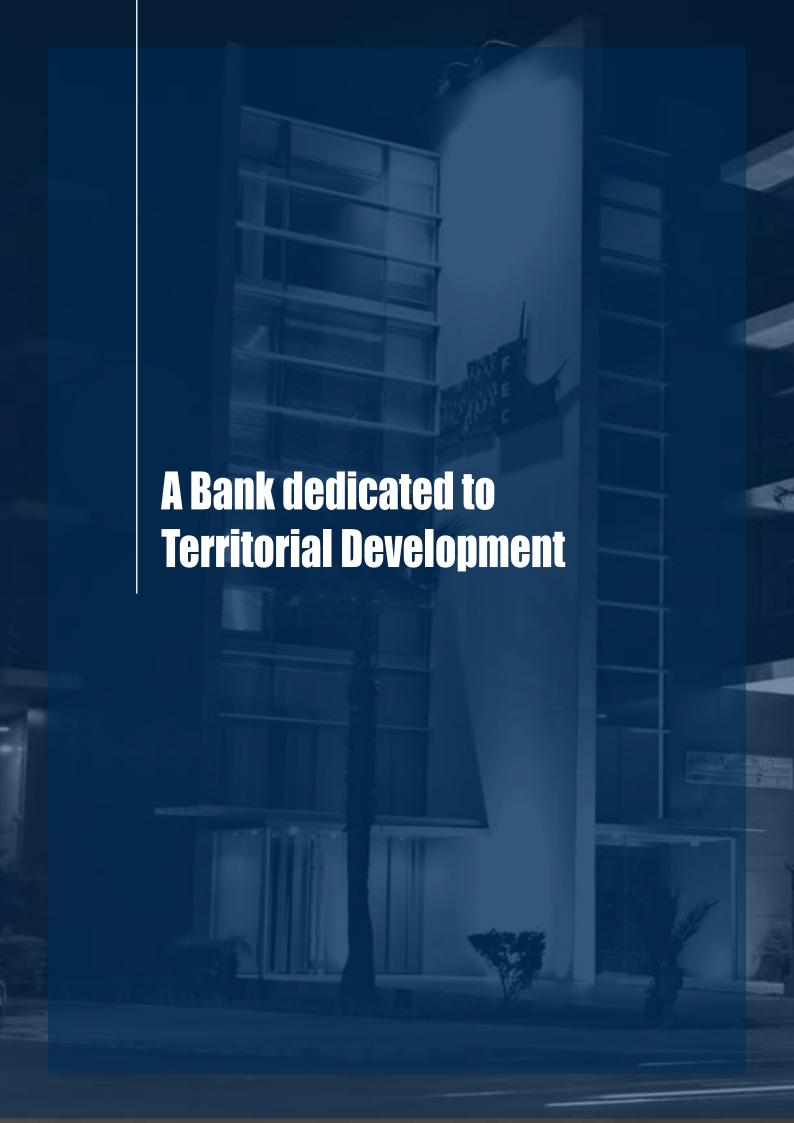


## **SEMESTRIAL FINANCIAL REPORT**

1<sup>st</sup> semester 2024

THE BANK FOR LOCAL FUNDING



#### The FEC: the Bank of Territorial Communities

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

Committed to being a responsible bank, the FEC ensures that its role is aligned with the consolidation and renewal processes in light of developments in the Moroccan economy and the local public sector. It constantly strives to adapt its services and interventions to the challenges faced by TCs and to the priorities of sustainable territorial development, particularly in terms of reducing territorial and social disparities, transitioning to low-carbon development, and strengthening the resilience of territories to the effects of climate change.

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

In this regard, the Bank adopted an E&S policy, which came into effect in April 2022, providing a reference framework that formalizes its commitment to systematically integrate sustainability factors into its due diligence processes and financing operations. The operational implementation of this commitment is supported by a set of relevant procedures and tools that enable effective management of the risks inherent in projects submitted for financing.

It should be noted that this E&S policy takes into account all national laws and their implementing regulations, as well as the main international conventions ratified by the Kingdom, for the application of environmental and social safeguard measures.

The FEC's determination to strengthen the greening of its activity represents a strategic challenge, particularly in light of the increased financial support it provides in connection with the rising level of territorial investment and the shift in scale since the start of the implementation of advanced regionalization.

This evolution allows the FEC to both support the growth dynamics of territories and contribute to their inclusive development by adding an extra dimension to their actions aimed at improving the conditions and quality of life for local populations. This promotes the development of projects with a high social and environmental impact, benefiting TCs. It should be noted that, as part of the E&S rating for the first half of 2024, nearly all projects financed by the Bank present minimal and easily manageable risks.

It is also worth mentioning that the integration of sustainability principles and environmental and climate concerns is a significant asset for the Bank, particularly in its strategy to open up to the international financial market, allowing it to access competitive financing, including climate finance. This enables the FEC to offer the best support and financing conditions to its clients.

### **ABREVIATIONS**

Average Annual Growth Rate

BDH Billions of dirhams

BOI

**DFIS** 

E&S

GOE

MDH

NBI

NPL

**OBSC** 

**PRDTS** 

RDP

SSC

**TCs** 

BOE Banking Operating Expenses

Banking Operating Income

Development Finance Institutions

**Environmental and Social** 

**General Operating Expenses** 

Millions of dirhams

Net Banking Income

Non-Performing Loans

**Off-Balance Sheet Commitments** 

Program for the Reduction of Territorial and Social Disparities

Regional Development Plans

Social Solidarity Contribution

Territorial Communities

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# HIGHLIGHTS **AND KEY FIGURES**

#### **HIGHLIGHTS**

During the first half of 2024, the Bank continued to consolidate its role as a key player in the financing of territorial development, thanks in particular to the strength of its fundamentals and the implementation of structural projects. These initiatives allow the Institution to continue supporting TCs in achieving their investment projects.

By the end of the first half of 2024, loan commitments and disbursements 1,505 MDH and 817 MDH, respectively. These financings contributed to the achievement of several projects across various sectors of intervention and benefited all categories of Communities, Territorial with a strong predominance of Regional Councils. Indeed, Regions are confirming their increasing involvement in the structure of loans granted by the Bank in recent years, driven by the intensification of their investment projects, particularly the implementation of advanced regionalization.

As evidence of their growing role in economic and social development, during the first half of 2024, the FEC signed two financing agreements with two Regions through the granting of two lines of credit:

- » Signature in March 2024 of a financing agreement with the Draâ-Tafilalet Region for an amount of 1.7 BDH aimed at financing priority projects under the Regional Development Program (RDP) of the Draâ-Tafilalet Region for 2022-2027 and covering part of the Region's projects under the Program for the Reduction of Territorial and Social Disparities (PRDTS).
- » Signature in May 2024 of a financing agreement with the Tanger-Tétouan-Al Hoceima Region for an amount of 1.3 BDH dedicated to financing priority projects under the Regional Development Program (RDP) of the Region, which primarily aim to enhance the economic attractiveness of the Region's territorial areas.

Through these new operations, the FEC reaffirms its determination to support the Regions of the Kingdom in carrying out their investment projects, particularly those with significant social impact, in line with the Bank's Environmental and Social (E&S) policy, which came into effect in April 2022. This policy is distinguished by its alignment with national regulations and the treaties ratified by the Kingdom in terms of sustainability, and it strengthens the trust of Territorial Communities in the FEC as a long-standing financial partner.

Through the new financing granted to Territorial Communities in the first half of 2024, customer receivables reached over 27 BDH as of June 2024, representing a 2% year-on-year increase.

It should also be noted that the first half of 2024 was marked by a return of lending activity to a normative level compared to 2023, which had been marked by the FEC's co-financing of a strategic project of exceptional nature due to the significant volume of investment involved.

As for financial indicators, the Net Banking Income (NBI) amounted to 326 MDH at the end of the first half of 2024, a level comparable to that recorded during the same period in the previous year.

Meanwhile, the Net Earnings reached nearly 177 MDH at the end of the first half of 2024, up 3% compared to the first half of 2023. This growth takes into account the reduction in corporate taxes, following the tax deduction of the FEC's pro rata contribution to the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco.

The FEC continued, during the first half of 2024, the implementation of its structural projects, which aim to better align the Institution with its environment and effectively respond to the growing needs of Territorial Communities for the financing of their investment projects:

# The sustainability of resources, a key pillar of the financing strategy and support for the dynamic growth of the territories

In support of the growth dynamics of territories, the Bank has undertaken several actions in recent years to ensure the sustainability and diversification of its financing sources, enabling it to offer the best possible financing conditions to Territorial Communities. Indeed, thanks to its international-oriented financial strategy and the strength of its fundamentals, the FEC has successfully mobilized resources to finance its activities, despite the absence of customer deposits. These resources are obtained both from the national financial market and from leading international financial institutions.

With this in mind, the FEC strives to enhance its interactions with development financial institutions (DFIs) in order to prepare for future credit line drawings, depending on the Bank's evolving needs and market conditions.

In line with the success of operations carried out since 2018 with international institutions based solely on the Bank's financial solvency and stability, the FEC and the African Development Bank (AfDB) signed a loan agreement in March 2024 for 100 million euros to finance new sustainable investment and infrastructure projects led by Territorial Communities.

The objective of this operation is to strengthen and modernize the provision of public services, particularly in rural areas, and to foster new economic activities, investment opportunities, and employment, contributing to the improvement of living conditions for local populations.

Similarly, in April 2024, the FEC and the Agence Française de Développement (AFD) signed a new financing agreement for 100 million euros, primarily aimed at funding territorial projects that contribute to the resilience of territories against the effects of climate change, supporting the growth of the Kingdom's territories, and promoting their development actions.

This agreement brings the total financing granted by the AFD to the FEC to 400 million euros, reflecting the quality of the partnership between the two institutions and their shared values in supporting the growth of the Kingdom's territories and their development actions.

Opening up to the international market remains a key element of the FEC's refinancing strategy and resource diversification, as evidenced by the cumulative financing package of around 700 million euros mobilized from DFIs between 2018 and 2024. The Bank's refinancing efforts are also characterized by a regular presence in the Moroccan financial market, particularly in the bond market.

## Risk Management: Formalization of the global risk strategy and repeal of the General Policy Statement (GPS)

The evolving regulatory and competitive environment of the FEC necessitated the formalization of a new risk management framework capable of fully addressing these changes and incorporating best practices in risk management observed in the banking level.

In this context, during the first half of 2024, the FEC operationalized its new global risk strategy, which includes specific strategies and policies for each type of risk, as well as the risk appetite framework:

- » Credit risk policy
- » Operational risk policy
- » Currency risk management and hedging strategy
- » Liquidity risk management strategy
- » Interest rate risk management strategy
- » Compliance policy
- » Environmental and Social (E&S) policy
- » Cybersecurity policy
- » Pricing policy

This new global risk strategy, which repeals the FEC's General Policy Statement dating back to 1993, came into effect on March 1, 2024.

#### A Sustainability Strategy for Sustainable Territorial Development

As part of its strategic vision for sustainability, the Bank ensures the management of Environmental and Social (E&S) risks for financed projects to ensure compliance with national regulations and international best practices. The E&S due diligence process aims to assign an E&S risk rating to each project, identifying the necessary mitigation measures to reduce these risks to acceptable levels.

In line with its ongoing efforts to gradually align its operations with the best international standards, the Bank continues its proactive approach to addressing E&S issues by integrating the new "Climate Risk" component into its global risk management system and its financing decisions.

In this regard, in line with its climate action plan, the Bank has strengthened its capacities and implemented technical tools and resources for managing climate-related risks and opportunities. These tools allow the identification, validation, and evaluation of projects with potential climate co-benefits and ensure their resilience to the effects of climate change.

The maturity level achieved in managing E&S risks, the progress made in integrating climate-related risks, and opportunities have allowed the Bank to further enhance its extra-financial performance.

The Bank plans to solidify these advances by updating its E&S policy and procedures, which came into effect in 2022, by integrating the new "Climate Risk" component. This evolution, in line with the Bank's strategic vision for sustainable territorial development, has met the prerequisites for accessing financing from international donors.

#### **Compliance and Governance**

The first half of 2024 was marked by the implementation of several documents and policies reflecting the Institution's commitment to aligning with the best standards and practices applicable to credit institutions. Through this rigorous approach, the Bank aims to strengthen its governance while ensuring optimal risk management and increased transparency in its operations.

## Formalization of the FEC's Anti-Money Laundering and Counter-Terrorism Financing (AML-CTF) Policy

The FEC formalized its policy on anti-money laundering and counter-terrorism financing (AML-CTF), which came into effect on March 1, 2024. This policy outlines the key principles adopted by the Bank in terms of AML-CTF in line with the applicable legislative and regulatory frameworks.

#### A Strong Commitment to Fighting Corruption

The FEC's anti-corruption policy also came into effect on March 1, 2024, in compliance with the provisions of the Wali of BAM's Directive No. 1/W/2022, regarding the prevention and management of corruption risks by credit institutions, which became effective on May 19, 2023, as well as the anti-corruption guide developed under the cooperation agreement for preventing and fighting corruption in the financial sector.

This policy outlines the Bank's main anti-corruption principles and defines the key components of its anti-corruption system, enabling it to prevent, detect, and address any instances of corruption or, more broadly, any breach of probity.

#### Strengthening the Ethics and Professional Conduct System

In 2024, as part of its efforts to enhance its ethics and conduct system, the FEC updated its "Code of Ethics," which is now referred to as the "Code of Ethics and Professional Conduct", taking into account new legislative and regulatory requirements, particularly the provisions of BAM's Directive No. 1/W/2022 on corruption risk prevention and management by credit institutions.

The new Code of Ethics and Professional Conduct, which took effect on March 1, 2024, includes new provisions related to anti-corruption, the prevention of influence peddling, the establishment of an ethics alert system, and the management of conflicts of interest.

In MDH

#### **KEY FIGURES 1ST SEMESTER 2024**



As of the end of the first semester of 2024, the NBI reached 326 MDH, a level comparable to that recorded during the same period of the previous year.

Loan commitments and disbursements reached respectively 1,505 MDH and 817 MDH by the end of June 2024. These allowed the FEC to contribute to the financing of various projects undertaken by Territorial Communities across different sectors of intervention.

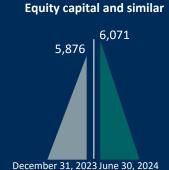
It should be noted that the first semester of 2024 was marked by a return of loan activity to a normative level compared to 2023, which was marked by the FEC's co-financing of a strategic project of national interest, of an exceptional nature, distinguished by the significant volume of its investment.

Through these new financings, customer receivables exceeded 27 BDH as of the end of June 2024, marking a 2% year-on-year increase.

As of the end of the first semester of 2024, net earnings reached nearly 177 MDH, an increase of 3% compared to the first semester of 2023.

This growth takes into account the reduction in corporate tax, following the tax deduction of the FEC's pro rata contribution to the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco.





Equity capital and similar exceeded the 6 BDH mark as of the end of June 2024, registering an increase of over 3% compared to the end of 2023. This strengthens the Bank's financial base, enabling it to continue supporting the growing needs of Territorial Communities.

The NPLs rate remains relatively low, thanks to effective management of counterparty risk to date and rigorous monitoring of recoveries, reflecting the quality of the Bank's portfolio.





#### **LOAN ACTIVITY AS OF JUNE 30, 2024**

#### 1. Loan allocations and commitments

By the end of the first half of 2024, loan allocations amounted to nearly 1.2 BDH, an increase of 12% compared to the first half of 2023. These loans benefited all categories of Territorial Communities, with a strong predominance of Regional Councils, representing around 94% of loans granted as of June 30, 2024. This confirms their growing prominence in recent years, thanks to the intensification of their investment projects, particularly within the framework of advanced regionalization.

These loan allocations covered the financing of 14 projects for the benefit of 8 Territorial Communities, covering 7 sectors of intervention, with a total investment amounting to nearly 2 BDH. These financings primarily focused on road infrastructure projects up to 56%, particularly within the framework of the Territorial and Social Disparities Reduction Program (PRDTS), urban development projects up to 14%, and hospital infrastructure construction projects up to 12%.



For their part, loan commitments reached over 1.5 BDH in the first half of 2024, marking a return to a normative level compared to 2023, a year characterized by the FEC's co-financing of a strategic national interest project with an exceptional nature, distinguished by the scale of its investment volume. It is worth noting that more than 55% of these financings represent the conversion of loan allocations into loan commitments during the same year, a higher level than that recorded for the same period last year, which had reached at 17%.

Thus, the loan commitments for the first half of 2024 were used to achieve 11 projects, covering 5 sectors of intervention, benefiting 10 Territorial Communities, with a total investment of nearly 2.5 BDH.

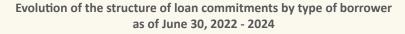
#### Breakdown of loan commitments by type of borrower

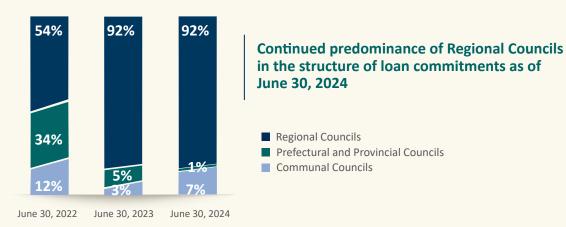
The breakdown of loan commitments by type of borrower as of June 30, 2024 is as follows:

	June 30	0, 2022	June 30	, 2023	June 30	, 2024
Type of Territorial Communities	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Regional Councils	965	54%	2,876*	92%	1,388	92%
Prefectural and Provincial Councils	620	34%	143	5%	6	1%
Communal Councils	223	12%	90	3%	111	7%
Total	1,808	100%	3,109	100%	1,505	100%

<sup>\*</sup> Including an amount of 2 BDH of the aforementioned strategic project.

Loan commitments, in the 1<sup>st</sup> semester of 2024, benefited all categories of Territorial Communities with a predominance of Regional Councils, which continue to ramp-up in the structure of loan commitments to represent more than 92% as of June 30, 2024, which is almost the entire volume of committed loans, followed by Communal Councils and Prefectural and Provincial Councils with respectively 7%, and 1% of loans commitments at the end of June 2024.





- » As of June 30, 2024, loan commitments benefiting the Regional Councils represented 92% of the total volume, amounting to 1,388 MDH, thus confirming their continued predominance in the loan commitment structure recorded in recent years. This is due to the intensification of territorial projects initiated by the Regions, particularly those within the framework of the PRDTS in rural areas, which account for nearly 78% of the loan commitments granted to the Regional Councils. These primarily focus on road opening projects through the construction and strengthening of road infrastructures.
  - These loan commitments also cover the financing of liquid sanitation projects, the development of a national tourist site, as well as the creation of a logistics zone dedicated to promoting the Regional offer in terms of hosting economic activities.
- » Loan commitments benefiting the Communal Councils represented 7% of the total volume by the end of June 2024, amounting to 111 MDH, with nearly 68% allocated to the redevelopment and urban integration of under-equipped neighborhoods. These financings were also directed toward environmental preservation projects through the reuse of wastewater.
- » Loan commitments benefiting Prefectural and Provincial Councils amounted to 6 MDH mainly focusing on projects under territorial development programs.

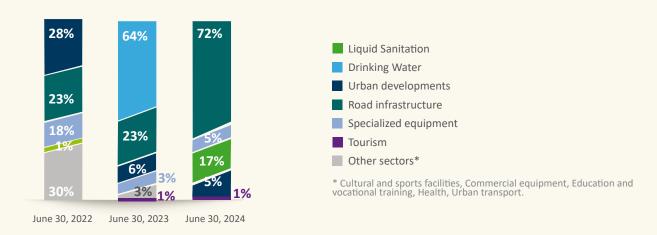
#### Breakdown of loan commitments by sector of intervention

The breakdown of loan commitments by sector of intervention as of June 30, 2024 is as follows:

	June 3	0, 2022	June 3	0, 2023	June 30	0, 2024
Sectors of intervention	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban developments	511	28%	181	6%	79	5%
Road infrastructure	417	23%	723	23%	1,085	72%
Specialized equipment	330	18%	85	3%	80	5%
Liquid sanitation	18	1%	-	-	251	17%
Cultural and sport facilities	82	5%	5	0.20%	-	-
Drinking water	-	-	2,000	64%	-	-
Commercial equipment	60	3%	-	-	-	-
Electricity	65	4%	84	3%	-	-
Education and vocational training	g 170	10%	10	0.30%	-	-
Health	25	1%	-	-	-	-
Urban transport	130	7%	-	-	-	-
Tourism	-	-	21	0.70%	10	1%
Total	1,808	100%	3,109	100%	1,505	100%

The analysis of loan commitments by sector of intervention shows a predominance of the road infrastructure and liquid sanitation sectors, which together accounted for 89% of the loans committed as of the end of June 2024.

#### Evolution of the structure of loan commitments by sector of intervention as of June 30, 2022 - 2024

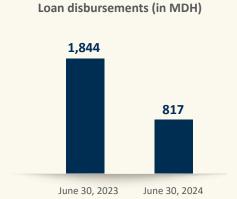


#### Predominance of the road infrastructure sector in the structure of loan commitments at the end of June 2024

- The road infrastructure sector continues to hold a significant position in the structure of loan commitments, representing 72% of the total volume as of the end of June 2024, amounting to over 1 BDH, a sharp increase compared to the same period in 2023. It is worth noting that almost all of these loan commitments are for the financing of projects under the PRDTS in rural areas. Through these loan commitments, the FEC has contributed, in particular, to the opening up of remote villages (douars) by constructing road links, engineering structures, and classified roads.
- » The liquid sanitation sector comes second in the structure of loan commitments as of June 30, 2024, accounting for nearly 17%, representing 251 MDH, dedicated to improving access to liquid sanitation networks and environmental protection, particularly through wastewater treatment projects.
- The share of the urban developments sector, historically predominant, has continued to decline in the first half of 2024 in favor of other sectors, representing only 5% of the total volume of loan commitments by the end of June 2024, with a total amount of 79 MDH. However, these loan commitments have allowed the FEC to contribute mainly to the financing of projects for the redevelopment and urban integration of under-equipped neighborhoods and the construction of key infrastructure roads. These financings have primarily been used for road development, public lighting, and upgrading basic infrastructure, particularly as part of the implementation of Territorial Development Programs.
- » Loan commitments related to the specialized equipment sector accounted for 5% of the total volume of loan commitments as of June 30, 2024, amounting to 80 MDH, aimed at promoting regional capacities in terms of hosting economic activities through the creation of a regional logistics platform, enhancing the attractiveness of targeted territories.
- The tourism sector represented about 1% of the total volume of loan commitments by the end of June 2024, and involved the enhancement of a national tourist site as part of a regional tourism development program.

#### 2. Loan disbursements

Similar to loan commitments, the volume of loan disbursements returned to a normative level in the first half of 2024 compared to the same period in 2023, reaching 817 MDH by the end of June 2024. These financings primarily supported the implementation of structuring projects, including the strengthening of liquid sanitation networks, the construction of wastewater treatment plants, the development of road infrastructure, the modernization of socio-cultural facilities, and the construction and development of schools and healthcare facilities.



The first half of 2024 saw a return to a normal level of lending activity compared with 2023, which had been marked by the co-financing by the FEC of an exceptional strategic project of national interest, distinguished by the size of its investment volume.

Through these disbursements, the FEC participated in the financing of 35 projects for the benefit of 18 Territorial Communities, related to structuring investments, in particular within the context of Urban Development Programs, Regional Development Programs as well as the PRDTS in rural areas.

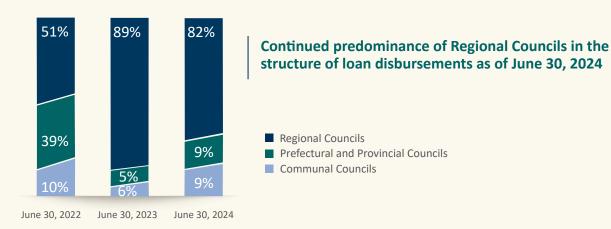
#### Breakdown of loan disbursements by type of borrower

The breakdown of loan disbursements by type of borrower, as of June 30, 2024, is as follows:

	June 3	0, 2022	June 3	0, 2023	June 30	), 2024
Type of Territorial Communities	En MDH	Part en %	En MDH	Part en %	En MDH	Part en %
Regional Councils	665	51%	1,651	89%	668	82%
Prefectural and Provincial Councils	515	39%	88	5%	73	9%
Communal Councils	131	10%	105	6%	76	9%
Total	1,311	100%	1,844	100%	817	100%

Loan disbursements in the first half of 2024 benefited all categories of Territorial Communities, with a predominance of Regional Councils, which continued to increase their share in the structure of loan disbursements which represented 82% of the global volume at the end of June 2024, followed by Prefectural and Provincial Councils and Communal Councils with, a 9% share for each borrower.

Evolution of loan disbursements by type of borrower as of June 30, 2022-2024



- The Regional Councils continue to dominate the structure of loan disbursements, accounting for nearly 82% of the total volume as of the end of June 2024, amounting to 668 MDH. These loan disbursements, of which almost 54% were part of the PRDTS framework, mainly covered the financing of projects related to liquid sanitation, the construction of wastewater treatment plants, road infrastructure, and educational and healthcare facilities as part of the State-Region Program Contracts. They also included the modernization of specialized equipment and the construction of socio-cultural and sports facilities.
- » The loan disbursements made in favor of Communal Councils amounted to 76 MDH, representing more than 9% of the total loan disbursements by June 30, 2024. These loans were used to strengthen basic infrastructure, upgrade and integrate under-equipped neighborhoods, modernize socio-cultural facilities, and build liquid sanitation networks and a wastewater treatment plant.
- The loan disbursements made in favor of Prefectural and Provincial Councils amounted to over 73 MDH, representing 9% of the total loan disbursements as of June 30, 2024.

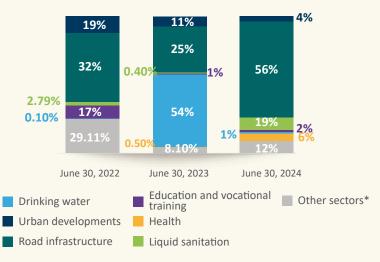
#### Breakdown of loan disbursements by sector of intervention

The breakdown of loan disbursements by sector of intervention as of June 30, 2024 is as follows:

	June 3	30, 2022	June 3	30, 2023	June 3	0, 2024
Sectors of intervention	In MDH	Share in %	In MDH	Share in %	In MDH	Share in %
Urban developments	254	19%	204	11%	36	4%
Road infrastructure	418	32%	463	25%	454	56%
Liquid sanitation	36.90	2.79%	7	0.40%	153	19%
Cultural and sport facilities	26	2%	28	2%	33	4%
Electricity	0.90	0.10%	64	3%	37	4%
Commercial equipment	68	5%	42	2%	-	-
Urban transport	120	9%	12	1%	-	-
Specialized equipment	169	13%	2	0.10%	36	4%
Drinking water	1	0.10%	1,000	54%	9	1%
Studies	0.20	0.01%	-	-	-	-
Education and vocational training	217	17%	13	1%	12	2%
Health	-	-	9	0.50%	47	6%
Total	1,311	100%	1,84	4 100%	817	100%

An analysis of the breakdown of loan disbursements by intervention sector shows a predominance of road infrastructure and liquid sanitation, as these sectors accounted for 75% of the disbursed loans by the end of June 2024.

Evolution of the structure of loan disbursements by sector of intervention as of June 30, 2022 - 2024



\* Cultural and Sports facilities, Electricity, Commercial equipment, Urban transport, Specialized equipment, Studies.

#### Predominance of the road infrastructure and the liquid sanitaion sectors in the structure of loan disbursements at the end of June 2024

- The road infrastructure sector continues to play a significant role in the structure of loan disbursements, since it represented a share of almost 56% of the total volume as of June 2024. This is primarily due to projects aimed at improving road networks, such as the construction of road links and bridges, especially within the framework of the PRDTS. Moreover, funds are allocated for the development of expressways and bypass roads to alleviate congestion in major urban areas.
- » The liquid sanitation sector saw its share increase, reaching 19% of the total loan disbursements by the end of June 2024, compared to 0.40% at the end of June 2023 and 2.8% at the end of June 2022. These financings primarily focused on the construction of wastewater treatment plants aimed at environmental protection and the reuse of treated wastewater.
- » The urban development sector continues its downward trend observed in recent years, with a share of 4% of the total loan disbursements by June 30, 2024. These financings mainly supported the development of key infrastructure roads and the restructuring of under-equipped neighborhoods.
- The electricity sector accounted for 4% of loan disbursements as of June 30, 2024, and focused on financing projects related to the energy efficiency of public lighting networks and rural electrification as part of the PRDTS.
- » Loan disbursements by June 30, 2024, also covered the education and vocational training sectors, as well as the healthcare sector, within the framework of State-Region Contracts stemming from the initial Regional Development Programs. These two sectors benefited from the financing of approximately 60 MDH and which have involved the rehabilitation of a university complex, the development of centers for combating poverty, and the construction of a local hospital.

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

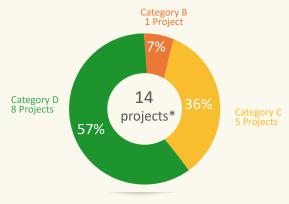
As part of the evaluation of projects submitted for its financing, the FEC systematically assesses E&S issues, in order to ensure better assessment and management of the related risks, in accordance with national regulations and international best practices in this area.

Thus, the E&S rating resulting from the E&S risk assessment of the 14 projects financed by loan allocations for the first half of 2024 shows that:

- » 57% of the projects financed are classified in "Category D", which includes projects with minimal risks whose probable impacts are manageable;
- 36% of the projects financed are classified in "Category C", which includes minimal risk projects requiring some specific mitigation measures;
- » 7% of the projects financed are classified in "Category B", which includes limited risk projects requiring the integration of the measures recommended by the E&S impact studies carried out.

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





<sup>\*</sup> Projects financed by loan allocations in S1 2024

As of the first semester of 2024, almost all of the projects financed by the Bank present minimal E&S risks

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

The financing commitments given by the FEC in favor of customers amounted to 5,515 MDH as of June 30, 2024. The evolution of these commitments from December 2023 to June 2024 is as follows:

Situation of OBSCs as of June 30, 2024 (in MDH)

Situation as of December 31, 2023	4,991
New commitments	1,505
Disbursements	817
Cancellations	164
Situation as of June 30, 2024	5,515

#### Evolution of OBSCs volume as of June 30, 2018-2024 (in MDH)



#### Gradual convergence of the level of given commitments with that of received commitments

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

Furthermore, the Bank has continued the cleanup of its portfolio of OBSCs, notably through awareness campaigns and follow-up actions with the Territorial Communities. This operation led to the cancellation, at the request of the customers, of a total amount of nearly 164 MDH during the first half of 2024. It should be noted that the Bank had already canceled nearly 1,980 MDH between 2019 and 2023.

Combined with loan disbursements related to normal activities, this approach allowed the Bank to reduce the overall volume of OBSCs by almost 37% as of June 30, 2024, compared to the level recorded on June 30, 2018, decreasing from 8,7 BDH at the end of June 2018 to 5,5 BDH at the end of June 2024, with nearly 63% corresponding to recently granted loans, within less than 3 years.

# FINANCING OF THE ACTIVITY AS OF JUNE 30, 2024

#### FINANCING OF THE ACTIVITY AS OF JUNE 30, 2024

#### 1. Evolution of resources

As of June 30, 2024, the FEC's resources amounted to 4,931 MDH and consist mainly of the recovery of annuities up to 62%, for an amount of 3,033 MDH, as shown in the following table:

(in MDH)

Resources	As of June 30, 2023	As of June 30, 2024	Share at June 30, 2024 in %
Annual installment recoveries	3,246	3,033	62%
Borrowing resources	500	1,092	22%
Others (Interest income, Interest on advances, Investment capital gains, etc.)	8	21	0.4%
Repayment of term advances	-	700	14%
Outstanding money market advances	-	50	1%
Initial balance	55	35	0.7%
Total Ressources	3,809	4,931	100%

#### **Annual installments recoveries**

Annual recovered installments amounted to 3,033 MDH, with a breakdown by seniority showing a predominance of the installments due in 2024, which accounted for 99.68% of total recoveries, an amount of 3,023 MDH. The remainder of recoveries relate to maturities prior to 2024, which represent 0.32 % of total recoveries, which is an amount of 10 MDH.

#### **Borrowing resources**

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

Moreover, depending on its evolving needs and financial market conditions, the FEC occasionally utilizes short-term bridge resources, pending their conversion into medium- and long-term financing.

In parallel with mobilizing the necessary resources to finance its activity for the first half of 2024, the FEC undertook several actions to ensure the sustainability and diversification of its resources, noting that the FEC does not have client deposits.

#### Financing from the DFIs

As part of its open financial strategy focused on international financing, the FEC has maintained exchanges with development financial institutions (DFIs) with two main objectives:

- Preparing disbursements on contracted credit lines based on the Bank's evolving needs and market conditions;
- Continuing to explore new financial partnership opportunities to establish new financing agreements.

As a result, the FEC signed two new financing agreements during the first half of 2024, totaling 200 million euros.

In March 2024, the FEC and the African Development Bank (AfDB) signed a loan agreement for 100 million euros to finance new sustainable investment and infrastructure projects led by Territorial Communities.

Similarly, and in line with the success of previous operations, the FEC and the AFD signed a new financing agreement in April 2024 for 100 million euros, primarily aimed at financing territorial projects that contribute to the resilience against climate change, support territorial growth in the Kingdom, and support their development actions.

International opening is a key element of the FEC's refinancing strategy and resource diversification, particularly through financing from DFIs.

#### **Bank loans**

As part of its financial strategy, the FEC maintains the recourse to long-term bank loans that are adapted to the FEC's financing requirements in terms of maturity and interest rate type, while also providing flexibility in terms of volume and fund availability.

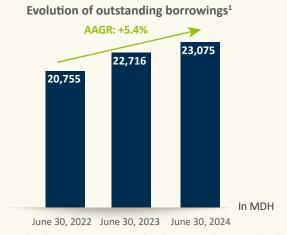
During the first half of 2024, the FEC initiated consultations with local banks to prepare the establishment of new long-term bank credit lines.

#### **Short-term Borrowings**

To address specific needs and ensure optimal cash management, the FEC made occasional use of short-term bridging resources during the first half of 2024 through advances on the interbank market.

#### **Evolution of the debt structure**

Over the analysis period, outstanding debt grew at an average annual rate of 5.4%, rising from 20.7 BDH as of June 30, 2022 to 23 BDH as of June 30, 2024.



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

#### **Debt structure by origin**

Breakdown of outstanding borrowings by origin



■ External borrowings
■ Domestic borrowings

Resources from the domestic market continue to predominate in the debt structure by origin, and represent 83.5% of outstanding borrowings as of June 30, 2024.

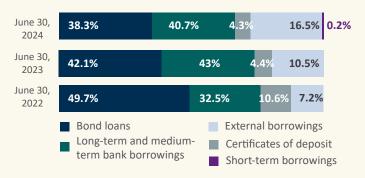
However, it is worth emphasizing the continued increase in the share of external borrowings in the overall debt of the FEC, following the mobilization during the 2022 and 2024 financial years, of a total amount of 250 million Euros for credit lines contracted with DFIs.

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

#### Breakdown of debt by type of borrowing

As of June 30, 2024, the FEC's debt is mainly constituted of long-term bond loans, of which the outstanding amount represent 40.7%, and bond loans with 38.3% of total outstanding, followed by certificates of deposit and external borrowings, of which the outstanding represents 16.5% and 4.3% respectively.

#### Breakdown of debt by type of borrowing



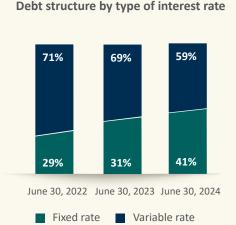
The structure of the debt by type of borrowing reflects the FEC's resource mobilization strategy, centered on the diversification of medium and long-term resource, reconciling between Asset/Liability management constraints and optimization objectives of financing costs.

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

#### Debt structure by type of interest rate

The analysis of the evolution of the structure of the debt by type of interest rate shows an increase of fixed rate resources, to represent 41% at the end of June 2024. This increase is due in particular to the mobilization of fixed rate resources in recent years.

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



#### 2. Evolution of uses

The FEC's uses for the first semester of 2024 were characterized by:

- » Loan disbursements reached 817 MDH as of June 30, 2024;
- » Loan repayments represent over 49% of total uses, which stands at 2,403 MDH as of June 30, 2024.

(in MDH)

			(111 (11011)
Uses	As of June 30, 2023	As of June 30, 2024	Share at June 30, 2024 in %
Borrowing transfers	1,844	817	17%
Loan repayments	968	2,403	49%
Domestic borrowing	850	2,254	46%
External borrowing	118	149	3%
Budgetary expenditure	23	26	1%
Other Expenses (Personal Loans, Restitution, VAT and others)	95	97	2%
Payment of corporate tax	118	98	2%
Term Deposit Investment	-	1,100	21%
Transfers in progress	-	325	7%
Outstanding money market advances	700	-	-
Final balance	61	65	1%
Total Uses	3,809	4,931	100%

# RESULTS AND FINANCIAL INDICATORS AS OF JUNE 30, 2024

# RESULTS AND FINANCIAL INDICATORS AS OF JUNE 30, 2024

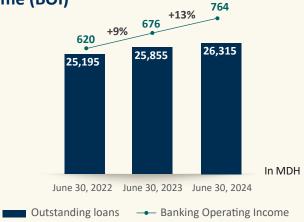
In accordance with the regulatory provisions in force and in compliance with the accounting principles provided for by the Chart of Accounts of Credit Institutions, the FEC's accounts, closed on June 30, 2024, are as follow:

#### 1. Operating indicators

In MDH

Income and Expense Statement	June 30, 2022	June 30, 2023	June 30, 2024	Variation 2024/2023
Banking Operating Income	620	676	764	+13%
Interest on TCs loans Income from investment Incomre from treasury bonds	619 1 -	650 7 19	732 32 -	+13% >100% -
Banking Operating Expenses	297	349	438	+26%
Interest on long-term loans Interest on certificates of deposit and bond issues	122 175	189 160	259 179	+37% +12%
Net Banking Income	323	327	326	-0.3%
General Operating Expenses	31	30	30	-
Allocations to provisions on NPLs	2	4	3	-25%
Reversals of provisions on NPLs	1	1	2	+100%
Non-current expenses	14	15	15	-
Corporate tax	104	107	104	-3%
Net earnings	174	172	177	+3%

#### **Banking Operating Income (BOI)**



As of June 30, 2024, the BOIs reached 764 MDH, up 13% compared to June 2023, thanks to the evolution of outstanding loans on the one hand, which recorded an increase of nearly 2%, from 25,855 MDH on June 30, 2023 to 26,315 MDH on June 30, 2024; and on the other hand, to the upward variation in exit rates and the WAIR, following the increase in the Central Bank's key rate.

Thus, the evolution of BOIs can be explained simultaneously by the rate effect of 73 MDH and the volume effect of 15 MDH.

#### **Banking Operating Expenses (BOEs)**

The BOEs recorded an increase of nearly 26% as of June 30, 2024, amounting to 438 MDH compared to 349 MDH during the same period of the previous fiscal year. This change is primarily attributed to an interest rate effect of 72 MDH, reflecting the increase of refinancing costs for the bank in both national and international markets. It is also attributed to a volume effect of 17 MDH related to the evolution of outstanding borrowings, which reached 23,413 MDH as of June 30, 2024, compared to 23,158 MDH as of June 30, 2023.

#### **Net Banking Income (NBI)**

By the end of the first half of 2024, the Net Banking Income (NBI) amounted to 326 MDH, a level comparable to that recorded during the same period of the previous year.

#### **General Operating Expenses (GOEs)**

The continued rationalization of operating expenses allows the Bank to maintain General Operating Expenses (GOEs) at a level similar to that recorded as of June 30, 2022 and 2023. The GOEs mainly consist of personnel expenses accounting for 78%, external expenses accounting for 18%, and depreciation allocations for fixed assets accounting for 4%. Consequently, the operating ratio reached 9.34% as of June 30, 2024, which is a stable level compared to the same period in previous years.

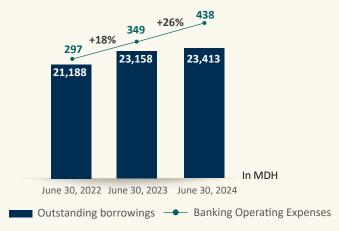
#### Non Performing Loans (NPLs) and the cost of credit risk

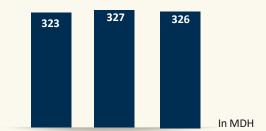
The NPLs reached 96 MDH as of June 30, 2024, a decrease of 10% compared to June 30, 2023, mainly due to a reduction in the NPLs from conventional loans by 11 MDH. At the end of June 2024, the NPLs are distributed as follow:

- The Autonomous Inter- Communal Angency for Water and Electricity Distribution in Casablanca (R.A.D.) for 6 MDH;
- The Ministry of National Education (MEN) for 1 MDH;
- Conventional loans related to 17 Territorial Communities for 89 MDH.

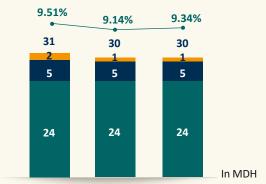
The cost of credit risk shows an improvement, mainly due to recoveries made on previous NPLs, as outlined in the table below:

In MDH	June 30, 2022	June 30, 2023	June 30, 2024
Allocations to provisions on NPLs (1)	1.72	3.91	2.85
Reversals of provisions on NPLs (2)	0.91	0.61	1.81
Cost of credit risk (3) = (1) - (2)	0.81	3.30	1.04

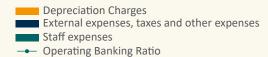


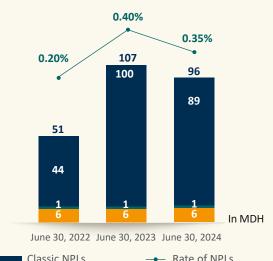


June 30, 2022 June 30, 2023 June 30, 2024



June 30, 2022 June 30, 2023 June 30, 2024





#### **Net Earnings**

By the end of the first half of 2024, the net earnings reached nearly 177 MDH, an increase of 3% compared to the first half of 2023. This change takes into account the decrease in corporate income tax, resulting from the tax deduction of the pro-rata contribution of the FEC to the Special Fund for managing the effects of the earthquake that hit the Kingdom of Morocco.



#### 2. Balance sheet

The analysis of the structure of the balance sheet, as of the 1<sup>st</sup> semester of 2024, shows that the assets, which consist almost exclusively of customer receivables, slightly decreased by 1% to reach nearly 29,6 BDH as of 30 June 2024.

For its part, liabilities are characterized by the predominance of financing debts, distributed between long-term borrowings and debt securities issued, which represent over 77% of the balance sheet total at the end of June 2024.

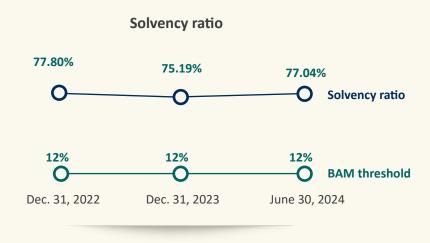
ASSETS	June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	June 30, 2024
Cash values, Central Banks and Public Treasury and Receivables from credit institutions and similar	195	54	762	1,260	2,043
Customer receivables	25,811	26,849	26,516	28,062	27,049
Other assets	321	563	478	539	444
Investment securities	-	1,131	1,149	-	-
Fixed assets	43	42	41	41	42
TOTAL	26,370	28,639	28,946	29,902	29,578
LIABILITIES	June 30, 2022	December 31, 2022	June 30,	December 31,	
	2022	2022	2023	2023	2024
Central Banks, Public Treasury	-	-	-		-
*	8,755	12,666	12,736	14,428	13,762
Public Treasury  Debts to credit	-	-	-	-	-
Public Treasury  Debts to credit institutions and similar  Debt of securities	8,755	12,666	12,736	14,428	13,762
Public Treasury  Debts to credit institutions and similar  Debt of securities issued	8,755 11,747	- 12,666 9,958	- 12,736 9,759	- 14,428 9,226	- 13,762 9,030

<sup>\*</sup> Including a provision for general risks amounting to 88,47 MDH.

#### 3. Regulatory ratios

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

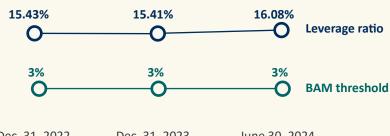
The prudential ratios as of June 30, 2024 are as follow:



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



#### Leverage ratio



Dec. 31, 2022 Dec. 31, 2023 June 30, 2024

# FINANCIAL COMMUNICATION AS OF JUNE 30, 2024



BALANCE SHEET		(In thousand MAD)
ASSETS	June 30, 2024	Dec 31, 2023
CASH VALUE, CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE	56,467	8,522
RECEIVABLES ON CREDIT INSTITUTIONS AND SIMILAR	1,986,421	1,251,600
On sight At term	9,416 1,977,006	907 1,250,692
CUSTOMER RECEIVABLES	27,049,142	28,061,641
Cash and consumer loans and participatory financing Loans and participatory financing for equipment Real estate loans and participatory financing Other loans and participatory financing	2,344 26,949,118 13,760 83,920	2,403 28,017,114 14,559 27,565
RECEIVABLES ACQUIRED THROUGH FACTORING TRADING AND INVESTMENT SECURITIES	-	<u>.</u>
Treasury bills and similar securities Other debt securities Property securities Sukuks Certificates	:	:
OTHER ASSETS	443,398	539,438
INVESTMENT SECURITIES	-	-
Treasury bills and similar securities Other debt securities Sukuks Certificates	-	- - -
EQUITY SECURITIES AND SIMILAR ASSETS	25	25
Participation in related companies Other equity securities and similar uses Moudaraba and Moucharaka securities	- 25 -	- 25 -
SUBORDINATED RECEIVABLES	-	-
INVESTMENT DEPOSITS PLACED	-	-
FIXED ASSETS GIVEN IN LEASING AND RENTING FIXED ASSETS GIVEN IN IJARA	-	-
INTANGIBLE FIXED ASSETS	75	95
TANGIBLE FIXED ASSETS	42,009	40,931
TOTAL ASSETS	29,577,537	29,902,251

LIABILITIES	June 30, 2024	Dec 31, 2023
CENTRAL BANKS, PUBLIC TREASURY, POSTAL CHECKS SERVICE		
DEBTS TO CREDIT INSTITUTIONS AND SIMILAR	13,761,506	14,428,012
On sight		-
At term	13,761,506	14,428,012
CUSTOMER DEPOSITS	-	-
Demand accounts payable	•	-
Savings Accounts	•	
Term deposits	•	
Other accounts payable		
DEBTS TO CUSTOMERS ON PARTICIPATORY PRODUCTS		
ISSUED DEBT SECURITIES	9,030,251	9,226,263
Issued negotiable debt securities Bond loans	1,014,177 8,016,074	1,000,154 8.226.109
Other debt securities issued	6,010,074	0,220,109
OTHER LIABILITIES	625.818	283.028
PROVISIONS FOR RISKS AND EXPENSES	88.469	88.469
REGULATED PROVISIONS	-	-
SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS	-	
SUBORDINATED DEBT	1.035.283	1,016,831
INVESTMENT DEPOSITS RECEIVED	-	-
REVALUATION DIFFERENCES	-	-
RESERVES AND RELATED PREMIUM CAPITAL	3,859,648	3,660,561
CAPITAL	1,000,000	1,000,000
SHAREHOLDERS. UNPAID CAPITAL (-)	-	-
RETAINED EARNINGS ( +/- )	-	-
NET EARNINGS PENDING ALLOCATION (+/-)	-	-
NET EARNINGS FOR THE FISCAL YEAR (+/-)	176,562	199,087
TOTAL LIABILITIES	29,577,537	29,902,251

OFF-BALANCE SHEET		(In thousand MAD)
	June 30, 2024	Dec 31, 2023
COMMITMENTS GIVEN	5,514,692	4,990,773
Financing commitments given to credit institutions and similar Financing commitments given to customers Guarantee commitments for credit institutions and similar Guarantee commitments on behalf of customers Securities purchased with repurchase option Other securities to be delivered		4,990,773 - - - - -
COMMITMENTS RECEIVED	3,211,485	2,132,329
Financing commitments received from credit institutions and similar 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		2,132,329

	June 30, 2024	June 30, 2023
BANKING OPERATING INCOME	764,272	676,255
Interest, remunerations and similar income from transactions with credit institutions	32,536	7,606
Interest, remunerations and similar income from transactions with customers	730,818	649,179
Income from property securities and certificates of Sukuks		17,888
Income based on Moudaraba and Moucharaka securities		-
Income from fixed assets leased and rented		-
Income from fixed assets given in Ijara	-	-
Commissions on services Other banking income	917	553 1,029
Transfer of expenses on investment deposits received		1,029
BANKING OPERATING EXPENSES	438,496	349,104
Interest and similar expenses on transactions with credit institutions	259,308	188,591
Interest and similar expenses on transactions with customers	-	-
Interest and similar expenses on debts issued Expenses on Moudaraba and Moucharaka securities	179,154	160,462
Expenses on fixed assets leased and rented		
Expenses on fixed assets given in Ijara	-	
Other bank expenses	33	51
Transfer of income on investment deposits received	205 774	-
NET BANKING INCOME  Non-banking operating income	325,776 460	327,151 264
Non-banking operating mesme Non-banking operating expenses	69	89
GENERAL OPERATING EXPENSES	30,417	29,895
Staff expenses	23,751	24,153
Taxes and dues	424	426
External expenses Other general operating expenses	3,232 1,806	2,726 1,403
Allocations for depreciation and provisions of tangible and intangible fixed assets	1,205	1,187
ALLOCATIONS TO PROVISIONS AND UNRECOVERABLE RECEIVABLES	2,848	3,910
Allocations to provisions on receivables and pending commitments by signature	2,848	3,910
Losses on unrecoverable receivables Other allocations to provisions		-
REVERSALS OF PROVISIONS AND RECOVERIES ON WRITTEN OFF RECEIVABLES	1,807	613
Reversals of provisions on receivables and pending commitments by signature	1,807	613
Recoveries on written off receivables	-	-
Other reversals of provisions	204700	-
DPERATING RESULT Non-operating income	294,708	<b>294,134</b>
Non-operating income	14.527	15.119
PRE-TAX EARNINGS	280,182	279,034
Earnings Taxes	103,620	107,073
NET EARNINGS FOR THE FISCAL YEAR	176,562	171,961



STATUS OF MANAGEMENT BALANCES		(In thousand M
INCOME STATEMENT TABLE	June 30, 2024	June 30, 2023
(+) Interest and similar income	763,354	674,673
( - ) Interest and similar expenses	438,463	349,053
INTEREST MARGIN (+) Income on participatory financing	324,892	325,620
(+) 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	017	-
(+) Commissions received (-) Commissions paid	917 33	553 51
MARGIN ON COMMISSIONS	884	502
(+) Result of trading securities operations	001	1,029
(+) Result of investment securities operations		1,029
(+) Result of exchange operations		-
(+) Result of derivative products operations		-
RESULT OF MARKET OPERATIONS	-	1,029
(+) Result of operations on Moudaraba and Moucharaka securities	•	-
(+) Various other banking products ( - ) Various other banking expenses	•	-
GHARE OF INVESTMENT DEPOSIT ACCOUNT HOLDERS		-
NET BANKING INCOME	325,776	327.151
(+) Net income from financial fixed assets		-
(+) Other non-banking operating income	460	264
( - ) Other non-banking operating expenses	69	89
( - ) General operating expenses	30,417	29,895
GROSS OPERATING RESULT	295,750	297,430
(+/-) Net allocations of reversals to provisions for receivables and non performing	1,041	3,297
commitments by signature		
(+/-) Other net allocations of reversals to provisions	•	-
OPERATING RESULT	294,708	294,134
NON-OPERATING RESULT	- 14,527	- 15,100
( - ) Earnings Taxes	103,620	107,073
NET EARNINGS FOR THE FISCAL YEAR	176,562	171.961

II- SELF-FINANCING CAPACITY	June 30, 2024	June 30, 2023
(+) NET EARNINGS FOR THE FISCAL YEAR	176,562	171,961
(+) Allocations to amortization and provisions of tangible and intangible fixed assets	1,205	1,187
(+) Allocations to provisions for depreciation of financial fixed assets	-	-
(+) Allocations to provisions for general risks		
(+) Regulated provisions allocations		
(+) Non-operating provisions allocations		
( - ) Reversal of provisions	113	
(-) Capital gains on disposals of tangible and intangible fixed assets	- 113	_
(+) 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	177,653	173,148
( - ) Distributed Profit	-	-
(+) SELF-FINANCING	177,653	173,148

CASH FLOW STATEMENT		(In thousand MAD)
	June 30, 2024	Dec 31, 2023
Banking operating income received Recoveries on written off receivables Non-banking operating income received Banking operating expenses paid Non-banking operating expenses paid General operating expenses paid Earnings taxes paid	764,272 - 460 438,496 14,596 29,213 103,620	1,402,869 - 540 733,618 180,511 59,638 210,819
NET CASH FLOWS FROM THE STATEMENT OF INCOME AND EXPENSES	178,807	218,823
Variation of: Receivables on credit institutions and similar Receivables on customers Trading and investment securities Other assets 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 Customer deposits Debt to customers on participatory products Issued receivables securities	- 734,822 1,011,457 - 96,040 666,505 - 177,559	- 1,251,379 - 1 214,874 - 23,641 
Other liabilities		11,632
II. BALANCE OF VARIATIONS IN OPERATING ASSETS AND LIABILITIES	- 128,599	- 1,394,644
III. NET CASH FLOWS FROM OPERATING ACTIVITIES (I + II)	50,208	- 1,175,821
Income from disposals of financial fixed assets Income from disposals of tangible and intangible fixed assets Acquisition of financial fixed assets Acquisition of tangible and intangible fixed assets Interest received Dividends received		- - - 1,131,044 1,176 - -
IV. NET CASH FLOWS FROM INVESTMENT ACTIVITIES	- 2,263	1,129,869
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	47,945	- 45,952
VII. CASH POSITION AT THE BEGINNING OF THE FISCAL YEAR	8,522	54,474
VIII. CASH POSITION AT THE END OF THE FISCAL YEAR	56,467	8,522

# 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 II. Exemptions from the rules for drawing up and presenting summary statements

III. Exemptions from the rules for drawing up and presenting summary statements	p	
STATUS OF CHANGES IN ME	THODS	
INDICATIONS OF CHANGES	JUSTIFICATIONS OF CHANGES	INFLUENCE OF CHANGES ON PATRIMONY, FINANCIAL SITUATION AND RESULTS
I. Changes affecting assessment methods	M	UNE
II. Changes affecting presentation rules		UNE

RECEIVABLES ON CREDIT INSTITUTIONS AND SIMILAR						
RECEIVABLES	Bank Al-Maghrib, Public Treasury and Postal Checks Service	Banks in Morocco	Other credit and similar institutions in Morocco	Credit institutions abroad	Total June 30, 2024	Total Dec 31, 2023
ORDINARY DEBIT ACCOUNTS	53,933	9,411	4	-	63,349	7,224
VALUES RECEIVED IN PENSION	-	-	-	-	-	-
Day by day	-	-	-	-	-	-
At term	-	-	-	-		-
CASH LOANS	-	1,950,000	-	-	1,950,000	1,250,000
Day by day	-	-	-	-	-	-
At term	-	1,950,000	-	-	1,950,000	1,250,000
FINANCIAL LOANS	-	-	-	-	-	-
OTHER RECEIVABLES	-	-	-	-	-	-
ACCRUED INTEREST RECEIVABLE	2,513	27,006	-	-	29,518	2,851
NON PERFORMING LOANS	-	-	-	-	-	-
TOTAL	56,446	1,986,417	4	-	2,042,867	1,260,076

CUSTOMER RECEIVABLES						
RECEIVABLES	Public		Private sector	Total	Total	
RECEIVABLES	sector	Financial companies	Non-financial companies	Other customers	June 30, 2024	Dec 31, 2023
Cash loans	-	-	-	-	-	-
Current debit accounts	-	-	-	-	-	-
Trade receivables on Morocco	-	-	-	-	-	-
Export credits	-	-	-	-	-	-
Other cash loans	-	-	-	-	-	-
CONSUMER LOANS	-	-	-	2,344	2,344	2,403
EQUIPMENT LOANS	26,319,577	-	-	-	26,319,577	27,193,075
REAL ESTATE LOANS	-	-	-	13,760	13,760	14,559
OTHER CASH LOANS	-	-	-	-	-	-
RECEIVABLES ACQUIRED THROUGH FA	CTORING -	-	-	-	-	-
ACCRUED INTERESTS RECEIVABLE	629,541	-	-	-	629,541	824,039
NON PERFORMING LOANS	83,920	-	-	-	83,920	27,565
Pre-doubtful loans	82,644	-	-	-	82,644	7,488
Doubtful loans	680	-	-	-	680	19,481
Compromised loans	596	-	-	-	596	596
TOTAL	27,033,038	-	-	16,104	27,049,142	28,061,641

BREAKDOWN OF TRANSACTION AND PLACEMENT SECURITIES  (In thousand MAI AND INVESTMENT SECURITIES BY ISSUER CATEGORY							
Securities	Credit institutio		Private	eissuers	Total	Total	
	and similar	issuers	Financial	Non-Financial	June 30, 2024	Dec 31, 2023	
Quoted securities	-			-	-	-	
Treasury bills and similar	securities -				-	-	
Bonds	-			· •	-	-	
Other debt securities	-				-	-	
Property securities	-			. <u>-</u>	-	-	
Non-quoted securities	-			-	-	-	
Treasury bills and similar	securities _					-	
Bonds	-				-	-	
Other debt securities	-				-	-	
Property securities	-					-	
TOTAL	-			-	-	-	

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

DETAILS OF OTHER ASSETS		(In thousand MAD)
ASSETS	June 30, 2024	Dec 31, 2023
Optional instruments purchased	-	-
Miscellaneous transactions on securities		
Other debtors	149,642	263,826
Amounts due by the State	149,029	263,483
Amounts due by provident organizations	•	•
Miscellaneous amounts due by staff Client accounts for non-banking services		
Various other debtors	613	343
Various values and uses		
Regularisation accounts	293,756	275,612
Adjustment accounts for the off-balance sheet transactions		_
Counterpart of the off-balance sheet exchange result		
Counterpart of the on 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	4,462	5,553
Results of hedging derivative products	212,516	215,359
Deferred expenses over several fiscal years	8,024	4,060
Liaison accounts between headquarters, branches and agencies in Morocco Accrued receivable income and prepaid expenses	68.412	50,301
Other regularisation accounts	343	339
Non Performing loans on miscellaneous transactions	-	
TOTAL	443,398	539,438

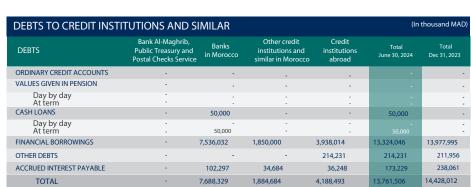
PARTICIPAT	ION SEC	URITIE	S AND S	SIMILAR	ASSE	TS			(In thousand MAD)	
Name of the	Activity sector	Share capital	Equity's participation	Total acquisition	Net book		Extract from the last summary statements of the issuing company			
company	sector	Capitai	(%)	price	value	Closing date of the fiscal year	Net position	Net earning	of Income and Expenses (SIE) for the fiscal year	
Participation in affiliated compar	nies									
Other equity particip	oation secur	ities								
MAROCLEAR SA	Central depository	100,000	0.025%	25	25	12/31/2023	350,268	16,199		
TOTAL PARTICIPATIO	ONS			25	25		350,268	16,199	-	
SIMILAR ASSETS				-	-	-	-	-	-	
GRAND	TOTAL			25	25		350,268	16,199	-	

SUBORDINATED RECEIVABLES							(In tho	usand MAD)
SUBORDINATED RECEIVABLES		Amount				Including affiliated and related companies		
30301151111125 112021710223	June 30, 2024 Dec 31 ,202		Dec 31 ,2023		June 30, 2024	Dec 31, 2023	-	
	Gross	Provisions	Net	Net		Net	Net	
Subordinated receivables from credit institutions and similar		NUI	IE			NO	ME	
Subordinated receivables to customers		NUI	u.			NU		
TOTAL								

FIXED ASSETS C			REDIT, LEA	SE WITI	H PUR	CHAS	Е	June 3	), 2024
OPTION AND SI	MPLE LEAS	SE						(In the	ousand MAD)
NATURE	Gross amount at the beginning of the	Amount of acquisitions	Amount of disposals or withdrawals during	Gross amount at the end of the fiscal	Depr	eciation			Net amount at the end of the fiscal
	fiscal year	fiscal year	the fiscal year	year	Allocation for the fiscal year	Accumulated depreciation	Allocation for the fiscal year	Reversal of Accumulate provisions provisions	
Fixed assets given in lease ourchase option Intangible fixed assets lease	credit, lease wi	th							
Intangible fixed assets lease Equipment lease									
Equipment leases in progres Equipment leased under ope Equipment lease not leased	s erating lease after termination								
Real estate lease									
Real estate lease in progress Real estate leased under ope Real estate lease not leased a	rating lease								
Accrued rent receivable						-			
Restructured rents Unpaid rents							_		
Non-Performing Loans									
Fixed assets given in simp	ole lease						L		
Furnished goods under simple I	lease								
Real estate under simple lease									
Accrued rent receivable Restructured rents									
Unpaid rents									
Non-Performing Loans									
TOTAL									

INTANGIBLE AND TANGIBLE FIXED	ASSETS								June 30, 2024
									(In thousand MAD)
					Deprecia	tion and/or provision	5		
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	21,131	-	-	21,131	21,037	19	-	21,056	75
Lease rights	-	-	-		-	-		-	-
Research and development fixed assets	-	-	-	-	-	-		-	
Other operating intangible fixed assets	21,131	-	-	21,131	21,037	19		21,056	75
Non-operating intangible fixed assets	-	-	-	-	-	-		-	-
TANGIBLE FIXED ASSETS	125,098	2,263	677	126,685	84,168	1,185	677	84,676	42,009
OPERATING BUILDINGS	69,323	-	-	69,323	31,516	776	-	32,292	37,031
Operating land	7,229	-	-	7,229	-	-	-	-	7,229
Operating buildings - Offices	61,194	-	-	61,194	30,890	765	-	31,655	29,540
Operating buildings - Staff housing	900	-	-	900	626	11	-	638	263
FURNITURE AND OPERATING EQUIPMENT	27,759	1,582	677	28,664	27,092	164	677	26,579	2,085
Operating office furniture	7,921	-	-	7,921	7,705	27	-	7,732	189
Operating office equipment	950	-	-	950	949	0	-	949	1
Computer equipment	18,211	1,582	-	19,793	17,761	137	-	17,898	1,895
Rolling stock related to operations	677	-	677	-	677	-	677	-	-
Other operating equipment	-	-	-	-	-	-		-	-
OTHER OPERATING TANGIBLE ASSETS	18,180	679	-	18,859	17,353	151		17,504	1,355
NON-OPERATING TANGIBLE FIXED ASSETS	9,837	2	-	9,839	8,206	94	-	8,300	1,539
Non-operating land	-		-	-		-	-	-	-
Non-operating buildings	5,545	-	-	5,545	4,061	69	-	4,130	1,415
Non-operating furniture and equipment	2,344		-	2,344	2,234	14	-	2,247	97
Other non-operating tangible fixed assets	1,948	2	-	1,950	1,911	11	-	1,923	27
TOTAL	146,230	2,263	677	147,816	105,204	1,205	677	105,732	42,084

VALUES GAINS OR LOSSES ON DISPOSALS OR WITHDRAWALS OF FIXED ASSETS								
Date of sale or withdrawal	Nature	Gross amount	Accumulated depreciation	Net book value	Disposal income	Capital gains on disposal	Capital losses on disposal	
01/19/2024	Rolling equipment assigned to operations	677	677		113	113	-	
TOTAL		677	677		113	113	-	



CUSTOMER DEPOSITS						(In thousand MAD)
DEDOCITE	Public	P	rivate Sector	Total	Total	
DEPOSITS	Sector	Financial companies	Non-Financial Companies	Other customers	June 30, 2024	Dec 31, 2023
Current credit accounts						
Savings accounts						
Term deposits Other credit accounts						
Accrued interest payable						
TOTAL						

NATURE OF THE SECURITIES		Chara	cteristics				Of wh	ich	Unamortized amour
NATURE OF THE SECURITIES (1)	Date of entitlement	Maturity date	Nominal value per unit	Nominal rate	Repayment method	Amount	Related companies	Other related parties	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				
Bond Ioans						7,824,933			
Jond Loans	01/20/2012 12/08/2014 12/08/2014 07/13/2015 07/13/2015 07/13/2015 10/13/2016 10/13/2016 10/13/2016 12/06/2017 12/06/2017 12/06/2017 12/06/2017 12/06/2019 07/12/2019 07/12/2019	01/20/2027 12/08/2029 12/08/2024 07/13/2030 07/13/2025 10/13/2031 10/13/2031 12/06/2032 12/06/2032 12/06/2032 07/19/2033 07/12/2034 07/12/2034	100 100 100 100 100 100 100 100 100 100	5.30% 3.44% 3.69% 4.60% 3.86% 3.96% 3.92% 4.04% 4.04% 3.93% 3.59% 3.79% 3.84% 3.49% 3.49% 3.70%	Redeemable Redeemable In fine Redeemable In fine In fine In fine Redeemable In fine Redeemable Redeemable Redeemable Redeemable Redeemable Redeemable Redeemable	200,000 339,600 60,000 220,000 170,667 225,000 242,667 480,000 200,000 666,667 366,667 1,100,000			

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

DETAILS OF OTHER LIABILITIES		(In thousand MAD)
LIABILITIES	June 30, 2024	Dec 31, 2023
Optional instruments sold	-	-
Miscellaneous transactions on securities	-	-
Other creditors	519,014	227,318
Amounts due to the State	135,143	225,074
Amounts due to the provident organizations	-	685
Miscellaneous amounts due to the staff	-	-
Various amounts due to shareholders and partners	-	-
Suppliers of goods and services	3,714	1,484
Various other creditors	380,157	74
Regularisation accounts	106,804	55,710
Adjustment accounts for off-balance sheet transactions	-	-
Currency and securities gap accounts	932	131
Results on hedging derivative products	91,858	43,583
Liaison accounts between headquarters, branches and agencies in Morocco	-	-
Accrued expenses and deferred income	8,280	11,654
Other regularisation accounts	5,734	342
TOTAL	625,818	283,028

PROVISIONS					(In thousand MAD)
	Outstanding Dec 31, 2023	Allocations	Reversals	Other variations	Outstanding June 30, 2024
PROVISIONS DEDUCTED FROM ASSETS ON:	18,348	2,848	1,807	-	19,389
Receivables on credit institutions and similar	-	-	-	-	-
Receivables on customers	7,966	2,848	1,807	-	9,007
Investment securities	-	-	-	-	-
Equity securities and similar assets	-	-	-	-	-
Fixed assets leased and rented	-	-	-	-	-
Other assets	10,382	-	-		10,382
PROVISIONS RECORDED UNDER LIABILITIES :	88,469	-	-	-	88,469
Provisions for risks of implementing commitments by signatur	e -	-	-	-	-
Provisions for exchange risks	-	-	-	-	-
Provisions for general risks	88,469	-	-	-	88,469
Provisions for retirement pensions and similar obligations	-	-	-	-	•
Provisions for other risks and expenses	-	-	-	-	-
Regulated provisions		-	-	-	
GRAND TOTAL	106,817	2,848	1,807	-	107,858

SUBSIDIES, ALLOCATED PUBLIC FUNDS AND SPECIAL GUARANTEE FUNDS					(Ir	thousand MAD)
	Economic purpose	Total amount	Amount Dec 31, 2023	Use June 30, 2024	Amount June 30, 2024	
Subsidies						
Allocated public funds			11.11			
Special guarantee funds						
TOTAL						



EQUITY CAPITAL				(In thousand MAE
EQUITY CAPITAL	Outstanding as of Dec 31, 2023	Allocation of earnings	Other variations	Outstanding a June 30, 2024
Revaluation differences	-	-	-	-
Reserves and premiums related to capital	3,660,561	199,087	-	3,859,648
Legal reserve	-	-	-	-
Other reserves	3,660,561	199,087	-	3,859,648
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 (+/-)	199,087 -	199,087	176,562	176,562
TOTAL	4,859,648	-	176,562	5,036,210

FINANCING AND GUARANTEE COMMITMENTS		(In thousand MA
COMMITMENTS	June 30, 2024	Dec 31, 2023
inancing and guarantee commitments given	5,514,692	4,990,773
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	5.514.692	4.990.773
Import documentary credits		
Payment acceptances or commitments		
Opening of confirmed credit	5,514,692	4,990,773
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 quarantees given		
Bonds and quarantees in favor of the public administration		
Other deposits and guarantees given		
Non-performing commitments		
inancing and guarantee commitments received	3,211,485	2,132,329
Financing commitments received from credit institutions and similar	3,211,485	2,132,329
Opening of confirmed credit	3,211,485	2,132,329
Substitution commitments on issuing of securities	3,211,103	2,132,323
Other financing commitments received	•	
Guarantee commitments received from credit institutions and similar		
Credit guarantees		
Other quarantees received		
Guarantee commitments received from the State and various guarantee organizations		
2 2		
Credit guarantees		
Other guarantees received	-	

June 30, 2024 (In thousand MAD)
Amount
NUNE

	Hedging tr	ansactions	Other tra	nsactions
Ju	une 30, 2024	Dec 31, 2023	June 30, 2024	Dec 31, 2023
orward exchange transactions	120,658	171,775	-	-
Currencies to be received	-	-	-	-
Dirhams to be delivered	212,516	215,359	-	-
Currencies to be delivered	-	-	-	-
Dirhams to be received	91,858	43,583	-	-
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 instrur	ments -	-	-	

SUBORDINATED DEBTS (In thou						(In thousand MAD)				
	Amount in				Prepayment, subordination	Amount of the loan	Of which affiliat	ed companies	Of which relate	d companies
Currency of the loan	currency of the loan	Price (1)	Rate	Term (2)	and convertibility conditions (3)	in national currency (MAD equivalent)	Amount (equivalent MAD) June 30, 2024	Amount (equivalent MAD) Dec 31, 2023	Amount (equivalent MAD) June 30, 2024	Amount (equivalent MAD) Dec 31, 2023
Dirhams	200,000		3.61%	10		200,000	-	-	-	-
Dirhams	800,000		3.66%	10		800,000	-	-	-	-
TOTAL	1,000,000					1,000,000	-	-	-	-





ON DISPOSALS OR WITHDRAWA	ILS OF FIXE	D ASSETS	(In thousand MA
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 covere
Treasury bills and similar values Other securities Mortgages Other real values and sureties	380,000		- - 380,000 -
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 cove
Treasury bills and similar values Other securities Mortgages Other real values and sureties		NONE	

BREAKDOWN OF USES AND	RESOUE	RCES BY RESID	UAL DURATION	ON		June 30, 2024
BILLARDOWN OF OSESTAND	WIN OF OBES AND RESOURCES BY RESIDONE BOUNTION					nousand MAD)
	D ≤ 1 month	$1  month < D \leq 3  months$	3 months < D ≤ 1 year	1 year < D < 5 years	D > 5 years	TOTAL
ASSETS						
Receivables from credit institutions and similar	63,349	-	1,950,000	-	-	2,013,349
Receivables from customers	329,209	199,834	1,726,664	9,008,230	14,996,484	26,260,422
Debt securities	-	-	-	-	-	
Subordinated receivables Leasing and similar	-	-	-	-	-	
TOTAL	202.550	100.034	2.676.664	0.000.220	14,006,404	20 272 770
	392,558	199,834	3,676,664	9,008,230	14,996,484	28,273,770
LIABILITIES  Debts to credit institutions and similar	217.651	50.000	788,765	4,329,516	8.202.345	13,588,277
Debts to customers	-	-	-	-	-	
Receivables securities issued	248,000	-	1,645,933	4,543,400	2,387,600	8,824,933
Subordinated loans	-	-	-	-	1,000,000	
TOTAL	465,651	50,000	2,434,698	8,872,916	11,589,945	23,413,210

CONCENT	June 30, 2024			
CONCENT		(In thousand MAD)		
		Amount o	f risk exceeding 10% of ca	apital equity
Number	Total amount of risks	Credit by disbursement	Credit by signature	Amount of securities held in the capital of the beneficiary
		NONE		

BREAKDOWN OF TOTAL ASSETS, LIABILITIES AND OFF-BALANCE	June 30, 2024
SHEET ITEMS IN FOREIGN CURRENCY	(In thousand MAI
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	-
IABILITIES	4,188,493
Central Banks, Public Treasury, Postal Checks Service Debt to credit institutions and similar Customer deposits Receivables securities issued Other liabilities Subsidies, allocated public funds and special guarantee funds Subordinated debts	4,188,493 - - - - -
OFF-BALANCE SHEET	Amount
COMMITMENTS GIVEN	-
COMMITMENTS RECEIVED	2,711,485

INTEREST MARGIN	(In t	housand MAD)
	June 30, 2024	June 30, 2023
Interest perceived	763,354	674,673
Interest and similar income on transactions with credit institutions Interest and similar income on transactions with customers Interest and similar income on receivables securities	32,536 730,818 -	7,606 649,179 17,888
Interest served	438,463	349,053
Interest and similar expenses on transactions with credit institutions Interest and similar expenses on transactions with customers	259,308 -	188,591 -
Interest and similar expenses on receivables securities issued	179,154	160,462
TOTAL	324,892	325,620

INCOME FROM PROPERTY SECURITIES	June 30, 2024 (In thousand MAD)
CATEGORY OF SECURITIES	Income received
Investment securities Equity securities Investments in affiliated companies Portfolio activity securities Similar uses	DNE
TOTAL	

COMMISSIONS	June 30, 2024 (In thousand MAD
COMMISSIONS	Amount
Commissions received	917
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	917
aid commissions	33
On transactions with credit institutions	6
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	28
On payment methods	
On advisory and assistance activities	
On sales of insurance products	
On other services	

RESULT OF MARKET OPERATIONS	(I	n thousand MAD)
INCOME AND EXPENSES	June 30, 2024	Dec 31, 2023
Income	-	1,029
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	: : :	1,029 - - -
Expenses	-	-
Losses on trading securities Value loss on investment securities Allocation to provisions for depreciation of investment securities Losses on derivative products Losses on exchange transactions	- - - -	- - - -
RESULT	-	1,029

GENERAL OPERATING EXPENSES	June 30, 2024 (In thousand MAD Amount
Staff expenses Taxes and duties External expenses Other general operating expenses Allocations to depreciation and provisions for tangible and intangible fixed assets	23,751 424 3,232 1,806 1,205
TOTAL	30,417

THER INCOME AND EXPENSES	June 30, 2024 (In thousand MAD)
	Amount
Other banking income and expenses	
Other banking income Other banking expenses	33
Non-banking operating income and expenses	
Non-banking operating income Non-banking operating expenses	460 69
Allocations to provisions and losses on uncollectible receivables	2,848
Reversals of provisions and recoveries of written-off receivables Non-current income and expenses	1,807
Non-current income Non-current expenses	0 14,527

BREAKDOWN OF RESULTS BY BUSINESS LINE OR ACTIVITY POLE AND BY GEOGRAPHICAL ZONE			June 30, 20 (In thousand M
BREAKDOWN BY ACTIVITY POLE			
Activity Pole	Net Banking Income	Gross Operating Earnings	Pre-Tax Earnings
Bank activity Other activities	325,776 -	295,750	280,182
TOTAL	325,776	295,750	280,182
BREAKDOWN BY GEOGRAPHICAL ZONE			
Geographical Zone	Net Banking Income	Gross Operating Earnings	Pre-Tax Earning
Morocco Other Zones	325,776 -	295,750	280,182
TOTAL	325,776	295,750	280,182

TRANSITION FROM NET BOOK EARNINGS	TO NET FISCAL EARNINGS	June 30, 2024 (In thousand MAD
Titles	Amount	Amount
l- Net book earnings	176,562	
Net gain Net loss	176,562	-
II- Tax reintegrations	117,582	
1- Current	-	
2- Non-current	117,582	
Corporate income tax Social solidarity contribution - - -	103,620 13,962	
III- Tax deductions		25,000
2- Non-current 1/5 Contribution to the Special Fund for the managemen 1/5 Contribution to the Special Fund to manage the impa		25,000 10,000 15,000
<u> </u>		
TOTAL	294,143	25,000
IV- Gross fiscal earnings		269,143
Gross fiscal profit (A) Gross fiscal deficit (B)		269,143
V- Deferred tax deficit ( C )*		
Fiscal year N-4 Fiscal year N-3 Fiscal year N-2 Fiscal year N-1		
/I- Net fiscal earnings		269,143
Net fiscal profit (A - C) or Net fiscal deficit (B)		269,143
VII- Cumulative fiscal deferred depreciation		

viii Curidiative iiscar deficits to be carried forward	
Fiscal year N-4 Fiscal year N-3 Fiscal year N-2 Fiscal year N-1	
(*) Within the limit of the amount of gross fiscal profit (A)	
DETERMINATION OF CURRENT EARNINGS AFTER-TAX	June 30, 2024 (In thousand MAD)
I- EARNINGS DETERMINATION	Amount
Current earnings according to the statement of income and expenses  (+) Tax reintegrations on current transactions  (-) Tax deductions on current transactions	294,708 - -
(=) Current earnings theoretically taxable	294,708
( - ) Theoretical tax on current income	113,463
(=) Current earnings after tax	181,246
II. INDICATIONS OF THE TAX SYSTEM AND THE BENEFITS GRANTED BY THE INVESTMENT CODES OR BY SPE LEGAL PROVISIONS	CIFIC

NATURE	Balance at the beginning of the fiscal year (1)	Accounting transactions for the fiscal year (2)	VAT claims for the fiscal year (3)	Balance at the en of the fiscal year (4=1+2-3)
A- VAT collected	10,053	115,358	106,075	19,336
B- VAT to be recovered On expenses On fixed assets	10,342 10,342 0	44,006 43,869 137	50,680 50,549 131	3,667 3,661 6
C- VAT due or VAT credit (A-B)	- 289	71,352	55.394	15.668

SITTINE CHITTINE D		1011			(In thousand MAD)	
Amount of capital : Amount of uncalled subscribed Nominal value of the shares :	ncalled subscribed share capital :		ount of uncalled subscribed share capital:			
Name of the main	A 1.1		Number of shares held		Percentage	
shareholders or partners	Address	Previous fiscal year	Current year	held (%)	of voting rights (%)	
STATE				100	100	

100

100

TOTAL

ALLOCATION OF EARNING DURING THE FISCAL YEAR		URED	June 30, 2024
DURING THE FISCAL YEAR	٦		(In thousand MAD
A- Origin of the allocated earnings	Amount	B- Earnings allocation	Amount
Decision of the Board of Directors : 0 Retained earnings Net earnings being allocated	5/29/2024 -		-
Net earnings for the fiscal year Deduction from profits Other deductions	199,087 - -		199,087
TOTAL A	199,087	TOTAL B	199,087

EARNINGS AND OTHER ELEMENTS FOR	R THE LAST TH	REE FISCAL YEAR	S (In thousand MAD
	June 30, 2024	Dec 31, 2023	Dec 31, 2022
Capital equity and similar	5,036,210	4,859,648	4,660,561
To be deducted -Amount concerning the Fonds d'Accompagnement des Collectivités Territoriales (Support Fund for Territorial Communities)		-	-
Net capital equity and similar	5,036,210	4,859,648	4,660,561
Operations and earnings for the fiscal year Net banking income Pre-tax earnings Earnings taxes Distributed profits Retained earnings (placed in reserves or pending allocation)	325,776 280,182 103,620 - 176,562	669,251 409,906 210,819 - 199,087	661,461 554,026 216,131 - 337,895
Earnings per share (in MAD)  Net earnings per share or unit Earnings distributed per share			
Gross remuneration for the fiscal year Average number of employees during the fiscal year	25,084 86	42,948 89	40,887 91

I. DATING		
Closing date (1)	(2)	06/30/2024
Date of preparation of the summary st	atements (2)	September 2024
(1) Justification in case of change in the closing da (2) Justification in case of exceeding the three-mo	ate of the fiscal year onth regulatory deadline for the preparation of the sun	nmary statements
	HE FISCAL YEAR AND NOT RELATED TO THE FISCAL L COMMUNICATION OF THE SUMMARY STATEMEN	
Dates Indication of events		
<u>Favorables</u>	NUN	
<u>Unfavorable</u>	NUN	TE .

STAFF		(In number)
STAFF	June 30, 2024	Dec 31, 2023
Paid staff	85	87
Staff used	85	87
Full-time equivalent staff	85	87
Administrative and technical staff (full-time equivalent)	-	-
Staff assigned to banking tasks (full-time equivalent)	-	-
Executives (full-time equivalent)	79	81
Employees (full-time equivalent)	6	6
Of which, staff employed abroad	-	-

SECURITIES AND OTHER ASSETS UNDER OR ON DEPOSIT	MANAGE	MENT	(In t	housand MAD)
SECURITIES	Number o	of accounts	Amo	ount
SECONITIES	June 30, 2024	Dec 31, 2023	June 30, 2024	Dec 31, 2023
Securities for which the institution is custodian Securities managed under a management mandate Securities of UCITS for which the institution is custodian Securities of UCITS managed under a management mandate Other assets of which the institution is custodian Other assets managed under a management mandate		NO	NE	

NETWORK		(In numbe
NETWORK	June 30, 2024	Dec 31, 2023
Permanent branches Temporary branches Automatic teller machines and Bank ATMs Branches and agencies abroad	NO	NE

CUSTOMER ACCOUNTS		(In number)
CUSTOMER ACCOUNTS	June 30, 2024	Dec 31, 2023
C		

DATING AND SUBSEQUENT EVENTS

Current accounts
Checking accounts of Moroccans living abroad
Other checking accounts
Factoring accounts
Savings accounts
Term accounts
Cash vouchers
Other deposit accounts

Representative offices abroad

NONE

T 06/30/2023					
	June 30	June 30, 2024		Dec 31, 2023	
	Receivables	Provisions	Receivables	Provisions	
onventional loans					
pre-doubtful loans doubtful loans compromised loans Subtotal 1	88,122 756 5,927 94,805	3,442 76 5,344 8,861	7,919 22,583 5,927 36,428	312 2,164 5,344 7,820	
EN loans	Receivables	Provisions	Receivables	Provisions	
pre-doubtful loans doubtful loans compromised loans Subtotal 2	- - 851 851	- 146 146	- - 851 851	- 146 146	
GRAND TOTAL	95.656	9,007	37,279	7,966	



#### 1. Integrated Risk Management

#### 1.1 Risk Management Control and Governance Principles

The governance of risk management at the Fonds d'Equipement 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 Economy and Finance;
  1 representative of the Ministry of Health and Social Protection;
  1 representative of the Ministry of Equipment and Water;

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

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

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

#### Audit and Risk Committee

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

The Audit and Risk Committee includes, in addition to the General Manager of the National Agency for the Strategic Management of State participants and Monitoring of Performance of

The Strategic Management of State participants and Monitoring of Performance of Public Institutions and Enterprises, or his representative, as Chairman:
the Wali, Inspector General of Territorial Administration, or his representative (Ministry of the Interior);
the Director of the Treasury and External Finance, or his representative (Ministry of the Economy and Finance).

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

#### **Governing Body**

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

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

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

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

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

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

#### Internal Risk Committee

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

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

#### **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

validating the conventions and the rate flow methods.
 Information System Security Committee
 The Information System Security Committee (ISSC) is in charge of monitoring the implementation of the Information Security policy and ensuring its compliance by FEC's employees and third parties, as well as monitoring the development of the plan related to Information Security risks, particularly cybersecurity risks.
 The Information System Security Committee, chaired by the Secretary-General or his representative, is composed of the following members:
 The Deputy Director in charge of the Information System Division;
 The Deputy Director in charge of the Risk and Permanent Control Division;
 The Chief Project Management Office;
 The Information System Security Manager;
 The Technological Infrastructures Officer (Operational Security).
 The ISSC's main tasks include:
 Monitoring the implementation of the Information Security policy and ensuring its compliance

- Monitoring the implementation of the Information Security policy and ensuring its compliance by FEC's employees and third parties;
  Overseeing the action plans in the field of Information Security, including validation, resource
- allocation, and ensuring the proper execution of these action plans;

  Monitoring the evolution of the Information Security risks and ensuring the regular review of the

- Monitoring key projects in the field of Information Security;
  Monitoring key projects in the field of Information Security;
  Reviewing Information Security indicators and monitoring actions aimed at improving them;
  Addressing issues related to major Information Security incidents;
  Approving the allocation of necessary resources for implementing Information Security actions;
  Prioritizing the bank's security needs in terms of Information Security.

#### 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.

Legal, Compliance and Governance Division
The Legal, Compliance and Governance Division is mainly in charge of ensuring the security of the
Bank's transactions and commitments, assessing any potential legal risks to the institution, and
implementing appropriate procedures to manage them. It also monitors the compliance of the
FEC's operations with legal and regulatory provisions applicable to the FEC, supervises, and
strengthens the Bank's internal governance mechanisms. Additionally, it is in charge of the

Internal Audit is in charge of audit operations related 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.

#### 2. Risk exposure

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

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

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

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

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

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

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

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

maturity and credit agreement terms.
Structural exchange rate risk: The risk that fluctuations in exchange rates negatively affect the Bank's revenues.

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

Strategic risk: The risk inherent in the chosen strategy or resulting from the institution's inability to implement its strategic plan.
Reputation risk: The risk resulting from a negative perception, particularly from counterparties or

regulators, which may adversely affect the institution's ability to fulfill its mission and its access to financing sources.

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

#### 2.1 Credit Risk

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

General loan policy

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

The rates applied are either fixed rates or revisable rates.

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

Decision-making

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

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

Credit risk management process

Upon receipt of a request for financing a project and depending on its size, the Operations' Pole carries out the evaluation of the project and analyzes the client's financial quality. The evaluation of the project to be financed is based on an in-depth knowledge of the client, the

nature of the investment to be made and the financial package put in place. The analysis of the client's financial situation covers the budgetary data of the budget execution balance sheets for the last three years, and the approved relative budgets as well as the data of the current year's provisional budget.

A retrospective analysis is first established in order to identify the trends in the main budget

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

The calculation of the borrowing capacity incorporates the following principles:

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

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

- Analysis of the content of the client's file: general and legal data, financial and technical data.
   The analysis of the retrospective and prospective financial situation of the client, which allows to determine the intrinsic financial quality of the latter and to assess various debt and solvency ratios
- as well as self-financing capacity.

   The assessment of the quality of the client based on the background of repayments of loans already contracted and the situation of its arrears regarding the FEC. • The assessment of project evaluation based on commonly accepted technical ratios by type of project.
- The assessment of the need to match the loan to be granted to the provision of guarantees and proposal of risk correction measures to be implemented.

General conditions for granting loans

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

The FEC's loan contracts include:

- a suspensive clause for disbursements in the event of a deterioration in the borrower's financial · a suspensive clause for disbursements in the event of late payment exceeding 30 days
- Solvency profile

As of June 2024:

The net weighted risks borne by the FEC reached 7,833,695 thousand MAD, composed of 84%

credit risk and 16% operational risk. In compliance with prudential requirements, the solvency ratio reached 77.04%, while the Tier One ratio reached 64.27%, reflecting the institution's strong solvency level. Credit Portfolio Analysis

Customer receivables, consisting of 99.9% commitments to Territorial Communities, totaled 27,060,878 thousand MAD as of June 30, 2024. Financing commitments provided by the FEC to customers amounted to 5,514,692 thousand MAD

as of June 30, 2024. The analysis of off-balance sheet commitments as of June 30, 2024, reveals that 62.63% of the total volume corresponds to recent loans committed within the past 3 years.

Provisions, provisioning policy and credit risk coverage

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

Receivables from Territorial Communities are assigned a weighting rate of 20%. The classification and provisioning policy complies with the provisions of Bank Al-Maghrib's Circular No. 19/G/2002.

Maximum Risk Division Coefficient (MRDC)

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 maximum risk division coefficient, which is also monitored by the Accounting and Reporting Division.

The maximum risk division coefficient, in accordance with the provisions of Circular No. 08/G/2012 of Bank Al-Maghrib, is established at 9.55% as of June 2024, falling below the regulatory threshold set by BAM.

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

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

#### 2.2 Asset/Liability Management (ALM)

#### Responsibility for Asset/Liability Management (ALM)

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

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

#### Asset / Liability Management

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

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

- ensure sullcient liquidity level, enabling the Bank to meet its obligations at any time and
- safeguarding it from potential crisis;

  ensure that the inherent risk in foreign currency positions does not diminish the Bank's profit margin;
- ensure stability of results against interest rate variations by preserving interest margin and optimizing the economic value of equity;
- guide the Bank's strategy in terms of refinancing.

#### Liquidity risk

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

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

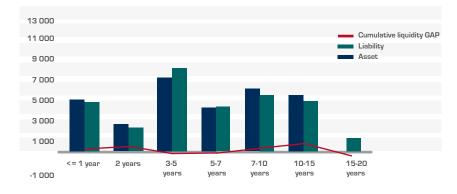
- The inability of the institution to raise necessary funds to meet unexpected short-term situations, notably a significant drawdown of funding commitments given to TCs.
- The mismatched assets and liabilities or financing of medium and long-term assets by short-term liabilities.

#### Used approach to calculate Liquidity Gaps :

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

As of June 30, 2024, the liquidity gap profile is as follows:

#### **ANNUAL LIQUIDITY GAPS**



#### Interest Rate Risk Management (IRRM)

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

Scenario 1: Parallel shift of the interest rate curve upwards (+200 bps);

Scenario 2: Parallel shift of the interest rate curve downwards (-200 bps);

Scenario 3: Rise in short rates; Scenario 4: Fall in short rates;

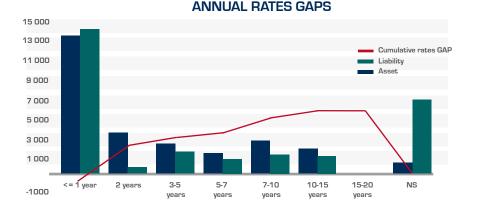
Scenario 5: Flattening of the yield curve; Scenario 6: Steepening of the yield curve.

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

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

#### Exposure as of June 30, 2024,

The flow of interest rate gaps as of June 30, 2024 is as follows:



The impact of regulatory scenarios is -5.01% on the forecasted net interest margin and 14.68% on the economic value of Shareholders' equity.

#### Foreign exchange risk

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

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

#### 2.3 Operational Risks

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

- ensure the reliability and integrity of the financial and accounting information produced;
  ensure that operations are carried out in accordance with the laws and regulations in f
- 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 manitoned procedures.
- monitored procedures.

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

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

#### » Signature delegation mechanism

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

- The principle of double signature is mandatory for all transactions allecting 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, Operational and Support areas. The general mapping of processes and procedures has been developed according to the requirements of the ISO 9001 Quality standards.

In addition, the integration of the modelling tool allowed to have a single, structured procedure referential accessible by all FEC's employees through an intranet site. This referential is regularly updated to comply with regulatory, business activity and information systems developments.

#### » Manual of procedures and accounting organization

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

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

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

#### » Business Continuity Plan

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

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

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

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

In order to ensure the operational maintenance of the mechanisms put in place, the BCP documentation corpus (criticality Study, continuity Strategy, Procedures, communication Plan, etc.) is regularly updated. Similarly, a maintenance and operational plan for the Business Continuity Plan (BCP) is currently being reinforced.

Furthermore, the FEC continues to maintain permanent monitoring regarding the occurrence of any event that may require the activation of its BCP, in order to guarantee the continuity of the Bank's activity and the safety of its employees. Thus, and in the absence of any incident requiring its activation, the FEC's BCP has not been activated during the first semester of 2024.

#### Operational risk management

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

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

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

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

#### Organization

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

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

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

The Internal Risk Committee ensures the governance of operational risks.

#### Hedging of operational risks

In accordance with the regulatory provisions related 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 year

#### 2.4 Risks of Non-Compliance

In accordance with Bank Al-Maghrib's Directive No. 49/6/2007 related to the compliance function of August 31, 2007, the FEC has adopted a compliance and a charter policy.



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#### **Coopers Audit**

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#### FONDS D'EQUIPEMENT COMMUNAL

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

PERIODE DU 1er JANVIER AU 30 JUIN 2024

En application des dispositions de la loi n°44-12 relative à l'appel public à l'épargne et aux informations exigées des personnes morales et organismes faisant appel public à l'épargne, nous avons procédé à un examen limité de la situation intermédiaire du Fonds d'Equipement Communal comprenant le bilan, le compte de produits et charges, l'état des soldes de gestion, le tableau des flux de trésorerie et une sélection des états des informations complémentaires (ETIC) relatifs à la période du 1er janvier au 30 juin 2024. Cette situation intermédiaire qui fait ressortir un montant de capitaux propres et assimilés totalisant 6.071.493 KMAD dont un bénéfice net de 176.562 KMAD, relève de la responsabilité des organes de gestion de l'émetteur.

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

Sur la base de notre examen limité, nous n'avons pas relevé de faits qui nous laissent penser que la situation intermédiaire, ci-jointe, ne donne pas une image fidèle du résultat des opérations du semestre écoulé ainsi que de la situation financière et du patrimoine du Fonds d'Equipement Communal établis au 30 juin 2024, conformément au référentiel comptable admis au Maroc.

Casablanca, le 27 septembre 2024

Les Commissaires aux Comptes

FORVIS MAZARS

Taha FERDAOUS Associé **COOPERS AUDIT MAROC S.A** 

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Abdellah LAGHCHAOUI Associé

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Chishen Call

#### **KINGDOM OF MOROCCO**



1<sup>st</sup> semester 2024

THE BANK FOR LOCAL FUNDING