

FONDS D'EQUIPEMENT COMMUNAL

PROSPECTUS SUMMARY

ISSUANCE OF ORDINARY BONDS

Total amount of the issuance: 1 000 000 000 Dh

	Tranche A Non-listed	Tranche B Non-listed	Tranche C Non-listed
Maximum amount	1,000,000,000 Dh	1,000,000,000 Dh	1,000,000,000 Dh
Maximum number	10,000 bonds	10 000 bonds	10 000 bonds
Nominal value	100,000 Dh	100,000 Dh	100,000 Dh
Nominal interest rate (incl. the spread)	<u>Reviewable on a 5 year basis</u> Between 4.12% and 4.32% for the first period	<u>Fixed</u> Between 4.70% and 4.90%	<u>Reviewable on an annual basis</u> Between 3.51% and 3.71% for the first year
Risk premium	Between 80 and 100 bp (basis points)	Between 90 and 110 bp (basis points)	Between 60 and 80 bp (basis points)
Maturity	15 years	15 years	10 years
Negotiability of the securities	Over-the-counter	Over-the-counter	Over-the-counter
Repayment method	Linear annual depreciation of the principal	Linear annual depreciation of the principal	At the end
Allocation method	Dutch auction with priority for tranche A then C then B		

SUBSCRIPTION PERIOD: FROM 26 NOVEMBER TILL 28 NOVEMBER 2014 INCLUDED

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

Financial advisors



Agent in charge of the centralization



Agents in charge of the placement



APPROVAL OF THE CDVM (The Moroccan Financial Authority)

In accordance with the CDVM circular, delivered in application of Section 14 of the Dahir n° 1-93-212 of September 21st 1993, relating to the CDVM and to the information required by legal making public offering as amended and extended, the original copy of the present prospectus has been approved by the CDVM on November 11th 2014 under reference n° VI/EM/039/2014.

WARNING

The CDVM approved on the November 11th 2014 a prospectus related to the issue of ordinary bonds by the Fonds d'Equipement Communal (FEC) for an amount of 1 billion dirhams.

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

The prospectus is publicly available on the CDVM website at www.cdvm.gov.ma.

PART I. BACKGROUND INFORMATION

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 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 financing cost optimization;
- consolidating the FEC's image against the main partners and its position as a regular issuer of bonds on the market.

II. CHARACTERISTICS OF SECURITIES TO BE ISSUED

Characteristics of the securities of Tranche A (Reviewable -rate bonds every 5 yaers 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 and entered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche limit	MAD 1 000 000 000
Maximum number of securities to be issued	10 000 bonds
Nominal value per unit	MAD 100,000
Subscription price	Par value : 100% of the nominal value.
Maturity	15 years
Subscription period	From 26 November 2014 to 28 November 2014 included
Vesting date	8 December 2014
Maturity date	8 December 2029
Allocation method	Dutch auction with priority for tranche A then C then B
Nominal interest rate	<p>Rate reviewable every 5 years</p> <p>For the first 5 years period, the nominal interest rate is determined based on the sovereign rate of the equivalent maturity (15 years annually amortized, reviewable every 5 years), taken from the secondary curve of the Treasury Bills of 05 November 2014, increased by a risk premium ranging between 80 and 100 basis points, i.e a rate between 4.12% and 4.32%.</p> <p>For the next two five-year periods, the nominal interest rate will be determined by reference to the sovereign rate of the equivalent maturity (15 years annually amortized, reviewable every 5 years), taken from the secondary curve Treasuries Bills 5 days before the date of the entry of the rate, increased by a risk premium ranging between 80 and 100 basis points.</p>
Risk premium	Between 80 and 100 basis points.
Interest rate fixing date	<p>The interest rate shall be reviewed every five years and will apply at the anniversary date of the 5th and the 10th coupon.</p> <p>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.</p>
Interests calculation	Interests shall be calculated using the following formula: [Outstanding principal x nominal rate]

Coupon payment	<p>The coupons will be paid annually at each anniversary date of the vesting date date, i.e the 8 December of each year or on the first following working day in case that day is a non-working day.</p> <p>No deferral of the interests shall be possible in this procedure.</p>
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	<p>The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance.</p> <p>However, the FEC reserves 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.</p>
Assimilation clause	<p>The bonds issued by the FEC cannot be assimilated to any anterior securities issuance.</p> <p>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.</p>
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	<p>Before the General Assembly of Bondholders¹, the Board Director of the FEC, by virtue of the powers granted to him by the Management Board, held on 29 October 2010, appointed Mister Mohamed HDID as a temporary proxy. This decision will enter into force at the subscription date.</p> <p>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 scheduled amortization at the latest.</p> <p>The appointed authorized representative will be the same person for tranches A, B and C of the loan, these being grouped in a single amount.</p>

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

Nature of securities	Non-listed bonds entirely dematerialized by subscription with the Central Depository and entered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche limit	MAD 1 000 000 000.
Maximum number of securities to be	10 000 bonds

¹The methods of calling meetings, the quorum and deliberations of this Assembly are similar to those of a public limited company.

issued	
Nominal value per unit	MAD 100,000.
Subscription Price	Par value, 100% of the nominal value
Maturity	15 years.
Subscription period	From 26 November to 28 November 2014 included
Vesting date	8 December 2014
Maturity date	8 December 2029
Allocation method	Dutch auction with priority for tranche A then C then B
Nominal interest rate	<p>Fixed rate (determined at subscription end)</p> <p>The nominal interest rate is determined based on the sovereign rate of the equivalent maturity (15 years annually amortized, fixed), taken from the secondary curve of the Treasury Bills of 5 November 2014, increased with a risk premium ranging between 90 and 100 basis points, i.e a rate between 4.70% and 4.90%.</p>
Risk premium	Between 90 and 110 basis points.
Interests calculation	Interests shall be calculated using the following formula: [Outstanding principal x nominal rate]
Coupon payment	<p>The coupons will be paid annually at each anniversary date of the vesting date, i.e the 8 December of each year or the next working day if that day is not a working day.</p> <p>No deferral of the interests shall be possible in this procedure.</p>
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	<p>The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance.</p> <p>However, the FEC reserves 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.</p>
Assimilation clause	<p>The bonds issued by the FEC cannot be assimilated to any anterior securities issuance.</p> <p>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.</p>
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	<p>Before the General Assembly of Bondholders², the Board Director of the FEC, by virtue of the powers granted to him by the Management Board, held on 29 October 2010, appointed Mister Mohamed HDID as a temporary proxy. This decision will enter into force at the subscription date.</p> <p>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 scheduled amortization at the latest.</p> <p>The appointed authorized representative will be the same person for tranches A, B and C of the loan, these being grouped in a single amount.</p>
-----------------------------------	--

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-quoted bonds entirely dematerialized by subscription with the Central Depository and entered into account at the authorized affiliates.
Legal form	Bearer bonds.
Tranche limit	MAD 1 000 000 000.
Maximum number of securities to be issued	10 000 bonds
Nominal value per unit	MAD 100,000.
Maturity	10 years.
Subscription price	Par value : 100% of the nominal value.
Subscription period	From 26 November to 28 November 2014 included
Vesting date	8 December 2014
Maturity date	8 December 2024
Allocation method	Dutch auction with priority for tranche A then C then B
Nominal interest rate	<p>Annually reviewable rate</p> <p>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 of 5 November 2014, increased with a risk premium ranging between 60 and 80 basis points, i.e a rate between 3.51% and 3.71%.</p> <p>For the next two five-year periods, 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 entry of the rate, increased by a risk premium ranging between 60 and 80 basis points.</p> <p>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).</p>
Risk premium	Between 60 and 80 basis points.
Interest rate fixing date	<p>The interest rate will be reviewed annually at the anniversary date.</p> <p>The new rate will be communicated by the Central Body at the latest five working days prior to the anniversary date.</p>
Interests calculation	Interests shall be calculated using the following formula: [nominal amount x nominal rate]
Coupon payment	The coupons will be paid annually at each anniversary date of the vesting date,

²The methods of calling meetings, the quorum and deliberations of this Assembly are similar to those of a public limited company.

	<p>i.e the 8 December of each year or the next working day if that day is not a working day.</p> <p>No deferral of the interests shall be possible in this procedure.</p>
Negotiability of the securities	Over-the-counter The securities shall be freely negotiated without any restriction by the issuance conditions.
Principal repayment	<p>The tranche C of the bonds loan, purpose of this prospectus, will be repaid in fine.</p> <p>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.</p>
Anticipated repayment	<p>The FEC may not proceed with the anticipated repayment of bonds, purpose of this issuance.</p> <p>However, the FEC reserves 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.</p>
Assimilation clause	<p>The bonds issued by the FEC cannot be assimilated to any anterior securities issuance.</p> <p>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.</p>
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	<p>Before the General Assembly of Bondholders³, the Board Director of the FEC, by virtue of the powers granted to him by the Management Board, held on 29 October 2010, appointed Mister Mohamed HDID as a temporary proxy. This decision will enter into force at the subscription date.</p> <p>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.</p> <p>The appointed authorized representative will be the same person for tranches A, B and C of the loan, these being grouped in a single amount.</p>

³The methods of calling meetings, the quorum and deliberations of this Assembly are similar to those of a public limited company.

III. TIMETABLE FOR THE OPERATION

Steps	At the latest
1 - CDVM clearance	11/11/2014
2- Publication of an extract of the prospectus in a legal gazette	19/11/2014
3 - Opening of the subscription period	26/11/2014
4 - Closing of the subscription period	28/11/2014 at 4 pm
5 - Centralization of orders	28/11/2014
6- Payment / Delivery	08/12/2014
7- Publication of the transaction results in a legal gazette by the issuer	10/12/2014

IV. INVESTMENT SYNDICATE AND FINANCIAL AGENTS

Type of financial agents	Name	Address
Financial Advisors	Société Générale Maroc CFG Finance	55 boulevard Abdelmoune – Casablanca 5-7 rue Ibnou Toufail – Casablanca
Agent in charge of the centralization	CFG Group	5-7 rue Ibnou Toufail – Casablanca
Agents in charge of the placement	Société Générale Maroc CFG Group	55 boulevard Abdelmoune – Casablanca 5-7 rue Ibnou Toufail – Casablanca
Entity in charge of the Finance Department of the Securities and domiciliation	BMCI	26, Place des Nations Unies - 20 100 – Casablanca

PART II. PRESENTATION OF THE FEC

I. GENERAL INFORMATION

Corporate name	Fonds d'Equipeement 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
Legal form	Public facility governed by : <ul style="list-style-type: none"> ▪ Law n°13-90, promulgated by Dahir n° 1-92-5 of 05 safar 1413 (05 august 1992) reorganizing the Fonds d'Equipeement Communal; ▪ Law n°11-96, promulgated by Dahir n°1-96-100 of 16 rabii I 1417 (02 august 1996), completing the law n°31-90 and which confers to the FEC the status of a bank; ▪ Law n°34-03 on credit institutions and related bodies, promulgated by Dahir n°1-05-178 of 15 moharrem 1417 (14 february 2006).
Financial year	From 1st of January to 31st of December
Social purpose	Funding the investments of single and grouped local authorities and local public institutions
Share Capital as of 30 June 2014	MAD 354,858,356
Allocation of Capital	Capital owned 100% by the State
Competent Courts	Rabat Courts
Location of legal documents	The legal documents can be consulted at the head office of the FEC
Tax system	The Fonds d'Equipeement 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. ACTIVITY

II.1. PRESENTATION OF THE FEC

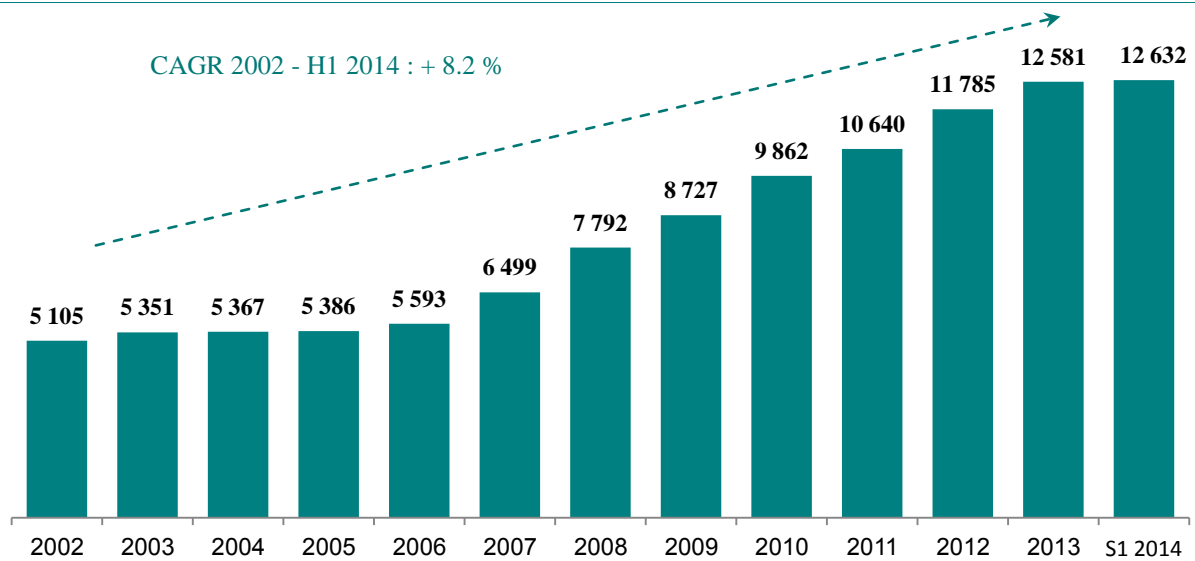
The FEC is a public bank whose main mission is to finance the local public sector.

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 together 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's 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.

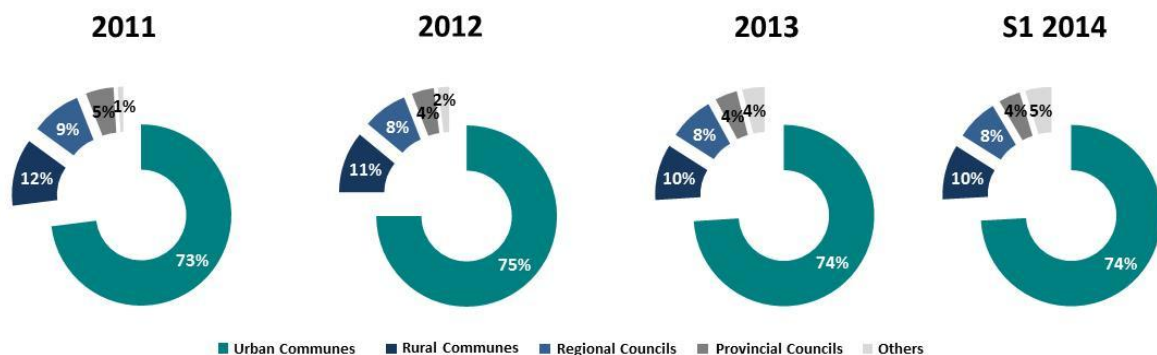
The Bank offers to its customers products and services adapted to their needs and focuses on assisting them technically for building up and deploying their equipment projects. The FEC accompanies thus its customers in expressing their investment choices and offers them the possibility to realize high value-add projects. These projects aim at improving the Citizen's quality of life and cover areas such as urban upgrade, 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.

II.2. EVOLUTION OF THE GROSS OUTSTANDING



Source : FEC

II.3. SPLIT OF THE GROSS OUTSTANDING BY TYPE OF BORROWER



Source : FEC

II.4. PRESENTATION OF THE LOAN RECOVERY PROCEDURES

In accordance with the provisions of Article 41 of the Law n° 45-08 relative to the organization of Local Communities funding and their entities, the Local Communities loan installments constitute mandatory expenses that they need to budgetize in order to get their budget approved by the line Ministries.

These rules enable the FEC to reach a recovery rate for the granted loans of 98.8% at the end of fiscal year 2013, for MAD 1,767 mio, thus confirming the quality of its loans portfolio.

Fiscal Years	Recovery rate (Recovered amount/to-be-recovered amount)
2011	98.61%
2012	99.05%
2013	98.78%
2013	90.61%
2014	93.81%

Source : FEC

III. INFORMATION ON THE FEC'S CAPITAL

As of June 30th 2014, the social capital of the FEC is entirely state-owned and amounts to MAD 354,858,356.

IV. ADMINISTRATION ORGANS

As of June 30th 2014, the Board of Directors is constituted as follows:

Members of the Board of Directors as of June 30th 2014

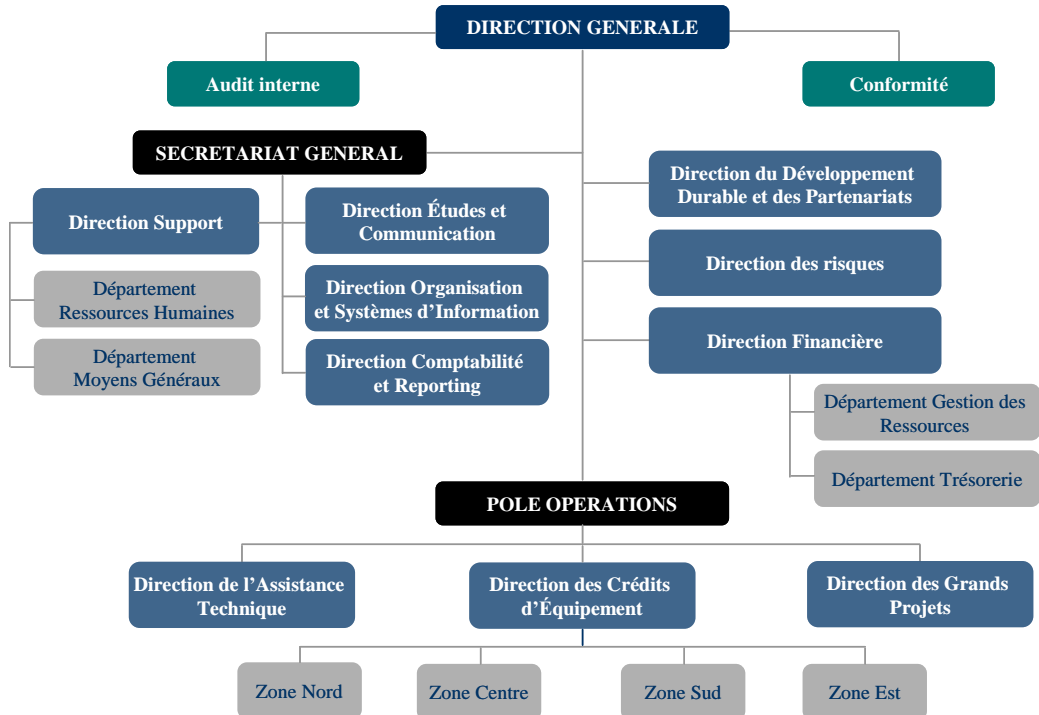
President	
The Minister of Interior	
Members of the Board of Directors representing the Administration	Members of the Board of Directors representing the local representatives
2 representatives of the Ministry of Interior	Mr Rachid TALBI ALAMI President of the Regional Council of Tangier-Tetouan
2 representatives of the Ministry of Economy and Finance	Mrs Jamila AFIF President of the Prefecture Council of Marrakech
1 representative of the Ministry of Health	Mr Fathallah LAKHLIGUI President of the Communal Council of Lagouira
1 representative of the Ministry of Equipment and Transport	Mr Mohammed BENCHAIIB President of the Communal Council of Berrechid
1 representative of the Ministry of Energy, Mines, Water and the Environment	Mr Bensallam AGOUMI President of the Communal Council of Bni Hadifa
General Manager of the Caisse de Dépôt et de Gestion	To be appointed
	To be appointed

Source : FEC

V. LEGAL ORGANIZATIONAL CHART OF THE FEC

As of June 30th 2014, the organizational chart of the FEC is as follows:

Organizational chart of the FEC as of 30 June 2014



Source : FEC

PART III. FINANCIAL DATA OF THE FEC

I. BALANCE SHEET

The FEC's balance sheet is as follows for the past three fiscal years (2011, 2012 and 2013) and the first half of 2014:

Million MAD	2011	2012	2013	H1 2014	Var. 12.	Var. 13/12	Var. 13
Assets	11,371	12,557	13,411	13,363	10.4%	6.8%	-0.4%
Cash, central banks, public treasury, postal checks service	81	54	134	187	-33.9%	>100.0%	39.6%
Claims on credit and assimilated institutions	2	38	3	3	>100.0%	-92.0%	8.1%
Advances to customers	11,179	12,364	13,179	13,078	10.6%	6.6%	-0.8%
Receivables acquired through factoring	-	-	-	-	N/A	N/A	N/A
Trading and investment securities	-	-	-	-	N/A	N/A	N/A
Other assets	38	34	33	34	-10.1%	-3.9%	2.8%
Investment securities	-	-	-	-	N/A	N/A	N/A
Equity securities and similar assets	0	0	0	0	0.0%	0.0%	N/A
Subordinated debts	-	-	-	-	N/A	N/A	N/A
Fixed assets given in leasing and renting	-	-	-	-	N/A	N/A	N/A
Intangible assets	3	3	2	2	-22.1%	-33.6%	-23.7%
Tangible assets	67	64	60	59	-5.0%	-5.8%	-1.4%
Liabilities	11,371	12,557	13,411	13,363	10.4%	6.8%	-0.4%
Central banks, public treasury, postal checks service	-	-	-	-	N/A	N/A	N/A
Amounts owed to credit and related institutions	4,058	4,044	3,523	3,809	-0.3%	-12.9%	8.1%
Customer deposits	-	-	-	-	N/A	N/A	N/A
Issued debt securities	4,852	5,864	7,182	6,707	20.8%	22.5%	-6.6%
Other liabilities	28	36	33	94	31.6%	-7.6%	183.8%
Provisions for liabilities and charges	0	9	9	9	>100.0%	0.0%	-3.7%
Regulated provisions	-	-	-	-	N/A	N/A	N/A
Subsidies, allocated public funds and special guarantee funds	-	-	-	-	N/A	N/A	N/A
Subordinated debt	-	-	-	-	N/A	N/A	N/A
Revaluation surplus	-	-	-	-	N/A	N/A	N/A
Reserves and additional paid-in capital	1,901	2,079	2,132	2,309	9.3%	2.5%	8.3%
Capital	355	355	355	355	0.0%	0.0%	0.0%
Shareholders, unpaid capital (-)	-	-	-	-	N/A	N/A	N/A
Retained earnings (+/-)	-	-	-	-	N/A	N/A	N/A
Net income pending allocation (+/-)	-	-	-	-	N/A	N/A	N/A
Net income for the fiscal year (+/-)	178	171	177	81	-3.7%	3.8%	-54.1%

Source : FEC

II. PRESENTATION OF THE INCOME STATEMENT

The income statement of the Fonds d'Équipement Communal (FEC) is as follows for the period 2011 - 1st half of 2014:

Million MAD	2011	2012	2013	H1 2013	H1 2014	Var. 12/11	Var. 13/12	Var. H1 14/13
Banking operating income	709	778	821	400	419	9.6%	5.6%	4.9%
Interest and similar income from transactions with credit institutions	9	7	6	2	3	-17.1%	-18.3%	19.1%
Interest and similar income from transactions with customers	697	770	815	397	416	10.5%	5.8%	4.8%
Interest and similar income from debt securities	-	-	-	0	0	N/A	N/A	N/A
Income from property titles	-	-	-	0	0	N/A	N/A	N/A
Income from capital goods leasing and renting	-	-	-	0	0	N/A	N/A	N/A
Commissions on service delivery	-	-	-	0	0	N/A	N/A	N/A
Other banking products	3	-	-	0	0	-100.0%	N/A	N/A
Banking operating expenses	393	433	484	235	257	10.2%	12.0%	9.1%
Interest and similar expenses on transactions with credit institutions	197	182	192	96	104	-7.6%	5.7%	8.0%
Interest and similar expenses on transactions with customers	-	-	-	0	0	N/A	N/A	N/A
Interest and similar expenses on debt issued	196	250	292	139	152	28.0%	16.5%	9.9%
Charges on assets leased and rented	-	-	-	0	0	N/A	N/A	N/A
Other bank expenses	0	0	0	0	0	-7.3%	-10.0%	54.6%
Net banking income	317	345	337	164	162	8.9%	-2.4%	-1.2%
Non-banking revenue	1	0	0	0	0	-68.0%	-80.9%	151.6%
Nonbank operating expenses	0	0	0	0	0	-20.0%	20.2%	-51.0%
General operating expenses	53	54	54	27	28	2.8%	-0.9%	4.2%
Personnel costs	35	38	39	20	22	7.6%	3.3%	8.4%
Taxes and levies	1	1	1	0	0	-0.8%	-4.5%	0.4%
External expenses	9	8	7	3	3	-11.9%	-14.2%	10.3%
Other general operating expenses	1	1	1	1	1	110.9%	7.1%	3.4%
Allocation to depreciations and provisions of assets	7	6	6	3	2	-12.5%	-11.2%	-28.0%
Allocations to provisions and unrecoverable debt write-offs	6	17	3	2	7	173.3%	-80.4%	169.9%
Appropriations to provisions on debts and pending commitments by signature	6	8	3	2	7	31.1%	-59.0%	169.9%
Losses on unrecoverable debts	-	-	-	0	0	N/A	N/A	N/A
Other provisions	0	9	-	0	0	>100.0%	-100.0%	N/A
Reversals of provisions and recoveries on written off loans	23	10	9	5	5	-58.8%	-9.1%	-11.8%
Reversals of provisions on debts and pending commitments by signature	22	9	9	5	5	-58.9%	-6.0%	-11.8%
Recoveries on written off loans	-	-	-	0	0	N/A	N/A	N/A
Other reversals	1	0	-	0	0	-55.1%	-100.0%	N/A
Operating result	282	284	288	140	132	0.7%	1.6%	-5.7%
Non-current income	1	0	0	0	0	-62.0%	-83.5%	-100.0%
Non-recurring expenses	0	5	4	2	2	889.3%	-20.4%	-6.0%
Pre-tax income	282	279	285	138	130	-0.9%	1.8%	-5.7%
Taxes on income	105	109	107	52	49	3.9%	-1.3%	-5.1%
Net income	178	171	177	86	81	-3.7%	3.8%	-6.1%

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 process

The Chief Risk Management is responsible for approving the project to be financed and is the one who 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 for Economic Affairs 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 as well as the source of revenue that will enable the customer to repay the debt.

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 Terms and Conditions to the granting of loans

The FEC's receivables on local communities must mandatorily, per law, be included in the borrowers' budgets.

The granted loans granted to the boards (régies) require a guarantee from the concerned local community.

For the other customers' categories, the guarantees are in the form of mortgages on the lands, which must have been previously evaluated.

Loan contracts by FEC stipulate:

- the borrower's commitment to communicate to the FEC, over the lifetime of the contract, the budgets and administrative statements within one month of their approval;
- 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;
- a suspensory condition of any new commitment in case of default by over 90 days;

Solvency profile

The calculation of the solvency ratio was modified after the FEC adhered to the Basel II standards since the Decision of December 2011. As of 31 December 2011, this ratio is now calculated in accordance with the provisions of circular n° 26/G/2006 of Bank Al Maghrib. It equals the ratio between the prudential capital and the weighted assets in terms of credit and operational risks.

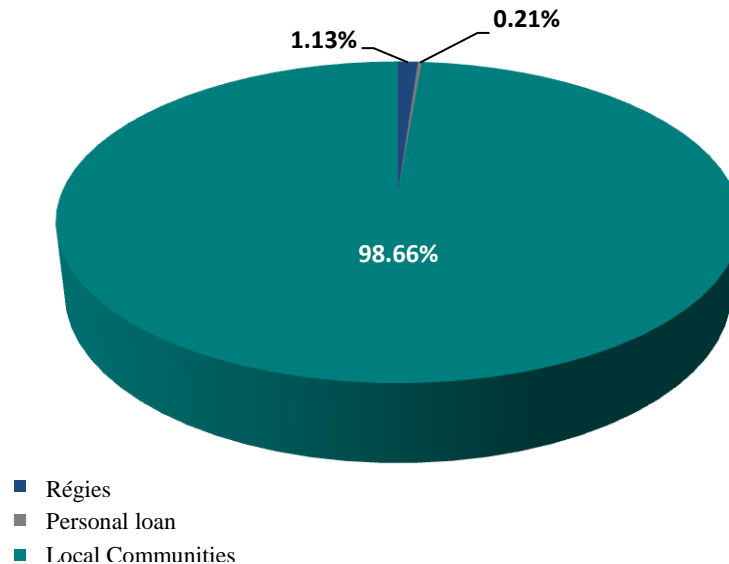
As of June 30th:

The net weighted risks borne by the FEC amount to KMAD 3,544,956 and are composed of 91% of credit and 9% of operational risk.

In accordance to the new prudential requirements, brought into force in 2013, the solvency ratio stands at 77.64% while the Tier One ratio is displayed at 77.40%, thereby reflecting the good solvency level of the Institution.

Analysis of the credit portfolio

Amounts due from customers composed of 98.66% of liabilities to the Local Communities amounted to a total of KMAD 13,116,716 as of 30 June 2014:



Source : FEC

The funding commitments given by the FEC to customers amount, as of 30 June 2014, to KMAD 3,123,132 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 Economic Affairs 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 2014 reveals that 65% 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.

Risk Division Factor

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 Department and the Accounting & Reporting Division shall ensure compliance with the risk division factor.

This factor stands, per the terms of the new circular n°08/G/2002 of Bank Al Maghrib (applicable since 2013), at 16.5% as of end of June 2014, thereby standing below the regulatory threshold set by BAM.

In application of the directive n° 2/G/2002 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 2%.

II. ASSET/LIABILITY MANAGEMENT

Who is responsible for the Asset/Liability management?

The Chief Financial Officer is responsible for the Asset/Liability management.

The Risks Committee shall validate 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 that 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.

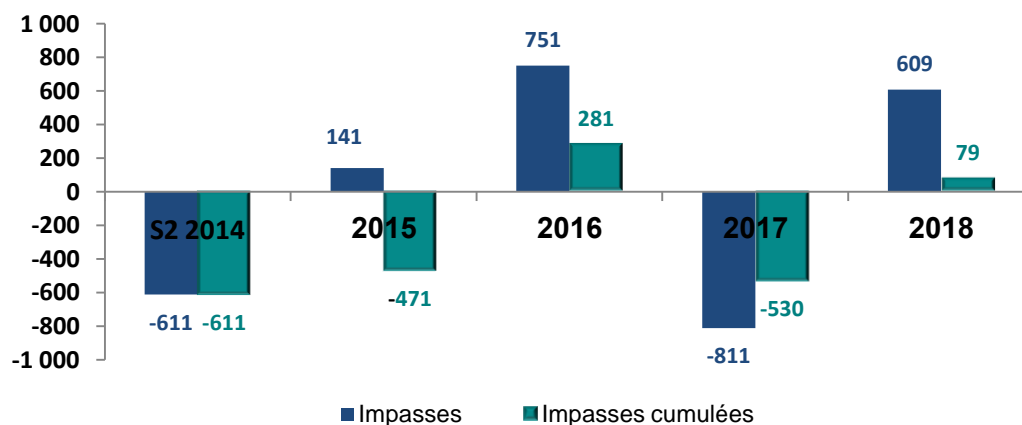
A report shall be produced every six months and is to be submitted to the General Manager and to the Risk Committee.

II.1. LIQUIDITY RISK

The liquidity risk management is based on the determination of the short-, mid- and long-term static and dynamic provisional bottlenecks 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 2014

Liquidity static annual bottlenecks as of 30 june 2014 (in KMAD)



Source : FEC

Liquidity ratio

The liquidity ratio stood at 147.27% as of 30 June 2014.

II.2. RATE RISK

The rate risk monitoring is set based on:

- calculation of the rate gaps and analysis of the balance sheet structure by rate type, which allows to measure and to anticipate the rate risk exposure by a classification of resources deployment by based on the maturity bands.
- calculation of the durations of the loans and borrowings portfolio.

Exposition as of 30 June 2014

The rate gaps per rate type and residual maturity are determined, as of 30 June 2014, as follows:

▪ Fixed rate

Residual maturity	M<1 Year	1<= M<2 Y	2<= M<3 Y	3<= M<5 Y	5<= M<10 Y	M>=10 Y
Gaps	-737	-54	-507	-349	-316	-227

Source : FEC

▪ Variable rate

Residual maturity	M<1 Year	1<= M<2 Y	2<= M<3 Y	3<= M<5 Y	5<= M<10 Y	M>=10 Y
Gaps	-587	221	248	-1,473	3,751	2,401

Source : FEC

The stress tests/reports relating to the rate risk impact on the portfolio and on the economical value of the FEC are carried out quarterly and sent over to Bank Al Maghrib as per the reporting regulations.

As of end of June 2014, the stress tests results reveal that a choc of 200 base points of the rates yielded a GNP win of 13.67% on a 12 months horizon and a decrease in the economic value by 6.19% in terms of equity.

Impact	Rate Evolution:
	Variation of 200 base points
GNP	13.67%
Economic value in % compared to Shareholders Equity	-6.19%

Source : FEC

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 evolutive internal control procedure 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 Risk 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

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, Line of Business and Support divisions. The general cartography of the processes and procedures was designed in accordance with the requirements of the Quality standard ISO 9001 V2008.

Furthermore, the integration of the modeling tool 'MEGA process' has allowed for a unique repository of the procedures, structured and accessible to all collaborators 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 in accordance with the circular 40/G/2007 of 2 august 2007 by Bank Al Maghrib, pertaining to the internal Control of the credit institutions.

Internal control manual

In the context of the improvement of its internal control system, the FEC completed in 2012, with the collaboration of experts, the update of its internal control manual, and this, in conformity to the applicable regulations and to the best practices.

The newer version of this manual (MCI) gives the FEC an additional tool to enable 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 a Business Continuity Plan in accordance to the directive of Bank Al Maghrib n°47/G/2007.

The implementation of the BCP concerned among other topics:

- Information Office Continuity Systems;
- Logistic Continuity Systems;
- Human Resources Continuity Systems;
- Operations Continuity Systems.

In order to ensure the implemented operational systems are maintained, a maintenance and development plan for the FEC's BCP was adopted and the related defined action plans.

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 Chief Risks Management. This department uses CROs ('correspondents for operational risks') 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 Risks Committee.

Operational risk covering

In accordance with the regulatory provisions relating to the minimal equity requirements, the FEC is, since December 2011, responsible for the covering 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 banking net revenue, calculated on the 3 last years.

IV. NON-COMPLIANCE RISKS

In accordance with the circular n°40/G/2007 and with the directive n°49/G/2007 of Bank Al Maghrib, the FEC adopted a compliance policy and a cartography of non-compliance risks.

V. FOREIGN EXCHANGE RISK

The foreign exchange risk inherent to most external loans by the FEC is guaranteed by the State (Ministry of Economy and Financial Affairs/Treasury and External Finances Department) against payment, in the context of a system specific to each line of credit.

WARNING

The above mentioned information constitutes only a part of the prospectus approved by the CDVM under reference n° VI/EM/039/2014, on November 11th 2014.

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