

FONDS D'EQUIPEMENT COMMUNAL

PROSPECTUS SUMMURAY

ISSUANCE OF ORDINARY BONDS

Total amount of the issuance: Lying between MAD 1 500 000 000 and MAD 2 000 000 000

	Tranche A Non-Listed	Tranche B Non-Listed	Tranche C Non-Listed	Tranche D Non-Listed
Maximum amount	Lying between MAD 1 500 000 000 and MAD 2 000 000 000			
Maximum number	Lying between 15 000 and 20 000 Bonds			
Nominal Value	MAD 100 000			
Nominal interest rate (incl. the spread)	<u>Reviewable on a 5 year basis</u>	<u>Fixed</u> Between 3.93%% and 4.23%	<u>Reviewable on an annual basis</u>	<u>Reviewable on an annual basis</u>
	Rate for the 1 st period Between 3.42% and 3.72%		Rate for the 1 st period Between 2.77% and 3.07%	Rate for the 1 st period Between 2.97% and 3.27%
Risk premium	Between 70 and 100 bps	Between 70 and 100 bps	Between 50 and 80 pbs	Between 70 and 100 bps
Maturity	15 years	15 years	10 years	15 years
Tradability of the securities	Over-the-counter	Over-the-counter	Over-the-counter	Over-the-counter
Repayment method	Linear annual depreciation of the principal	Linear annual depreciation of the principal	<i>In fine</i>	Linear annual depreciation of the principal
Allocation method	<u>Dutch</u> auction without prioritization between tranches			

SUBSCRIPTION PERIOD: FROM NOVEMBER 27th TILL NOVEMBER 29th, 2017 INCLUDED

Financial advisors	
 CORPORATE FINANCE	 الشركة العامة
Agent in charge of centralization	Agents in charge of the placement
 CORPORATE FINANCE	  الشركة العامة

This issuance is reserved for qualified investors under Moroccan Law as listed in the prospectus

APPROVAL OF THE AMMC (The Moroccan Financial Authority)

In accordance with the AMMC circular, delivered in application of Section 14 of the Dahir n° 1-93-212 of September 21st 1993, as amended and extended, the original copy of the present prospectus has been approved by the AMMC on the 9th of November 2017 under reference n° VI/EM/031/2017.

WARNING

The Moroccan Financial Authority « AMMC » approved on the xx a prospectus related to the issue of ordinary bonds by the *Fonds d'Equipelement Communcal* (FEC) for an amount between 1.5 and 2 billion MAD.

The prospectus approved by the AMMC is available at any time at the head office of the FEC and of its financial advisors. It is also available within a maximum of 48 hours at the entities collecting the orders.

The prospectus is publicly available on the AMMC website at www.ammc.ma.

PART I. PRESENTATION OF THE OPERATION

I. OBJECTIVES OF THE OPERATION

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

In this context, the FEC's recourse to the bond market aims mainly at:

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

II. CHARACTERISTICS OF THE OPERATION

Characteristics of the securities of Tranche A (Reviewable-rate bonds every 5 years with a maturity of 15 years non-listed on the Casablanca stock-exchange)

Nature of securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and entered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche amount	Lying between MAD 1 500 000 000 and MAD 2 000 000 000
Maximum number of securities to be issued	Lying between 15 000 and 20 000 bonds
Nominal value per unit	MAD 100 000
Subscription price	Par value : 100% of the nominal value.
Maturity	15 years
Subscription period	From November 27 th , 2017 to November 29 th , 2017 included
Vesting date	December 6 th , 2017
Maturity date	December 6 th , 2032
Allocation method	Dutch auction
Nominal interest rate	Revisable Rate Every Five Years For the first five-year period, the nominal interest rate is determined by reference to the sovereign rate of equivalent maturity (15 years depreciable on an annual basis, revisable every 5 years), observed from the bench mark rate curve of the secondary market for Treasury Bills as published by Bank Al Maghrib on October 30, 2017, increased by a risk premium ranging between 70 and 100 basis points, that is a rate ranging from 3.42% to 3.72%. For the subsequent two five-year periods, the nominal interest rate will be determined by reference to the sovereign rate of equivalent maturity (i.e the first revision by reference to the 10-year rate, depreciable on an annual basis, revisable after five years, and for the second revision to the 5-year rate, depreciable on an annual basis), observed from the bench mark rate curve of the secondary market for Treasury Bills as published by Bank Al Maghrib 5 business days before the coupon payment date, increased by the risk

	premium (withheld at the award)ranging between 70 and 100 basis points.
Risk premium	Between 70 and 100 basis points.
Interest rate fixing date	The interest rate shall be reviewed every five years and will apply at the anniversary date of the 5th and the 10th coupon. The new rate will be communicated by the centralizing agent at the latest five working days before the anniversary date of the 5th and the 10th coupons. The reviewed rate will be determined based on the sovereign rate of the equivalent maturity, taken from the secondary curve of the Treasury Bills increased with the selected risk premium.
Interests calculation	Interests shall be calculated using the following formula: [Outstanding principal x nominal rate]
Coupon payment	The coupons will be paid annually at each anniversary date of the vesting date date, i.e the 6th of December of each year or on the first following working day in case that day is a non-working day. No deferral of the interests shall be possible in this operation.
Negotiability of the securities	Over-the-counter The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal repayment	The principal repayment of the loan's tranche A, purpose of this prospectus, will occur annually and linearly at each anniversary date of the issuance vesting date or the first working day following that date if it is a non-working day.
Anticipated repayment	The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance. However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.
Assimilation clause	The bonds issued by the FEC cannot be assimilated to any anterior securities issuance. In case the FEC subsequently issues new bonds with completely similar rights to tranche A bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation.
Loan ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.
Applicable Law	Moroccan Law
Competent jurisdiction	Commercial Court of Rabat

Bondholders representation

Pending the General Meeting of the Bondholders, the FEC Chief Executive Officer, by virtue of the powers granted to him by the Board of Directors, which was held on May 27, 2016, has appointed the firm Hdid Consultants as provisional agent in accordance with the relevant legal provisions. This decision will take effect as of the opening of the subscription period and will expire at the end of the election of the definitive agents by the General Meeting of the Bondholders. The Wali General Manager undertakes that the General Meeting of the Bondholders be convened by the provisional representative no later than 30 days before the first scheduled amortization, and this, in order to appoint the permanent representative. It being specified that the appointed temporary proxy is the same person for tranches A, B, C and D of the issue, which are grouped together under one single mass.

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

Nature of securities	Non-listed bonds, entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and registered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche amount	Lying between MAD 1 500 000 000 and MAD 2 000 000 000
Maximum number of securities to be issued	Lying between 15 000 and 20 000 bonds
Nominal value per unit	MAD 100 000
Subscription Price	Par value; 100% of the nominal value.
Maturity	15 years
Subscription period	From November 27 th , 2017 to November 29 th , 2017 included
Vesting date	December 6 th , 2017
Maturity date	December 6 th , 2032
Allocation method	Dutch auction
Nominal interest rate	Fixed rate (determined at subscription end and communicated by the centralizing agent) The nominal interest rate is determined based on the sovereign rate of the equivalent maturity (15 years annually amortized, fixed, see Appendix V), taken from the secondary curve of the Treasury Bills as published by Bank Al Maghrib of the 30 of October 2017, increased with a risk premium ranging between 70 and 100 basis points, i.e a rate between 3.93% and 4.23%.
Risk premium	Between 70 and 100 basis points.
Interests calculation	Interests shall be calculated using the following formula: [Outstanding principal x nominal rate]

Coupon payment	The coupons will be paid annually at each anniversary date of the vesting date, i.e the 6th of December of each year or the next working day if that day is a non-working day. No deferral of the interests shall be possible in this operation.
Negotiability of the securities	Over the counter. The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal repayment	The principal repayment of the loan's tranche B, purpose of this prospectus will occur annually and linearly at each anniversary date of the issuance vesting date or the first working day following that date if it is a non-working day.
Anticipated repayment	The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance. However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.
Assimilation clause	The bonds issued by the FEC cannot be assimilated to any anterior securities issuance. In case the FEC subsequently issues new bonds with completely similar rights to tranche B bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation.
Loan ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.
Applicable Law	Moroccan Law
Competent jurisdiction	Commercial Court of Rabat
Bondholders representation	Pending the General Meeting of the Bondholders, the FEC Chief Executive Officer, by virtue of the powers granted to him by the Board of Directors, which was held on May 27, 2016, has appointed the firm Hdid Consultants as provisional agent in accordance with the relevant legal provisions. This decision will take effect as of the opening of the subscription period and will expire at the end of the election of the definitive agents by the General Meeting of the Bondholders. The Wali General Manager undertakes that the General Meeting of the Bondholders be convened by the provisional representative no later than 30 days before the first scheduled amortization, and this, in order to appoint the permanent representative. It being specified that the appointed temporary proxy is the same person for tranches A, B, C and D of the issue, which are grouped together under one single mass.

Characteristics of the securities of Tranche C (annually reviewable-rate bonds with a maturity of 10 years non-listed at the Casablanca stock-exchange)

Nature of securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and registered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche amount	Lying between MAD 1 500 000 000 and MAD 2 000 000 000
Maximum number of securities to be issued	Lying between 15 000 and 20 000 bonds
Nominal value per unit	MAD 100 000
Maturity	10 years.
Subscription price	Par value: 100% of the nominal value.
Subscription period	From November 27 th , 2017 to November 29 th , 2017 included
Vesting date	December 6 th , 2017
Maturity date	December 6 th , 2027
Allocation method	Dutch auction
Nominal interest rate	Annually reviewable rate For the first year, the nominal interest rate is determined based on the sovereign rate of the equivalent maturity (52 weeks), taken from the secondary curve of the Treasury Bills as published by Bank Al Maghrib on the 30 of October 2017, increased with a risk premium ranging between 50 and 80 basis points, i.e a rate between 2.77% and 3.07%. For the following years, the nominal interest rate will be determined by reference to the sovereign rate of the equivalent maturity (52 weeks), taken from the secondary curve Treasuries Bills 5 days before the date of the coupon's payment, increased by a risk premium ranging between 50 and 80 basis points. In the event where the reference rate is not observed directly on the curve of the reference rate of the secondary market, rate determination shall be realized through linear interpolation using the two points flanking the full maturity 52 weeks (monetary base). This linear interpolation will be done after the conversion of the rate immediately above the 52-weekmaturity (actuarially) equivalent monetary rates. The formula is: $((\text{actuarial rate} + 1) ^ {k / \text{exact number of days}^*}) - 1$ x 360/k; where k is the maturity of the actuarial rate immediately above 52 weeks. *Exact number of days: 365 or 366 days.
Risk premium	Between 50 and 80 basis points.
Interest rate fixing date	The interest rate will be reviewed annually at the anniversary date. The new rate will be communicated by the centralizing agent in a journal of legal notices at the latest five working days prior to the anniversary date. The revised rate will be determined in reference to the equivalent sovereign maturity rate, taken from the most recent curve of the secondary market's treasury bills, increased by the retained risk premium

Interests calculation	Interests shall be calculated on monetary basis, i.e : [nominal amount x nominal rate x (Exact number of days /360)]
Coupon payment	The coupons will be paid annually at each anniversary date of the vesting date, i.e the 6th of December of each year or the next working day if that day is not a working day. No deferral of the interests shall be possible in this operation.
Negotiability of the securities	Over the counter. The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal repayment	The tranche C of the bonds loan, purpose of this prospectus, will be repaid <i>in fine</i>. In case of merger, a spin-off or a partial transfer of assets from the FEC occurring during the loan period and resulting in the universal transfer of assets to a separate legal entity, the rights and obligations on the bonds will be automatically transferred to the substitute legal entity under the rights and obligations of the FEC.
Anticipated repayment	The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance. However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.
Assimilation clause	The bonds issued by the FEC cannot be assimilated to any anterior securities issuance. In case the FEC subsequently issues new bonds with completely similar rights to tranche C bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation.
Loan ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.
Applicable Law	Moroccan Law
Competent jurisdiction	Commercial Court of Rabat
Bondholders representation	Pending the General Meeting of the Bondholders, the FEC Chief Executive Officer, by virtue of the powers granted to him by the Board of Directors, which was held on May 27, 2016, has appointed the firm Hdid Consultants as provisional agent in accordance with the relevant legal provisions. This decision will take effect as of the opening of the subscription period and will expire at the end of the election of the definitive agents by the General Meeting of the Bondholders. The Wali General Manager undertakes that the General Meeting of the Bondholders be convened by the provisional representative no later than 30 days before the first scheduled amortization, and this, in order to appoint the permanent representative. It being specified that the appointed temporary proxy is the same person for tranches A, B, C and D of the issue, which are grouped together under one

single mass.

Characteristics of the securities of Tranche D (annually reviewable-rate bonds with a maturity of 15 years non-listed at the Casablanca stock-exchange)

Nature of securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository (MAROCLEAR) and registered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche amount	Lying between MAD 1 500 000 000 and MAD 2 000 000 000
Maximum number of securities to be issued	Lying between 15 000 and 20 000 bonds
Nominal value per unit	MAD 100 000
Maturity	15 years.
Subscription price	Par value: 100% of the nominal value.
Subscription period	From November 27 th , 2017 to November 29 th , 2017 included
Vesting date	December 6 th , 2017
Maturity date	December 6 th , 2032
Allocation method	Dutch auction
Nominal interest rate	Annually reviewable rate For the first year, the nominal interest rate is determined based on the sovereign rate of the equivalent maturity (52 weeks), taken from the secondary curve of the Treasury Bills as published by Bank Al Maghrib of the 30 of October 2017, increased with a risk premium ranging between 70 and 100 basis points, i.e a rate between 2.97% and 3.27%. For the following years, the nominal interest rate will be determined by reference to the sovereign rate of the equivalent maturity (52 weeks), taken from the secondary curve Treasuries Bills 5 days before the date of the coupon's payment, increased by a risk premium ranging between 70 and 100 basis points. In the event where the reference rate is not observed directly on the curve of the reference rate of the secondary market, rate determination shall be realized through linear interpolation using the two points flanking the full maturity 52 weeks (monetary base). This linear interpolation will be done after the conversion of the rate immediately above the 52-weekmaturity (actuarially) equivalent monetary rates. The formula is : $((\text{actuarial rate} + 1) ^ {k / \text{exact number of days}^*}) - 1) \times 360/k$; where k is the maturity of the actuarial rate immediately above 52 weeks. *Exact number of days : 365 or 366 days.
Risk premium	Between 70 and 100 basis points.

Interest rate fixing date	The interest rate shall be reviewed every year at the anniversary date. The new rate will be communicated by the centralizing agent in a journal of legal notices at the latest five working days before the anniversary date. The reviewed rate will be determined based on the sovereign rate of the equivalent maturity, taken from the secondary curve of the Treasury Bills increased with the selected risk premium.
Interests calculation	Interests shall be calculated on monetary basis, i.e : [nominal amount x nominal rate x (exact number of days/360)]
Coupon payment	The coupons will be paid annually at each anniversary date of the vesting date, i.e the 6th of December of each year or the next working day if that day is not a working day. No deferral of the interests shall be possible in this operation.
Negotiability of the securities	Over the counter. The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal repayment	The principal repayment of the loan's tranche D, purpose of this prospectus will occur annually and linearly at each anniversary date of the issuance vesting date or the first working day following that date if it is a non-working day.
Anticipated repayment	The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance. However, the FEC keeps the right to proceed, with the Bank Al-Maghrib prior consent, to bonds buy-back on the secondary market, provided the legal and regulatory provisions don't oppose to it, as these buy-backs are without consequence to a subscriber willing to keep his securities until normal expiry date and without effect on the normal amortization schedule. The bonds bought-back shall thus only be canceled upon consent of Bank Al-Maghrib.
Assimilation clause	The bonds issued by the FEC cannot be assimilated to any anterior securities issuance. In case the FEC subsequently issues new bonds with completely similar rights to tranche D bonds, it will be authorized, without requesting the consent of the holders of former bonds, to proceed to the assimilation of the whole securities successively issued, thus unifying the operations of their financial service and their negotiation.
Loan ranking	The bonds issued by the FEC and their interests constitute direct, general, unconditional and unsubordinated obligations of the issuer, ranking equally amongst themselves and the other present or future unsecured debts of the issuer.
Guarantee	The bonds issued by the FEC are not subject to any guarantee.
Rating	The bonds issued by the FEC have not been rated.
Applicable Law	Moroccan Law
Competent jurisdiction	Commercial Court of Rabat
Bondholders representation	Before the General Assembly of Bondholders, the Board Director of the FEC, by virtue of the powers granted to him by the Management Board, held on 27 may 2016, appointed the firm Hdid Consultants as a temporary proxy in accordance with the legal provisions on the subject. This decision will be effective at the opening of the subscription period and will expire at the appointment of the permanent authorized representatives by the General Assembly of Bondholders. The temporary proxy is committed to call the General Assembly of Bondholders in order to appoint the permanent authorized representative 30 days before the first coupon payment at the latest. Being specified that the appointed authorized representative will be the same person for tranches A, B, C and D of the loan, these being grouped in a single amount.

III. TIMETABLE FOR THE OPERATION

N°	Steps	Date
1	Obtaining the AMMC approval	9 November 2017
2	Publication of an extract of the prospectus in a legal gazette	13 November 2017
3	Opening of the subscription period	27 November 2017
4	Closing of the subscription period	29 November 2017
5	Centralization of the subscription orders by the Centralizing Establishment	29 November 2017
6	Notification of the operation results by the Centralizing Establishment to the investors	30 November 2017
7	Payment / Delivery	6 December 2017
8	Publication of the operation results by the issuer in a legal gazette	8 December 2017

IV. INVESTMENT SYNDICATE AND FINANCIAL AGENTS

Type of financial agents	Name	Address
Financial Advisors	Société Générale Maroc	55 Boulevard Abdelmoumen – Casablanca
	CFG Bank Corporate Finance	5-7 Rue Ibnou Toufail - Casablanca
Agent in charge of the centralization	CFG Bank	5-7 Rue Ibnou Toufail - Casablanca
Agents in charge of the placement	Société Générale Maroc	55 Boulevard Abdelmoumen – Casablanca
	CFG Bank Corporate Finance	5-7 Rue Ibnou Toufail - Casablanca
Domiciliary establishment ensuring the financial service of the issuer	BMCI	26, Place des Nations Unies - 20 100 – Casablanca

PART II. PRESENTATION OF THE FEC

I. GENERAL INFORMATION

Corporate name	Fonds d'Equipement Communal (FEC)
Head office	Espace Oudayas. Angle avenue Annakhil et avenue Ben Barka, B.P. 2175 Hay Riad, Rabat
Telephone	05.37.56.60.90 to 93
Fax	05.37.56.90.94
Website	www.fec.ma
E-mail	fec@fec.ma
Creation date	13 June 1959
Financial year	From 1 st of January to 31 st of December
Company object (articles 3 and 3 bis of Law No. 31-90 promulgated by Dahir No. 1-92-5 of Safar 5, 1413 (August 5, 1992) reorganizing the Communal Equipment Fund, as modified and supplemented by Law 11-96)	The Fonds d'Equipement Communal is in charge of contributing to the development of local communities; to this end, it can: - grant to local authorities, their associations as well as local public institutions any and all technical or financial assistance, including in the form of loans or advances for financing studies and equipment works; - assist local communities in the identification, evaluation and the monitoring of their projects' implementation; - provide assistance in any form whatsoever to the State or a public body for the study and implementation of all plans and local development programs. The Fonds d'Equipement Communal can also allocate between all local authorities any amount, the management of which would be entrusted to it to that effect. It can also make any civil or commercial securities or real-estate transactions, related to its purpose, required to enable it to exercise the activities mentioned above. Article 3 bis : To implement the tasks assigned to it, the Fonds d'Equipement Communal is authorized to perform all operations that the banks are entitled to practice under Dahir N° 1-93-147 of 15 Muharram 1414 (6th July, 1993) Relating to the exercise of the activity of credit institutions and to the control thereof, which has been repealed and replaced by Law No. 103-12 on credit institutions and similar bodies, promulgated by Dahir No. 1- 14-193 of December 24, 2014.
Share Capital on 30 th June, 2017	MAD 1,000,000,000
Allocation of Capital	Capital owned 100% by the State
Competent Courts	Rabat Courts
Consultation place of legal documents	The legal documents can be consulted at the head office of the FEC
Legal texts applicable to the society	Public institution governed by : ▪ Law n°31-90, promulgated by Dahir n° 1-92-5 of 05 safar, 1413 (05 August 1992) carrying the reorganizing the Fonds d'Equipement Communal As amended and supplemented by Law 11-96 ; ▪ Decree of the Minister of Finance, Trade, Industry and Craftsmanship n° 2549-96 of 24 joumada II 1418 (27 October 1997) approving the operations of the Funds as a bank institution ; ▪ The decree n°2-90-351 of 19 Joumada II, 1413 (December 14th, 1992) adopted for the application of law n°31-90 mentioned above; ▪ Law n°02-12 relative to the appointment of higher management roles in

	application on of provisions of Articles 49 and 92 of the Constitution, promulgated by Dahir n° 1-12-20 of 27 chaabane 1433 (17 July 2012) As amended and supplemented by Organic Law No. 12-14, promulgated by Dahir No. 1-15-61 of June 2, 2015 and by Organic Law No. 23-16, promulgated by the Dahir No. 1-16-120 of August 10, 2016.. Due to its activity, the FEC is governed by Law n°103-12 relative to credit institutions and assimilated bodies, promulgated by Dahir n°1-14-193 of December 24th, 2014. Making public offering, the FEC is submitted to the legal and statutory requirements relative to financial markets: ▪ Dahir carrying law n°1-93-211 of September 21st, 1993 concerning the Casablanca stock exchange modified and completed by the laws 34-96, 29-00, 52-01,45-06 and 43-09; ▪ General regulation of the stock exchange approved by the order of Minister of Economy and Finances n°1268-08 of July 7th, 2008 modified and completed by the order of Minister of Economy and Finances n° 30-14 of January 06th, 2014; ▪ Dahir carrying law n°1-93-212 of September 21st, 1993 concerning the Moroccan Financial Authority (AMMC) and the information required from the moral persons making public offering such as modified and completed by the laws n°23-01, 36-05 and 44-06; ▪ Dahir n°1-96-246 of January 9th, 1997 carrying promulgation of the law n°35-96 relative to the creation of a central depositary and to the institution of a general regime for the inscription in account of certain values, modified and completed by the law n°43-02; ▪ General regulation of the central Depositary approved by the order of Minister of Economy and Finances n°932-98 of April 16th, 1998 and amended by the order of Minister of Economy, Finances, Privatization and Tourism n°1961-01 of October 30th, 2001 and by the order n°77-05 of March 17th, 2005; ▪ General regulation of the AMMC such as approved by the order of Minister of Economy and Finances n°2169/16 of the 14th of July 2016; ▪ Bank Al Maghrib's circular n° 2/G/96 of January 30th, 1996 relative to certificates of deposit and its modification; ▪ The circular of the AMMC; ▪ Dahir 1-95-03 of January 26th, 1995 carrying promulgation of the law n°35-94 relative to certain Negotiable debt securities as amended and completed by Laws n° 35-96 and 33-06.
Tax system	The Fonds d'Equipement Communal, like the other banking institutions, is subject to Corporate Income Tax at a rate of 37% and to the VAT applicable to banking operations at a rate of 10%.

II. INFORMATION ON THE FEC SHARE CAPITAL

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

III. ACTIVITY

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

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

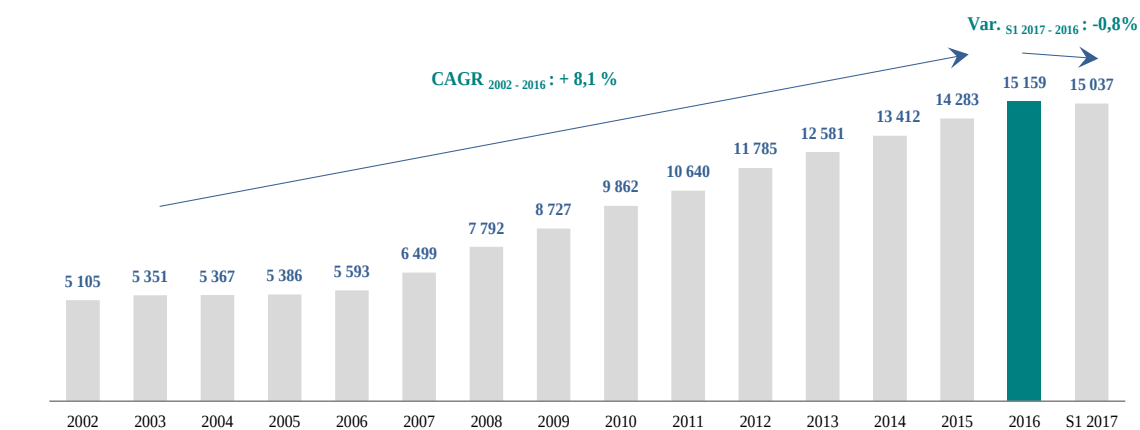
The Bank offers to its customers products and services adapted to their needs and focuses on assisting them technically for building up and deploying their equipment projects. The FEC accompanies thus its customers in expressing their investment choices and offers them the possibility to realize high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

III.1. LOAN ACTIVITIES

As part of its activity, the FEC offers:

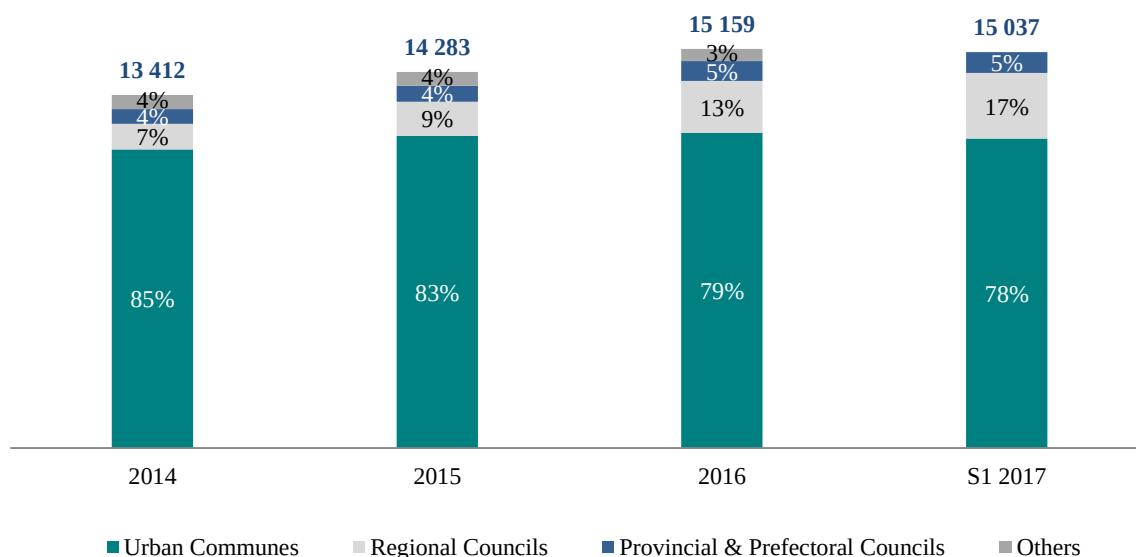
- conventional loans to finance investment projects;
- lines of credit (LOCs), in place since 2004, for the financing of development programs. This type of financing allows Local Authorities to have the visibility needed to secure funding for their development projects. It encourages Local Authorities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

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



Source: FEC

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



Source: FEC

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

IV. ADMINISTRATION ORGANS

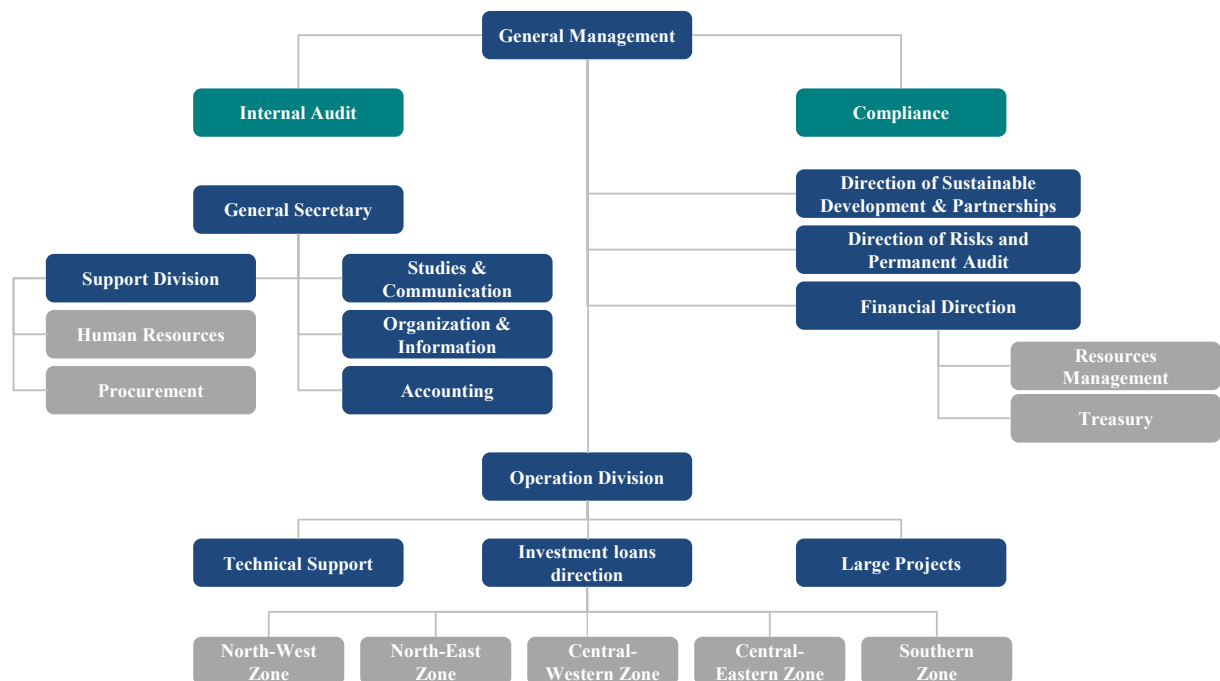
On 31 October 2017, the Board of directors is constituted as follows:

President	
The Head of Government or the Governmental Authority Delegated by Him to that End	
Members of the Board of Directors Representing the administration	Membres du Conseil d'Administration représentant les Elus Locaux
2 representatives of the Ministry of Interior	Mr. Mohammed BOUDRA President of the Communal Council of Al Hoceima Prefecture of Al Hoceima
Mrs. Saadia LAAROUSSI Mr. Hicham TALBY Representatives of the Ministry of Economy and Finance	Mr. Abdelaaziz OMARI President of the Communal Council of Casablanca Prefecture of Casablanca
Mr. Moulay El Hachemi EL MIRI Representative of the Ministry of Health	Mrs. Amina BOUHDOUN President of the Communal Council of Lagfifate Province of Taroudant
Mr. Allal REKKADI Representative of the Ministry of Energy, Mines and Sustainable Development	Mrs. Hakima GHERMAL President of the Communal Council of Al Hamam Province of Khenifra
Mr. Said BENAMAR Representative of the Ministry of Equipment, Transport, Logistics and Water	Mr. Mohammed CHAOUKI President of the Communal Council of FomJemaa Province of Azilal
M. Khalid HATTAB Director of the Finance Division at the Caisse de Dépôt et de Gestion (CDG), representing the Director of CDG	Mr. Badr El MOUSSAOUI President of the Communal Council of El Marsa Prefecture of Laayoune
	Mr. El Mustapha AL GHAZAOUI President of the Communal Council of HadKourt Province of Sidi Kacem
	Mr. Mohammed MOUBDI President of the Communal Council of Fkih Bensalah Province of Fkih Bensalah

Source: FEC

V. LEGAL ORGANIZATIONAL CHART OF THE FEC

On 31 October 2017, the organizational chart of the FEC is as follows:



Source: FEC

PART III. FINANCIAL DATA OF THE FEC

I. FINANCIAL DATA FOR THE PERIOD 2014-2016

I.1. THE INCOME STATEMENT

Million MAD	2014	2015	2016	Var. 15/14	Var. 16/15
Banking operating income	873.7	922.7	961.4	5.6%	4.2%
Interest and similar income from transactions with	4.9	4.4	6.1	-9.8%	39.7%
Interest and similar income from transactions with	868,4	913,6	955,2	5,2%	4,6%
Interest and similar income from debt securities	-	-	-	ns	ns
Income from property titles	-	-	-	ns	ns
Income from capital goods leasing and renting	-	-	-	ns	ns
Commissions on service delivery	-	-	-	ns	ns
Other banking products	0,4	4,7	-	966,1%	-100,0%
Banking operating expenses	513.0	507.1	494.5	-1.1%	-2.5%
Interest and similar expenses on transactions with credit	210.3	221.5	211.3	5.3%	-4.6%
Interest and similar expenses on transactions with	-	-	-	ns	ns
Interest and similar expenses on debt issued	302,4	285,3	282,9	-5,6%	-0,8%
Charges on assets leased and rented	-	-	-	ns	ns
Other bank expenses	0,3	0,3	0,3	-10,3%	-19,2%
Net banking income	360.7	415.5	466.9	15.2%	12.4%
Non-banking revenue	0,8	0,6	1,0	-26,6%	55,7%
Nonbank operating expenses	0,1	0,1	0,2	32,8%	9,3%
General operating expenses	54.5	54.2	58.2	-0.6%	7.5%
Personnel costs	41.0	39.6	41.2	-3.5%	4.0%
Taxes and levies	0,8	0,8	0,8	-0,4%	0,5%
External expenses	6,6	6,7	8,9	1,8%	32,2%
Other general operating expenses	1,6	3,0	3,7	86,8%	23,6%
Allocation to depreciations and provisions of assets	4,4	4,1	3,7	-8,4%	-10,0%
Allocations to provisions and unrecoverable debt	2.3	1.8	1.0	-20.6%	-43.2%
Appropriations to provisions on debts and pending	2,3	1,8	1,0	-20,6%	-43,2%
Losses on unrecoverable debts	-	-	-	ns	ns
Other provisions	-	-	-	ns	ns
Reversals of provisions and recoveries on written off	12.5	11.3	1.8	-9.4%	-84.4%
Reversals of provisions on debts and pending	12,5	2,6	1,8	-78,8%	-33,3%
Recoveries on written off loans	-	-	-	ns	ns
Other reversals	-	8,7	-	ns	-100,0%
Operating result	317.1	371.3	410.2	17.1%	10.5%
Non-current income	0,0	0,0	0,0	-52,2%	280,6%
Non-recurring expenses	4,0	9,7	-	143,1%	-100,0%
Pre-tax income	313.1	361.6	410.2	15.5%	13.4%
Taxes on income	117,8	134,6	152,4	14,2%	13,2%
Net income	195.2	227.0	257.9	16.3%	13.6%

Source: FEC

I.2. BALANCE SHEET

Million MAD	2014	2015	2016	Var. 15/14	Var. 16/15
Assets	14 296.2	15 406.6	16 476.3	7.8%	6.9%
Cash, central banks, public treasury, postal	160.2	362.0	98.8	>100.0%	-72.7%
Claims on credit and assimilated	3.6	6.7	2.8	88.5%	-58.9%
Advances to customers	14 010.5	14 922.3	16 261.8	6.5%	9.0%
Receivables acquired through factoring	-	-	-	ns	ns
Trading and investment securities	-	-	-	ns	ns
Other assets	61.8	58.5	57.4	-5.4%	-1.9%
Investment securities	-	-	-	ns	ns
Equity securities and similar assets	0.0	0.0	0.0	0.0%	0.0%
Subordinated debts	-	-	-	ns	ns
Fixed assets given in leasing and renting	-	-	-	ns	ns
Intangible assets	1.4	0.8	1.5	-44.6%	97.8%
Tangible assets	58.8	56.3	54.0	-4.3%	-4.1%
Liabilities	14 296.2	15 406.6	16 476.3	7.8%	6.9%
Central banks, public treasury, postal	-	-	-	ns	ns
Amounts owed to credit and related	4 412.3	4 681.9	5 385.9	6.1%	15.0%
Customer deposits	-	-	-	ns	ns
Issued debt securities	7 179.4	8 006.2	8 115.2	11.5%	1.4%
Other liabilities	72.0	44.1	43.1	-38.8%	-2.2%
Provisions for liabilities and charges	8.7	-	-	-100%	ns
Regulated provisions	-	-	-	ns	ns
Subsidies, allocated public funds and	-	-	-	ns	ns
Subordinated debt	-	-	-	ns	ns
Revaluation surplus	-	-	-	ns	ns
Reserves and additional paid-in capital	2 073.8	1 447.4	1 674.2	-30.2%	15.7%
Capital	354.9	1 000.0	1 000.0	>100.0%	0.0%
Shareholders, unpaid capital (-)	-	-	-	ns	ns
Retained earnings (+/-)	-	-	-	ns	ns
Net income pending allocation (+/-)	-	-	-	ns	ns
Net income for the fiscal year (+/-)	195.2	227.0	257.9	16.3%	13.6%

Source: FEC

II. FINANCIAL DATA FOR THE 1ST SEMESTER OF 2016 AND 2017

II.1. THE INCOME STATEMENT

Million MAD	S1 2016	S1 2017	Var. S1 17/16
Banking operating income	479.9	490.7	2.2%
Interest and similar income from transactions with credit	2.9	4.7	63.4%
Interest and similar income from transactions with	477.1	486.0	1.9%
Interest and similar income from debt securities	-	-	ns
Income from property titles	-	-	ns
Income from capital goods leasing and renting	-	-	ns
Commissions on service delivery	-	-	ns
Other banking products	-	-	ns
Banking operating expenses	248.5	251.5	1.2%
Interest and similar expenses on transactions with credit	104.9	112.4	7.1%
Interest and similar expenses on transactions with	-	-	ns
Interest and similar expenses on debt issued	143.5	139.0	-3.1%
Charges on assets leased and rented	-	-	ns
Other bank expenses	0.1	0.1	61.8%
Net banking income	231.4	239.2	3.3%
Non-banking revenue	0.0	1.3	>100%
Nonbank operating expenses	0.1	0.1	-20.4%
General operating expenses	29.8	29.4	-1.2%
Personnel costs	22.5	22.8	1.5%
Taxes and levies	0.8	0.4	-50.2%
External expenses	2.3	2.4	2.4%
Other general operating expenses	2.3	2.0	-12.8%
Allocation to depreciations and provisions of assets	1.9	1.8	-3.3%
Allocations to provisions and unrecoverable debt write-	0.4	0.4	-3.6%
Appropriations to provisions on debts and pending	0.4	0.4	-3.6%
Losses on unrecoverable debts	-	-	ns
Other provisions	-	-	ns
Reversals of provisions and recoveries on written off	1.6	1.6	-3.0%
Reversals of provisions on debts and pending	1.6	1.6	-3.0%
Recoveries on written off loans	-	-	ns
Other reversals	-	-	ns
Operating result	202.8	212.1	4.6%
Non-current income	0.0	0.1	>100%
Non-recurring expenses	0.0	0.0	-75.2%
Pre-tax income	202.8	212.3	4.7%
Taxes on income	75.0	78.5	4.7%
Net income	127.8	133.7	4.7%

Source: FEC

II.2. BALANCE SHEET

Million MAD	2016	S1 2017	Var. S1 17/16
Assets	16 476.3	16 420.0	-0.3%
Cash, central banks, public treasury, postal checks service	98.8	71.2	-28.0%
Claims on credit and assimilated institutions	2.8	713.2	>100%
Advances to customers	16 261.8	15 529.6	-4.5%
Receivables acquired through factoring	-	-	Ns
Trading and investment securities	-	-	ns
Other assets	57.4	50.7	-11.7%
Investment securities	-	-	ns
Equity securities and similar assets	0.0	0.0	0.0%
Subordinated debts	-	-	ns
Fixed assets given in leasing and renting	-	-	ns
Intangible assets	1.5	1.4	-10.1%
Tangible assets	54.0	53.9	0.0%
Liabilities	16 476.3	16 420.0	-0.3%
Central banks, public treasury, postal checks service	-	-	ns
Amounts owed to credit and related institutions	5 385.9	5 949.8	10.5%
Customer deposits	-	-	ns
Issued debt securities	8 115.2	7 303.5	-10.0%
Other liabilities	43.1	100.9	>100%
Provisions for liabilities and charges	-	-	ns
Regulated provisions	-	-	ns
Subsidies, allocated public funds and special guarantee	-	-	ns
Subordinated debt	-	-	ns
Revaluation surplus	-	-	ns
Reserves and additional paid-in capital	1 674.2	1 674.2	0.0%
Capital	1 000.0	1 000.0	0.0%
Shareholders, unpaid capital (-)	-	-	ns
Retained earnings (+/-)	-	-	ns
Net income pending allocation (+/-)	-	257.9	ns
Net income for the fiscal year (+/-)	257.9	133.7	-48.1%

Source: FEC

PART IV. RISK FACTORS

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

Credit risk: risk that counterparty is unable to fulfill its contractual obligations.

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

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

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

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

Foreign exchange risk: due to exchange rate fluctuations.

I. CREDIT RISK

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

General loans policy

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

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

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

Decision-making

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

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

Credit risk management process

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

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

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

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

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

The calculation of the borrowing capacity incorporates the following principles:

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

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

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

The General Conditions to grant loans

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

Loans contracts by FEC stipulate:

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

Solvency profile

At the end of June 2017

The net weighted risks borne by the FEC amounted to 4,457,029 KMAD and comprised 91% of the credit risk and 9% of the operational risk.

In compliance with the applicable prudential requirements, the solvency ratio and the Tier One ratio stood at 68.72%, which reflected the good solvency level of the Institution."

Analysis of the credit portfolio

Amounts due from customers composed of 99.55% of commitment to local Communities amounted to a total of K.MAD 15.538.815 as of 30 June 2017.

The funding commitments given by the FEC to customers amount, as of 30 June 2017, to k.Kh 7.418.105 and concern:

- conventional loans;
- "MEN" loans granted for the upgrade of school facilities in the frame of a partnership convention signed by the Ministry of Interior, the Ministry of Economy and Finance, the Ministry of National Education and the FEC;
- The loans granted to autonomous boards ("*régies*") in the frame of banking consortiums.

The analysis of the off-balance sheet liabilities, as of 30 June 2017, reveals that 89% of the global volume correspond to recent loans granted less than 3 years ago.

Provisions, provisioning policy and credit risk covering

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

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

The classification and provisioning policy is compliant with the provisions of the circular n°19/G/2002 of Bank Al Maghrib.

Coefficient of Risk Division

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

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

The coefficient of risk division stands, per the terms of the new circular n°08/G/2012 of Bank Al Maghrib (applicable since 2013), at 12.25% as of the end of June 2017, thereby standing below the regulatory threshold set by BAM.

In application of the directive n° 2/G/2010 of Bank Al Maghrib pertaining to stress testing and with the aim of reinforcing the credit risk measurement and appreciation tools, stress tests have been carried out in order to evaluate the risk aversion level of FEC.

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

II. ASSET/LIABILITY MANAGEMENT

Asset/Liability managers

The Risk and Permanent Control Management Department is in charge of Asset/Liability management

The Internal Risks Committee is responsible for the validation of the Asset/Liability management policy. Through its gatherings, it has the opportunity to review the institution's rate and liquidity profile, to analyze the evolution of the liquidity ratio and to present the balance sheet structure.

Asset/Liability Management

The FEC works with a financing management application « *Gestion Financière – ALM* », which integrates with its information system and enables it to better apprehend the management of the financial risks inherent to its activities, e.g. the liquidity and interest rate risks.

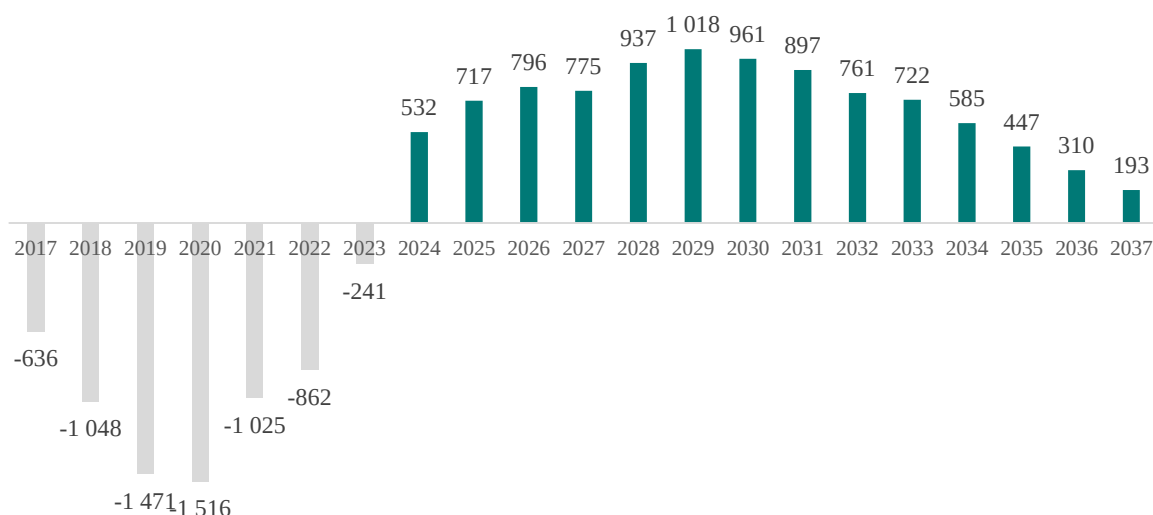
A report shall be produced every six months and is to be submitted to the Head office and to the Internal Risks Committee.

II.1. LIQUIDITY RISK

The liquidity risk management is based on the determination of the short-, mid- and long-term static and dynamic provisional gaps and on the analysis of the balance sheet structure. This approach allows for a global view on the Institution's liquidity profile.

Exposition as of 30 June 2017

Annual static liquidity gaps as of 30 June 2017 (in M.MAD)



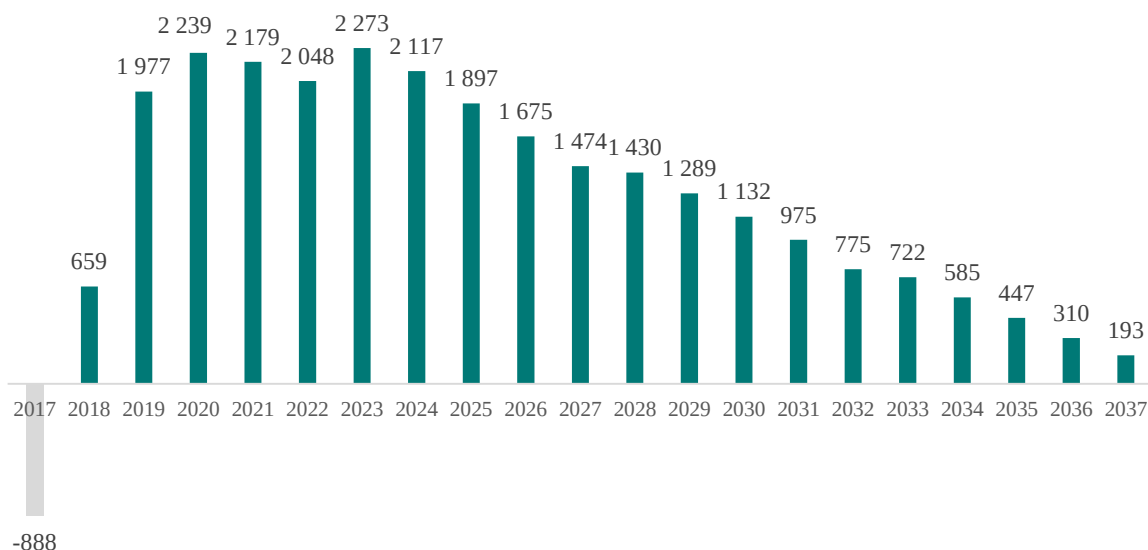
Source: FEC

II.2. RATE RISK

For the monitoring of the interest rate risk, interest rate gaps are calculated and the structure of the balance sheet is analyzed by type of interest rate, which allows for the measurement and the anticipation of the exposure to interest rate risk by confronting jobs to resources per maturity bands.

Exposition as of 30 June 2017

The rate gaps in stock are, as of June 30, 2017, as follows (in MMAD):



Source : FEC

At the end of June 2017, the results of the stress test, reveal that a shock rate of +200 bps would generate a loss of 3.5% of GNP on a 12 months horizon and a decrease in the economic value by 9.78% in terms of equity.

II.3. FOREIGN EXCHANGE RISK

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

III. OPERATIONAL RISKS

Organization and Governance

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

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

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

The Internal Risks Committee is responsible for the validation of the operational risks management policy, the business continuity and crisis management strategy.

General Framework

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

Signature delegation mechanism

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

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

General procedure manual

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

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

Accounting organizational and procedure manual

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

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

Financial communication manual

The FEC adopted a financial communication manual.

Internal control manual

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

Business Continuity Plan

The FEC adopted, in accordance with the provisions of Circular n°4/W/2014 relative to the internal control of credit institutions and the Directive n°47/G72007 of Bank Al-Maghrib, A Business Continuity Plan approved by the Board of Directors, which ensures, according to various crisis scenarios, the operation in degraded mode as well as the resumption of activities.

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

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

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

During the first half of 2017, no major disaster requiring BCP activation occurred at the FEC

Operational risk management

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

The system of operational risk management implemented at the FEC, within the Basel II reform and in application of the Directive n°29/G/2007 by Bank Al Maghrib, allows for the identification, the evaluation of the operational risks as well as the follow up of the action plans defined for the major identified risks. This system was completed in 2011 by a knowledge base of incidents that gives an objective view on the risks exposure and allows for a reevaluation of these risks based on the results of the operational incidents collected.

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

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

Organization

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

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

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

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

Operational risk covering

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

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

IV. NON-COMPLIANCE RISKS

In accordance with the circular n°4/W/2014 and the circular n°49/G/2007 of Bank Al-Maghrib, the FEC adopted a compliance policy and charter as well as cartography of non-compliance risks.

WARNING

The above mentioned information constitutes only a part of the prospectus approved by the Moroccan Financial Authority (AMMC) under reference n° VI/EM/031/2017, on the 9th of November 2017.

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