

KINGDOM OF MOROCCO

FONDS
D'EQUIPEMENT
COMMUNAL
صندوق التجهيز
الجماعي



ANNUAL FINANCIAL REPORT | 2022

THE **BANK** FOR LOCAL FUNDING



A Bank dedicated to Territorial Development

The FEC: the Bank of Territorial Communities

Nearly 64 years at the service of territorial development's financing

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

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

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

As part of its mission, the FEC offers financing solutions adapted to the needs of Territorial Communities for the implementation of projects in various sectors that cover all their prerogatives and that aim at improving the living standard of the Citizen. Similarly, the FEC assists the Territorial Communities, at the local level, in achieving the national objectives of sustainable development, in its economic, social and environmental dimensions, thus contributing to the reduction of territorial and social disparities and to the strengthening of the resilience of territories to climate change.

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

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

- Over 63 BDH in loan commitments;
- Over 54 BDH in loan disbursements;
- The financing of over 5,600 development projects.

MANAGEMENT REPORT | 2022

ABBREVIATIONS

AAGR	Average Annual Growth Rate
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
GOE	General Operating Expenses
ICI	Inter-municipal Cooperation Institutions
MDH	Millions of dirhams
NBI	Net Banking Income
NPLs	Non-Performing Loans
OBSC	Off-Balance Sheet Commitments
PRDTS	Program for the Reduction of Territorial and Social Disparities
PGR	Provisions for General Risks
RDP	Regional Development Plans
SI	Information system
TCs	Territorial Communities
WAIR	Weighted Average Interbank Rate

SUMMARY

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HIGHLIGHTS

The global economic activity is facing significant challenges characterized by a slowdown in growth and an inflationary environment. These factors have exacerbated the financial vulnerabilities and economic slowdown resulting from the Covid-19 crisis, leading, among other consequences, to tighter monetary policies and pressure on interest rates.

In this context, the FEC has shown resilience to these successive shocks, as evidenced by the maintenance of the good performance of its key operational and financial indicators.

On the operational level, the FEC has maintained, during the year 2022, levels of financing for the benefit of Territorial Communities comparable to those of 2021, with loan commitments and disbursements reaching respectively nearly 2.7 BDH and over 2.9 BDH at the end of December 2022.

These financings have enabled the Bank to contribute to the achievements of Territorial Communities' investments, which have mainly focused on the construction of road infrastructure, the strengthening of basic infrastructure, the modernization of specialized and commercial equipment, as well as projects in the health, education and vocational training sectors aimed at improving the supply of equipment in these areas; particularly under the State-Regions Contracts resulting from the first Regional Development Programs.

The year 2022 was marked by an exceptional level of loan allocations amounting to nearly 5 BDH, some of which are currently being contracted, and which cover the financing of 69 projects. These loans notably concern large climate adaptation projects distinguished by their significant investment volumes and are part of the infrastructure major projects policy.

Furthermore, and in accordance with its Environmental and Social (E&S) policy, the FEC systematically assesses the E&S risks of the projects submitted for its financing. Thus, the results of the E&S rating for the 2022 financial year demonstrate the controlled level of E&S risks of projects evaluated during this year, nearly all of which correspond to projects classified in "Categories D or C", which group projects presenting minimal and easily manageable risks.

During the 2022 financial year, the Institution recorded a positive evolution of its main financial indicators, with a 4% increase in net banking income, which reached 661 MDH, as a result of the growth of customer receivables, which reached over 26.8 BDH, combined with the quality of the loan portfolio to date.

The net income reached 338 MDH at the end of 2022, up nearly 3% compared to 2021, reflecting the positive evolution of the NBI as well as the continued control of general operating expenses.

Similarly, the Institution continued to implement its structuring projects aimed at achieving several strategic objectives and thus contributing to translating the Bank's desire to support the economic and institutional dynamics of Territorial Communities and to align with this rapidly changing environment.

1. The sustainability and diversification of resources lie at the heart of the development strategy of the Institution

In the national banking landscape, the FEC has certain characteristics, particularly due to the specificity of its client base, which is limited to public entities in the local sector, and to the absence of any deposits, including those from customers.

In this context, the sustainability of resources takes on particular importance in order to best meet the growing financing needs of the Territorial Communities, in connection with the territorial investment dynamics, particularly within the framework of advanced regionalization's implementation.

Similarly, these specificities place the FEC under the constraint of pursuing the diversification of resource mobilization means both nationally and internationally, which requires strict vigilance in strengthening the Bank's financial and prudential indicators in strict compliance with circulars and norms issued by the Central Bank.

To this end, various levers have been activated and rely solely on the Institution's achievements in terms of solvency and financial solidity, successfully mobilizing the necessary resources for its activity, both on the national financial market and from leading international financial institutions, including Development Financial Institutions.

This financing strategy enables the Institution to access financing at lower cost, which it proactively aims to pass on to customers through its pricing policy while also providing the necessary volumes for its activity.

A strategic alliance between the FEC and the CDG for the establishment of syndicated loans and complementary financing

As part of its financial strategy, the Bank seeks to create favorable conditions for new financial synergies with leading public institutional partners who share the ambition of providing joint financing for territorial development projects.

In this regard, the Fonds d'Équipement Communal (FEC) and the Caisse de Dépôt et de Gestion (CDG) concluded a strategic partnership in 2021 centered around three complementary components: co-financing of territorial development projects by both institutions, refinancing of the FEC by the CDG, and sharing their respective expertise with Territorial Communities to best meet their needs.

This partnership came into effect in the first quarter of 2022, initially involving the mobilization of a total envelope of 8 BDH, with the prospect of increasing financing volumes depending on the intensification of the Territorial Communities' needs.

To this end, the two institutions have agreed to increase the co-financing envelope from 8 to 13 BDH to support the investment and growth dynamics of the Regions, particularly for the financing of major climate adaptation projects that stand out for their significant investment volumes and align with the major infrastructure project policy.

As part of these projects, the two institutions will form a consortium in order to structure and submit a joint financing offer, with the FEC leading the operation coordination as the lead arranger, and the CDG acts as co-arranger and co-credit agent.

This new stage also provides an opportunity for the two institutions to renew their commitment to territorial development and provide additional support to sustainable development goals and climate change adaptation and mitigation efforts.

Continuation of bond issues

The FEC successfully closed, in January 2022, the second bond issue amounting to 1 BDH, which is part of its new 9 BDH bond program, authorized by the Board of Directors during its meeting held on May 29, 2019, and of which the first bond issue of 2 BDH was carried out in December 2020.

This bond issue, whose amount was fully subscribed during the subscription period that lasted from January 3 to 7, 2022, reflects the interest and confidence the market places in the FEC's securities and enables the Bank to further strengthen its balance sheet, in particular through a better optimization of its asset/liability management.

The FEC's regular presence in the domestic financial market places it among the main national issuers and confirms the Bank's quality signature among investors and their confidence in the FEC.

International development with DFIs

As part of its continued financial strategy to open up to international financing, the FEC intensified exchanges with Development Finance Institutions (DFIs) during 2022, with a dual objective of:

- Preparing for draws on credit lines contracted based on the Bank's evolving needs and market conditions;
- Continuing to explore new opportunities for financial partnerships with other DFIs in order to establish new financing agreements that are characterized by optimal financial conditions and are typically supported by technical assistance subsidies.

In doing so, and following a first draw of 50 million euros in 2021, the FEC made a second draw of 100 million euros in December 2022 from the new 200 million euro credit line contracted with the AFD in July 2021. As with previous draws, the FEC has fully hedged the amount and duration of foreign exchange risk, providing total immunization against this risk.

2. Sustainability at the heart of the Bank's action and responsibilities in favor of the territories

The FEC's strong commitment to make Environmental and Social (E&S) risk assessment a sine qua non condition for all territorial projects' financing constitutes one of the main pillars of the Institution's financing strategy fundamentals.

This commitment is manifested through the application of a reference framework, at the level of international standards, in the form of an E&S policy, which constitutes the cornerstone of the Bank's Environmental and Social Management System (ESMS). This E&S policy was approved by the FEC's Board of Directors on October 28, 2021.

In line with this commitment, the Bank finalized its E&S corpus during Q4 2021, consisting of the E&S policy, which came into effect on April 29, 2022, and procedures ensuring the standardization of the conduct of E&S risk assessments. The integration of this assessment throughout the value chain marks the FEC's determination to pursue its quest for innovation and renewal in support of low-carbon, sustainable, and resilient territorial development to the impacts of climate change, thus making it possible to contribute to the Kingdom's efforts in this regard.

3. Formalization of the Bank's overall risk management

The FEC ensures continuous strengthening of its risk management systems by integrating the best risk management practices observed at the level of Banks and formalizing a global risk management strategy. This approach also stems from the objective of fully complying with current regulatory requirements relating to risk management and implementing the recommendations of the Banking Supervision Department and the Statutory Auditors.

The aforementioned regulatory provisions encourage each Credit Institution to formalize a Global Risk Strategy that must be adapted to its risk profile, its risk aversion level, its size, and its financial base.

In this sense, the global risk strategy constitutes a strategic reference document formalizing the main principles implemented by the FEC for identifying, evaluating, and controlling all risks to which the FEC could be exposed in relation to the nature of its activities and its risk profile.

It should be noted that the FEC's project to formalize its global risk management strategy and its derivatives was launched in Q4 2022.

4. A digital transformation strategy as an essential pillar for modernization and improvement of customer experience

The challenges related to the use of digital technologies, in addition to the acceleration of the national digitization dynamics, constitute an essential lever for improving the quality of services provided and a real opportunity to strengthen proximity and transparency with Territorial Communities. In this spirit, the FEC has initiated the implementation of its digital transformation program with the aim of enhancing the services provided to its customers and improving the Customer experience.

This program will anticipate the financing and support needs of Territorial Communities by offering them the most appropriate products and services through the online provision of a high- performance product/service recommendation engine, while providing them with an intuitive and easy-to-use customer journey through a Digital Front Office of rich and evolving services consistent with the digital strategies of ecosystem actors in territorial development.

In this regard, the FEC has started the execution works of priority projects identified in the IS and digital roadmap and launched several consultations with specialized providers in September 2022 in order to carry out the said projects, including Core-Banking and the digitization of the credit granting and disbursement process.

KEY FIGURES 2022

In MDH

Activity indicators

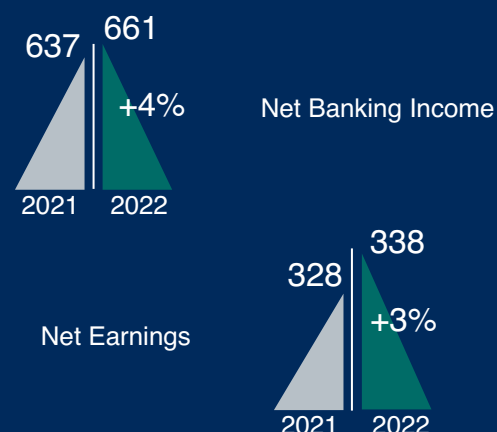


During 2022, the FEC maintained financing levels for the benefit of Territorial Communities comparable to those of 2021, with loan commitments and disbursements reaching respectively nearly 2.7 BDH and over 2.9 BDH as of the end of December 2022.

The year 2022 was marked by an exceptional level of loan allocations, which reached nearly 5 BDH, some of which are currently being contracted and are intended to finance 69 projects. These contributions involve in particular the financing of large-scale climate adaptation projects distinguished by their significant investment volumes, aligning with the policy of major infrastructure projects.

Through these new financings, customer receivables reached 26,849 MDH at the end of 2022, representing a 3% increase compared to the level recorded in 2021.

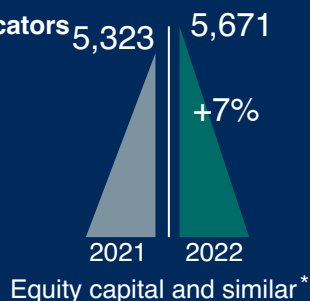
Performance indicators



A 4% increase in Net Banking Income, amounting to 661 MDH at the end of 2022, resulting from the growth in customer receivables combined with the quality of the loan portfolio.

Net Earnings amounted to 338 MDH at the end of 2022, reflecting a 3% increase compared to 2021, indicating the positive evolution of Net Banking Income, as well as the continued control of General Operating Expenses.

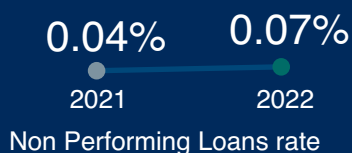
Balance Sheet Indicators



Equity capital and similar reached over 5,671 BDH at the end of 2022, enabling the Bank to strengthen its financial position to continue supporting the growing needs of Territorial Communities.

* Including a subordinated bond issue of 1 BDH

Risk indicators



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

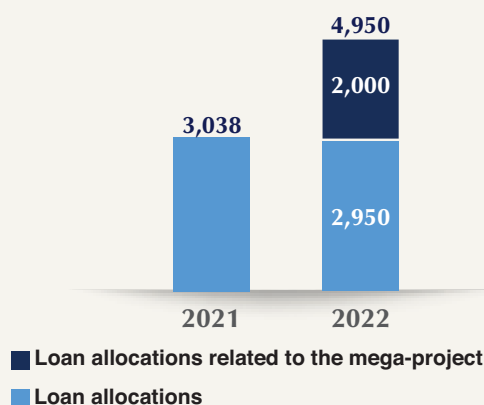
LOAN ACTIVITY AS OF DECEMBER 31, 2022

1. Loan allocations and commitments

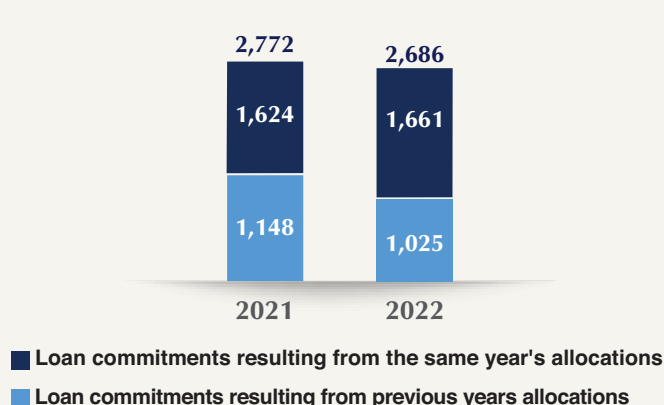
The year 2022 was marked by an exceptional level of loan allocations that reached nearly 5 BDH, some of which are currently being contracted, and cover the financing of 69 projects in 11 intervention sectors, for a total investment amount of more than 10.5 BDH, benefiting 25 Territorial Communities. These loans concern in particular the financing of major climate adaptation projects that are distinguished by their significant investment volumes and are part of the infrastructure major project policy. The volume of loan allocations recorded as of the end of 2022 takes into account the allocation of two loans, totaling 2 BDH, for the financing of a strategic megaproject, involving the construction of water supply structures as part of the interconnection of two hydraulic basins.

On the other hand, loan commitments reached a total amount of nearly 2.7 BDH for the financial year 2022, of which nearly 62% stem from the loan allocations granted during the same year, representing a total of nearly 1.7 BDH. These financings were allocated to the implementation of 63 projects, covering 11 intervention sectors, benefiting 20 Territorial Communities, for a total investment of nearly 5 BDH.

Loan allocations (in MDH)



Loan commitments (in MDH)



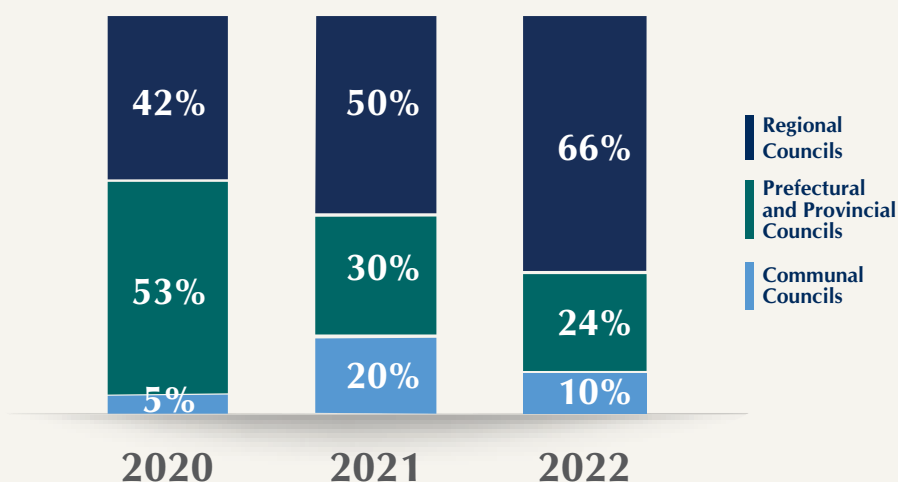
Breakdown of loan commitments by type of borrower

The breakdown of loan commitments by type of borrower in 2022 is as follows :

	2020		2021		2022	
Territorial Communities	In MDH	Share In %	In MDH	Share In %	In MDH	Share In %
Regional Councils	1,402	42%	1,399	50%	1,780	66%
Prefectural and Provincial Councils	1,764	53%	824	30%	632	24%
Communal Councils	169	5%	550	20%	274	10%
Total	3,335	100%	2,772	100%	2,686	100%

Loan commitments for the 2022 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 66%, 24% and 10% of loans committed at the end of 2022 respectively.

Evolution of the structure of loan commitments by type of borrower 2020 - 2022



Continued ramp-up of the Regional Councils, which predominate in the structure of loan commitments at the end of 2022

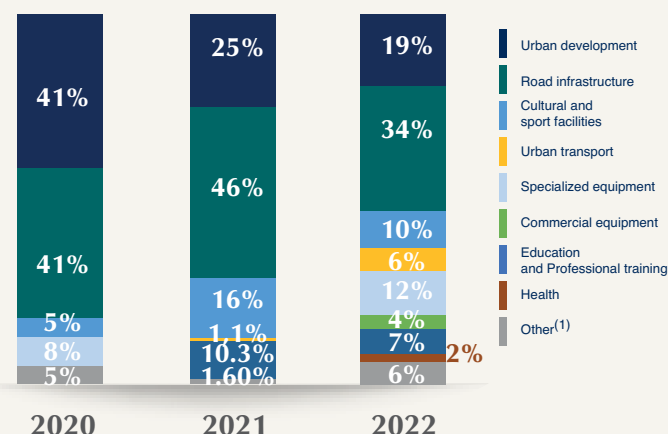
- » Loan commitments for the benefit of Regional Councils accounted for 66% of the overall volume of loan commitments at the end of 2022, amounting to 1.78 BDH confirming their continued rise in the loan commitment structure observed in recent years, thanks in particular to the implementation of Regional Development Programs (RDPs) as well as the Program of the Reduction of Territorial and Social Disparities (PRDTS) in rural areas, representing respectively 43% and 34% of their loan commitments. Through these loans, the FEC contributed to financing the construction of major structuring roads, particularly in rural areas, sports facilities, community schools, as well as several health infrastructures and facilities aimed at expanding access to care.
- » The Prefectural and Provincial Councils represented 24% of the overall volume of loan commitments at the end of 2022, amounting to 632 MDH. These financings mainly concerned the implementation of territorial development programs, including the upgrading of urban infrastructure and equipment, the development of an economic activity zone allowing to reinforce the attractiveness of the targeted areas, as well as implementing a program to fight against poverty through the implementation and upgrading of institutions for social protection and the integration of vulnerable people with specific needs.
- » The Communal Councils, for their part, accounted for a 10% share of the overall volume of loan commitments at the end of 2022, totaling 274 MDH, which financed several projects for municipal facilities such as the construction of a bus station, an indoor swimming pool, an agro-food platform, and slaughterhouses.

Breakdown of loan commitments by sector of intervention

The breakdown of loan commitments by sector of intervention in 2022 is as follows :

Sectors of intervention	2020		2021		2022	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban developments	1,361	41%	704	25%	499	19%
Road infrastructure	1,379	41%	1,271	46%	907	34%
Cultural and sports facilities	178	5%	440	16%	286	10%
Urban transport	-	-	31	1.10%	157	6%
Specialized equipment	265	8%	-	-	331	12%
Electricity	108	3%	9	0.30%	65	2%
Liquid and solid sanitation	30	1%	28	1%	43	2%
Drinking water	14	1%	9	0.30%	46	2%
Commercial equipment	-	-	-	-	102	4%
Education and Professional training	-	-	280	10.30%	193	7%
Health	-	-	-	-	57	2%
Total	3,335	100%	2,772	100%	2,686	100%

Evolution of the structure of loan commitments by sector of intervention 2020 – 2022



(1) : Electricity, Liquid and solid sanitation, Drinking water

Predominance of the road infrastructure sector in the structure of loan commitments at the end of 2022

» 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.

In fact, the structure of the Bank's financing has changed over the past few years, as the share of the urban development sector, which has historically been predominant, has declined to the benefit of new sectors such as road infrastructure, specialized equipment, education and professional training as well as health, which are expected to see their shares increase in the coming years.

Indeed, the urban development sector represented only 19% of loan commitments at the end of 2022, for a total amount of 499 MDH, compared to 41% in 2020, for a total amount of 1,361 MDH.

However, these loan commitments mainly enabled the FEC to contribute to the financing of development projects of structuring roads, under-equipped neighborhoods, urban parks, squares and green spaces.

The continued predominance of the road infrastructure sector, observed in recent years, represents 34%

» of the overall volume of loan commitments at the end of 2022, which is a total amount of 907 MDH. These financings mainly concern the strengthening of road networks and the opening up of rural areas, notably through the opening and development of road links, of which nearly 60% correspond to projects that fall within the framework of the PRDTS in rural areas.

The specialized equipment sector represented 12% of loan commitments at the end of 2022, for a total

» amount of 331 MDH. These financings concern new generation projects, including the construction of a new bus station that meets international standards and requirements in terms of safety, security, and quality of services, as well as new approved slaughterhouses that meet the required sanitary and hygienic standards.

The cultural and sports equipment sector has a total loan commitment volume of 286 MDH at the end of

» 2022, nearly 35% of which is dedicated to financing sports facilities in rural and peri-urban areas as part of a program to upgrade the centers of municipalities in a region, aiming to improve the supply of sports infrastructure. These loan commitments also allowed the Bank to contribute to the rehabilitation of historical and cultural sites as well as the construction of a grand theater.

» The loan activity for 2022 was marked by the commitment of several loans in sectors resulting from the State-Region Contracts within the framework of the first Regional Development Programs, in particular education and professional training as well as health. These new sectors of intervention reached respective amounts of more than 193 MDH and 57 MDH, thus allowing the FEC to participate in the financing of projects such as :

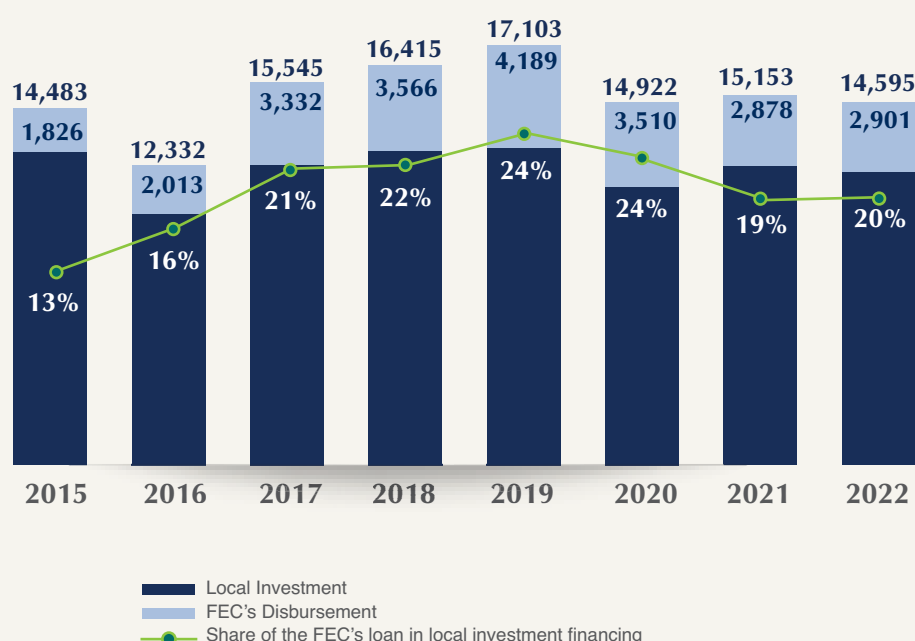
- Construction of community schools and boarding schools, as well as the provision of school transport in rural areas, to fight against school dropout and promote the education of children;
- Construction of a City of Trades and Skills (CTS) in a region, following in the footsteps of other CTSs already financed by the FEC at the regional level, as part of a national program to provide each region with a new generation of vocational training establishments, promoting the employability of young people and their integration into the world of employment;
- Rehabilitation and construction of several health facilities and establishments, aimed at expanding the offer in this area, particularly in areas facing difficulties in accessing healthcare.

2. Loan disbursements

Loan disbursements amounted to 2,901 MDH for the 2022 fiscal year, a level comparable to 2021. This reflects the continued financing momentum for investment projects initiated by the Territorial Communities, despite the prevailing national and international economic context.

Thus, these loan disbursements enabled the financing of nearly 20% of the total amount of local investments in 2022. These financings were used to carry out 136 projects for the benefit of various categories of Territorial Communities, covering different sectors of infrastructure and superstructures, both in urban and rural areas.

Evolution of the share of the FEC's borrowing in the financing of local investment 2015-2022 (in MDH)



The FEC's borrowing resources allowed to finance 20% of the total amount of local investments in 2022

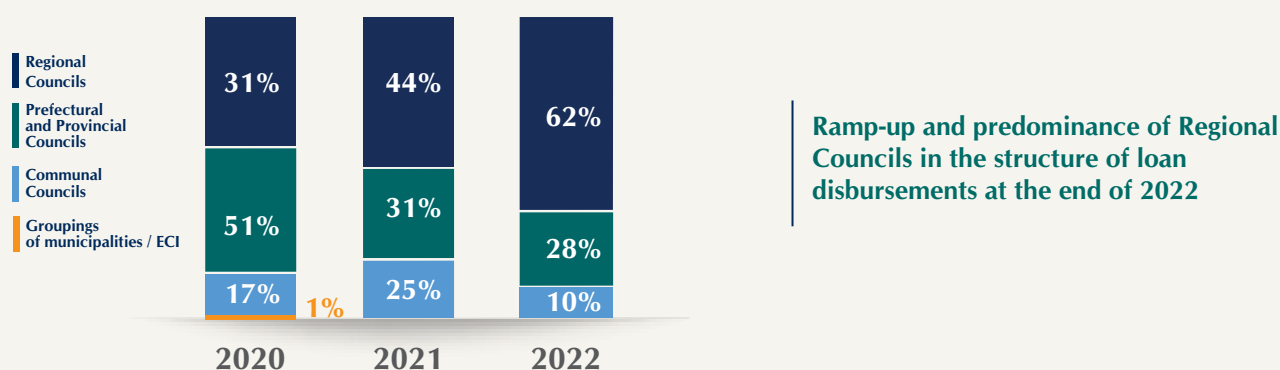
Breakdown of loan disbursements by type of borrower

The breakdown of loan disbursements by type of borrower in 2022 is as follows:

	2020		2021		2022	
Territorial Communities	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Regional Councils	1,100	31%	1,270	44%	1,791	62%
Prefectural and Provincial Councils	1,810	51%	900	31%	827	28%
Communal Councils	580	17%	708	25%	283	10%
Groupings of municipalities / ECI	20	1%	-	-	-	-
Total	3,510	100%	2,878	100%	2,901	100%

Loan disbursements for the 2022 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 62%, 28% and 10% of loan disbursements respectively at the end of 2022.

**Evolution of the structure of loan disbursements
by type of borrower 2020 - 2022**



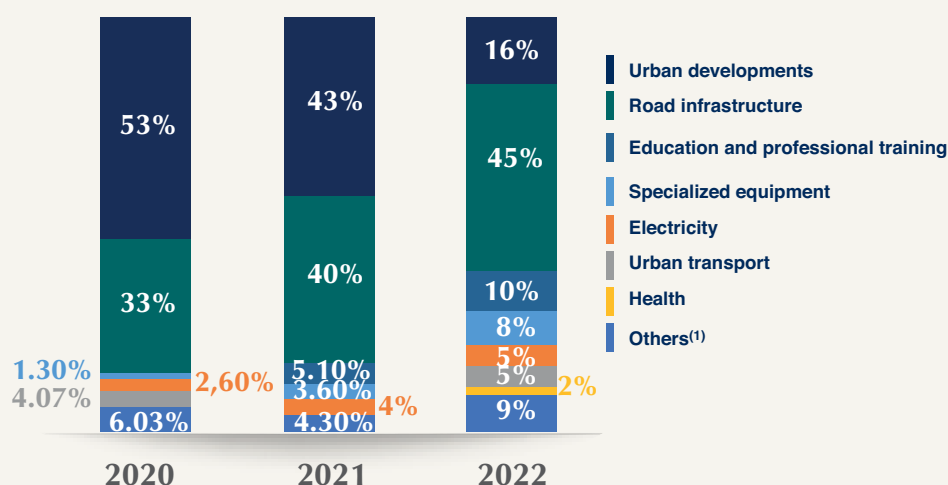
- » With a 41% increase compared to last year's achievements, loans disbursements made by the Regional Councils amounted to 1,791 BDH as of December 31, 2022, representing nearly 62% of the total disbursement volume for the year. Nearly 71% of these disbursements benefited four regions for amounts of 412 MDH, 330 MDH, 289 MDH, and 245 MDH respectively. These disbursements mainly focused on financing projects for the construction of road infrastructures to improve accessibility in rural areas, particularly under the PRDTS, as well as the development of expressways and bypasses to alleviate traffic congestion in major urban areas. These financings also supported the construction of educational and professional training institutions, particularly under the State-Regional Program Contracts, as well as co-benefit climate projects in the urban transport sector, through the construction of a High Level Service Bus Line (BHLS).
- » Loan disbursements made to the Prefectural and Provincial Councils reached 827 MDH as of the end of 2022, representing 28% of the total disbursements made during the year. The majority of these loan disbursements correspond to the financing of territorial development programs, particularly the development program of two major cities, urban development projects through the reinforcement of basic infrastructure, the requalification and urban integration of under-equipped neighborhoods, socio-sports facilities and environmental protection, as well as the development of tourist sites. These financings also focused on the creation and upgrading of specialized health facilities and equipment, as well as the development of a major economic activity zone.
- » The loan disbursements made to the Communal Councils amounted to 283 MDH as of December 31, 2022, representing a 10% share of the total disbursement volume for the achievement of several projects, mainly focusing on urban upgrading, the construction of bus stations, the modernization of commercial facilities through the construction of weekly markets (souks) and an agro-food center, as well as the construction of cultural and sports facilities, particularly 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 2022 is as follows :

Sectors of intervention	2020		2021		2022	
	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban developments	1,866	53%	1,228	43%	480	16%
Road infrastructure	1,145	33%	1,164	40%	1,304	45%
Liquid and solid sanitation	56	1.60%	36	1%	41.8	1%
Cultural and sports facilities	67,50	1.92%	42	1.50%	87	3%
Electricity	93	2.60%	105	4%	135	5%
Commercial equipment	39	1%	42	1.50%	87	3%
Urban transport	143	4.07%	-	-	134	5%
Specialized equipment	46	1.30%	103	3.60%	232	8%
Drinking water	54	1.50%	4	0.10%	67	2%
Studies	0.50	0.01%	6	0.20%	0.20	0.01%
Education and professional training	-	-	148	5.10%	278	10%
Health	-	-	-	-	55	2%
Total	3,510	100%	2,878	100%	2,901	100%

Evolution of the structure of loan disbursements
by sector of intervention 2020 - 2022



(1) : Liquid and solid sanitation, Cultural and sports facilities, Commercial equipment, Drinking water, Studies

Predominance of the road infrastructure sector in the structure of loan disbursements at the end of 2022

- » Similarly, to the change observed in the structure of loan commitments, the structure of loan disbursements has also followed the same trend, recording an increase in the share of the road infrastructure's sector of 45% by the end of 2022, representing 1,304 MDH. These disbursements mainly concern the financing of road link upgrades and art structures, particularly under the PRDTS Development Program in rural areas, as well as the development of expressways and bypasses to improve traffic flow in urban areas.
- » On the other hand, the urban development sector experienced a decrease in its share in the structure of loan disbursements, dropping from 53% in 2020 to 16% in 2022, representing 480 MDH. However, these disbursements have mainly enabled the financing of projects related to road development, upgrading of basic infrastructure, and restructuring of under-equipped neighborhoods, particularly as part of the implementation of territorial development programs.

- » Loan disbursements for the year 2022 also covered the education and professional training sector, with 278 MDH, representing 10% of the overall loan disbursement volume. These financings were used to carry out projects falling under the State-Region Contracts resulting from the first Regional Development Programs, particularly for the construction of a health-training institute, Cities of Trades and Skills, as well as community schools and boarding schools in rural areas. The emergence of this sector confirms its vocation to become a strategic lever for territorial competitiveness and a major factor in the integration of young people into the workforce, which is closely linked to the new prerogatives of the Regions.
- » The specialized equipment, electricity, and urban transport sectors represent nearly 18% of the overall loan disbursement volume, mainly focusing on the construction and modernization of bus stations, the improvement of energy efficiency of the public lighting network and electrification in rural areas under the Rural Roads Development Program (PRDTS), the acquisition of vehicles for school transportation to fight against school dropout and encouraging the schooling of children, particularly in rural areas, as well as the implementation of a High Level Service Bus Line (BHLS).

3. Evaluation of environmental and social risks of financed projects

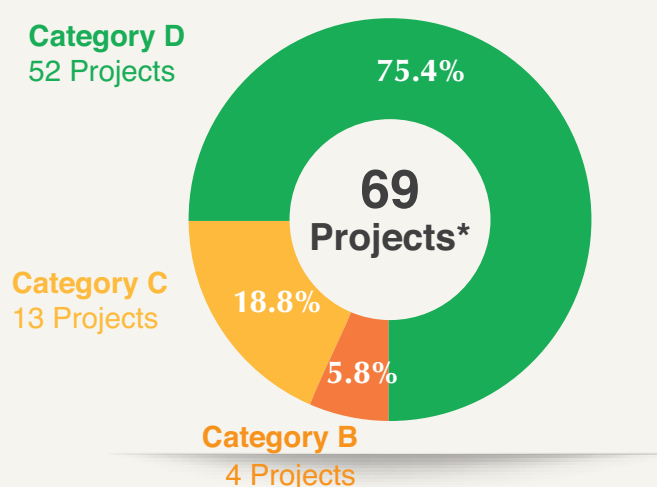
In accordance with its Environmental and Social (E&S) policy, the FEC systematically evaluates the E&S risks of projects submitted for its financing.

Thus, the results of the E&S rating for the 2022 financial year are as follow:

- 75.4% of the financed projects are classified in "Category D", which includes projects with minimal risks whose probable impacts are controllable;
- 18.8% of the financed projects are classified in "Category C", which includes projects with minimal risks requiring some specific mitigation measures;
- 5.8% 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 2022

Predominance of Category D projects in the structure of projects committed at the end of 2022

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

The financing commitments granted by the FEC in favor of customers amounted to nearly 5,186 MDH at the end of 2022. The evolution of these commitments from December 2021 to December 2022 is as follows :

Evolution of OBSCs (in MDH)

Situation as of December 31, 2021	5,556
New given commitments	2,686
Disbursements	2,901
Cancellations	155
Situation as of December 31, 2022	5,186

**Evolution of given commitments
and received commitments 2018-2022 (in MDH)**



(*) : Given the upward trend in interest rates and in order to guard against it, the Bank drew down an amount of 2 BDH on a variable rate bank line in order to secure the financing of the activity.
As part of optimal management of one-time cash surpluses, the Bank made an investment in investment securities of 1.13 BDH.

Over the past few years, the FEC has ensured that the level of given commitments converges with that of received commitments

As part of the continuous optimization of its Asset/Liability matching, the Bank has ensured over the past years to align the level of its given commitments with its received commitments in order to strengthen its balance sheet and ensure better management of liquidity and interest rate risks.

Similarly, the Bank has continued to clean up its OBSCs portfolio, thanks in particular to awareness campaigns and follow-up actions with Territorial Communities. These operations resulted in the cancellation of a total amount of more than 155 MDH in 2022, keeping in mind that the FEC had already cancelled an amount of nearly 411 MDH in 2021, nearly 385 MDH in 2020, and nearly 539 MDH in 2019.

Combined with disbursements related to normative activity, this approach has enabled the Bank to reduce the overall volume of OBSCs by more than 36% in 2022 compared to the level recorded in 2018, from 8.1 BDH in 2018 to 5.1 BDH in 2022, of which more than 61% corresponds to recent loans committed for less than 3 years.

Financing of the activity as of December 31, 2022

1. Evolution of Resources

The FEC's resources are established to 9,056 MDH at the end of 2022, and consist mainly of borrowing resources up to nearly 60%, representing an amount of 5,419 MDH, and annuity recoveries up to nearly 40%, representing an amount of 3,601 MDH, as shown in the following table:

Resources (in MDH)	2021	2022	Share in 2022 in %
Annual installement recoveries	3,275	3,601	39.8%
Borrowing resources	2,024	5,419	59.8%
Domestic borrowings (medium and long term)	1,500	4,350	48%
External borrowings	524	1,069	11.8%
Others (Interest income, refunds,.....)	7	12	0.1%
Outstanding money market advances	900	-	-
Initial balance	39	24	0.3%
Total Ressources	6,245	9,056	100%

Annual installments recoveries

As of December 31, 2022, the annual recovered installments amounted to 3,601 MDH, with a breakdown by seniority, showing a predominance of installments for the 2022 fiscal year, representing 99.64% of the total amount, which is 3,588 MDH. The remaining repayments relate to maturities prior to 2022, representing 0.36% of the total recoveries, which is 13 MDH.

Borrowing resources

The FEC's resources consist mainly of medium and long-term borrowings 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 financings.

In parallel with the mobilization of the resources necessary to finance the activity for the 2022 fiscal year, the FEC carried out a certain number of actions to establish new financings 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 and does not benefit from Bank Al-Maghrib's advances.

Mobilization of new financings from DFIs

During the 2022 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 made in 2021, the FEC proceeded to a second drawdown of 100 million euros in December 2022 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 2022 fiscal year, the FEC mobilized a total amount of 3,350 MDH over a maturity of 15-years, through drawdowns on long-term bank credit lines.

Bond issue

In January 2022, the FEC successfully closed the second bond issue of an amount of 1 BDH, which is part of its new bond program of 9 BDH, authorized by the Board of Directors at its meeting on May 29, 2019, and whose first bond issue of 2 BDH was made in December 2020.

This bond issue, which was fully subscribed during the subscription period, which ran from January 3 to 7, 2022, reflects the interest and confidence that the market places in the FEC's securities and enables the Bank to further strengthen its balance sheet, particularly through better optimization of its asset/liability matching.

The amount of 1 BDH paid at the end of the allocation related to ordinary unlisted bonds with a maturity of 15 years, at a rate of 2.20% revisable annually and indexed on the weighted average interbank rate (WAIR) 6 months.

The details of the results of this issue by investor category are as follow:

Subscription / Allocation	Single installment at variable rate
Amount subscribed (MDH)	1,000
Amount allocated (MDH)	1,000
UCITS	625
Credit institutions	375
Insurance companies, pension and provident organizations	-
Satisfaction rate	100%

This bond issue, whose maturity date corresponds to January 12, 2022, aims in particular to achieve the following objectives :

- » Optimize the FEC's financing costs on long-term maturities;
- » Respond to the FEC's Asset/Liability management needs;
- » Confirm the FEC's position as a regular issuer.

Short-term borrowings

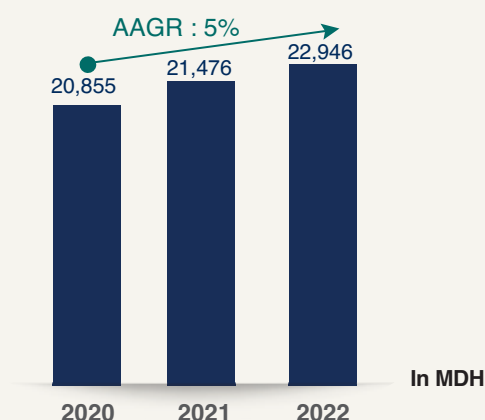
In order to optimize liquidity and cost management and meet ad hoc needs during the year, the FEC used short-term bridging resources through interbank market advances during 2022, which were fully repaid before the end of 2022.

Evolution of the debt structure

The evolution of the outstanding debt shows an upward trend over the period of 2020-2022, reflecting the increase in recourse to borrowing to finance the growing needs of the FEC's activity.

Thus, the outstanding debt increased from 20.8 BDH in 2020 to 22.9 BDH in 2022, representing an average annual growth rate of nearly 5% over this period.

Evolution of outstanding borrowings¹

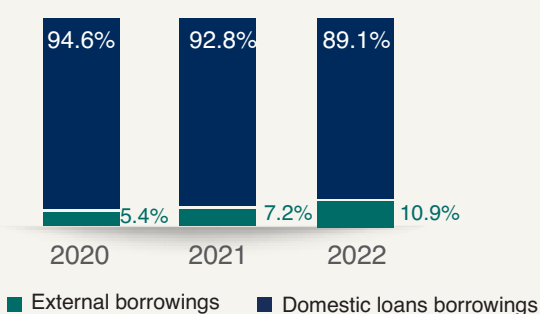


Debt structure by origin

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 borrowings represent 89.1% as of December 31, 2022. However, it should be noted that there has been a continuous increase in foreign borrowings in the overall debt, which have risen from 5.4% at the end of 2020 to 10.9% at the end of 2022, following in particular the drawdowns made over the last two fiscal years on the second credit line contracted by the FEC with AFD in July 2021.

This trend reflects the continuation of the FEC's financial resources' diversification strategy, which is oriented towards DFIs to seize opportunities in terms of interest rates and exchange rate risk coverage.

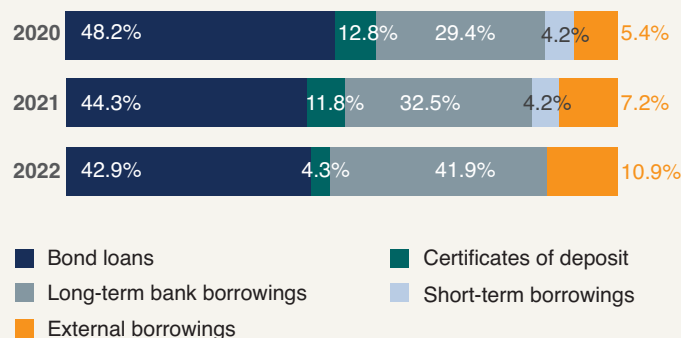
Breakdown of outstanding borrowings by origin



Breakdown of debt by type of borrowings

As of December 31, 2022, the FEC's debt is mainly composed of bond issues and long-term bank loans, which represent respectively 42.9% and 41.9% of the total debt, followed by external borrowings, which represent 10.9% of the total debt. Finally, the share of certificates of deposit reached 4.3% of the outstanding debt as of December 31, 2022.

Breakdown of debt by type of borrowings



The evolution of the outstanding debt by type of borrowings confirms the predominance of long-term resources at the expense of medium and short-term resources.

The structure of the debt by type of borrowings 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 2020 to 2022, the share of bond issues and long-term bank loans is at similar levels and represents nearly 85% of the overall outstanding amount at the end of 2022. Similarly, the outstanding amount of external borrowings increased to nearly 11% of the overall outstanding debt at the end of 2022.

For their part, the outstanding amount of certificates of deposit decreased, from 12.8% as of December 31, 2020 to 4.3% as of December 31, 2022, in the absence of new issues over this period.

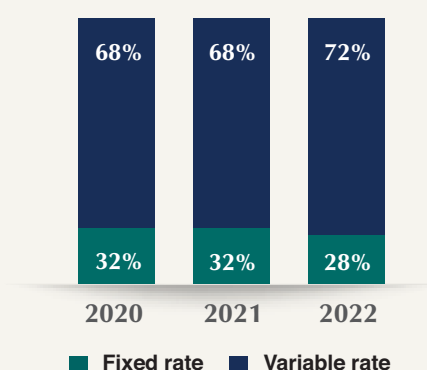
(1) : Outstanding borrowings correspond to outstanding capital excluding accrued interest and commissions, foreign exchange hedging, interest rate differentials and conversion differences.

Debt structure by type of interest rate

The analysis of the evolution of the debt structure at the end of 2022 highlights the predominance of variable-rate resources, whose share slightly increased to 72% at the end of December 2022. This increase is mainly due to the mobilization of variable-rate resources during the financial year, in particular through bond issues and drawdowns on long-term bank credit lines.

Moreover, it should be emphasized that the evolution of the debt structure by type of interest rate reflects the financing strategy of the Bank, 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

At December 31, 2022, the FEC uses were characterized by:

- » A slight increase in loan disbursements, which increased from 2,878 MDH in 2021 to 2,901 MDH in 2022;
- » A level of loan repayments representing more than 50% of the total uses, amounting to 4,566 MDH.

The breakdown of the uses at the end of 2022 is detailed in the following table:

Uses (in MDH)	2021	2022	Share in 2022 in %
Borrowing Transfers	2,878	2,901	32%
Loan Repayments	2,931	4,566	50.4%
Domestic borrowings	2,822	4,419	48.8%
External borrowings	109	147	1.6%
Budgetary expenditure	49	44	0.5%
Other (VAT, IR, Refunds...)	140	146	1.6%
IS regulations	223	214	2.4%
BDT Purchase	-	1,131	12.5%
Final balance	24	54	0.6%
Total uses	6,245	9,056	100%

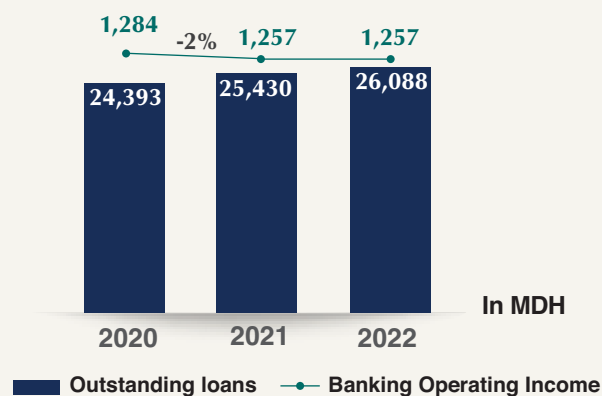
Results and financial indicators as of December 31, 2022

The FEC's financial statements closed on December 31, 2022, 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	2020	2021	2022	Variation 2022/2021
Banking Operating Income	1,284	1,257	1,257	--
Banking Operating Expenses	661	619	596	-4%
Net Banking Income	623	637	661	4%
General Operating Expenses	59	59	60	2%
Cost of risk	-4	--	-1	--
Non-current Expenses	112	19	28	47%
Corporate tax	203	208	216	4%
Net earnings	244	328	338	3%

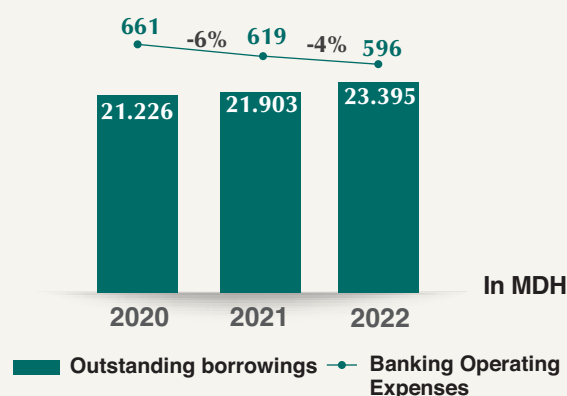
Banking Operating Income (BOI)



As of December 31, 2022, the Bank's Operating Income reached 1,257 MDH, which is the same level as of December 31, 2021, despite the evolution of outstanding loans which recorded an increase of nearly 3%, from 25,430 MDH in 2021 to 26,088 MDH in 2022, which is an increase of 658 MDH, and the near 100% recovery rate, allowing almost all of the expected interest income for the financial year to be recognized.

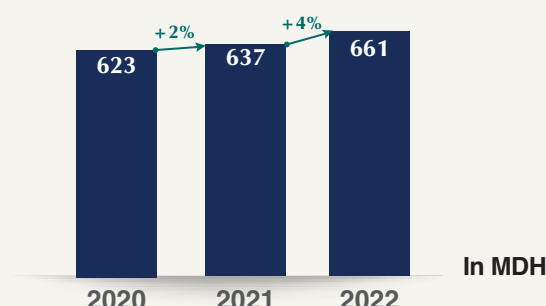
Banking Operating Expenses (BOEs)

The year 2022 was marked by a 4% decrease in Banking Operating Expenses compared to 2021, despite an increase in the outstanding loans, which recorded an increase of 1,492 MDH, going from 21,903 MDH at the end of 2021 to 23,395 MDH at the end of 2022. This development reflects the continued optimization of the cost of financing resources mobilized by the FEC, particularly in the implementation of its financial strategy, open to international financing, and aiming to diversify and sustain its sources of financing.



Net Banking Income (NBI)

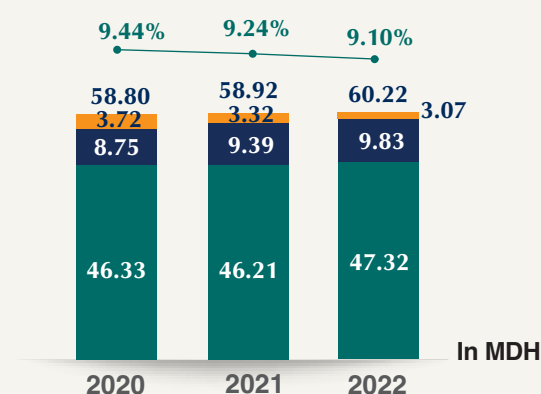
The combined evolution of the BOIs and BOEs generated a 4% increase in NBI compared to December 31, 2021, thus reaching 661 MDH at the end of 2022, which indicates the quality of the Bank's loan portfolio as well as the continued optimization of the cost of the mobilized financing resources.



General Operating Expenses (GOEs)

The continued rationalization of operating expenses allows the FEC to continue to control the General Operating Expenses (GOEs) in 2022, which are slightly higher than those recorded in 2020 and 2021. As of the end of 2022, the GOEs consist mainly of staff expenses for 79%, external expenses for 16% and depreciation expenses of fixed assets for 5%.

As a result, the Operating Ratio continues to improve reaching 9.10% at the end of 2022.

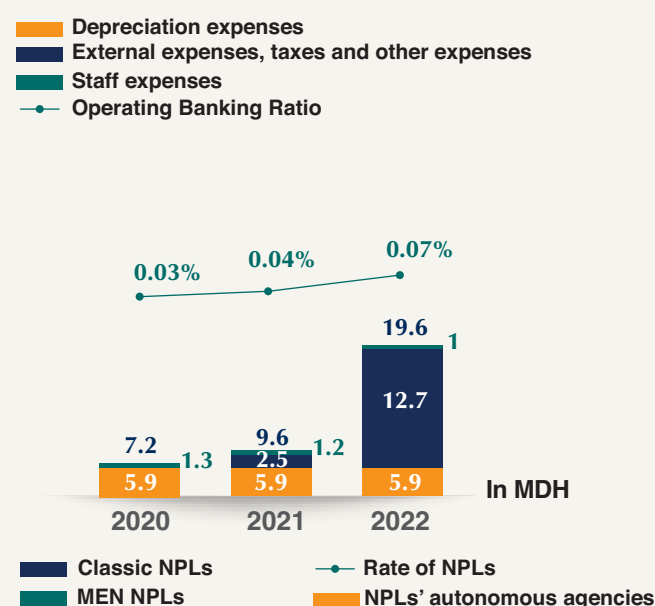


Non Performing Loans (NPLs) and cost of credit risk

At the end of 2022, Non-Performing Loans (NPLs) reached 19.6 MDH, an increase of 10 MDH compared to December 31, 2021. This increase is due to the observation of new pre-doubtful loans related to two Territorial Communities.

The continuous improvement of the quality of the FEC's loans and its risk profile in recent years allows the bank to strengthen the stability of the provisions stock for NPLs and to improve the cost of credit risk, as shown in the table below:

In MDH	2020	2021	2022
Allocations to provisions on NPLs (1)	0	0.47	0.61
Reversals of provisions on NPLs (2)	3.65	0.02	1.27
Cost of credit risk (3) = (1) – (2)	-3.65	0.45	-0.66



Provisions for General Risks (PGR)

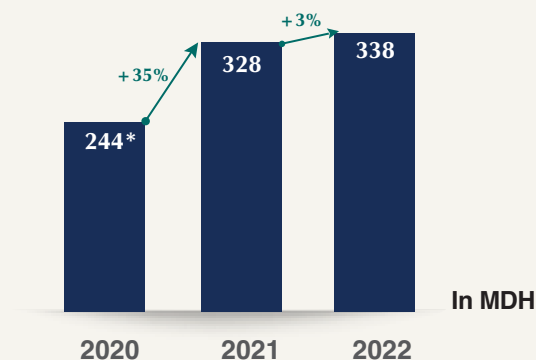
In order to ensure coverage against certain general risks, the FEC proceeded during the 2022 fiscal year to the constitution of net allocations to provisions of an amount of 21 MDH, thus bringing the total amount of PGRs to 72.71 MDH.

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

Net Earnings

Considering the elements presented above, particularly:

- » the favorable 4% evolution of the NBI;
- » the continued control of GOEs;
- » the good quality of the client portfolio;



(*) : The Net Earnings for the 2020 financial year was marked by the recognition of the FEC's contribution of 100 MDH for the benefit of the Special Fund for the management of the Coronavirus pandemic (Covid-19).

As of December 31, 2022, the net earnings increased by 3%, reaching 338 MDH compared to 328 MDH at December 31, 2021.

2. Balance sheet

				In MDH			
ASSETS	2020	2021	2022	LIABILITIES	2020	2021	2022
Cash values, Central Banks and Public Treasury and receivables from credit institutions and similar	26	25	54	Central Banks, Public Treasury	-	-	-
Customers receivables	25,208	26,183	26,849	Debts to credit institutions and similar	8,597	9,959	12,666
Other assets	235	301	563	Debt securities issued	11,851	11,187	9,958
Investment securities	-	-	1,131	Other liabilities	47	34	271
Fixed assets	48	45	42	Equity and similar funds	5,022	5,374	5,744*
TOTAL	25,517	26,554	28,639	TOTAL	25,517	26,554	28,639

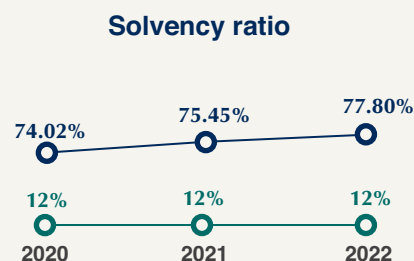
(*) : Including a provision for general risks amounting to 72.71 MDH.

The analysis of the balance sheet structure shows that the assets, which amount to 28,639 MDH and which consist almost exclusively of customer receivables, increased by more than 2 BDH, mainly due to the purchase of investment securities for over 1.1 BDH as well as an increase in customer receivables of nearly 700 MDH.

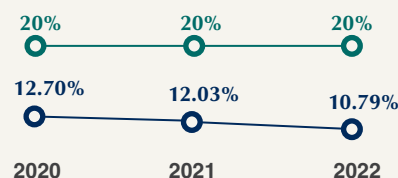
The structure of liabilities is characterized by the predominance of financing debts, distributed between long-term borrowings and issued debt securities, which represent nearly 79% of the total balance sheet.

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:

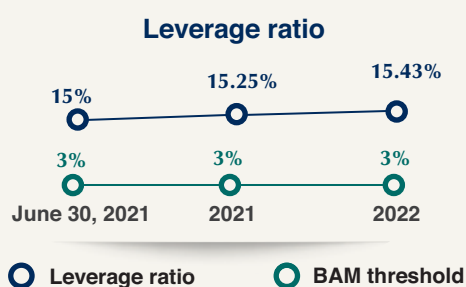


Maximum Coefficient of Risk Division (MCRD)



○ Solvency ratio ○ BAM threshold

○ MCRD ○ BAM limit



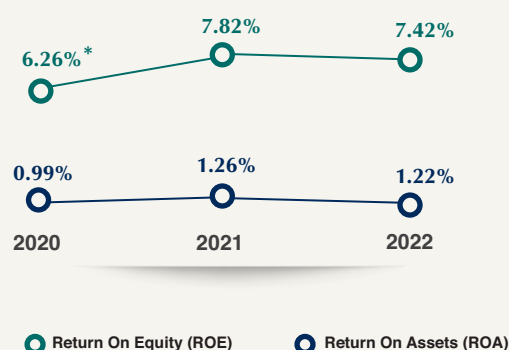
○ Leverage ratio ○ BAM threshold

4. Profitability indicators

In MDH	2020	2021	2022
Net Earnings	244	328	338
Equity capital (excluding subordinated bond loans)	4 022	4,374	4,733
Average equity capital ² (excluding subordinated bond loans)	3 894	4,198	4,554
Return On Equity (ROE)	6.26%	7.82%	7.42%
Net earnings	244	328	338
Total balance sheet	25,517	26,554	28,639
Total average balance sheet ³	24,535	26,036	27,597
Return On Assets (ROA)	0.99%	1.26%	1.22%

(2): (Equity Capital (excluding subordinated bond loans) of year N-1 + Equity Capital (excluding subordinated bond loans) of year N) / 2

(3): (Total balance sheet for year N-1 + Total balance sheet for year N) / 2



(*) : Impact of the decline in net earnings on ROE in 2020 due to the accounting for the FEC's contribution of 100 MDH for the benefit of the Special Fund for the Management of the Coronavirus Pandemic.

ROE and ROA respectively reached 7.42% and 1.22% at the end of 2022 against 7.82% and 1.26% at the end of 2021. Their decline is mainly linked to changes in assets and equity capital.

5. FINANCIAL COMMUNICATION as of December 31, 2022



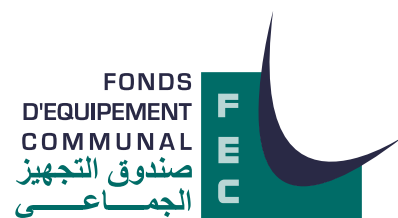
FINANCIAL STATEMENTS **as of December 31, 2022**

BALANCE SHEET		
ASSETS		
	December 31, 2022	December 31, 2021
CASH VALUE, CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE	54,474	24,384
RECEIVABLES ON CREDIT INSTITUTIONS AND SIMILAR	221	946
On sight	221	946
At term	-	-
CUSTOMER RECEIVABLES	26,848,614	26,183,116
Cash and consumer loans and participatory financing	2,787	2,262
Loans and participatory financing for equipment	26,816,162	26,158,280
Real estate loans and participatory financing	17,186	19,852
Other loans and participatory financing	12,479	2,722
RECEIVABLES ACQUIRED THROUGH FACTORING	-	-
TRADING AND INVESTMENT SECURITIES	-	-
Treasury bills and similar securities	-	-
Other debt securities	-	-
Property securities	-	-
Sukuks Certificates	-	-
OTHER ASSETS	562,766	300,649
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	154	320
TANGIBLE FIXED ASSETS	42,138	44,719
TOTAL ASSETS	28,639,435	26,554,158

LIABILITIES		
	December 31, 2022	December 31, 2021
CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE		
DEBTS TO CREDIT INSTITUTIONS AND SIMILAR	12,665,807	9,959,027
On sight	-	-
At term	12,665,807	9,959,027
CUSTOMER DEPOSITS	-	-
Demand accounts payable	-	-
Savings Accounts	-	-
Term deposits	-	-
Other accounts payable	-	-
DEBTS TO CUSTOMERS ON PARTICIPATORY PRODUCTS	-	-
ISSUED DEBT SECURITIES	9,958,173	11,188,604
Issued negotiable debt securities	1,000,155	2,541,450
Bond loans	8,958,018	8,645,154
Other debt securities issued	-	-
OTHER LIABILITIES	271,396	34,157
PROVISIONS FOR RISKS AND EXPENSES	72,709	51,705
REGULATED PROVISIONS	-	-
SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS	-	-
SUBORDINATED DEBT	1,010,790	1,000,000
INVESTMENT DEPOSITS RECEIVED	-	-
REVALUATION DIFFERENCES	-	-
RESERVES AND RELATED PREMIUM CAPITAL	3,322,666	2,994,185
CAPITAL	1,000,000	1,000,000
SHAREHOLDERS. UNPAID CAPITAL (-)	-	-
RETAINED EARNINGS (+/-)	-	-
NET EARNINGS PENDING ALLOCATION (+/-)	-	-
NET EARNINGS FOR THE FISCAL YEAR (+/-)	337,895	328,481
TOTAL LIABILITIES	28,639,435	26,554,158

OFF-BALANCE SHEET		
	December 31, 2022	December 31, 2021
COMMITMENTS GIVEN	5,185,755	5,556,371
Financing commitments given to credit institutions and similar	-	-
Financing commitments given to customers	5,185,755	5,556,371
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	2,781,831	6,458,741
Financing commitments received from credit institutions and similar	2,781,831	6,458,741
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		
	December 31, 2022	December 31, 2021
BANKING OPERATING INCOME	1,257,205	1,256,736
Interest, remunerations and similar income from transactions with credit institutions	1,972	1,890
Interest, remunerations and similar income from transactions with customers	1,255,077	1,254,646
Interest and similar income from debt securities	-	-
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	156	-
Other banking income	-	-
Transfer of expenses on investment deposits received	-	-
BANKING OPERATING EXPENSES	595,745	619,309
Interest and similar expenses on transactions with credit institutions	255,315	252,685
Interest and similar expenses on transactions with customers	-	-
Interest and similar expenses on debts issued	340,207	366,403
Expenses on Moudaraba and Moucharaka securities	-	-
Expenses on fixed assets leased and rented	-	-
Expenses on fixed assets given in Ijara	-	-
Other bank expenses	222	221
Transfer of income on investment deposits received	-	-
NET BANKING INCOME	661,461	637,426
Non-banking operating income	1,712	2,193
Non-banking operating expenses	178	178
GENERAL OPERATING EXPENSES	60,222	58,919
Staff expenses	47,319	46,210
Taxes and dues	840	838
External expenses	5,375	5,106
Other general operating expenses	3,613	3,441
Allocations for depreciation and provisions of tangible and intangible fixed assets	3,075	3,325
ALLOCATIONS TO PROVISIONS AND UNRECOVERABLE RECEIVABLES	24,713	26,594
Allocations to provisions on receivables and pending commitments by signature	613	468
Losses on unrecoverable receivables	-	-
Other allocations to provisions	24,100	26,126
REVERSALS OF PROVISIONS AND RECOVERIES ON WRITTEN OFF RECEIVABLES	4,370	2,011
Reversals of provisions on receivables and pending commitments by signature	1,275	16
Recoveries on written off receivables	-	-
Other reversals of provisions	3,095	1,995
OPERATING RESULT	582,429	555,939
Non-operating income	5	236
Non-operating expenses	28,409	19,211
PRE-TAX EARNINGS	554,026	536,964
Earnings Taxes	216,131	208,484
NET EARNINGS FOR THE FISCAL YEAR	337,895	328,481



STATUS OF MANAGEMENT BALANCES		
	December 31, 2022	December 31, 2021
I- EARNINGS FORMATION TABLE		
(+) Interest and similar income	1,257,049	1,256,736
(-) Interest and similar expenses	595,522	619,088
INTEREST MARGIN	661,527	637,647
(+) 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	156	-
(-) Commissions paid	222	221
MARGIN ON COMMISSIONS	- 66	- 221
(+) Result of trading securities operations	-	-
(+) Result of investment securities operations	-	-
(+) Result of exchange operations	-	-
(+) Result of derivative products operations	-	-
RESULT OF MARKET OPERATIONS	-	-
(+) 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	661,461	637,426
(+) Net income from financial fixed assets	-	-
(+) Other non-banking operating income	1,712	2,193
(-) Other non-banking operating expenses	178	178
(-) General operating expenses	60,222	58,919
GROSS OPERATING RESULT	602,772	580,522
(+/-) Net allocations of reversals to provisions for receivables and non performing commitments by signature	- 662	452
(+/-) Other net allocations of reversals to provisions	21,004	24,131
OPERATING RESULT	582,429	555,939
NON-OPERATING RESULT	- 28,403	- 19,975
(-) Earnings Taxes	216,131	208,484
NET EARNINGS FOR THE FISCAL YEAR	337,895	328,481

II- SELF-FINANCING CAPACITY		
	December 31, 2022	December 31, 2021
(+) NET EARNINGS FOR THE FISCAL YEAR	337,895	328,481
(+) Allocations to amortization and provisions of tangible and intangible fixed assets	3,075	3,325
(+) Allocations to provisions for depreciation of financial fixed assets	-	-
(+) Allocations to provisions for general risks	24,100	26,126
(+) Regulated provisions allocations	-	-
(+) Non-operating provisions allocations	-	-
(-) Reversal of provisions	3,095	1,995
(-) Capital gains on disposals of tangible and intangible fixed assets	-	96
(+) 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	361,975	355,840
(-) Distributed Profit	-	-
(+) SELF-FINANCING	361,975	355,840

CASH FLOW STATEMENT		
	December 31, 2022	December 31, 2021
Banking operating income received	1,257,205	1,256,736
Recoveries on written off receivables	-	-
Non-banking operating income received	1,718	2,429
Banking operating expenses paid	595,745	619,309
Non-banking operating expenses paid	28,587	19,389
General operating expenses paid	57,147	55,595
Earnings taxes paid	216,131	208,484
NET CASH FLOWS FROM THE STATEMENT OF INCOME AND EXPENSES	361,313	356,388
Variation of :		
Receivables on credit institutions and similar	725	656
Receivables on customers	- 665,597	- 975,621
Trading and investment securities	-	-
Other assets	- 261,356	- 65,590
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	2,706,780	1,361,571
Customer deposits	-	-
Debt to customers on participatory products	-	-
Issued receivables securities	- 1,217,641	- 664,136
Other liabilities	237,239	13,227
II. BALANCE OF VARIATIONS IN OPERATING ASSETS AND LIABILITIES	800,149	- 357,659
III. NET CASH FLOWS FROM OPERATING ACTIVITIES (I + II)	1,161,462	- 1,271
Income from disposals of financial fixed assets	-	-
Income from disposals of tangible and intangible fixed assets	-	-
Acquisition of financial fixed assets	1,131,044	-
Acquisition of tangible and intangible fixed assets	328	40
Interest received	-	-
Dividends received	-	-
IV. NET CASH FLOWS FROM INVESTMENT ACTIVITIES	- 1,131,372	- 40
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	30,091	- 1,311
VII. CASH POSITION AT THE BEGINNING OF THE FISCAL YEAR	24,384	25,695
VIII. CASH POSITION AT THE END OF THE FISCAL YEAR	54,474	24,384

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						(In thousand MAD)
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, 2022	Total Dec 31, 2022
ORDINARY DEBIT ACCOUNTS	53,982	217	3	-	54,203	24,822
VALUES RECEIVED IN PENSION	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-	-	-
CASH LOANS	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-	-	-
FINANCIAL LOANS	-	-	-	-	-	-
OTHER RECEIVABLES	-	-	-	-	-	-
ACCRUED INTEREST RECEIVABLE	489	-	-	-	489	502
NON PERFORMING LOANS	-	-	-	-	-	-
TOTAL	54,472	217	3	-	54,692	25,324

CUSTOMER RECEIVABLES						(In thousand MAD)	
RECEIVABLES	Public sector	Private sector			Total Dec 31, 2022	Total Dec 31, 2021	
		Financial companies	Non-financial companies	Other customers			
Cash loans	-	-	-	-	-	-	
Current debit accounts	-	-	-	-	-	-	
Trade receivables on Morocco	-	-	-	-	-	-	
Export credits	-	-	-	-	-	-	
Other cash loans	-	-	-	-	-	-	
CONSUMER LOANS	-	-	-	2,787	2,787	2,262	
EQUIPMENT LOANS	26,081,692	-	-	-	26,081,692	25,431,002	
REAL ESTATE LOANS	-	-	-	17,186	17,186	19,852	
OTHER CASH LOANS	-	-	-	-	-	-	
RECEIVABLES ACQUIRED THROUGH FACTORING	-	-	-	-	-	-	
ACCRUED INTERESTS RECEIVABLE	734,469	-	-	-	734,469	727,277	
NON PERFORMING LOANS	12,479	-	-	-	12,479	2,722	
Pre-doubtful loans	10,060	-	-	-	10,060	-	
Doubtful loans	1,756	-	-	-	1,756	-	
Compromised loans	663	-	-	-	663	2,722	
TOTAL	26,828,641	-	-	19,974	26,848,614	26,183,111	

BREAKDOWN OF TRANSACTION AND PLACEMENT SECURITIES AND INVESTMENT SECURITIES BY ISSUER CATEGORY						
(In thousand MAD)						
Securities	Credit institutions and similar	Public issuers	Private issuers		Total Dec 31, 2022	Total Dec 31, 2021
			Financial	Non-Financial		
Quoted securities		-	-	-	-	-
Treasury bills and similar securities		-	-	-	-	-
Bonds		-	-	-	-	-
Other debt securities		-	-	-	-	-
Property securities		-	-	-	-	-
Non-quoted securities		1,131,044	-	-	1,131,044	-
Treasury bills and similar securities		1,131,044	-	-	1,131,044	-
Bonds		-	-	-	-	-
Other debt securities		-	-	-	-	-
Property securities		-	-	-	-	-
TOTAL		1,131,044	-	-	1,131,044	-

BREAKDOWN OF TRANSACTION AND PLACEMENT SECURITIES AND INVESTMENT SECURITIES						
(In thousand MAD)						
Securities	Gross book value	Present value	Redemption value	Unrealized capital gains	Unrealized capital losses	Provisions
Trading securities						
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
Placement securities	-	-	-	-	-	-
Treasury bills and similar securities	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
Property securities	-	-	-	-	-	-
Investment securities	1,131,044	1,131,044	-	-	-	-
Treasury bills and similar securities	1,131,044	1,131,044	-	-	-	-
Bonds	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
TOTAL	1,131,044	1,131,044	-	-	-	-

DETAILS OF OTHER ASSETS		
(in thousand MAD)		
ASSETS	December 31, 2022	December 31, 2021
Optional instruments purchased	-	-
Miscellaneous transactions on securities	-	-
Other debtors	251,367	39,395
Amounts due by the State	250,385	38,263
Amounts due by provident organizations	-	-
Miscellaneous amounts due by staff	-	-
Client accounts for non-banking services	-	-
Various other debtors	982	1 132
Various values and uses	-	-
Regularisation accounts	311,399	261,254
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	50,290	4,224
Results of hedging derivative products	219,556	222,297
Deferred expenses over several fiscal years	5,560	7,977
Liaison accounts between headquarters, branches and agencies in Morocco	-	-
Accrued receivable income and prepaid expenses	35,643	26,404
Other regularisation accounts	351	351
Non Performing loans on miscellaneous transactions	-	-
TOTAL	562,766	300,649

PARTICIPATION SECURITIES AND SIMILAR ASSETS									(In thousand MAD)
Name of the issuing company	Activity sector	Share capital	Equity's participation (%)	Total acquisition price	Net book value	Extracts 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	12/31/2021	321,509	9,761	
TOTAL PARTICIPATIONS				25	25	-	321,509	9,761	-
SIMILAR ASSETS				-	-	-	-	-	-
GRAND TOTAL				25	25	-	321,509	9,761	-

SUBORDINATED RECEIVABLES						(In thousand MAD)
SUBORDINATED RECEIVABLES	Amount				Including affiliated and related companies	
	December 31, 2022		Dec 31, 2021		Dec 31, 2022	Dec 31, 2021
	Gross	Provisions	Net	Net	Net	Net
Subordinated receivables from credit institutions and similar	NONE				NONE	
Subordinated receivables to customers	NONE				NONE	
TOTAL						

FIXED ASSETS GIVEN IN LEASE CREDIT, LEASE WITH PURCHASE									December 31, 2026
								(In thousands)	
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 Allocation for the fiscal year	Accumulated depreciation	Provisions Allocation for the fiscal year	Net amount at the end of 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									

INTANGIBLE AND TANGIBLE FIXED ASSETS										December 31, 2022
										(In thousand MAD)
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	Amount of depreciation and/or provisions at the beginning of the fiscal year	Depreciation and/or provisions	Amount of depreciation on fixed assets withdrawn	Cumulative	Net amount at the end of the fiscal year	
INTANGIBLE FIXED ASSETS	21,033	9	-	21,041	20,713	174	-	20,888	154	
Lease rights	-	-	-	-	-	-	-	-	-	
Research and development fixed assets	-	-	-	-	-	-	-	-	-	
Other operating intangible fixed assets	21,033	9	-	21,041	20,713	174	-	20,888	154	
Non-operating intangible fixed assets	-	-	-	-	-	-	-	-	-	
TANGIBLE FIXED ASSETS	123,694	319	-	124,013	78,974	2,901	-	81,785	42,138	
OPERATING BUILDINGS	69,323	-	-	69,323	28,411	1,552	-	29,964	39,359	
Operating land	7,229	-	-	7,229	-	-	-	-	7,229	
Operating buildings - Offices	61,194	-	-	61,194	27,830	1,530	-	29,360	31,834	
Operating buildings - Staff housing	900	-	-	900	581	23	-	604	296	
FURNITURE AND OPERATING EQUIPMENT	27,260	301	-	27,561	26,167	505	-	26,672	888	
Operating office furniture	7,876	-	-	7,876	7,602	50	-	7,652	224	
Operating office equipment	949	-	-	949	948	1	-	949	0	
Computer equipment	17,757	301	-	18,058	16,941	454	-	17,395	664	
Rolling stock related to operations	677	-	-	677	677	-	-	677	-	
Other operating equipment	-	-	-	-	-	-	-	-	-	
OTHER OPERATING TANGIBLE ASSETS	17,291	18	-	17,309	16,582	638	-	17,220	90	
NON-OPERATING TANGIBLE FIXED ASSETS	9,820	-	-	9,820	7,814	205	-	8,019	1,800	
Non-operating land	-	-	-	-	-	-	-	-	-	
Non-operating buildings	5,545	-	-	5,545	3,784	139	-	3,922	1,623	
Non-operating furniture and equipment	2,344	-	-	2,344	2,179	27	-	2,207	138	
Other non-operating tangible fixed assets	1,931	-	-	1,931	1,851	39	-	1,890	40	
TOTAL	144,726	328	-	145,054	99,687	3,075	-	102,762	42,291	

VALUES GAINS OR LOSSES ON DISPOSALS OR WITHDRAWALS OF FIXED ASSETS <small>(In thousand MAD)</small>							
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 <small>(In thousand MAD)</small>							
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, 2022	Total Dec 31, 2021	
ORDINARY CREDIT ACCOUNTS	-	-	-	-	-	-	
VALUES GIVEN IN PENSION	-	-	-	-	-	-	
Day by day	-	-	-	-	-	-	
At term	-	-	-	-	-	-	
CASH LOANS	-	-	-	-	-	900,000	
Day by day	-	-	-	-	-	-	
At term	-	-	-	-	-	900,000	
FINANCIAL BORROWINGS	-	9,265,530	350,000	2,737,998	12,353,528	8,762,073	
OTHER DEBTS	-	-	-	207,148	207,148	202,012	
ACCRUED INTEREST PAYABLE	-	92,212	4,033	8,886	105,131	94,943	
TOTAL	-	9,357,742	354,033	2,954,032	12,665,807	9,959,027	

CUSTOMER DEPOSITS <small>(In thousand MAD)</small>							
DEPOSITS	Public Sector	Financial companies	Non-Financial Companies	Other customers	Total Dec 31, 2022	Total Dec 31, 2021	
Current credit accounts							
Savings accounts							
Term deposits							
Other credit accounts							
Accrued interest payable							
TOTAL							

DEBT SECURITIES ISSUED <small>December 31, 2022 (In thousand MAD)</small>							
NATURE OF THE SECURITIES (1)	Date of entitlement	Maturity date	Nominal value per unit	Nominal rate	Repayment method (2)	Amount	Of which Related companies Other related parties 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						8,834,533	
Bond loans	01/20/2012	01/20/2027	100	5.30%	Redeemable	332,333	
Bond loans	12/08/2014	12/08/2029	100	3.44%	Redeemable	396,200	
Bond loans	12/08/2014	12/08/2024	100	3.50%	In fine	151,000	
Bond loans	07/13/2015	07/13/2030	100	4.60%	Redeemable	384,000	
Bond loans	07/13/2015	07/13/2025	100	2.39%	In fine	60,000	
Bond loans	07/13/2015	07/13/2025	100	2.49%	In fine	220,000	
Bond loans	10/13/2016	10/13/2031	100	3.92%	Redeemable	192,000	
Bond loans	10/13/2016	10/13/2026	100	2.79%	In fine	225,000	
Bond loans	10/13/2016	10/13/2031	100	3.19%	Redeemable	273,000	
Bond loans	12/06/2017	12/06/2032	100	3.93%	Redeemable	533,333	
Bond loans	12/06/2017	12/06/2027	100	3.30%	In fine	200,000	
Bond loans	12/06/2017	12/06/2032	100	3.50%	Redeemable	666,667	
Bond loans	07/19/2018	07/19/2033	100	3.94%	Redeemable	733,333	
Bond loans	07/12/2019	07/12/2034	100	3.49%	Redeemable	400,000	
Bond loans	07/12/2019	07/12/2034	100	2.20%	Redeemable	1,200,000	
Bond loans	12/18/2020	03/31/2036	100	2.20%	Redeemable	1,866,667	
Bond loans	01/12/2022	01/12/2037	100	2.20%	Redeemable	1,000,000	
TOTAL						9,834,533	

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

DETAILS OF OTHER LIABILITIES <small>(In thousand MAD)</small>			
LIABILITIES	Dec 31, 2022	Dec 31, 2021	
Optional instruments sold	-	-	
Miscellaneous transactions on securities	-	-	
Other creditors	233,118	22,330	
Amounts due to the State	230,288	19,250	
Amounts due to the provident organizations	1,355	1,313	
Miscellaneous amounts due to the staff	-	10	
Various amounts due to shareholders and partners	-	-	
Suppliers of goods and services	1,445	1,649	
Various other creditors	30	109	
Regularisation accounts	38,278	11,826	
Adjustment accounts for off-balance sheet transactions	-	-	
Currency and securities gap accounts	-	1,978	
Results on hedging derivative products	27,588	-	
Liaison accounts between headquarters, branches and agencies in Morocco	-	-	
Accrued expenses and deferred income	10,400	9,559	
Other regularisation accounts	290	290	
TOTAL	271,396	34,157	

PROVISIONS <small>(In thousand MAD)</small>						
	Outstanding Dec 31, 2021	Allocations	Reversals	Other variations	Outstanding Dec 31, 2022	
PROVISIONS DEDUCTED FROM ASSETS ON :	17,475	613	1,275	-	16,813	
Receivables on credit institutions and similar	-	-	-	-	-	
Receivables on customers	6,020	613	514	-	6,118	
Investment securities	-	-	-	-	-	
Equity securities and similar assets	-	-	-	-	-	
Fixed assets leased and rented	-	-	-	-	-	
Other assets	11,455	-	760	-	10,695	
PROVISIONS RECORDED UNDER LIABILITIES :	51,705	24,100	3,095	-	72,709	
Provisions for risks of implementing commitments by signature	-	-	-	-	-	
Provisions for exchange risks	-	-	-	-	-	
Provisions for general risks	51,705	24,100	3,095	-	72,709	
Provisions for retirement pensions and similar obligations	-	-	-	-	-	
Provisions for other risks and expenses	-	-	-	-	-	
Regulated provisions	-	-	-	-	-	
GRAND TOTAL	69,180	24,713	4,370	-	89,522	

SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS <small>(In thousand MAD)</small>						
	Economic purpose	Total amount	Amount Dec 31, 2021	Use Dec 31, 2022	Amount Dec 31, 2022	
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, 2022	Amount (equivalent MAD) Dec 31, 2021	Amount (equivalent MAD) Dec 31, 2022	Amount (equivalent MAD) Dec 31, 2021
Dirhams	200,000		2.30%	10		200,000	-	-	-	-
Dirhams	800,000		2.35%	10		800,000	-	-	-	-
TOTAL	1 000 000					1,000,000	-	-	-	-

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

EQUITY CAPITAL <small>(In thousand MAD)</small>					
EQUITY CAPITAL	Outstanding as of Dec 31, 2021	Allocation of earnings	Other variations		Outstanding at Dec 31, 2022
Revaluation differences	-	-	-	-	-
Reserves and premiums related to capital	2,994,185	328,481	-	-	3,322,666
Legal reserve	-	-	-	-	-
Other reserves	2,994,185	328,481	-	-	3,322,666
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 (+/-)	328,481	328,481	337,895	-	337,895
TOTAL	4,322,666	-	337,895	-	4,660,561

FINANCING AND GUARANTEE COMMITMENTS <small>(In thousand MAD)</small>		
COMMITMENTS	Dec 31, 2022	Dec 31, 2021
Financing and guarantee commitments given	5,185,755	5,556,371
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	5,185,755	5,556,371
Import documentary credits	-	-
Payment acceptances or commitments	-	-
Opening of confirmed credit	5,185,755	5,556,371
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	2,781,831	6,458,741
Financing commitments received from credit institutions and similar	2,781,831	6,458,741
Opening of confirmed credit	2,781,831	6,458,741
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 <small>December 31, 2022 (In thousand MAD)</small>		Amount
COMMITMENTS		
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 <small>(In thousand MAD)</small>				
	Hedging transactions		Other transactions	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Forward exchange transactions	191,967	222,297	-	-
Currencies to be received	-	-	-	-
Dirhams to be delivered	219,556	222,297	-	-
Currencies to be delivered	-	-	-	-
Dirhams to be received	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	-	-	-	-



VALUES GAINS OR LOSSES ON DISPOSALS OR WITHDRAWALS OF FIXED ASSETS				December 31, 2022
				(In thousand MAD)
Values and sureties received as guarantee	Net book value	Receivables or commitments by signature given posted to assets or to off balance sheet	Amounts of receivables or commitments by signature given and covered	
Treasury bills and similar values	-	-	-	
Other securities	-	-	-	
Mortgages	380,000	Account 2313	380,000	
Other real values and sureties	-	-	-	
TOTAL	380,000		380,000	
Values and sureties given as guarantee	Net book value	Debts or commitments by signature received posted to liabilities or to off balance sheet	Amounts of debts or commitments by signature received and covered	
Treasury bills and similar values				
Other securities				
Mortgages				
Other real values and sureties				
TOTAL				

BREAKDOWN OF USES AND RESOURCES BY RESIDUAL DURATION							December 31, 2022
							(In thousand MAD)
	D ≤ 1 month	1 month < D ≤ 3 months	3 months < D ≤ 1 year	1 year < D ≤ 5 years	D > 5 years	TOTAL	
ASSETS							
Receivables from credit institutions and similar	54,203	-	-	-	-	54,203	
Receivables from customers	41,714	907,699	1,575,736	9,743,871	13,830,653	26,099,673	
Debt securities	-	-	-	-	-	-	
Subordinated receivables	-	-	-	-	-	-	
Leasing and similar	-	-	-	-	-	-	
TOTAL	95,917	907,699	1,575,736	9,743,871	13,830,653	26,153,876	
LIABILITIES							
Debts to credit institutions and similar	133,179	141,937	587,446	4,289,780	7,408,335	12,560,676	
Debts to customers	-	-	-	-	-	-	
Receivables securities issued	133,333	133,333	476,267	4,827,733	4,263,867	9,834,533	
Subordinated loans	-	-	-	-	1,000,000	1,000,000	
TOTAL	266,512	275,270	1,063,713	9,117,513	12,672,201	23,395,209	

CONCENTRATION OF RISKS ON A SINGLE BENEFICIARY					December 31, 2022
					(In thousand MAD)
Number	Total amount of risks	Amount of risk exceeding 10% of capital equity			
		Credit by disbursement	Credit by signature	Amount of securities held in the capital of the beneficiary	
2	6,017,929	5,534,039	483,890	-	

BREAKDOWN OF TOTAL ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS IN FOREIGN CURRENCY		December 31, 2022
		(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	2,954,032	
Central Banks, Public Treasury, Postal Checks Service	-	
Debt to credit institutions and similar	2,954,032	
Customer deposits	-	
Receivables securities issued	-	
Other liabilities	-	
Subsidies, allocated public funds and special guarantee funds	-	
Subordinated debts	-	
OFF-BALANCE SHEET	Montant	
COMMITMENTS GIVEN	-	
COMMITMENTS RECEIVED	2,281,831	

INTEREST MARGIN			(In thousand MAD)
	Dec 31, 2022	Dec 31, 2021	
Interest perceived	1,257,049	1,256,736	
Interest and similar income on transactions with credit institutions	1,872	1,890	
Interest and similar income on transactions with customers	1,255,077	1,254,846	
Interest and similar income on receivables securities	-	-	
Interest served	595,522	619,088	
Interest and similar expenses on transactions with credit institutions	255,315	252,685	
Interest and similar expenses on transactions with customers	340,207	366,403	
Interest and similar expenses on receivables securities issued	-	-	
TOTAL	661,527	637,647	

BREAKDOWN OF RESULTS BY BUSINESS LINE OR ACTIVITY POLE AND BY GEOGRAPHICAL ZONE				December 31, 2022
				(In thousand MAD)
BREAKDOWN BY ACTIVITY POLE				
Activity pole	Net banking income	Gross operating earnings	Pre-tax earnings	
Bank activity	661,461	602,772	554,026	
Other activities	-	-	-	
TOTAL	661,461	602,772	554,026	
BREAKDOWN BY GEOGRAPHICAL ZONE				
Geographical zone	Net banking income	Gross operating earnings	Pre-tax earnings	
Morocco	661,461	602,772	554,026	
Other zones	-	-	-	
TOTAL	661,461	602,772	554,026	

INCOME FROM PROPERTY SECURITIES		December 31, 2022
		(In thousand MAD)
CATEGORY OF SECURITIES	Income received	
Investment securities		
Equity securities		
Investments in affiliated companies		
Portfolio activity securities		
Similar uses		
TOTAL		

NONE

COMMISSIONS		December 31, 2022
		(In thousand MAD)
COMMISSIONS	Amount	
Commissions received	156	
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	156	
Paid commissions	222	
On transactions with credit institutions	60	
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	162	
On payment methods	-	
On advisory and assistance activities	-	
On sales of insurance products	-	
On other services	-	

RESULT OF MARKET OPERATIONS			(In thousand MAD)
INCOME AND EXPENSES	Dec 31, 2022	Dec 31, 2021	
Income	-	-	
Gains on trading securities	-	-	
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	-	-	

GENERAL OPERATING EXPENSES		December 31, 2022
		(In thousand MAD)
	Montant	
Staff expenses	47,319	
Taxes and duties	840	
External expenses	5,375	
Other general operating expenses	3,613	
Allocations to depreciation and provisions for tangible and intangible fixed assets	3,075	
TOTAL	60,222	

OTHER INCOME AND EXPENSES		December 31, 2022
		(In thousand MAD)
	Amount	
Other banking income and expenses		
Other banking income	-	
Other banking expenses	222	
Non-banking operating income and expenses		
Non-banking operating income	1,712	
Non-banking operating expenses	178	
Allocations to provisions and losses on uncollectible receivables	24,713	
Reversals of provisions and recoveries of written-off receivables	4,370	
Non-current income and expenses		
Non-current income	5	
Non-current expenses	28,409	

TRANSITION FROM NET BOOK EARNINGS TO NET FISCAL EARNINGS		December 31, 2022 (In thousand MAD)
Titles	Amount	Amount
I- Net book earnings	337,895	
Net gain	337,895	
Net loss		
II- Tax reintegrations	269,851	
1- Current	25,544	
Expenses on previous years	358	
Non-operating expenses	473	
Allocation to provisions for general risks	24,100	
Allocation to provisions for NPLs	613	
2- Non-current	244,307	
Corporate income tax	216,131	
Social solidarity contribution	28,173	
Other non-current expenses	3	
-	-	
-	-	
-	-	
III- Tax deductions		23,610
1- Current		23,610
Reversals of provisions for general risks		3,095
Reversals of provisions for NPLs		514
1/5 Contribution to the Special Fund for the management of the Coronavirus (Covid-19) pandemic		20,000
-		
-		
2- Non-current		-
-		
-		
-		
-		
TOTAL	607,746	23,610
IV- Gross fiscal earnings		584,137
Gross fiscal profit (A)		
Gross fiscal deficit (B)		584,137
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		584,137
Net fiscal profit (A - C)		584,137
Net fiscal deficit (B)		
VII- Cumulative fiscal deferred depreciation		
VIII- Cumulative fiscal deficits to be carried forward		

DETERMINATION OF CURRENT EARNINGS AFTER-TAX		December 31, 2022
		(In thousand MAD)
I. EARNINGS DETERMINATION		Amount
	Current earnings according to the statement of income and expenses	582,429
[+]	Tax reintegrations on current transactions	25,544
[-]	Tax deductions on current transactions	23,610
[=]	Current earnings theoretically taxable	584,363
[-]	Theoretical tax on current income	216,214
[=]	Current earnings after tax	368,149
II. INDICATIONS OF THE TAX SYSTEM AND THE BENEFITS GRANTED BY THE INVESTMENT CODES OR BY SPECIFIC LEGAL PROVISIONS		

SHARE CAPITAL DISTRIBUTION				December 31, 2022 (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
TOTAL				100

ALLOCATION OF EARNINGS THAT OCCURRED DURING THE FISCAL YEAR		December 31, 2022	
(In thousand MAD)			
A- Origin of the allocated earnings	Amount	B- Earnings allocation	Amount
Decision of the Board of Directors : 05/31/2022			
Retained earnings	-	Legal reserves	-
Net earnings being allocated	-	Dividends	-
Net earnings for the fiscal year	328,481	Other allocations	328,481
Deduction from profits	-		
Other deductions	-		
TOTAL A	328,481	TOTAL B	328,481

DATING AND SUBSEQUENT EVENTS		(In thousand MAD)
I. DATING		
Closing date (1)		12/31/2022
Date of preparation of the summary statements (2)		March 2023

STAFF	[In number]	
STAFF	Dec 31, 2022	Dec 31, 2021
Paid staff	91	91
Staff used	91	91
Full-time equivalent staff	91	91
Administrative and technical staff (full-time equivalent)	-	-
Staff assigned to banking tasks (fulltime equivalent)	-	-
Executives (full-time equivalent)	84	83
Employees (full-time equivalent)	7	8
Of which, staff employed abroad	-	-

NETWORK		[In number]
TITLES	Dec 31, 2022	Dec 31, 2021
Permanent branches		
Temporary branches		
Automatic teller machines and Bank ATMs		
Branches and agencies abroad		
Representative offices abroad		

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 General Manager of the Caisse de Dépôt et de Gestion ;
- members representing elected officials: 8 communal councillors appointed from among the communal councillors appearing on a list drawn up 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 texts in force, attends the meetings of the Board of Directors in an advisory capacity.

Audit and Risk Committee

An Audit and Risk Committee (ARC) assist the Board of Directors, in accordance with legal and regulatory provisions, relating to the internal control of credit institutions.

The Audit and Risk Committee includes, in addition to the General Manager of the Caisse de Dépôt et de Gestion, Chairman :

- the Wali, Inspector General of Territorial Administration (Ministry of the Interior) ;
 - the Director of the Treasury and External Finances (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 consistency of the 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 implementation of the FEC's global risk management strategy;
- ensuring compliance of internal procedures with current legal and regulatory requirements as well as professional and ethical norms and standards;
- monitoring and evaluating the risk prevention measures put in place by the FEC;
- ensuring the implementation of recommendations from the Audit and Risk Committee and external control stakeholders regarding risk prevention;
- reviewing risk management information and ensuring its reliability before transmitting it to third parties.

ALCO Committee

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

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

Risks and Permanent Control Division

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

Internal Audit

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

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

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

Compliance function

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

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

2. Risk exposure

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

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

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

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

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

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

Currency risk: due to fluctuations in exchange rates.

2.1 Credit Risk

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

General loan policy

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

The rates applied are either fixed rates or revisable rates.

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

Decision-making

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

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

Credit risk management process

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

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

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

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

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

The calculation of the borrowing capacity incorporates the following principles:

- the repayment capacity of the Community depends on the level of the generated savings;
 - the maximum savings convertible into an annuity must not exceed 80% of the gross savings ;
 - the maximum debt ratio must not exceed 40%, unless expressly waived by the Board of Directors.
- Prior to any loan approval, the Risk and Permanent Control Division is in charge of assessing the level of risk involved in the granting of the new loan based on:
- Analysis of the content of the client's file: general and legal data, financial and technical data.
 - The analysis of the retrospective and prospective financial situation of the client, which allows to determine the intrinsic financial quality of the latter and to assess various debt and solvency ratios as well as self-financing capacity.
 - The assessment of the quality of the client based on the background of repayments of loans already contracted and the situation of its arrears regarding the FEC.
 - The Assessment of project evaluation based on commonly accepted technical ratios by type of project.
 - The Assessment of the need to match the loan to be granted to the provision of guarantees and proposal of risk correction measures to be implemented.

General conditions for granting loans

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

The FEC's loan contracts include:

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

Solvency profile

At the end of December 2022:

The weighted net risks carried by the FEC reached 7,271,719 thousand MAD and consist of 83% of credit risk and 17% of operational risk.

In compliance with prudential requirements, the solvency ratio reached 77.80%, while the Tier One ratio reached 64.08%, thus reflecting the good level of solvency of the Institution.

Analysis of the credit portfolio

Customer receivables, consisting of 99.89% of commitments for the benefit of Territorial Communities, have totalled 26,855,766 thousand MAD at December 31, 2022.

The financing commitments given by the FEC in favor of the clients amounted, on December 31, 2022 to 5,185,755 thousand MAD.

The analysis of the situation of off-balance sheet commitments as of December 31, 2022 shows that 61.35% of the overall volume corresponds to recent loans committed for less than 3 years.

Provisions, provisioning policy and credit risk coverage

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

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

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

Risk Division Coefficient

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

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

According to the terms of Bank Al-Maghrib's Circular No. 08/G/2012, the risk division coefficient is established at 10.79% at the end of December 2022, remaining below the regulatory threshold set by BAM.

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

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

2.2 Asset / Liability Management

Asset/Liability Managers

The Management Control and ALM Department carries out ALM risk management within the Finance Division. The responsibilities of this department regarding ALM risk management include:

- Identification, assessment and management of liquidity, interest rate and currency risks, in accordance with regulatory requirements;
- Contributing to the definition of limits necessary for controlling interest rate and liquidity risks;
- Contributing to the evaluation of the impact of launching new products, or any new activity involving interest rate or liquidity risks, on the financial situation of the Bank.
- Development of appropriate tracking and analysis tools: dashboards to assess the structure of the balance sheet and financial risks, measurement of sensitivity and exposure to interest rate and liquidity risks, analysis of indicators tracking global interest rate risk (interest rate gap, VAN stress test...) and monitoring of the Bank's balance sheet;
- Proposal of measures to mitigate liquidity, interest rate and exchange rate risks;
- Implementation of the policy for hedging interest rate, liquidity and exchange rate risks;
- Development of regulatory and internal reports related to the scope of ALM;
- Monitoring of the implementation of recommendations from Bank Al-Maghrib and internal/external auditors regarding liquidity, interest rate and exchange rate risks;
- Participation in the organization of the ALCO committee (preparation of files, monitoring the implementation of recommendations...).

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 for the examination of 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.

To preserve balance sheet stability over the medium and long term, the risk management mechanism for liquidity and interest rate risks in place 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 refinancing strategy.

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:

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

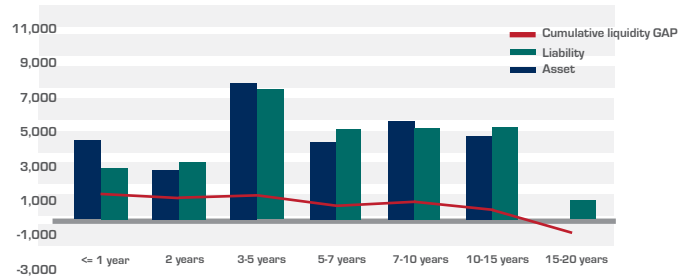
Used approach to calculate Liquidity Gaps :

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

At December 31, 2022, the profile of liquidity gaps is as follows:

A positive liquidity gap in 2023 of 1,479 Mdh.

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 six regulatory scenarios:

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.

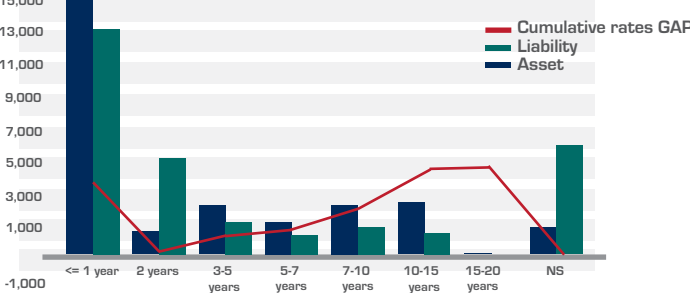
The gap method is a classic measure of exposure to interest rate risk. An interest rate gap is the algebraic difference between assets and liabilities over a given period:

- for fixed-rate loans: the flow is contractual and represents cash flows taking into account the characteristics of the assets and liabilities;
- for variable rate loans: the flows represent the cash flows until the next rate revision date.

Exposure as of December 31, 2022

As of December 31, 2022 and in the absence of any new production, the interest rate gap is positive over the first year by +3,851 Mdh. This is due to the interest rate structure of the FEC's balance sheet, which shows a clear preponderance of variable rate uses.

ANNUAL RATES GAPS



Foreign exchange risk

In order to hedge against foreign exchange risk, the FEC has set up a perfect and complete hedging on the occasion of :

- the two drawdowns made in during the 2019 fiscal year on a credit line contracted in 2018 with a foreign lender ;
- The two drawdowns of 50 million Euros in 2021 and 100 million Euros in 2022, made respectively under a credit line contracted in 2021.

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 remuneration, within the framework of 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 mechanism and monitors the actions taken to strengthen it.

General framework

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

» Signature delegation mechanism

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

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

» General procedures manual

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

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

» Manual of procedures and accounting organization

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

- all operations carried out by the FEC are faithfully translated into accounting records ;
- all records comply with the Chart of Accounts for Credit Institutions and the regulations in force ;
- all internal and external financial and accounting information is 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, operational maintenance plan, crisis directory, etc.) is regularly updated and a maintenance and enhancement plan for the FEC's BCP is currently being developed.

Moreover, the FEC continues to ensure a permanent monitoring of 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 was not activated during the second semester of the year 2022.

Operational risk management

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

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

Organization

On the organizational side, the Risk and Permanent Control Division carries out the management of the operational risk management mechanism. It is supported by operational risk correspondents (ORC) at the Business and Support entities' level.

These ORCs are in charge of reporting operational incidents, analyzing 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.

In order to ensure the controlled development of its activities and to fully comply with regulatory requirements in terms of risk management, a roadmap has been put in place by the FEC for the implementation of a global risk strategy broken down into policies and strategies by type of risk.

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FONDS D'EQUIPEMENT COMMUNAL**ATTESTATION D'EXAMEN LIMITE DES COMMISSAIRES AUX COMPTES SUR LA
SITUATION PROVISOIRE DES COMPTES SOCIAUX****EXERCICE DU 1^{er} JANVIER AU 31 DECEMBRE 2022**

Nous avons procédé à un examen limité de la situation provisoire du Fonds d'Equipelement Communal comprenant le bilan, le compte de produits et charges, l'état des soldes de gestion, le tableau des flux de trésorerie et une sélection des états des informations complémentaires (ETIC) relatifs à l'exercice du 1^{er} janvier au 31 décembre 2022. Cette situation provisoire qui fait ressortir un montant de capitaux propres et assimilés totalisant 5.671.351 KMAD dont un bénéfice net de 337.895 KMAD, relève de la responsabilité des organes de gestion de l'émetteur.

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

Sur la base de notre examen limité, nous n'avons pas relevé de faits qui nous laissent penser que la situation provisoire, ci-jointe, ne donne pas une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du Fonds d'Equipelement Communal établis au 31 décembre 2022, conformément au référentiel comptable admis au Maroc.

Casablanca, le 22 mars 2023

Les Commissaires aux Comptes**MAZARS AUDIT ET CONSEIL**

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101, Boulevard Abdelmoumen
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Abdellah LAGHCHAOU
Associé

List of press releases published during the 2022 financial year:

01/14/2022 : Press release on the issuance of a bond loan by the FEC for an amount of 1 BDH.

02/21/2022 : Press release related to the financial indicators for the 4th quarter of 2021.

03/18/2022 : Press release on the signing, by the Fonds d'Equipeement Communal and the Caisse de Dépôt et de Gestion, of an agreement for the implementation of syndicated financing for the development projects of Territorial Communities.

03/28/2022 : Publication of financial statements for the 2021 financial year.

04/29/2022 : Press release on the occasion of the publication of the 2021 Annual Financial Report.

05/19/2022 : Press release related to the financial indicators for the 1st quarter of 2022.

02/06/2022 : Press release on the holding of the Board of Directors' meeting on May 31, 2022.

07/12/2022 : Press release concerning the FEC's reference document for the year 2021, as part of the annual update of the information file relating to FEC's certificate of deposit issuance program.

08/11/2022 : Press release related to the financial indicators for the 2nd quarter of 2022.

09/29/2022 : Financial communication as of June 30, 2022 on the occasion of the publication of the Semestrial Financial Report for the 1st half of 2022, including the press release on financial indicators for the 1st half of 2022 and the financial statements as of June 30, 2022.

11/08/2022 : Press release related to the financial indicators for the 3rd quarter of 2022.

APENDIX III.2.N. Statement of fees paid to auditors (2022)

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 *				
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022		
Statutory audit, certification of individual and consolidated accounts**														
Issuer	138,000	138,000	108,000	100%	100%	100%	192,000	192,000	192,000	100%	100%	100%	960,000	
Subsidiaries	-	-	-				-	-	-					
Other procedures and services directly related to the statutory auditors' mission														
Issuer	-	-	-				-	-	-					
Subsidiaries	-	-	-				-	-	-					
Subtotal	138,000	138,000	108,000	100%	100%	100%	192,000	192,000	192,000	100%	100%	100%	960,000	
Other services rendered														
Others	-	-	-				-	-	-					
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	
Grand total	138,000	138,000	108,000	100%	100%	100%	192,000	192,000	192,000	100%	100%	100%	960,000	

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

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

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT | 2022

ABBREVIATIONS

ALCO	Asset/Liability Management Committee
BD	Board of Directors
SA	Statutory Auditors
ARC	Audit and Risk Committee
BGCCW	Book of General Administrative Clauses applicable to Works contracts
NDC	National Determined Contribution
NCIS	National Commission for Impact Studies
NCC	Nomination and Remuneration Committee
OISC	Organization and Information System Committee
URIC	Unified Regional Investment Commission
IRC	Internal Risk Committee
TCs	Territorial Communities
E&S	Environmental and social
ESG	Environment, social and governance
NDM	New Development Model
MEF	Ministry of Economy and Finance
MI	Ministry of Interior
SDGs	Sustainable Development Goals
PRDTS	Program for the Reduction of Territorial and Social Disparities
SER	Social and environmental responsibility
ESMS	Environmental and Social Management System

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1. GENERAL ELEMENTS

1.1. Profile and strategy of the FEC's Social and Environmental Responsibility (SER)

1.1.1. The FEC : A public Bank dedicated to financing territorial development

With nearly 64 years of experience in financing territorial development, the Fonds d'Équipement Communal is now positioned as the privileged financial and technical partner of Territorial Communities (TCs), in charge of facilitating their access to credit for the financing of their investment programs and projects, and thus contributing to the economic and social development of their territories, with direct and indirect positive effects on the living conditions and quality of life of citizens.

Territorial Communities, which constitute the basis for the implementation of sectoral public policies, are today at a crossroads, with regard to their role, on the one hand, in the reduction of deficits in terms of infrastructure and equipment and, on the other hand, to provide an effective response to the imperatives imposed by sustainable and resilient territorial development.

Aware of these challenges, the FEC has initiated over the past few years the implementation of several strategic projects that are in line with its institutional evolution, which places sustainable development at the heart of the Bank's action in favor of the territories, in particular through:

- The integration of Environmental and Social (E&S) risks into its overall risk management and project financing decisions;
- The opening up to the international financial market in order to diversify and sustain its sources of financing and to access competitive financing, including those related to climate finance, in order to offer the best financing conditions to its customers.

1.1.2. The FEC's SER Strategy

The FEC places environmental protection and sustainability as fundamental areas of its transformation for the achievement of sustainable territorial development.

As a responsible Bank committed to serving sustainable territorial development, the FEC constantly strives to adapt its services and interventions to the priorities of territorial development and the significant challenges faced by Territorial Communities.

In this regard, and as part of its SER approach, the Bank has made, in recent years, the strategic choice to integrate "Environmental, Social and Governance" sustainability factors into its activities and financing operations, as well as in its relations with its stakeholders. Since then, this responsible commitment, in line with the fundamental principles of sustainable development, has notably resulted in the integration of E&S risk criteria in the Bank's overall risk management and decision-making processes.

The integration of the principles of sustainability constitutes an important asset for the Bank, enabling it to support sustainable territorial development, to contribute to the improvement of the living conditions of local populations, to improve extra-financial performance, as well as the Bank's competitiveness and attractiveness, particularly with national and international donors.

In the same way, the Bank has endeavored to further develop its interventions in terms of financing and supporting TCs' projects aimed at reducing territorial and social disparities, as well as projects with co-benefits in terms of carbon emissions' mitigation and reducing the vulnerability of territories to the effects of climate change .

A strategic vision aligned with national and regional priorities, and taking into account sustainable development and climate issues



STRATEGY FOR INTEGRATING E&S RISKS

Integration of E&S and Gender risks into the process of due diligence and financing decisions through the Bank's ESMS



CLIMATE INTEGRATION STRATEGY

Supporting TCs in the emergence of climate co-benefit projects

Structuring of a sustainable financing offer



SER STRATEGY

The integration of ESG sustainability criteria into the Bank's activities, in particular the financing of TCs' projects, constitutes a prerequisite for sustainable territorial development, and a guarantee of the performance and sustainability of the Bank's resources.



DIGITAL TRANSFORMATION STRATEGY

Offer rich, scalable "Digital Front Office" products and services with high added value, in line with the digital strategies of the players in the Bank's ecosystem.

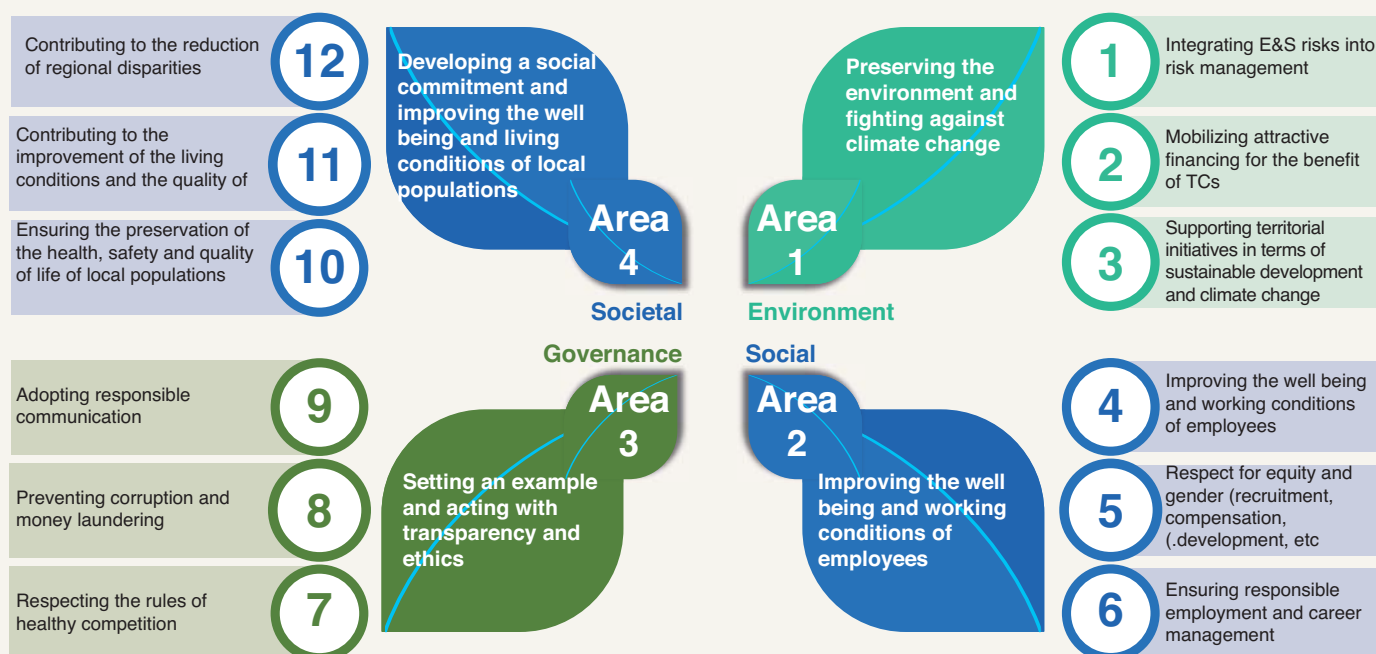


FINANCING STRATEGY

Diversification & sustainability of the Bank's financing sources, in particular through opening up to the international financial market in order to mobilize competitive financing, including the ones linked to climate finance, and improve financing conditions for TCs projects.

SER strategy: a federating base for interdependent and complementary strategies

In order to ensure alignment of its SER approach with national and international standards for the management of ESG aspects, the Bank conducted a process of defining its priority issues, which has resulted in the identification of 12 commitments shared with its stakeholders and added-value carriers. These commitments are structured around 4 areas that consolidate the main actions undertaken by the Bank, thus enabling it to develop its strategic vision in this area.



1.2. Scope of ESG reporting

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

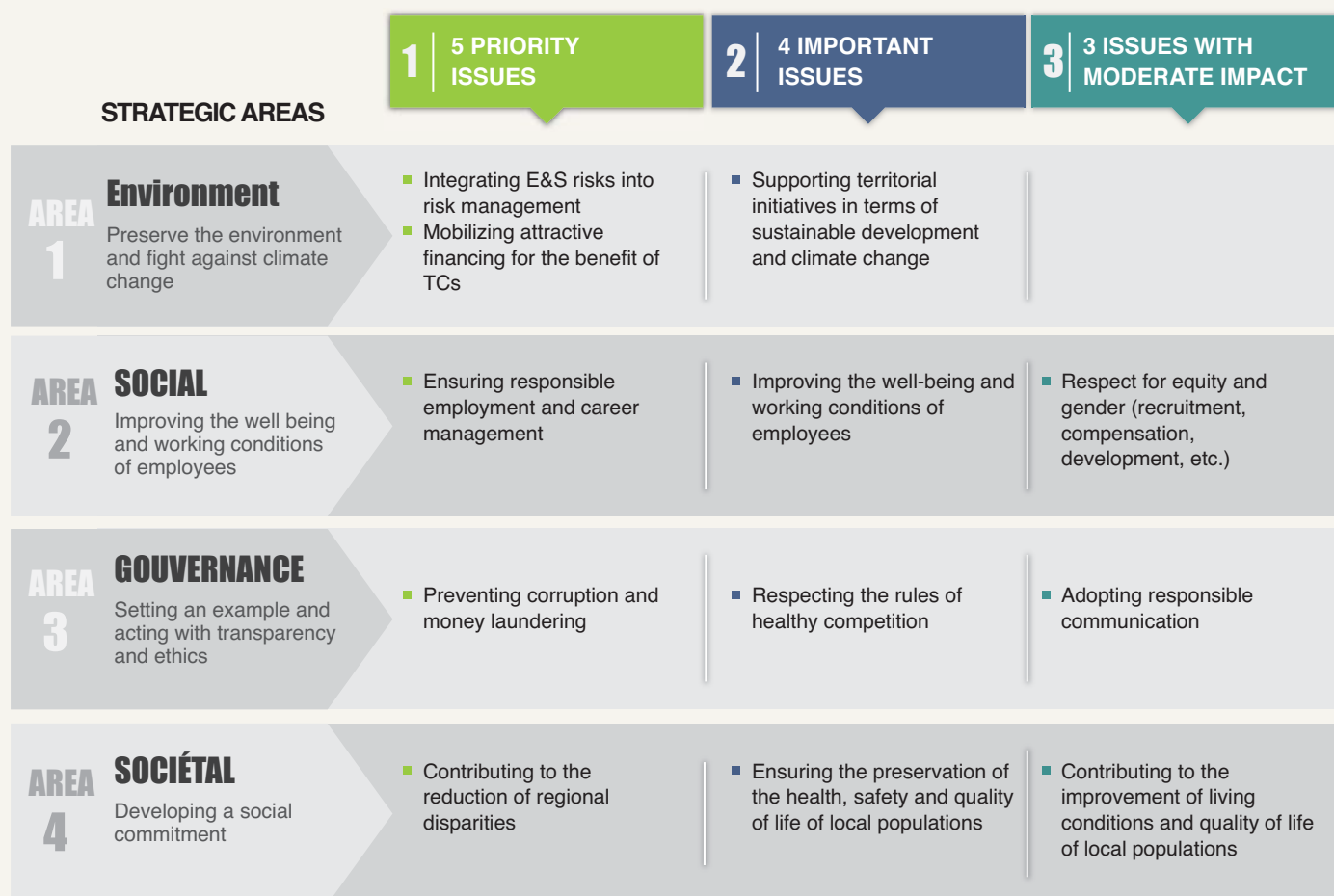
1.3. Materiality of ESG aspects

The materiality analysis of ESG aspects is based on the prioritization of their 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 facilitate dialogue with its stakeholders, with the aim of complying with their evolving expectations and regulatory changes.

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

- Priority issues ;
- Important issues ;
- Issues with moderate impacts.

PRIORITIZATION OF ISSUES



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 the FEC's financing. During the development of the environmental and social profile for each project, the relevant indicators are identified and the related information is provided.

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 has joined the national complaints platform Chikaya.ma.

The relevant extra-financial information, as well as the main selected quantitative indicators and which will be deployed progressively, are described as follow:

Environmental information

Project E&S risk management

- Percentage in number of projects by E&S risk category
- Number of projects rejected due to high E&S risks
- Number of E&S claims received

Benefits and positive impacts on the environment

- Amount of energy saved (KWh)
- Volume of water treated (m³)
- Volume of CO₂ emission reduction (TéqCO₂)

Social information

Benefits and positive impacts on the population

- Number of the 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 inhabitants protected against flooding
- Number of jobs created

Responsible career and skills management

- Number of employee representatives
- Number of strike days per financial year
- Number of work-related accidents per financial year
- Number of dismissals per financial year and per category
- Number of resignations per financial year and per 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 director
- Number and nature of actions taken to prevent corruption
- Number of claims about deviations from ethics and professional conduct
- Number of corruption incidents

1.5. External verification of ESG information

In terms of governance, the FEC has, in accordance with banking regulations, an Audit and Risk Committee in charge of assisting the Board of Directors in assessing the consistency and adequacy of its internal control system. Its scope of intervention covers all administrative, accounting and financial, functional and/or operational areas and/or processes.

The impact indicators are used, in compliance within 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, climate co-benefits project components 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

As part of its activity, the FEC ensures that it identifies the elements that may have an impact on the environment in order to take the necessary measures to limit or remedy them. The direct impacts on the environment related to the Institution's own operations, linked in particular to the consumption of water, energy and paper usage, the generation of waste and carbon dioxide emissions, are not not significant, given their small scale.

As a financial intermediary, the Bank recognizes that the impacts associated with its core business engage its social and environmental responsibility. To fulfill this responsible commitment, the Bank ensures the integration of social and environmental concerns within its activity of financing the investment projects of the TCs as well as in its relations with the stakeholders.

2.1.2. The FEC's Environmental and Social Policy

Sustainable territorial development requires responsible and joint management of the E&S risks and impacts of the projects to be financed. In this regard, the Bank has adopted an E&S policy, effective since in April 2022, which constitutes a reference framework that formalizes its commitment to systematically take into consideration sustainability factors in its due diligence processes and its financing transactions. The operational implementation of this commitment is based on a set of operational procedures and relevant tools enabling effective management of the risks inherent in the projects submitted for its financing.

This E&S policy takes into consideration all national laws, their implementing regulations as well as all relevant international conventions, ratified by the Kingdom of Morocco, for the application of environmental and social safeguard measures.

2.1.3. Litigation or lawsuit relating 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 involved TC until remediation and closure of the claims received.

This mechanism being in place and operational, the FEC has not received from the TCs, to date, any environmental or social claimst related to the projects financed by the Institution.

2.1.4. Actions and measures implemented to assess and minimize the environmental impacts of the activity

E&S risk and impact management process

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

The findings of the E&S risks 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 risks 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

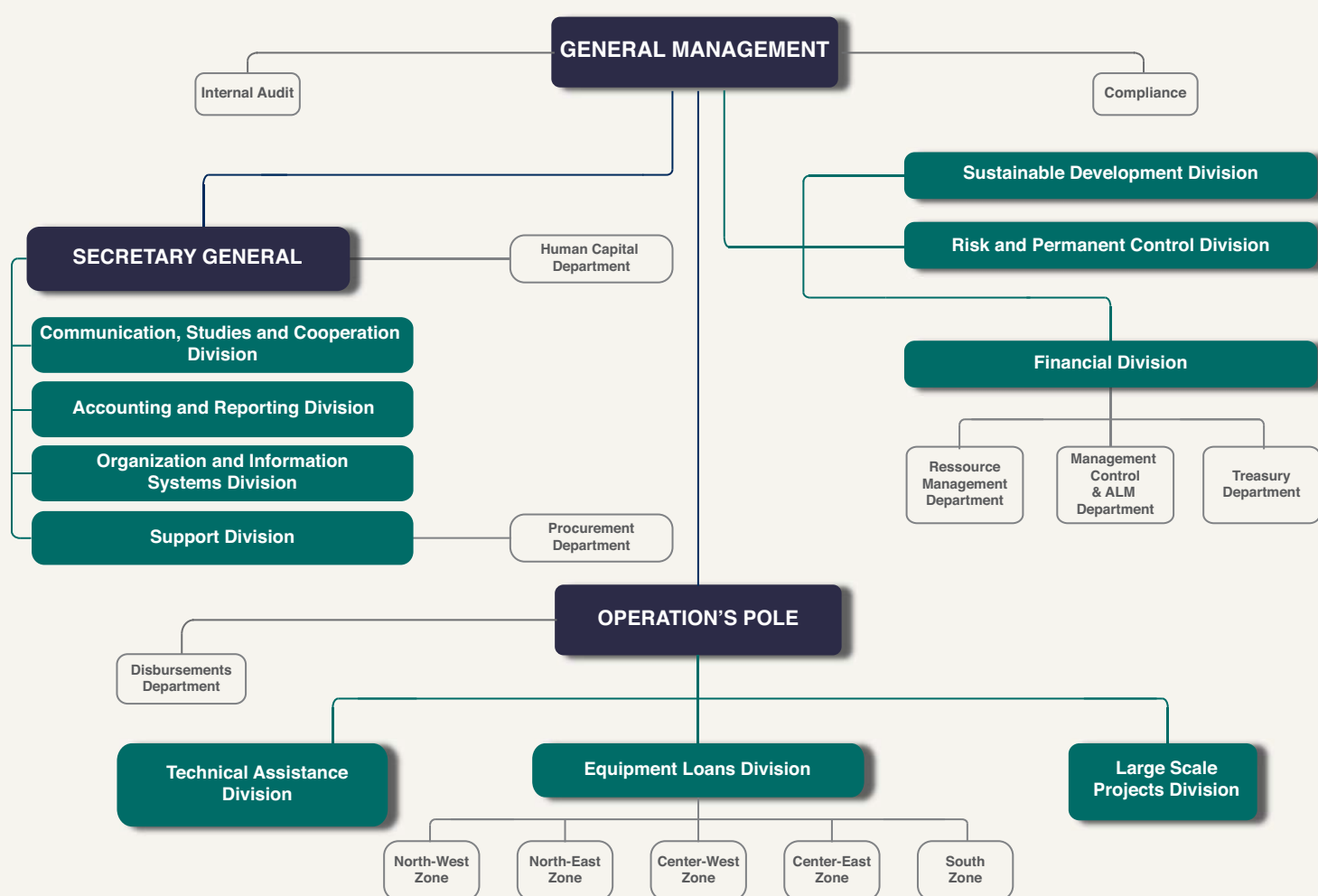
The management of human resources occupies an important place in the strategy of the Institution which favors the development of human capital through the development of skills and the motivation of staff.

In order to respond effectively to the different expectations of customers, the FEC has, over the past few years, equipped itself with a modern organization adapted to the specificities of the Bank's businesses, which revolves around a General Management and functional entities favoring a customer-oriented organization, which values the coherent interaction between its various structures and the synergies between them.

Similarly, and in order to be as close as possible to the Territorial Communities, the loan activity is organized by multidisciplinary Geographic Zone, favoring the principle of a single interlocutor.

The organization chart of the Communal Equipment Fund is as follows:

ORGANIZATION CHART OF THE FONDS D'EQUIPEMENT COMMUNAL



Recruitment

Recruitment is governed by a recruitment mechanism approved by the FEC's Board of Directors on October 30, 2013, which stipulates that recruitment for the FEC's jobs is done according to the criterion of merit through non-discriminatory calls for applications, either through the interview or competition procedures.

It should be noted that according to the current recruitment system, positions of responsibility are first subject to internal calls for applications for which only the criteria of training, experience and merit are considered. On this basis, 1 Director, 2 Managers and 1 Managerial Staff have been appointed during the period 2020-2022, and this, at the end of the above-mentioned process.

Compensation

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

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

Career Management

The Bank has instituted a system of annual performance appraisal and evaluation based on the job and skills framework. This system guarantees equality, transparency and neutrality with regard to annual evaluations.

Furthermore, it should also be noted that career management within the FEC is mainly based on the results of these annual evaluations.

Training

The 2020-2022 period has been marked by the implementation of specialized training for the benefit of business associates related to Project Management for the Development and the financial strategy of Territorial Communities as well as compliance training on the fight against money laundering and the financing of terrorism.

Alongside, and as part of its will to nourish reflection and debate around important questions and issues that challenge the interactions of the Institution with its macroeconomic environment, the FEC initiated in November 2021, the internal organization of thematic seminars.

These meetings mainly concern the macroeconomic context, the draft finance law, recovery plans and economic challenges and prospects in the context of crises and successive shocks.

To date, 6 conferences have been organized for the benefit of about fifty people.

Budgetary commitments related to training for the 2020-2022 period amount to MAD 204,161.50 and benefited 19 employees or 21% of the overall workforce in 2022.

The training budget for the period 2020-2022 is as follows:

In KDH	2020	2021	2022
Training budget	250	250	250
Training Budget Report / Staff Costs	0.5%	0.5%	0.5%

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.

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, is as follows:

Breakdown of the workforce by type of contract	2020	2021	2022
Open-ended contract	85	83	84
Fixed-term contract	-	-	-
Statutory	8	8	7
Total	93	91	91

Breakdown by category

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

Breakdown of workforce by category	2020		2021		2022		Var. 21/20	Var. 22/21
	Women	Men	Women	Men	Women	Men		
Managerial staff	41	44	39	44	40	44	-2.35%	1.20%
Employees	2	6	2	6	2	5	-	-12.50%
Workforce by gender	43	50	41	50	42	49	-2.15%	-
Global Workforce	93		91		91			
Mentoring rate	91.40%		91.21%		92.31%			

The overall workforce of the FEC is almost stable during the period under review and the mentorin rate increased slightly in 2022 compared to 2021.

Overall breakdown by gender

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

	2020		2021		2022	
Gender	Women	Men	Women	Men	Women	Men
Workforce breakdown	43	50	41	50	42	49
Total	93		91		91	

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

Category	2020		2021		2022	
	Women	Men	Women	Men	Women	Men
General Management	-	1	-	1	-	1
Directors	3	8	2	8	2	8
Managers	6	3	6	5	7	6
Managerial staff	32	32	31	30	31	29
Employees	2	6	2	6	2	5
Workforce by gender :	43	50	41	50	42	49
Total	93		91		91	

Breakdown by seniority

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

Seniority	2020	2021	2022
Range \geq 20 years	33	33	35
10 years \leq slice < 20 years	42	43	45
5 years \leq slice < 10 years	12	9	4
Range < 5 years	6	6	7
Total	93	91	91

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

Number of staff representatives

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

	2020	2021*	2022
Staff representatives	2	-	-

(*) : 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 dismissals per year and per category

During the fiscal years under review, no dismissals 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	2020	2021	2022
General Management	-	-	-
Directors	-	1	-
Managers	-	-	-
Managerial Staff	2	-	1
Employees	-	-	-
Total resignations	2	1	1

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	2020	2021	2022
General Management	1	-	-
Directors	-	1	1
Managers	1	1	-
Managerial Staff	1	-	-
Employees	-	-	1
Total departures	3	2	2

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	2020	2021	2022
General Management	-	-	-
Directors	-	1	-
Managers	-	-	2
Managerial Staff	-	-	1
Employees	-	-	-
Total of recruitments	-	1	3

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

	2020	2021	2022
Recruitments	-	1	3
Departures	3	2	2
Resignations	2	1	1
Workforce	93	91	91
Turnover (1)	2.7%	2.2%	3.3%

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

The turnover recorded was established at 2.7 % in 2020, at 2.2 % in 2021 and 3.3 % in 2022 reflecting overall stability of the workforce.

Number and nature of social disputes by financial year

No social dispute (collective or individual) was recorded over the 2020-2022 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.

The FEC's Board of Directors is composed of eight (8) 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;
- 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 (8) 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 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, 2022, 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 as of 31-12-2022 ¹

Last name and first name	Age	Man / Woman	Nationality	Date of first appointment	Term expiry year	Number of terms in other companies		Meeting attendance rate	FEC's Committee Membership
						Total number of terms	of which in publicly traded companies		
Chairman									
Mr. Abdelouafi LAFITT, Minister of the Interior	55 years old	Male	Moroccan	--	--	--	--	2/2	--
Executive Administrators									
--	--	--	--	--	--	--	--	--	--
Non-executive Administrators ²									
FEC's Administrators representing the administration									
Two (2) representatives of the Ministry of the Interior (Members not designated intuitu personae)									
--	--	--	--	--	--	--	--	--	--
Mrs. Saadia LAAROUSSI	49 years old	Female	Moroccan	09-Nov-15	--	--	--	2/2	Member of the FEC's Credit Committee
Mr. Mohammed EL IDRISS ⁴	48 years old	Male	Moroccan	03-Jan-22	--	1	1	1/2	Member of the FEC's Audit and Risks Committee
Mr. Abdelouahab BELMADANI ⁵	43 years old	Male	Moroccan	29-Oct-18	--	--	--	2/2	--
Mr. Mohamed OUHMED	53 years old	Male	Moroccan	12-Apr-21	--	--	--	2/2	--
Mr. Khalid EL HATTAB	45 years old	Male	Moroccan	20-Jul-17	--	23	5	2/2	Chairman of the FEC's Audit and Risk Committee
Mr. Abdellatif FAZOUANE	54 years old	Male	Moroccan	06-Dec-21	--	--	1	2/2	--
FEC administrators representing local elected officials									
Mrs. Mina BOUHDOUN	58 years old	Female	Moroccan	03-May-17	--	--	--	2/2	--
Mr. Mohammed CHAOUKI	49 years old	Male	Moroccan	03-May-17	--	--	--	2/2	--
Mr. Badr EL MOUSSAOUI	41 years old	Male	Moroccan	03-May-17	--	--	--	2/2	--
Mr. Mohammed MOUBDI	69 years old	Male	Moroccan	03-May-17	--	--	--	2/2	--
Four (4) members representing elected officials are being appointed following the September 2021 elections (Termination of office)									
--	--	--	--	--	--	--	--	--	--
Independent Administrators ³									
--	--	--	--	--	--	--	--	--	--

1- The composition of the FEC Board of Directors is determined by virtue of 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 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 councillors (article 4 of the aforementioned law n° 31-90 and article 3 of its implementing decree).

3- The provisions of Circular No. 5/W/16 of the Wali of Bank Al-Maghrib of June 10, 2016 setting the conditions and procedures for the appointment of 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.

4- During the meeting of the FEC's Board of Directors on October 28, 2022, Mr. Mohammed EL IDRISSI, representative of the Ministry of the Economy and Finance, Treasury and External Finance Department, was represented by Mrs. Saboua OUASSIF.

5- During the meeting of the FEC's Board of Directors on October 28, 2022, Mr. Abdelouahab BELMADANI, representative of the Ministry of Health and Social Protection, was represented by Mr. Abdellian AL MARNISSI.

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 by HM King Mohammed VI, may God assist him, on October 7, 2021, as the Minister of the Interior.

Mr. LAFTIT was born on September 29, 1967 in Tafrisst. He graduated from the Ecole Polytechnique of 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 of Port Operations (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, as the 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 as the Governor of the Fahs-Anjra Province. In October 2006, he was appointed as the Governor of the Province of Nador, a position that he held until his appointment in March 2010, as the Chairman and CEO of the development company for the conversion of the port area of Tangier city.

On January 24, 2014, the King renewed his confidence in him by appointing him as Wali of the region of Rabat-Salé-Zemmour-Zaer, then as Governor of the Prefecture of Rabat.

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

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

Mr. Khalid EL HATTAB: FEC's Administrator representing the Caisse de Dépôt et de Gestion

With an MBA in Finance from Oklahoma City University (USA), Mr. Khalid El Hattab has eighteen years of experience in Management, Financial Markets and Corporate Finance, Risk Management, Banking and Consulting, and this in reference organizations (Bank Al-Maghrib, Caisse de Dépôt et de Gestion, Mazars, etc.).

Mr. Khalid El Hattab is currently the Director of the CDG Group's Finance Department and is also:

- Director and member of the Audit & Risk/Investment Committees of several CDG Group subsidiaries and holdings operating in the field of territorial development, tourism and investment;
- Director and Chairman/member of the Audit & Risk Committee of several banking Institutions (Fonds d'Equipement Communal (FEC), Crédit Immobilier et Hôtelier (CIH) and CDG Capital).

Mrs. Saadia LAAROUSSI: FEC's Administrator 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, Mrs. Saadia LAAROUSSI joined the Ministry of Economy and Finance in 1997 as an executive member in the Division of Local Finance in the Budget Department. In 2015, Ms. LAAROUSSI was appointed Head of the Local Finance Department. Since 2019, she has held the position of Head of Department for Monitoring Resources Allocated to Territorial Communities within the aforementioned Local Finance Division.

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

Mr. Mohammed EL IDRISSE: FEC's Administrator representing the Ministry of Economy and Finance

Mr. Mohammed EL IDRISSE was born on March 16, 1974 and graduated from the National School of Administration in Rabat. He began his career in 1997 at the Customs Administration where he held several positions, including Inspector at the Port of Casablanca and Head of the Office for Monitoring Collection and Support for Receivers.

In 2009, Mr. Mohammed EL IDRISSE 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 Financial sector's Division, then in the Pole in charge of Relations with 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 Economy and Finance.

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

Mr. Abdellatif FAZOUANE was born on March 13, 1968 in Rabat and holds an engineering degree from Ponts & Chaussées of Paris in 1992. He began his career in 1992 at the Ports Operations Office as a project manager and later was appointed head of the planning 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, in particular that of Project Manager with the General Management (Subsidiary Monitoring & Bouregreg Valley Development Project), General Manager of the Société de Développement Al kora which was later renamed Société Dyar AL MANSOUR, then Managing Director of Foncière Chellah, CEO of Arribat Center, Director of several subsidiaries and holdings, and CEO of Compagnie Générale des Parkings as well as Director of several SDLs.

In 2018, Mr. Abdellatif FAZOUANE returns to the Ministry of Equipment and Water where he will hold several positions, namely that of Project Manager at 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 Boards of Directors of EEP under the supervision of MEE or other organizations.

Mr. Mohamed OUHMED: FEC's Administrator 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 degree in State Engineering from the Ecole Nationale Supérieure des Mines in Rabat and an International MBA from the Dauphine University of Paris.

He held several positions of responsibility within the Ministry of Energy, Mines and the Environment, mainly as "Head of Division for Coordination and Legal Affairs", as "in charge of studies" to the General Secretary and as "Head of Distribution and Oil Market Management".

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

Mr. Abdelouahab BELMADANI is the 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 of the Ministry of the Economy and Finance (2010-2018) where he participated in the process of 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 for healthcare facilities, as well as his attributions relating to financing and international cooperation at the level of the Division of Planification 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 the 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 BOUHDOUN: FEC's Administrator representing local elected officials:**

Mrs. BOUHDOUN is elected President of the Communal Council of ELGIFATE - Province of TAROUDANT.

■ Mr. Mohammed CHAOUKI: FEC's Administrator representing local elected officials

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

■ Mr. Badr EL MOUSSAOUI: FEC's Administrator representing local elected officials

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

■ Mr. Mohammed MOUBDI: FEC's Administrator representing local elected officials

Mr. MOUBDI is elected President of the Communal Council of FKIH BENSALAH - Province of FKIH BENSALAH.

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 the aforementioned Law No. 31-90 on the reorganization of the FEC and the State's general policy in financial matters. Its assent is required by the Board for :

- The decree of the general loan program;
- The decree of the Fund's operating and equipment budget;
- The allocation of profits ;
- The status and remuneration of the staff.

It is important to specify that the mission and the operating modalities of the FEC's Board of Directors (composition, convening of members, quorum, deliberation, etc.) are governed by the provisions of the aforementioned law No. 31-90 and 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, according to the provisions of article 5 of the aforementioned decree No. 2-90-351, the FEC's Board of Directors meets at least twice a year:

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

Prior to 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 the recommendations made by the directors at previous meetings, if applicable.

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

Moreover, the Central Bank's requirements in terms of governance could only be taken into consideration in the context of the FEC's planned institutional reform.

Finally, 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 relating 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 areas of the SER strategy of the FEC, in particular area 2 " Social" (see point 1.1 relating to the FEC's Social and Environmental Responsibility (SER) Profile and Strategy).

Indeed, aware of the importance of promoting equality within its environment, the FEC, in its E&S Policy, has established as a principle the integration of gender and the preservation of equal opportunities in terms of accessibility and use of the equipment and achieved infrastructures. Similarly, any project that would negatively impact or limit access to services or otherwise on elements related to gender, ethnic disparity and vulnerable people is excluded from the FEC's financing.

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

Specialized committees

Committees emanating from the Board of Directors

Audit and Risk 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 Caisse de Dépôt et de Gestion	Chairman
The Wali, Inspector General of the Territorial Administration (Ministry of the Interior)	Permanent member
The Director of the Treasury and External Finance (Ministry of the Economy and Finance)	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 members
Two representatives appointed by the Minister of the Economy and Finance	Permanent members
One representative appointed by the General Manager of the Caisse de Dépôt et de Gestion	Permanent members

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

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 RAC 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 his delegate	Chairman
The Secretary General	Permanent members
The Director of Operations Pole	Permanent members
The Financial Director	Permanent members
The Deputy Director in charge of the Risks and Permanent Control Division	Permanent members
The Deputy Director in charge of the Accounting and Reporting Division	Permanent members
The Compliance and Governance Manager	Permanent members

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 relating 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 Financial Director	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 Manager 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, Director General No. 33 of April 5, 2019, OISC's missions include:

- Ensuring the alignment of the IT strategy with that of the Bank;
- Monitoring the implementation of the IS project portfolio;
- Providing an opinion on the various components of IS governance;
- Providing an opinion on the budgets allocated to the organization and IS projects;
- Monitoring the implementation of the IS security policy;
- 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 the Operations Pole	Permanent member
The Financial Director	Permanent member
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 Deputy Director in charge of the Accounting and Reporting Division	Permanent member
The Deputy Director in charge of the Support Division	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 convened by its Chairman at least once a semester and as often as required.

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 relating 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.

This Code has been distributed to all employees who have read it and formally committed themselves to comply with it. Similarly, this Code is transmitted to all new recruits upon their hiring so that they become aware of it and formally commit to respect it.

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 relating 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.

In this respect, no claims have been made to the Compliance and Governance Manager regarding any potential deviations from the provisions of the Code of Ethics.

Furthermore, the FEC has a procurement regulation which constitutes a reference framework for conducting purchasing operations initiated by the Bank. These principles ensure the effectiveness of purchases and the proper use of the allocated resources.

Finally, it should be noted that as part of the FEC's compliance with the requirements of BAM Directive No. 1/W/2022 dated May 19, 2022 relating to the prevention and management of risks of corruption by credit institutions, and the recommendations outlined in the national anti-corruption guide, the FEC is currently strengthening its anti-corruption system while capitalizing on its achievements in terms of ethics and professional conduct. This is done in accordance with the Central Bank's recommendations and the best standards in the fight against corruption.

This system will be submitted, upon finalization, for approval of the FEC's governance bodies and for approval of the Board of Directors.

Corruption incidents

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

2.4. Stakeholder Information

2.4.1. Impacts of the FEC's activities on the population and territorial development

The Bank provides financial and technical support to Territorial Communities for the implementation of their investment programs and projects, mainly aimed at reducing territorial and social disparities, urban upgrading as well as those with climate and environmental co-benefits and promoting sustainable, inclusive and climate resilient territorial development.

Thus, during the year 2022, the FEC maintained levels of financing for the benefit of the Territorial Communities comparable to those of 2021, with loan commitments and disbursements, which respectively reached nearly 2.7 BDH and over 2.9 BDH at the end of December 2022.

In addition, the year 2022 was marked by an exceptional level of loan allocations which amounted to nearly 5 BDH, which are partly in the process of being contractualized and which relate to the financing of 69 projects. These contributions concern in particular the financing of major climate adaptation projects which are distinguished by the importance of their investment volumes and which are part of the policy of major infrastructure projects.

These contributions 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 territorial and social disparities

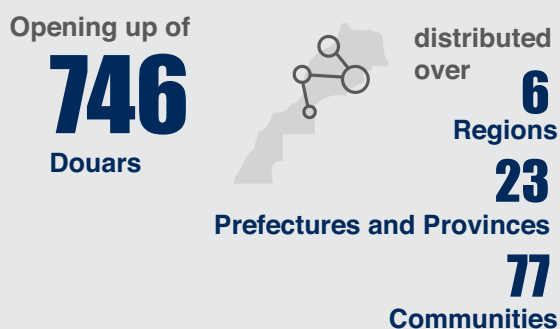
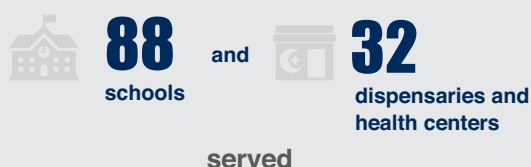
The Bank continued, by consolidating its achievements in this area, the financing of territorial development projects aimed at reducing disparities at the level of TCs with deficits in basic infrastructure and social services in the sectors targeted by the Disaster Reduction Program. Territorial and Social Disparities (PRDTS) in rural areas, namely: rural roads, art structures, drinking water supply, sanitation, electrification, schools and health centers, etc. Similarly, the Bank seeks to strengthen the efforts made to open up the rural population, through the financing of projects to upgrade provincial roads connecting the rural roads constructed and/or developed with the structuring high-traffic main network. These complementary projects help maximize the positive impact on improving the living conditions of local populations.

The indicators presented below relate to the projects committed during the 2022 financial year.

RURAL ACCESS ROADS

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 :



Road upgrades

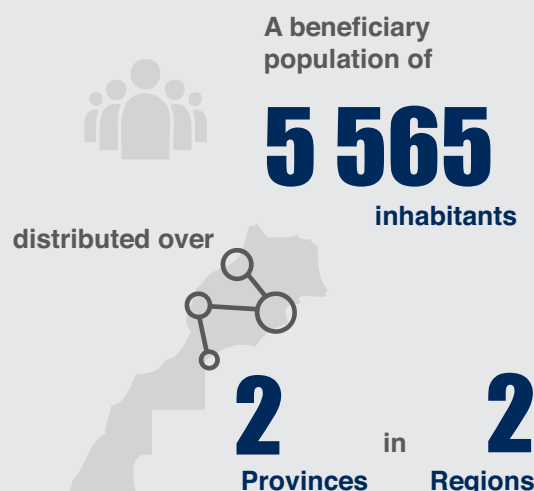
Financing road-upgrading projects connecting constructed and / or upgraded rural roads with the high-traffic structuring network will consolidate the gains made in efforts to open-up the rural population.



DRINKING WATER & ELECTRIFICATION

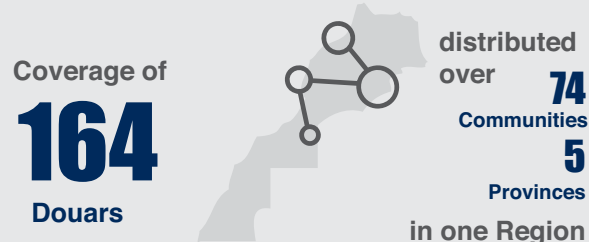
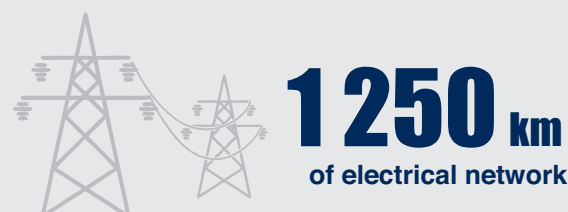
Access to the drinking water network

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.



Access to the electricity network

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



EDUCATION AND TRAINING

Generalization of schooling

Financing of projects aimed at :

The construction of



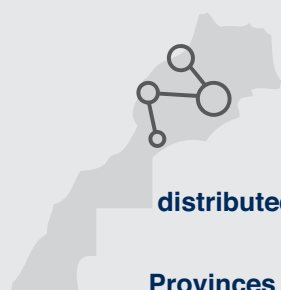
4 community schools and housings

for the benefit of



480 students

in



4 Communities distributed over **3**

Provinces in a Region

Fight against school dropout

Financing of the acquisition of:

92 school transport vehicles

For the benefit of

2 208 student



Promotion of professional training

Financing of the construction of :

1 healthcare training institute

with a capacity of

100 student trainees



LOCAL SPORTS FACILITIES

Generalization of the Proximity Omnisports Fields

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

60

sports facilities in rural and peri-urban areas



96 189 young beneficiaries

47

beneficiary Communities



distributed over

6

Provinces and

2

Regions

Contributing to urban upgrading and requalification of under-equipped neighborhoods

URBAN UPGRADING AND
REQUALIFICATION

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 districts:

Improving traffic, travel and safety conditions for

42 056 inhabitants



68 km
of roads and upgraded
pedestrian walkways

5 779

light points equipped with
energy-saving LED luminaires

6 hoppers and traffic circles to improve
traffic flow, optimize journey times
and enhance safety

264 255 m²

of green spaces rehabilitated or created,
with fitness trails and play areas for children

PROMOTING THE CULTURE
OF READING

Generalization of public reading points for all, to promote reading as a vector of human development, particularly among children and young people.

The Bank is contributing to this initiative by financing a project to set up 9 public reading points, creating a network of public reading facilities geographically distributed across different districts, and providing easy access to reading resources and tools for all social categories.

9
public reading points



68 525
Children and benefitting
young people

Contribute to cultural, tourist and socio-economic development

TOURISTIC INFRASTRUCTURES

Enhancing the attractions of tourist sites

Financing of tourism infrastructure projects aimed at enhancing the attractions of tourist sites through adapted facilities (trails, pathways, ledges, communication systems...) enabling the diversification and practice of tourist activities in conditions of safety and comfort:

16 km of tourist trails and pathways

2 824

communication devices and media installed (information and interpretation panels, interactive terminals, etc.)

1 233

light points equipped with energy-saving LED lights



CULTURAL INFRASTRUCTURES

Enriching cultural heritage

Financing of cultural infrastructure projects aimed at human, cultural and touristic development by strengthening the cultural and artistic offering and enhancing the city's touristic attraction:

3 Cultural infrastructures (theater, arts center, museum)



ECONOMIC AND SOCIAL INFRASTRUCTURES

Improving incomes through employment

Financing of 3 projects that create added value and generate permanent jobs, helping to boost the economy in 3 communities distributed in 2 provinces belonging to 2 regions, and to improve the incomes of local populations through access to stable, sustainable jobs:

5 103 permanent jobs created



Contribute to the resilience of territories in the face of climate change effects

Given its geographical location and the context of current climate change, Morocco is facing a climatic trend characterized by consecutive periods of drought, and short but intense rainy episodes, generating heavy floods, which constitute a threat to human lives and cause material damage. In this context, territorial actors are called upon more than ever to implement programs and projects to combat the effects of climate change.

ADAPTATION TO THE EFFECTS OF CLIMATE CHANGE

Financing of projects to secure water supplies to cope with water stress caused by recurrent droughts in two regions:

Securing and improving water supply conditions for

11 000 000 inhabitants

Construction of an initial **66 km** of drinking water supply network

FLOOD PROTECTION

Financing of 3 development projects aimed at mitigating the effects of river flooding during rainy periods, and contributing to strengthening the adaptive capacities of territories and protecting lives and property against this climatic risk:

Improved protection conditions for

454 623 inhabitants

distributed across 4 Communities, 2 Provinces and 1 Region

2.4.2. Corrective actions implemented within activities with potential or proven negative impacts on local communities

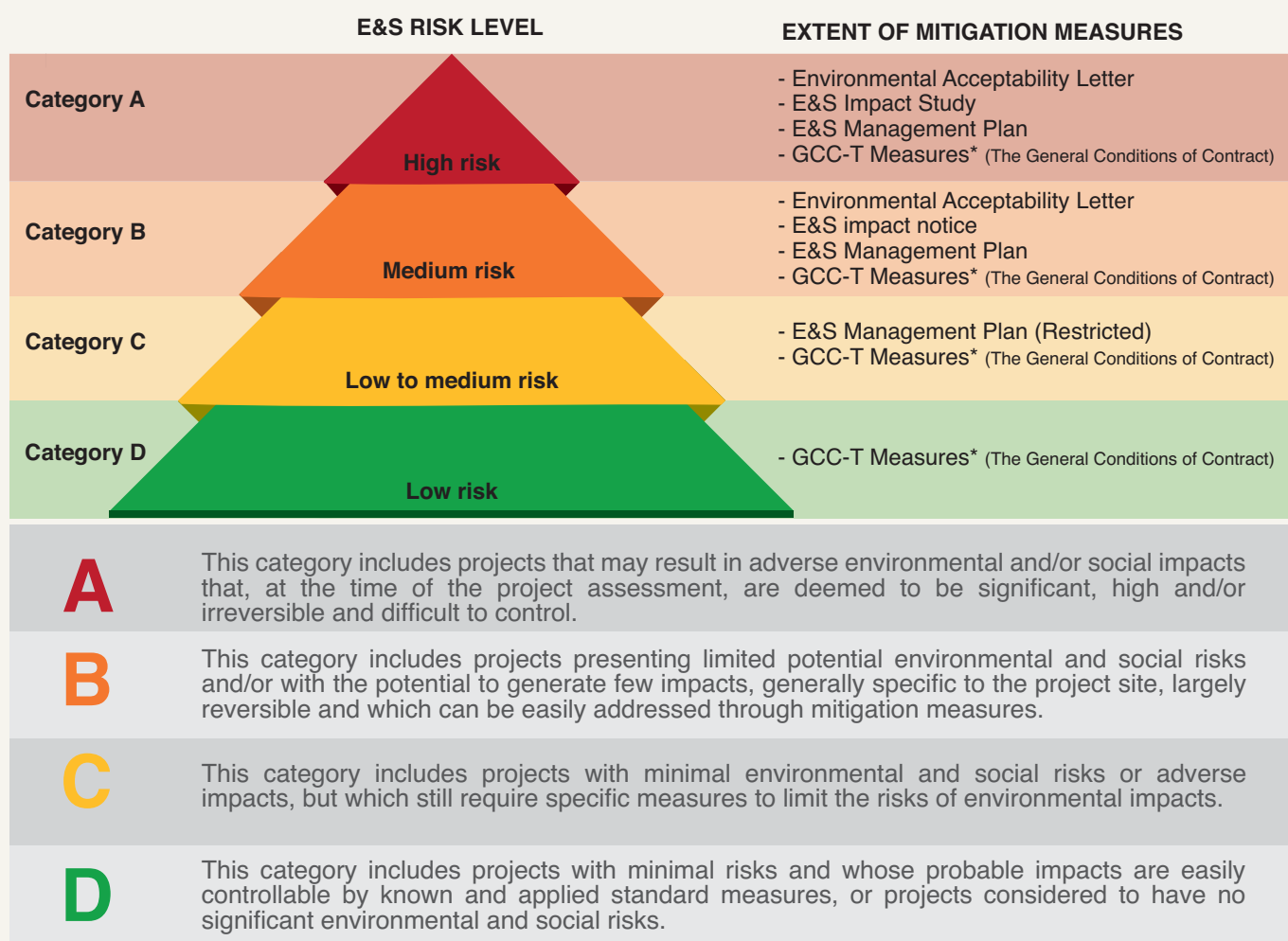
The TCs's investment projects financed by the Bank primarily aim at improving the socio-economic conditions and quality of life of local populations, but may eventually have negative repercussions on the environment and Territorial Communities. To this end, and as part of the E&S evaluation process of projects submitted for its financing, the Bank applies E&S safeguard measures to improve the E&S performance of projects. These measures mainly aim at the preservation of biodiversity and natural resources, health, safety and the preservation of means of production and income generation of the populations.

An 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 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



* : 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, whether 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 channels of communication with stakeholders are as follow:

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 the 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 SER 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 SER 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. SER achievements over the past three years

E&S risk integration process

> Approval of the Environmental and Social Policy

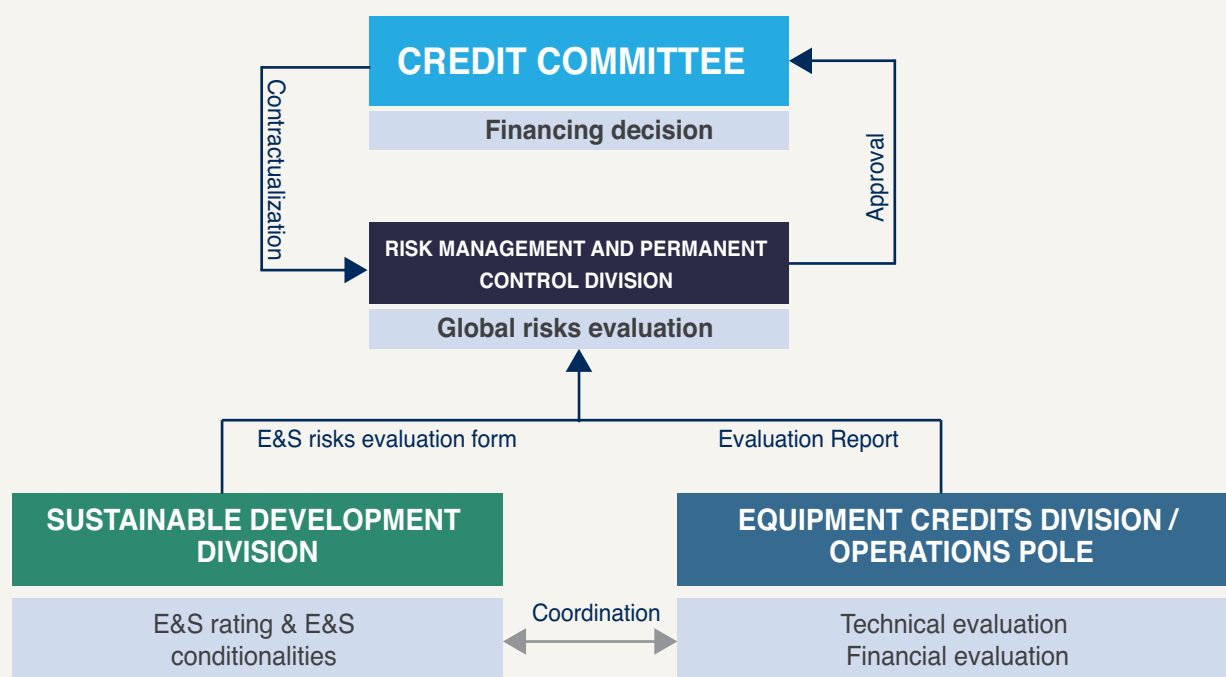
In line with the strategic vision of the Kingdom in terms of sustainable development of territories, and in view of the importance of environmental, social and climate criteria, the FEC initiated, starting 2020, the implementation of its Environmental and Social Management System (ESMS).

In October 2021, the Bank's Board of Directors approved the FEC's Environmental and Social Policy, which forms the main pillar of the ESMS. This policy, which entered into force in April 2022, allowed 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 the 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

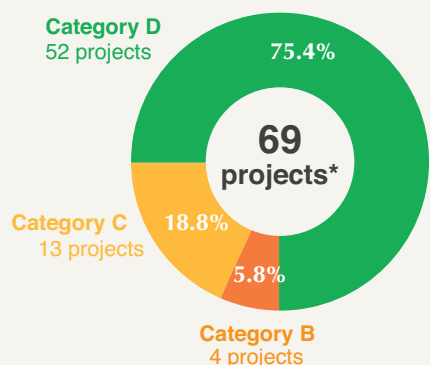
In accordance with its Environmental and Social (E&S) policy, any project submitted for financing by the Bank is systematically assessed and rated for its Environmental & Social (E&S) risks.

Thus, the results of the E&S rating for the 2022 financial year are as follows:

- 75.4% of the financed projects are classified in "Category D", which includes projects with minimal risks whose probable impacts are controlled;
- 18.8% of the financed projects are classified in "Category C", which includes minimal risk projects requiring some specific mitigation measures;
- 5.8% of the financed projects are classified in "Category B", which includes limited risk projects requiring the integration of the measures recommended by the conducted E&S impact studies.

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.

Breakdown of projects by E&S risk category*



Predominance of Category D projects in the structure of projects allocated at the end of 2022

(*) : Projects allocated at the end of December 2022

Increase the financing of projects with Climate Co-benefits

Climate change increasingly imposes major challenges that can affect the efforts made for the development of Morocco. Indeed, the territories are the first to experience the environmental impacts caused by extreme climatic phenomena, in particular drought and floods, which present threats to the health and safety of populations and which equally affect economic and social activities as well as people's incomes.

Territorial Communities are increasingly considered as key players in the territorial implementation of national objectives in terms of mitigation and adaptation, and are therefore called upon more than ever to implement low-carbon and climate resilient projects and programs.

Achieving this objective requires better integration of the climate dimension into territorial planning, internal capacity building 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.

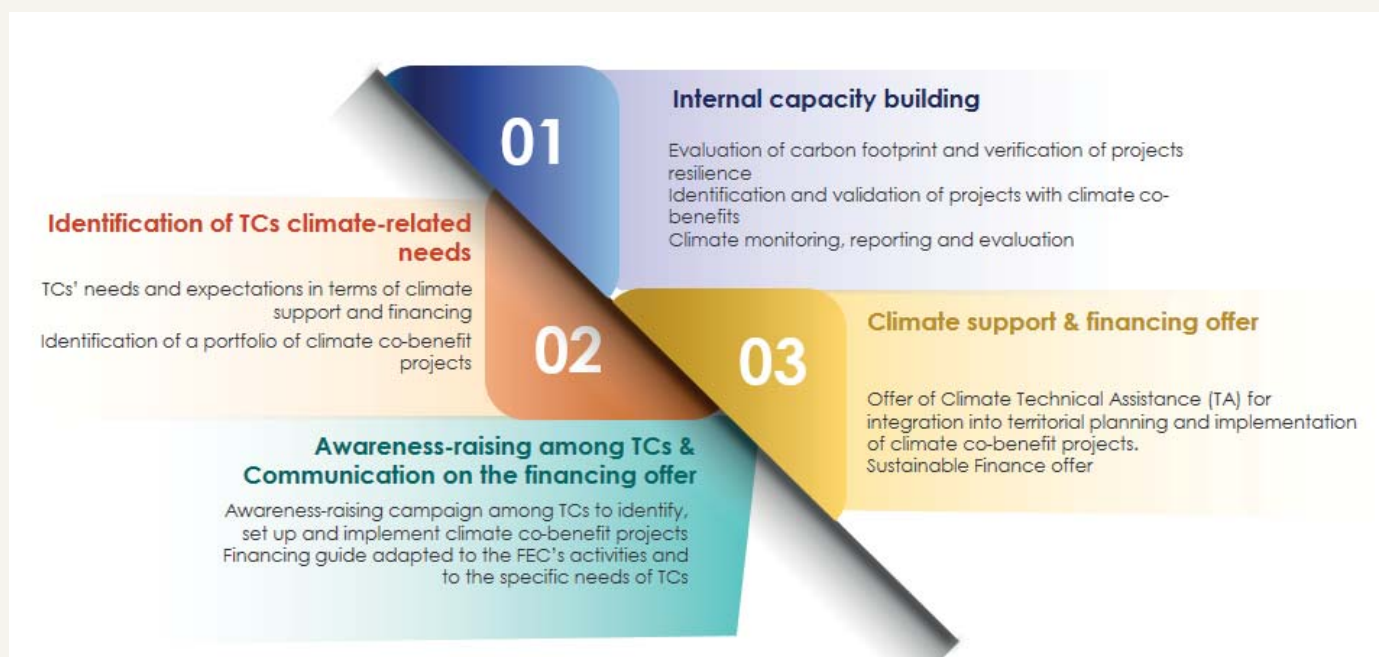
> Adoption of a pro-climate approach

On the operational level, and in order to materialize its strategic vision in favor of sustainable and resilient territorial development, the Bank has set up a Climate Action Plan, as part of its pro-climate approach, which aims to be a roadmap for integrating the climate into the Bank's financing strategy aimed at increasing its climate financing and supporting Territorial Communities in the emergence of sustainable development and climate co-benefits projects.

> Support for the emergence of projects with climate co-benefits

The Bank ensures that it supports the TCs in their pro-climate approach by providing them with technical tools for identifying projects with climate co-benefits, while strengthening their technical and financial capacities to ensure the setting up, financing and carrying out these projects.

To achieve this, the Bank has implemented measures to improve its governance and strengthen its technical capacities for the development of its portfolio of Climate Co-benefits projects and to structure a sustainable financing offer "Sustainable Finance" for the benefit of Territorial Communities.



Support for TCs with a low development index

Through its experience of nearly 64 years in financing territorial development, the Bank has worked to strengthen the trust built up over time with the Territorial Communities, allowing it today to have a perfect knowledge of the needs and specificities of the local sector, particularly the TCs with the highest deficit in terms of basic infrastructure, as shown by the Multidimensional Index of Local Development (MILD).

Furthermore, the Bank has continued to innovate to provide appropriate responses to their specific needs by using the leverage effect provided by borrowing and strengthening their operational capacities aimed at an integrated territorial development focused on sustainability and quality of life of citizens according to an egalitarian approach and advocating diversity.

During the year 2022, in collaboration with its institutional partners, the Bank structured a new offer of technical and financial support in favor of Territorial Communities with low MILD in terms of projects to reduce territorial and social disparities and adaptation to the effects of climate change.

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2022

