre-doubtful loans	7,488	-	-	-	7,488	10,060
Doubtful loans	19,481	-	-	-	19,481	1,756
Compromised loans	596	-	-	-	596	663
TOTAL	28,044,679	-	-	16,962	28,061,641	26,848,614

BREAKDOWN OF TRANSACTION AND PLACEMENT SECURITIES AND INVESTMENT SECURITIES BY ISSUER CATEGORY

Securities	Credit institutions and similar	Public issuers	Private issuers		Total Dec 31, 2023	Total Dec 31, 2022
			Financial	Non-Financial		
Quoted securities	-	-	-	-	-	-
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
Non-quoted securities	-	-	-	-	-	1,131,044
Treasury bills and similar securities	-	-	-	-	-	1,131,044
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
TOTAL	-	-	-	-	-	1,131,044

INTANGIBLE AND TANGIBLE FIXED ASSETS

NATURE	Depreciation and/or provisions								Cumulative	Net amount at the end of the fiscal year
	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	Amount of depreciation and/or provisions at the beginning of the fiscal year	Depreciation and/or provisions	Amount of depreciation on fixed assets withdrawn			
INTANGIBLE FIXED ASSETS	21,041	90	-	21,131	20,888	149	-		21,037	95
Lease rights	-	-	-	-	-	-	-		-	-
Research and development fixed assets	-	-	-	-	-	-	-		-	-
Other operating intangible fixed assets	21,041	90	-	21,131	20,888	149	-		21,037	95
Non-operating intangible fixed assets	-	-	-	-	-	-	-		-	-
TANGIBLE FIXED ASSETS	124,013	1,086	-	125,098	81,875	2,293	-		84,168	40,931
OPERATING BUILDINGS	69,323	-	-	69,323	29,964	1,552	-		31,516	37,807
Operating land	7,229	-	-	7,229	-	-	-		-	7,229
Operating buildings - Offices	61,194	-	-	61,194	29,360	1,530	-		30,890	30,305
Operating buildings - Staff housing	900	-	-	900	604	23	-		626	274
FURNITURE AND OPERATING EQUIPMENT	27,561	198	-	27,759	26,672	420	-		27,092	666
Operating office furniture	7,876	45	-	7,921	7,652	53	-		7,705	216
Operating office equipment	949	1	-	950	949	0	-		949	1
Computer equipment	18,058	152	-	18,211	17,395	366	-		17,761	450
Rolling stock related to operations	677	-	-	677	677	-	-		677	-
Other operating equipment	-	-	-	-	-	-	-		-	-
OTHER OPERATING TANGIBLE ASSETS	17,309	871	-	18,180	17,220	134	-		17,353	827
NON-OPERATING TANGIBLE FIXED ASSETS	9,820	17	-	9,837	8,019	187	-		8,206	1,631
Non-operating land	-	-	-	-	-	-	-		-	-
Non-operating buildings	5,545	-	-	5,545	3,922	139	-		4,081	1,484
Non-operating furniture and equipment	2,344	-	-	2,344	2,207	27	-		2,234	110
Other non-operating tangible fixed assets	1,931	17	-	1,948	1,890	21	-		1,911	36
TOTAL	145,054	1,176	-	146,230	102,762	2,442	-		105,204	41,025

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	-	-	-	-	-	-
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

DETAILS OF OTHER ASSETS

ASSETS	Dec 31, 2023	Dec 31, 2022
Optional instruments purchased	-	-
Miscellaneous transactions on securities	-	-
Other debtors	263,826	251,367
Amounts due by the State	263,483	250,385
Amounts due by provident organizations	-	-
Miscellaneous amounts due by staff	-	-
Client accounts for non-banking services	-	-
Various other debtors	343	982
Various values and uses	-	-
Regularisation accounts	275,612	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	5,553	50,290
Results of hedging derivative products	215,359	219,556
Deferred expenses over several fiscal years	4,060	5,560
Liaison accounts between headquarters, branches and agencies in Morocco	-	-
Accrued receivable income and prepaid expenses	50,301	35,643
Other regularisation accounts	339	351
Non Performing loans on miscellaneous transactions	-	-
TOTAL	539,438	562,766

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	
TOTAL PARTICIPATIONS				25	25	-	334,068	12,559	-
SIMILAR ASSETS				-	-	-	-	-	-
GRAND TOTAL				25	25	-	334,068	12,559	-

SUBORDINATED RECEIVABLES

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

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
					Allocation for the fiscal year	Accumulated depreciation	Allocation for the fiscal year	Reversal of provisions	Accumulated 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									
TOTAL									

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
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 Dec 31, 2023	Total Dec 31, 2022	
ORDINARY CREDIT ACCOUNTS	-	-	-	-	-	-	
VALUES GIVEN IN PENSION	-	-	-	-	-	-	
Day by day	-	-	-	-	-	-	
At term	-	-	-	-	-	-	
CASH LOANS	-	-	-	-	-	-	
Day by day	-	-	-	-	-	-	
At term	-	-	-	-	-	-	
FINANCIAL BORROWINGS	-	9,107,968	1,850,000	3,020,027	13,977,995	12,353,528	
OTHER DEBTS	-	-	-	211,956	211,956	207,148	
ACCRUED INTEREST PAYABLE	-	213,123	4,824	20,114	238,061	105,131	
TOTAL	-	9,321,091	1,854,824	3,252,097	14,428,012	12,665,807	

CUSTOMER DEPOSITS (In thousand MAD)					
DEPOSITS	Public Sector	Financial companies	Private Sector Non-Financial Companies	Other customers	Total Dec 31, 2023
Current credit accounts					
Savings accounts					
Term deposits					
Other credit accounts					
Accrued interest payable					
TOTAL					

DEBT SECURITIES ISSUED December 31, 2023 (In thousand MAD)									
NATURE OF THE SECURITIES (1)	Date of entitlement	Maturity date	Nominal value per unit	Nominal rate	Repayment method (2)	Amount	Of which		Unamortized amount of issue or redemption premiums
Negotiable debt securities						1,000,000			
Certificates of Deposit	12/30/2019	12/30/2024	100	2.82%	In fine	1,000,000			
Bond loans						8,091,600			
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	339,600			
Bond loans	12/08/2014	12/08/2024	100	3.59%	In fine	151,000			
Bond loans	07/13/2015	07/13/2030	100	4.50%	Redeemable	336,000			
Bond loans	07/13/2015	07/13/2025	100	3.86%	In fine	60,000			
Bond loans	07/13/2015	07/13/2025	100	3.96%	In fine	220,000			
Bond loans	10/13/2016	10/13/2031	100	3.92%	Redeemable	170,667			
Bond loans	10/13/2016	10/13/2026	100	3.54%	In fine	225,000			
Bond loans	10/13/2016	10/13/2031	100	4.04%	Redeemable	242,667			
Bond loans	12/06/2017	12/06/2032	100	3.93%	Redeemable	480,000			
Bond loans	12/06/2017	12/06/2027	100	3.59%	In fine	200,000			
Bond loans	12/06/2017	12/06/2032	100	3.79%	Redeemable	600,000			
Bond loans	07/19/2018	07/19/2033	100	3.54%	Redeemable	666,667			
Bond loans	07/12/2019	07/12/2034	100	3.49%	Redeemable	369,667			
Bond loans	07/12/2019	07/12/2034	100	3.49%	Redeemable	1,100,000			
Bond loans	12/18/2020	03/31/2036	100	2.96%	Redeemable	1,733,333			
Bond loans	01/12/2022	01/12/2037	100	2.51%	Redeemable	933,333			
TOTAL						9,091,600			

(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	Dec 31, 2023	Dec 31, 2022	
Optional instruments sold	-	-	
Miscellaneous transactions on securities	-	-	
Other creditors	227,318	233,118	
Amounts due to the State	225,074	230,288	
Amounts due to the provident organizations	685	1,355	
Miscellaneous amounts due to the staff	-	-	
Various amounts due to shareholders and partners	-	-	
Suppliers of goods and services	1,484	1,445	
Various other creditors	74	30	
Regularisation accounts	55,710	38,278	
Adjustment accounts for off-balance sheet transactions	-	-	
Currency and securities gap accounts	131	-	
Results on hedging derivative products	43,583	27,588	
Liaison accounts between headquarters, branches and agencies in Morocco	-	-	
Accrued expenses and deferred income	11,654	10,400	
Other regularisation accounts	342	290	
TOTAL	283,028	271,396	

PROVISIONS (In thousand MAD)						
	Outstanding Dec 31, 2022	Allocations	Reversals	Other variations	Outstanding Dec 31, 2023	
PROVISIONS DEDUCTED FROM ASSETS ON :	16,813	2,200	665	-	18,348	
Receivables on credit institutions and similar	-	-	-	-	-	
Receivables on customers	6,118	2,194	347	-	7,966	
Investment securities	-	-	-	-	-	
Equity securities and similar assets	-	-	-	-	-	
Fixed assets leased and rented	-	-	-	-	-	
Other assets	10,695	6	319	-	10,382	
PROVISIONS RECORDED UNDER LIABILITIES :	72,709	21,363	5,603	-	88,469	
Provisions for risks of implementing commitments by signature	-	-	-	-	-	
Provisions for exchange risks	-	-	-	-	-	
Provisions for general risks	72,709	21,363	5,603	-	88,469	
Provisions for retirement pensions and similar obligations	-	-	-	-	-	
Provisions for other risks and expenses	-	-	-	-	-	
Regulated provisions	-	-	-	-	-	
GRAND TOTAL	89,522	23,563	6,268	-	106,817	

SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS (In thousand MAD)						
	Economic purpose	Total amount	Amount Dec 31, 2022	Use Dec 31, 2023	Amount Dec 31, 2023	
Subsidies						
Allocated public funds						
Special guarantee funds						
TOTAL						

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) Dec 31, 2023	Amount (equivalent MAD) Dec 31, 2022	Amount (equivalent MAD) Dec 31, 2023	Amount (equivalent MAD) Dec 31, 2022
Dirhams	200,000		3.61%	10		200,000	-	-	-	-
Dirhams	800,000		3.66%	10		800,000	-	-	-	-
TOTAL	1,000,000					1,000,000	-	-	-	-

(1) Bank Al-Maghrib's rate as of 12/31/N
(2) Potentially 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 Dec 31, 2023
Revaluation differences	-	-	-		-
Reserves and premiums related to capital	3,322,666	337,895	-		3,660,561
Legal reserve	-	-	-		-
Other reserves	3,322,666	337,895	-		3,660,561
Issuance, merger and contribution premiums	-	-	-		-
Capital	1,000,000	-	-		1,000,000
Called up capital	-	-	-		-
Uncalled capital	-	-	-		-
Investment certificates	-	-	-		-
Allowance fund	1,000,000	-	-		1,000,000
Shareholders - Unpaid capital	-	-	-		-
Retained earnings (+/-)	-	-	-		-
Net earnings pending allocation (+/-)	-	-	-		-
Net earnings of the fiscal year (+/-)	337,895	- 337,895	199,087		199,087
TOTAL	4,660,561	-	199,087		4,859,648

FINANCING AND GUARANTEE COMMITMENTS (In thousand MAD)		
COMMITMENTS	Dec 31, 2023	Dec 31, 2022
Financing and guarantee commitments given	4,990,773	5,185,755
Financing commitments in favor of credit institutions and similar	-	-
Import documentary credits	-	-
Payment acceptances or commitments	-	-
Opening of confirmed credit	-	-
Substitution commitments on issuing of securities	-	-
Irrevocable leasing commitments	-	-
Other financing commitments given	-	-
Financing commitments in favor of customers	4,990,773	5,185,755
Import documentary credits	-	-
Payment acceptances or commitments	-	-
Opening of confirmed credit	4,990,773	5,185,755
Substitution commitments on issuing of securities	-	-
Irrevocable leasing commitments	-	-
Other financing commitments given	-	-
Commitments to guarantee orders from credit institutions and similar entities	-	-
Confirmed export documentary credits	-	-
Payment acceptances or commitments	-	-
Credit guarantees given	-	-
Other sureties, endorsements and guarantees given	-	-
Non-performing commitments	-	-
Customer order guarantee commitments	-	-
Credit guarantees given	-	-
Bonds and guarantees in favor of the public administration	-	-
Other deposits and guarantees given	-	-
Non-performing commitments	-	-
Financing and guarantee commitments received	2,132,329	2,781,831
Financing commitments received from credit institutions and similar	2,132,329	2,781,831
Opening of confirmed credit	2,132,329	2,781,831
Substitution commitments on issuing of securities	-	-
Other financing commitments received	-	-
Guarantee commitments received from credit institutions and similar	-	-
Credit guarantees	-	-
Other guarantees received	-	-
Guarantee commitments received from the State and various guarantee organizations	-	-
Credit guarantees	-	-
Other guarantees received	-	-

COMMITMENTS ON SECURITIES december 31, 2023 (In thousand MAD)	
COMMITMENTS	Amount
Commitments given	
Securities purchased with a repurchase option	
Other securities to be delivered	
Commitments received	
Securities sold with a repurchase option	
Other securities to be received	

FORWARD EXCHANGE TRANSACTIONS AND COMMITMENTS ON DERIVATIVE PRODUCTS (In thousand MAD)				
	Hedging transactions		Other transactions	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Forward exchange transactions	171,775	191,967	-	-
Currencies to be received	-	-	-	-
Dirhams to be delivered	215,359	219,556	-	-
Currencies to be delivered	-	-	-	-
Dirhams to be received	43,583	27,588	-	-
Of which financial currency swaps	-	-	-	-
Commitments on derivative products	-	-	-	-
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	-	-	-	-



COMMISSIONS		December 31, 2023 (In thousand MAD)
COMMISSIONS		Amount
Commissions received		1,394
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	1,394	-
Paid commissions		149
On transactions with credit institutions	57	-
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	92	-
On payment methods	-	-
On advisory and assistance activities	-	-
On sales of insurance products	-	-
On other services	-	-

BREAKDOWN OF USES AND RESOURCES BY RESIDUAL DURATION						December 31, 2023
	D ≤ 1 month	1 month < D ≤ 3 months	3 months < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years	TOTAL
ASSETS						
Receivables from credit institutions and similar	407,224	-	850,000	-	-	1,257,224
Receivables from customers	35,654	897,426	1,503,142	9,490,893	15,280,787	27,207,902
Debt securities	-	-	-	-	-	-
Subordinated receivables	-	-	-	-	-	-
Leasing and similar	-	-	-	-	-	-
TOTAL	442,878	897,426	2,353,142	9,490,893	15,280,787	28,465,126
LIABILITIES						
Debts to credit institutions and similar	184,638	341,937	606,274	4,767,041	8,290,060	14,189,951
Debts to customers	-	-	-	-	-	-
Receivables securities issued	133,333	133,333	1,627,267	3,610,067	3,587,600	9,091,600
Subordinated loans	-	-	-	1,000,000	-	1,000,000
TOTAL	317,972	475,270	2,233,541	9,377,108	11,877,660	24,281,551

CONCENTRATION OF RISKS ON A SINGLE BENEFICIARY				december 31, 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
1	100,000	100,000	100,000	100,000

BREAKDOWN OF TOTAL ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS IN FOREIGN CURRENCY		December 31, 2023 (In thousand MAD)
BALANCE SHEET		Amount
ASSETS		-
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		-
LIABILITIES		3,252,097
Central Banks, Public Treasury, Postal Checks Service		-
Debt to credit institutions and similar		3,252,097
Customer deposits		-
Receivables securities issued		-
Other liabilities		-
Subsidies, allocated public funds and special guarantee funds		-
Subordinated debts		-
OFF-BALANCE SHEET		
COMMITMENTS GIVEN		-
COMMITMENTS RECEIVED		1,632,329

RESULT OF MARKET OPERATIONS		(In thousand MA
INCOME AND EXPENSES	Dec 31, 2023	Dec 31, 2022
Income	1,029	-
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	-	-
Expenses	-	-
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	-	-
RESULT	1,029	-

GENERAL OPERATING EXPENSES		December 31, 2019
		(In thousand MYR)
		Amount
Staff expenses		48,256
Taxes and duties		847
External expenses		6,698
Other general operating expenses		3,835
Allocations to depreciation and provisions for tangible and intangible fixed assets		2,442
TOTAL		62,078

INTEREST MARGIN		(In thousand MAD)
	Dec 31, 2023	Dec 31, 2022
Interest perceived	1,400,446	1,257,049
Interest and similar income on transactions with credit institutions	11,801	1,972
Interest and similar income on transactions with customers	1,360,901	1,255,077
Interest and similar income on receivables securities	27,744	-
Interest served	733,469	595,522
Interest and similar expenses on transactions with credit institutions	396,295	255,315
Interest and similar expenses on transactions with customers	-	-
Interest and similar expenses on receivables securities issued	337,175	340,207
TOTAL	666,977	661,527

OTHER INCOME AND EXPENSES		Dec 31, 2021 (In thousand MYR)
		Amount
Other banking income and expenses		
Other banking income		1,029
Other banking expenses		149
Non-banking operating income and expenses		
Non-banking operating income		459
Non-banking operating expenses		216
Allocations to provisions and losses on uncollectible receivables		23,563
Reversals of provisions and recoveries of written-off receivables		6,268
Non-current income and expenses		
Non-current income		81
Non-current expenses		180,294

BREAKDOWN OF RESULTS BY BUSINESS LINE OR ACTIVITY POLE AND BY GEOGRAPHICAL ZONE				Dec 31, 2023 <small>(In thousand MAD)</small>
BREAKDOWN BY ACTIVITY POLE				
Activity Pole	Net Banking Income	Gross Operating Earnings	Pre-Tax Earnings	
Bank activity	669,251	607,414	409,906	
Other activities	-	-	-	
TOTAL	669,251	607,414	409,906	
BREAKDOWN BY GEOGRAPHICAL ZONE				
Geographical Zone	Net Banking Income	Gross Operating Earnings	Pre-Tax Earnings	
Morocco	669,251	607,414	409,906	
Other Zones	-	-	-	
TOTAL	669,251	607,414	409,906	

TRANSITION FROM NET BOOK EARNINGS TO NET FISCAL EARNINGS			December 31, 2023
			(In thousand MAD)
Titles		Amount	Amount
I- Net book earnings		199,087	
Net gain		199,087	
Net loss			-
II- Tax reintegrations		415,323	
1- Current		25,288	
Expenses for previous fiscal years		1,103	
Non-operating expenses		497	
Allocations to provisions for general risks		21,363	
Allocations to provisions for Non-Performing Loans (NPLs)		2,194	
Passive conversion difference		131	
2- Non-current		390,035	
Corporate taxes		210,819	
Contribution to the Special Fund for the management of the effects of the earthquake that affected the Kingdom of Morocco		150,000	
Social solidarity contribution		29,207	
Other non-current expenses		10	
III- Tax deductions		55,950	
1- Current		5,950	
Reversals of provisions for general risks		5,603	
Reversals of provisions for Non-Performing Loans (NPLs)		347	
2- Non-current		50,000	
1 / 5 Contribution to the Special Fund for the management of the effects of the Coronavirus pandemic (Covid-19)		20,000	
1 / 5 Contribution to the Special Fund for the management of the effects of the earthquake that affected the Kingdom of Morocco		30,000	

TOTAL	614,411	55,950
IV- Gross fiscal earnings	558,461	
Gross fiscal profit (A)	558,461	
Gross fiscal deficit (B)		
V- Deferred tax deficit [C]*		
Fiscal year N-4		
Fiscal year N-3		
Fiscal year N-2		
Fiscal year N-1		
VI- Net fiscal earnings	558,461	
Net fiscal profit [A - C]	558,461	
or		
Net fiscal deficit (B)		
VII- Cumulative fiscal deferred depreciation		
VIII- Cumulative fiscal deficits to be carried forward		
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			December 31, 2023
			(In thousand MAD)
I- EARNINGS DETERMINATION			Amount
Current earnings according to the statement of income and expenses			590,120
[+] Tax reintegrations on current transactions			25,288
[-] Tax deductions on current transactions			5,950
[=] Current earnings theoretically taxable			609,458
[-] Theoretical tax on current income			230,070
[=] Current earnings after tax			379,388
II. INDICATIONS OF THE TAX SYSTEM AND THE BENEFITS GRANTED BY THE INVESTMENT CODES OR BY SPECIFIC LEGAL PROVISIONS			

DETAIL OF VALUE ADDED TAX				December 31, 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]
A- VAT collected	9,764	160,179	159,890	10,053
B- VAT to be recovered	14,578	56,046	60,282	10,342
On expenses	14,576	55,837	60,071	10,342
On fixed assets	3	210	212	0
C- VAT due or VAT credit [A-B]	- 4,814	104,133	99,608	- 289

SHARE CAPITAL DISTRIBUTION			December 31, 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 (%)
		Previous fiscal year	Current year
STATE			100
			100
TOTAL			100

STATEMENT OF NON PERFORMING LOANS AND RELATED PROVISIONS					(In thousand MAD)
		Dec 31, 2023		Dec 31, 2022	
		Receivables	Provisions	Receivables	Provisions
Conventional loans					
pre-doubtful loans		7,919	312	10,584	419
doubtful loans		22,583	2,164	2,125	194
compromised loans		5,927	5,344	5,927	5,344
Subtotal 1		36,428	7,820	18,635	5,957
MEN loans					
pre-doubtful loans		-	-	-	-
doubtful loans		-	-	-	-
compromised loans		851	146	995	162
Subtotal 2		851	146	995	162
GRAND TOTAL		37,279	7,966	19,631	6,118

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

EARNINGS AND OTHER ELEMENTS FOR THE LAST THREE FISCAL YEARS				(In thousand MAD)
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	
Capital equity and similar	4,859,648	4,660,561	4,322,666	
To be deducted -Amount concerning the Fonds d'Accompagnement des Collectivités Territoriales (Support Fund for Territorial Communities)	-	-	-	
Net capital equity and similar	4,859,648	4,660,561	4,322,666	
Operations and earnings for the fiscal year				
Net banking income	669,251	661,461	637,426	
Pre-tax earnings	409,906	554,026	536,964	
Earnings taxes	210,819	216,131	208,484	
Distributed profits	-	-	-	
Retained earnings (placed in reserves or pending allocation)	199,087	337,895	328,481	
Earnings per share (in MAD)				
Net earnings per share or unit				
Earnings distributed per share				
Gross remuneration for the fiscal year	42,948	40,887	40,366	
Average number of employees during the fiscal year	89	91	92	

DATING AND SUBSEQUENT EVENTS		(In thousand MAD)
I. DATING		
Closing date [1]		12/31/2023
Date of preparation of the summary statements [2]		February 2024
(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	
	Unfavorable	

NONE

STAFF			(In number)
STAFF	Dec 31, 2023	Dec 31, 2022	
Paid staff	87	91	
Staff used	87	91	
Full-time equivalent staff	87	91	
Administrative and technical staff (full-time equivalent)	-	-	
Staff assigned to banking tasks (full-time equivalent)	-	-	
Executives (full-time equivalent)	81	84	
Employees (full-time equivalent)	6	7	
Of which, staff employed abroad	-	-	

SECURITIES AND OTHER ASSETS UNDER MANAGEMENT OR ON DEPOSIT				(In thousand MAD)
SECURITIES	Number of accounts		Amount	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
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				

NONE

NETWORK			(In number)
NETWORK	Dec 31, 2023	Dec 31, 2022	
Permanent branches			
Temporary branches			
Automatic teller machines and Bank ATMs			
Branches and agencies abroad			
Representative offices abroad			

NONE

CUSTOMER ACCOUNTS			(In number)
CUSTOMER ACCOUNTS	Dec 31, 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			

NONE



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'Equipeement 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 the FEC's operations and actions with regard to the legal and regulatory provisions applicable to the FEC.

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

2. Risk exposure

Given the nature of its activities, the FEC's risk profile as formalized in its Global Risk Strategy is as follows:

Credit risk: The risk that the FEC's borrowers may not fulfill their contractual obligations.

Concentration risk: This refers to the inherent risk of significant individual exposure, likely to generate losses that could threaten the Bank's financial solidity of or its ability to pursue its core activities.

Environmental and social risks: These risks may manifest as environmental damage (air, soil, water pollution, etc.) or as economic harm to individuals resulting in a reduction of their income or an increase in their expenses.

The responsibility for managing these risks lies with customers and relevant authorities. The FEC's role is to address the main environmental and social issues of financed projects and ensure that its customers comply with the relevant legislative and regulatory requirements.

Operational risks: These are losses resulting from deficiencies or failures attributable to procedures, human resources, internal systems, or external events.

Structural interest rate risk: This refers to the effects that fluctuations in interest rates could have on the FEC's margins, its income, and the economic value of its equity.

Structural liquidity risk: This relates to the risk that the FEC may not be able to meet liquidity demands and fulfill its obligations when they come due. Liquidity requests may arise upon debt maturity and credit agreement terms.

Structural exchange rate risk: The risk that fluctuations in exchange rates negatively affect the Bank's revenues.

Non-compliance risk: This refers to the FEC's exposure to reputational risks, financial losses, or sanctions due to non-compliance with legal and regulatory provisions, applicable standards and practices, or codes of conduct.

Strategic risk: The risk inherent in the chosen strategy or resulting from the institution's inability to implement its strategic plan.

Reputation risk: The risk resulting from a negative perception, particularly from counterparties or regulators, which may adversely affect the institution's ability to fulfill its mission and its access to financing sources.

Cybersecurity risk: The risk that the FEC may face a cyber-attack or security breach compromising the confidentiality, integrity, or availability of its customers' data, financial transactions, or other sensitive information.

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 instalments, 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

As of December 2023:

The net weighted risks borne by the FEC reached 7,790,508 thousand MAD, composed of 84% credit risk and 16% operational risk.

In compliance with prudential requirements, the solvency ratio reached 75.19%, while the Tier One ratio reached 62.36%, reflecting the institution's strong solvency level.

Credit Portfolio Analysis

Customer receivables, consisting of 99.93% commitments to Territorial Communities, totaled 28,071,355 thousand MAD as of December 31, 2023.

Financing commitments provided by the FEC to customers amounted to 4,990,773 thousand MAD as of December 31, 2023.

An analysis of off-balance sheet commitments as of December 31, 2023, reveals that 67.75% of the total volume corresponds to recent loans committed within the past 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.

The risk division coefficient, in accordance with the provisions of Circular No. 08/G/2012 of Bank Al-Maghrib, is established at 9.99% as of December, thus falling 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 (ALM)

Responsibility for Asset/Liability Management (ALM)

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

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:

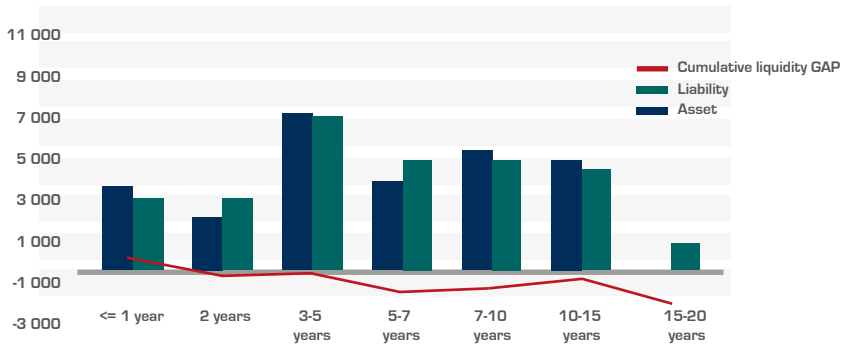
- The inability of the institution to raise necessary funds to meet unexpected short-term situations, notably a significant drawdown of funding commitments given to TCs.
- The mismatched assets and liabilities or financing of medium and long-term assets by short-term liabilities.

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.

As of December 31, 2023, the liquidity gap profile 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.

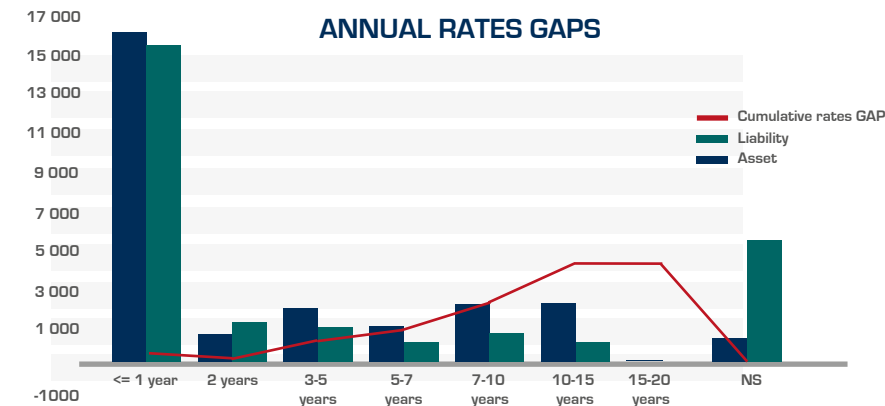
The analysis and assessment of interest rate risks follows a dual logic, namely the preservation of the interest margin and the economic value of equity capital.

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 December 31, 2023

The flow of interest rate gaps as of December 31, 2023 is as follows:

ANNUAL RATES GAPS



The impact of regulatory scenarios is -3.07% on the forecasted net interest margin and 13.39% on the economic value of Shareholders' 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 modelling 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. Similarly, a maintenance and reinforcement plan for the Business Continuity Plan (BCP) is currently being developed.

Furthermore, the FEC continues to maintain 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 second semester of 2023.

Operational risk management

The FEC has an operational risk mapping based on the Basel II typology, which is updated annually. This mapping covers processes related to credit, support, and information systems and allows targeting the identification of processes requiring particular or enhanced monitoring.

The operational risk management mechanism 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 mechanism 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 mechanism 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 operational 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.

FONDS D'EQUIPEMENT COMMUNAL

Espace Oudayas, angle Av Annakhil et av Ben Berka, Hay Ryad
Rabat

**RAPPORT GENERAL DES COMMISSAIRES AUX COMPTES
EXERCICE DU 1^{ER} JANVIER AU 31 DECEMBRE 2023**

AUDIT DES ETATS DE SYNTHESE

Opinion

Conformément à la mission qui nous a été confiée par votre Conseil d'administration, nous avons effectué l'audit des états de synthèse ci-joints du **FONDS D'EQUIPEMENT COMMUNAL**, comprenant le bilan, le compte de produits et charges, l'état des soldes de gestion, le tableau des flux de trésorerie, et l'état des informations complémentaires (ETIC) relatifs à l'exercice clos le 31 décembre 2023. Ces états de synthèse font ressortir un montant de capitaux propres et assimilés de 5.876.479 KMAD, dont un bénéfice net de 199.087 KMAD.

Nous certifions que les états de synthèse cités au premier paragraphe ci-dessus sont réguliers et sincères et donnent, dans tous leurs aspects significatifs, une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du **FONDS D'EQUIPEMENT COMMUNAL** au 31 décembre 2023 conformément au référentiel comptable admis au Maroc.

Fondement de l'opinion

Nous avons effectué notre audit selon les Normes de la Profession au Maroc. Les responsabilités qui nous incombent en vertu de ces normes sont plus amplement décrites dans la section « Responsabilités de l'auditeur à l'égard de l'audit des états de synthèse » du présent rapport. Nous sommes indépendants du fonds conformément aux règles de déontologie qui s'appliquent à l'audit des états de synthèse au Maroc et nous nous sommes acquittés des autres responsabilités déontologiques qui nous incombent selon ces règles. Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Questions clés de l'audit

Les questions clés de l'audit sont les questions qui, selon notre jugement professionnel, ont été les plus importantes dans l'audit des états de synthèse de la période considérée. Ces questions ont été traitées dans le contexte de notre audit des états de synthèse pris dans leur ensemble et aux fins de la formation de notre opinion sur ceux-ci, et nous n'exprimons pas une opinion distincte sur ces questions.

Risque de crédit et provisionnement des crédits à la clientèle

Risque identifié	Réponse d'audit
<p>Les crédits à la clientèle sont porteurs d'un risque de crédit qui expose le FONDS D'EQUIPEMENT COMMUNAL à une perte potentielle si les clients ou les contreparties s'avèrent incapables de faire face à leurs engagements financiers. Le Fonds constitue des provisions destinées à couvrir ce risque.</p> <p>Ces provisions sont estimées et comptabilisées en application des principes du Plan Comptable des Etablissements de Crédit (PCEC) et des dispositions de la circulaire 19/G/2002 de Bank Al Maghrib relative à la classification des créances et à leur couverture par les provisions.</p> <p>L'évaluation des provisions en couverture des créances sur la clientèle requiert :</p> <ul style="list-style-type: none"> - L'identification des créances en souffrance ; - L'évaluation du montant des provisions en fonction des différentes catégories de classification des créances du Fonds. <p>Les informations concernant les règles de classification et de provisionnement des créances sont présentées dans l'état « Principales méthodes comptables » de l'Etat des Informations Complémentaires (ETIC).</p> <p>Au 31 décembre 2023, le montant des provisions pour dépréciation s'élève à 8 MMAD ; il ramène les créances à la clientèle à un montant net de 28.062 MMAD.</p> <p>Nous avons considéré que l'appréciation du risque de crédit relatif aux créances sur la clientèle et l'évaluation des provisions y afférentes constituaient un point clé de l'audit, ces éléments étant de montants significatifs et faisant appel aux estimations de la direction.</p>	<p>Nous avons pris connaissance du dispositif de contrôle interne du FONDS D'EQUIPEMENT COMMUNAL et des contrôles clés relatifs à la classification des créances et à l'évaluation des provisions y afférentes.</p> <p>Sur les aspects de classification et de provisionnement des créances, nos travaux d'audit ont notamment consisté à :</p> <ul style="list-style-type: none"> - Étudier la conformité au PCEC et notamment à la circulaire 19/G/2002 de Bank Al Maghrib des principes mis en œuvre par le Fonds, en termes de règles de déclassement et de provisionnement ; - Examiner le dispositif de gouvernance et tester les contrôles clés mis en place au niveau du Fonds ; - Tester par sondage la correcte classification des créances dans les catégories appropriées ; - Tester la provision déterminée sur une sélection de créances en souffrance.

Responsabilité de la Direction et des responsables de la Gouvernance à l'égard des états de synthèse

La direction est responsable de la préparation et de la présentation fidèle des états de synthèse, conformément au référentiel comptable en vigueur au Maroc, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états de synthèse exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Lors de la préparation des états de synthèse, c'est à la direction qu'il incombe d'évaluer la capacité du fonds à poursuivre son exploitation, de communiquer, le cas échéant, les questions se rapportant à la continuité de l'exploitation et d'appliquer le principe comptable de continuité d'exploitation, sauf si la direction a l'intention de liquider le fonds ou de cesser son activité ou si aucune autre solution réaliste ne s'offre à lui.

Il incombe aux responsables de la gouvernance de surveiller le processus d'information financière du fonds.

Responsabilité de l'Auditeur à l'égard de l'audit des états de synthèse

Nos objectifs sont d'obtenir l'assurance raisonnable que les états de synthèse pris dans leur ensemble sont exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs et de délivrer un rapport de l'auditeur contenant notre opinion.

L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit réalisé conformément aux normes de la profession au Maroc permettra toujours de détecter toute anomalie significative qui pourrait exister. Les anomalies peuvent résulter de fraudes ou d'erreurs et elles sont considérées comme significatives lorsqu'il est raisonnable de s'attendre à ce que, individuellement ou collectivement, elles puissent influencer sur les décisions économiques que les utilisateurs des états de synthèse prennent en se fondant sur ceux-ci.

Dans le cadre d'un audit réalisé conformément aux normes de la profession au Maroc, nous exerçons notre jugement professionnel et faisons preuve d'esprit critique tout au long de cet audit. En outre :

- Nous identifions et évaluons les risques que les états de synthèse comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, concevons et mettons en œuvre des procédures d'audit en réponse à ces risques, et réunissons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative résultant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;
- Nous acquérons une compréhension des éléments du contrôle interne pertinents pour l'audit afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne du Fonds ;

- Nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la Direction, de même que des informations y afférentes fournies par cette dernière ;
- Nous tirons une conclusion quant au caractère approprié de l'utilisation par la Direction du principe comptable de continuité d'exploitation et, selon les éléments probants obtenus, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité du Fonds à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport sur les informations fournies dans les états de synthèse au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de notre rapport. Des événements ou situations futurs pourraient par ailleurs amener le fonds à cesser son exploitation ;
- Nous évaluons la présentation d'ensemble, la structure et le contenu des états de synthèse, y compris les informations fournies dans l'ETIC, et apprécions si les états de synthèse représentent les opérations et événements sous-jacents d'une manière propre à donner une image fidèle.

Nous communiquons aux responsables de la gouvernance notamment l'étendue et le calendrier prévus des travaux d'audit et nos constatations importantes, y compris toute déficience importante du contrôle interne que nous aurions relevée au cours de notre audit.

Casablanca, le 30 mai 2024

Les Commissaires aux Comptes

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Associé

List of press releases published during the 2023 financial year

24/02/2023 : Press release relating to the financial indicators for the 4th quarter of 2022.

24/03/2023 : Publication of the financial statements for the financial year 2022.

27/04/2023 : Press release on the occasion of the publication of the Annual Financial Report 2022.

25/05/2023 : Press release relating to the financial indicators for the 1st quarter of 2023.

02/06/2023 : Press release on the occasion of the meeting of the Board of Directors on May 31, 2023.

20/07/2023 : Press release concerning the FEC reference document relating to the financial year 2022, as part of the annual update of the information file relating to the program for issuing deposit certificates of the FEC.

28/08/2023 : Press release relating to the financial indicators for the 2nd quarter of 2023.

27/09/2023 : Financial communication as of June 30, 2023 on the occasion of the publication of the Semestrial Financial Report for the first half of 2023, including the press release relating to the financial indicators for the first half of 2023 and the financial statements as of June 30, 2023.

17/11/2023 : Press release relating to the financial indicators for the 3rd quarter of 2023.

APENDIX III.2.N. Statement of fees paid to account auditors

In Dirhams														
	2020-2021 : DELOITTE AUDIT 2022-2024 : COOPERS AUDIT MAROC							2019 - 2024 : MAZARS AUDIT & CONSEIL						TOTAL Tax included
	Amount including Tax/Year			Percentage/Year *			Amount including Tax/Year			Percentage/Year *				
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023		
Statutory audit, certification of individual and consolidated accounts**														
Issuer	138,000	108,000	108,000	100%	100%	100%	192,000	192,000	192,000	100%	100%	100%	930,000	
Subsidiaries	-	-	-				-	-	-					
Other procedures and services directly related to the statutory auditors' mission														
Issuer	-	-	-				-	-	-					
Subsidiaries	-	-	-				-	-	-					
Subtotal	138,000	108,000	108,000	100%	100%	100%	192,000	192,000	192,000	100%	100%	100%	930 000	
Other services rendered														
Others	-	-	-				-	-	-					
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	
Grand total	138,000	108,000	108,000	100%	100%	100%	192,000	192,000	192,000	100%	100%	100%	930,000	

(*) : Share of each line in the grand total of the concerned year.

(**) : The amount of commitment under the engagement letter in accordance with the terms of the associated contract.

**ANNUAL
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THE **BANK** FOR LOCAL FUNDING

2023

