BMCE Bank opted to finance transactions under EP II in order to apply the same reporting format both before and during the transition period (4 June 2013 to 31 December 2013). **This report covers the entire year of 2013.**

What are the Equator Principles?

The Equator principles are voluntary standards designed to help financial institution to determine, assess and manage environmental and social risks. They were adopted in order to ensure that the Projects financed and advised on are developed in a manner that is socially responsible and reflects sound environmental management practices.

The Equator Principles were established in 2003 on the basis of the World Bank's environmental standards in cooperation with the International Finance Corporation (IFC) and were signed at that time by ten banks. They have been updated in 2006 (EP II) and in 2013 (EP III) in order to reflect ongoing learning and emerging good practice. Also, the scope of the Equator Principles was expanded to include project-related corporate loans and environmental bridge loans.

As of March 2014, 80 financial institutions have adopted the Equator Principles in 34 countries, covering over 70% of international project finance debt in emerging markets. **BMCE Bank has been a member since 2010.**

Find out more about the Equator Principles on the Official website:

www.equator-principles.com

The implementation of the Equator Principles at BMCE Bank

Since 2010, BMCE Bank has been the first Moroccan Bank to adopt the Equator Principles. It should be noted that existing gaps in the Moroccan legislation help explain the low implementation of environmental protection laws and regulations. BMCE Bank has made tangible efforts to implement the Equator Principles to fill these gaps, and to date, remains the only financial institution in the region to make such a commitment. The journey so far has been rewarding but also challenging, in a context because there is no sharing of best practices.

Despite these difficulties, BMCE Bank has developed management methodologies that enable us to identify, reduce and mitigate potential environmental and social impacts arising from the projects financed.

As an Equator Principles member, we conduct an assessment which takes into consideration the analysis of environmental and social aspects. The environmental and social risk assessment process takes into account the project nature, its geographical location and its potential environmental and social impact.

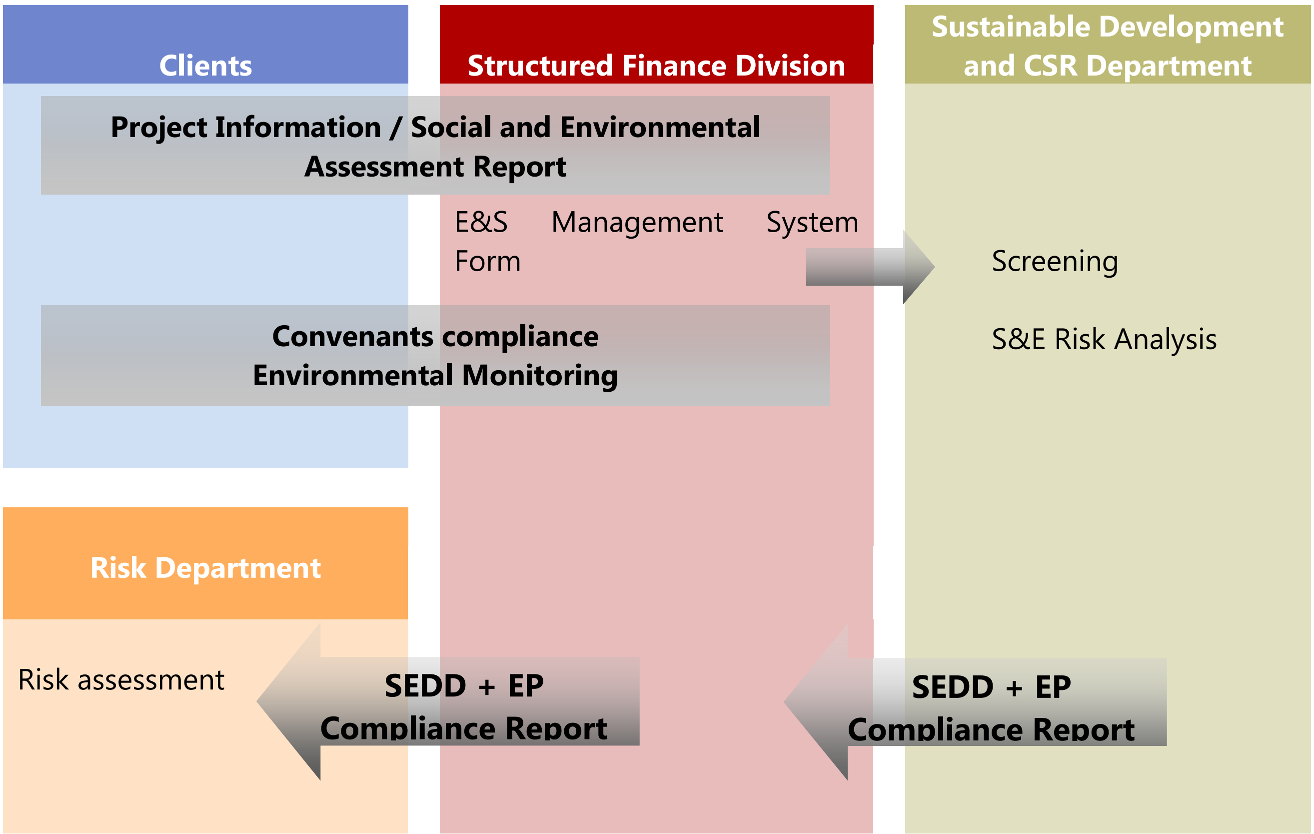
Under the Equator Principles, the implementation includes the following steps:

- **Exclusion list**
- **Categorization**
- **Information and data collection** relating to the projects
- **Field visits** to project area of Category A and some of Category B
- **Analysis** of the environmental & social risks of projects
- **Drafting an action plan**

The Sustainable Development & CSR (SD & CSR) unit at BMCE Bank is responsible for the oversight & implementation of the EPs. It coordinates with the Structured Finance Division, the Risk department and the bank's branch network. It also ensures that social and environmental criteria are incorporated into loan portfolio screenings.

Internal procedures for granting investment loans were revised this year by the SD & CSR unit, in coordination with other divisions. The ESMS information tool was also reviewed and updated to facilitate the process for the front office, simplify loan screenings, and improve the output for reporting. Currently, our Environmental and Social Management System (ESMS) requires all potential loan beneficiaries to be screened for compliance with social and environmental requirements prior to approving financing.

The graph below summarizes BMCE Bank's organizational structure in integrating the EP



Training and Ongoing Improvement

BMCE Bank has been conducting internal training to reinforce knowledge and understanding of established social and environmental procedures among officers. Moreover, a presentation of the Environmental and Social evaluation sheet is made. In order to build capacity internally on an ongoing basis, we have developed material on the Equator Principles, including the Environmental and Social Evaluation sheet with an appropriate glossary. Also our internal communication channels have supported our efforts to raise awareness and understanding of social and environmental considerations among all employees.

Projects screened based on the Equator Principles

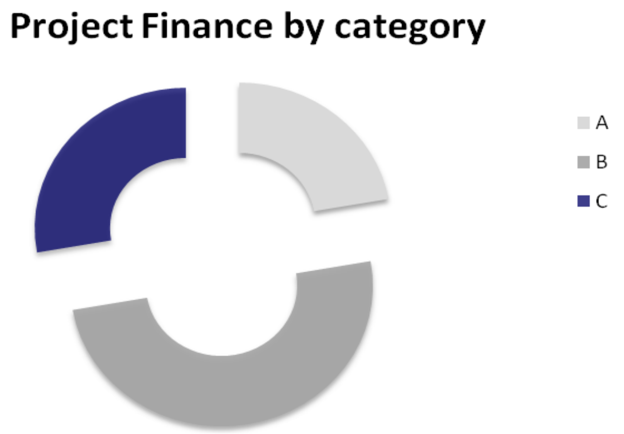
In 2013, 18 projects were reviewed by BMCE Bank according to the requirements of the Equator principles II, compared to 14 projects in 2012. These projects cover the IFC's 8 Performance Standards as well as all categories (A, B & C).

Eight projects assessed and approved in the 2013 financial year have yet to be financed, as clients are still aiming at Equator Principles' compliance. Moreover, three projects screened in the 2012 financial year have not yet been financed as of the end of 2013.

By Category

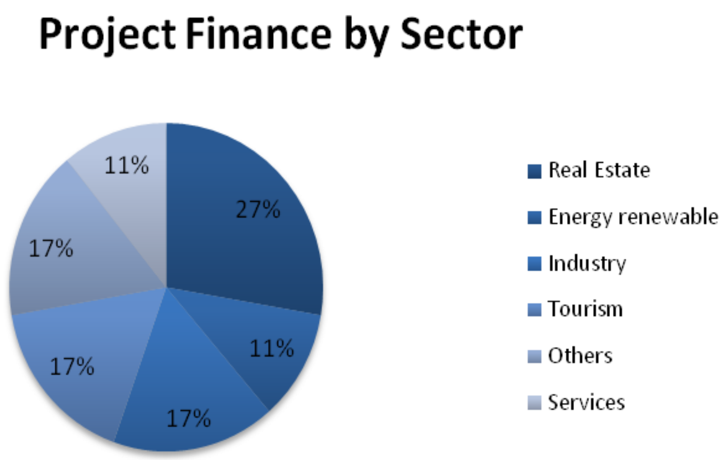
The categorization of projects into A, B, or C categories is based on the applicable IFC Environmental and Social Performance Standards assessment criteria.

Category	Definition	Number of projects
A	High risk: projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.	4
B	Medium Risk: projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site–specific, largely reversible and readily addressed through mitigation measures.	9
C	Low Risk: Projects with minimal or no adverse social or environmental Impacts.	5

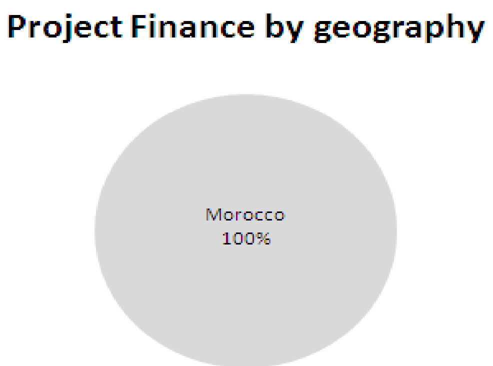


Project Finance by Sector

With regards to the distribution of loans by sectors of activity, Real Estate takes the lead with more than 28% of projects, followed by Tourism, Industry and Other sector (17%), While Renewable energy and Services represent 11% of the projects funded.



By Geography



By costs

In 2013, BMCE Bank analyzed 18 projects covering a total investment of more than 670 million USD. The table below shows the categories of risk for projects approved.

Category	Cost (US$M)	Number of project	Total Cost of Project
A	290.73	4	43.15%
B	155.53	9	23.08%
C	227.56	5	33.77%

**The exchange rate applied on Dec. 31, 2013 USD 1 = MAD 8.18132*

By Financial Product

	A	B	C
Project Finance	4	9	5
Project Finance Advisory	-	-	-

Review of project financing based on assessment/status

Status	Category			
	A	**B**	**C**	**Total**
Financed	0	5	2	7
Not approved	0	0	0	0
In process	4	4	3	11
Not realized	0	0	0	0
Total	4	9	5	18