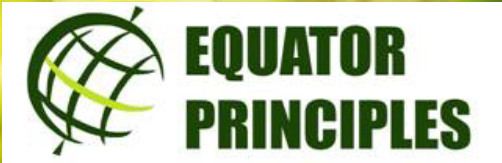


EQUATOR PRINCIPLES

Annual Report 2014



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Introduction

This report provides an overview of the most recent data for financial year 2014 (from 1 January to 31 December 2014). The recorded transactions have been measured in accordance with the requirements of the third version of the Equator Principles (EPIII), officially adopted 4 June 2013. This report includes assessed and approved projects with particular attention given to those projects whose financial closure was in 2014.

What are the Equator Principles?

The Equator Principles are voluntary standards designed to help a financial institution determine, measure and manage social and environmental risks. They were established to ensure that the projects financed and advised on are developed in a manner that is socially responsible and reflect sound environmental management practices.

The Equator Principles (EP) were launched in 2003 on the basis of the World Bank's sustainability standards, particularly those of its affiliate the International Finance Corporation (IFC). At the time, the Principles were adopted by ten banks. They were updated in 2006 (EPII) and again in 2013 (EPIII) to take into account the very latest best practices and to extend their scope to include project-related corporate loans and bridge loans.

As of June 2015, 80 financial institutions in 35 countries have officially adopted the Equator Principles, covering over 70 percent of international Project Finance debt in emerging markets. BMCE Bank has been a member since 2010.

For further information about the Equator Principles, please consult the official site www.equator-principles.com.

Implementation of the Equator Principles by BMCE Bank

BMCE Bank became the first Bank in the Maghreb Region to adopt the Equator Principles on 10 May 2010, underlining the Bank's strong commitment to finance socially responsible projects, respectful of environmental standards. This is reflected in the way the Bank has developed management methodologies for identifying, reducing and containing potentially adverse environmental and social impacts resulting from the projects financed.

As a member of the Equator Principles, BMCE Bank conducts an assessment which takes into account an analysis of social and environmental aspects. The assessment process also takes into account a project's characteristics, its geographical location and its possible social and environmental impact.

Implementation of the Equator Principles comprises the following steps:

- Categorisation
- Collecting project-related information and data
- Visiting the site for Category A and certain Category B projects
- Analysing the project's social and environmental risks
- Proposing an action plan

The Sustainable Development & CSR (SD&CSR) unit is responsible for monitoring and implementing the Equator Principles. This unit coordinates with the Bank's Structured Finance and Group Risk and Coordination Divisions, as well as the branch network. Its role also consists of ensuring that social and environmental criteria are incorporated within the loan approval process. The Sustainable Development & CSR unit functions independently from the Structured Finance Division.

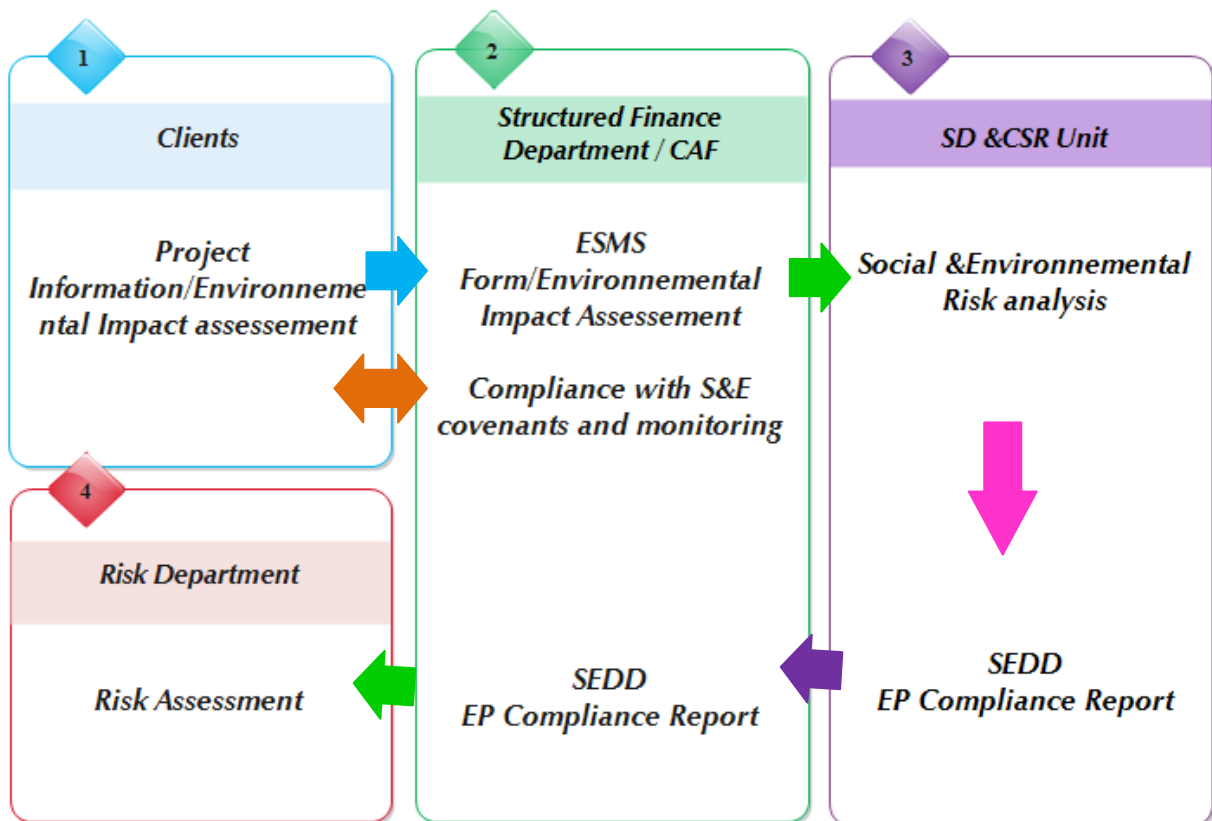
Social and environmental risk management

The steps for managing social and environmental risk are as follows:

- 1- The Structured Finance Division (SF) and the Business Centre (BC) in question request an Environmental Impact Report and information regarding the project in order to complete the SEMS form (a sector-based questionnaire for S&E risk assessment and management).
- 2- The SD&CSR units studies the SEMS form and analyses the Environmental Impact Report and conducts social and environmental due diligence (SEDD) in accordance with IFC requirements. Following the SEDD, an Equator Principles compliance report is prepared by the SD&CSR unit.
- 3- Both reports are submitted to the SF/BC which then transfers them to the Group Risk and Coordination Division.
- 4- On approval, the SD&CSR informs the customer via the SF of the required action plan.

The following flow-chart summarises the BMCE Bank’s organisational structure for managing social and environmental risk:

1. *Customers*
Information about the Project/Environmental Impact Report
2. *Structured Finance Division/BC*
SEMS form/Environmental Impact Report
Compliance with covenants and Environmental monitoring
SEDD – EP Compliance Report
3. *Studies and analyses S&E risks*
SEDD – EP Compliance Report
4. *Risk Division*
Risk Assessment



Continuous improvement

In 2014, the *Equator Principles’ scope was extended* while transactions and projects with strong and average S&E impact (Category A and Category B projects) were identified. These transactions were closely monitored and *social and environmental due diligence* was conducted in accordance with domestic regulations, IFC performance standards and requirements under the Equator Principles.

In order to maintain the Bank’s status as an EP-compliant financial institution, BMCE Bank updated its *internal procedures* relating to project finance to incorporate the third generation of the Equator Principles. These procedures were updated in concertation with head office entities.


As part of the process of improving the processing of all projects financed, an **S&E risk assessment form** was devised for the purpose of simplifying processes and reducing the workload of the staff in question.

Our main goal in 2015 is to make it easier to understand the latest generation of the Equator Principles and improve the knowledge base of the staff (branch network and head office entities) in question with regard to social and environmental issues by providing specific and relevant training.

Projects assessed on the basis of the Equator Principles

The total number of new project finance transactions assessed and approved in 2014 was 21 versus 18 in 2013. 10 of these projects saw financial closure in 2014. The projects were identified and assessed by applying eight IFC performance standards as per the bank's adopted methodology, and the Equator principles 1 through 10 (as appropriate to the Category).

In accordance with the Equator Principles III and minimum reporting obligations, we hereby provide a breakdown of projects by:

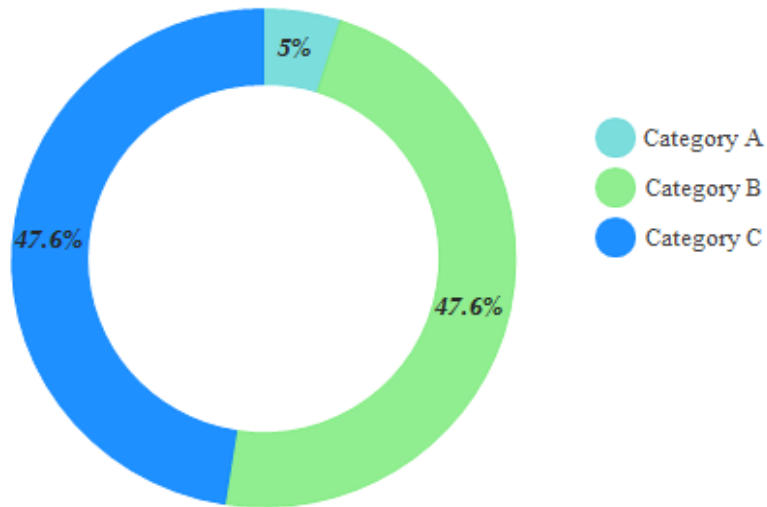
-  Category
-  Sector
-  Region
-  Country designation
-  Independent review
-  Cost
-  Financial income

 ***Breakdown by Category***

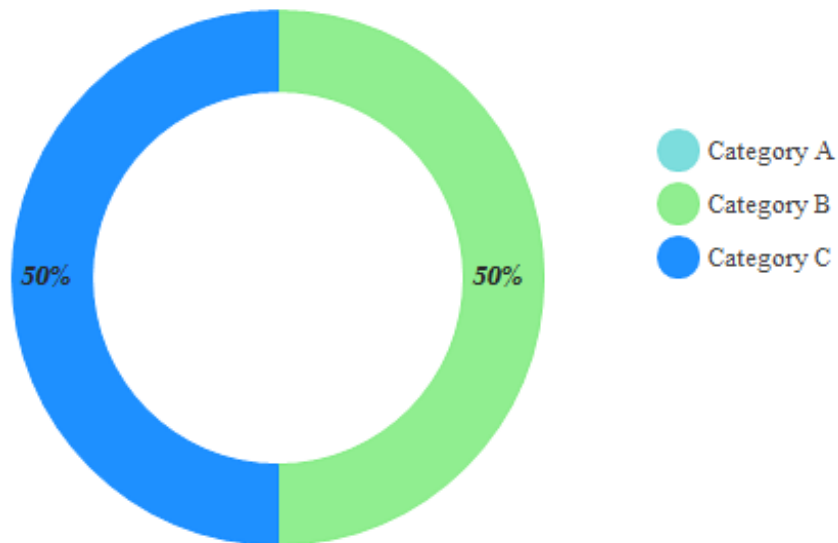
Categorisation of projects under A, B or C is primarily based on assessment criteria and International Finance Corporation's social and environmental performance standards.

Category	Definition	Number of assessed and approved projects	Number of financially-closed projects
A	High risk - Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented	1	-
B	Average risk - Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, largely reversible and readily addressed through mitigation measures	10	5
C	Low risk – Services company projects with minimal or no adverse environmental and social risks and/or impacts	10	5

Breakdown of all assessed projects by Category



Breakdown of financially-closed projects by Category



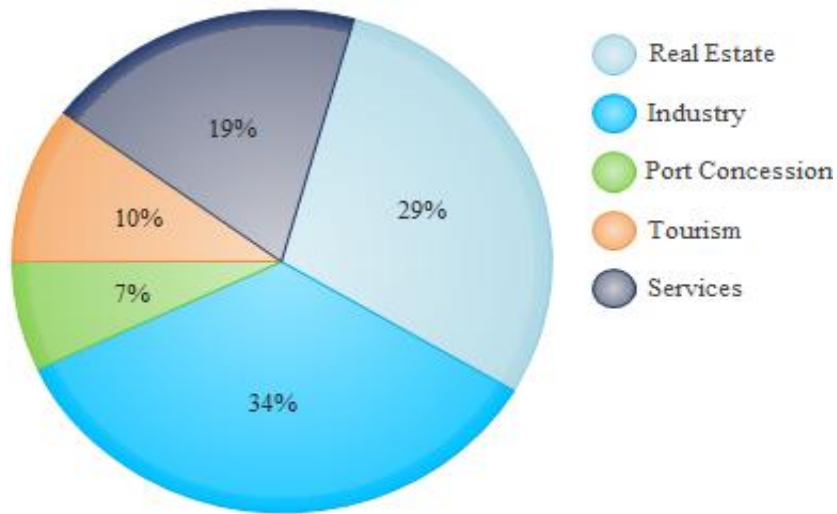
 **Breakdown by Sector**

For all projects assessed and approved in 2014, the manufacturing sector topped the rankings, accounting for more than 34% of the total amount of projects financed, followed by the real estate development sector (29%), services (19%), tourism (10%) and port concessions (7%).

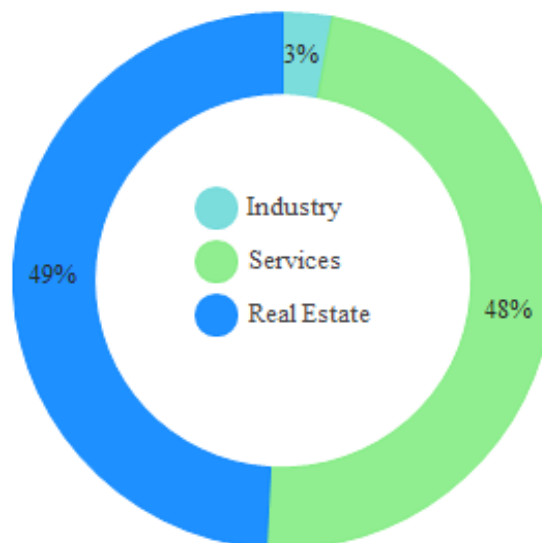
As for the breakdown of loans for financially closed projects, the real estate development sector accounted for 49% versus 48% for the services sector and 3% for the manufacturing industry.

<i>Sector</i>	<i>Sub-sector</i>	<i>Assessed and approved projects</i>			<i>Financially-closed projects</i>		
		<i>A</i>	<i>B</i>	<i>C</i>	<i>A</i>	<i>B</i>	<i>C</i>
Mining		-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-
Oil & Gas		-	-	-	-	-	-
Power		-	-	-	-	-	-
Others		1	10	10	-	5	5
	Manufacturing	1	1	1	-	1	-
	Real estate development	-	6	4	-	4	3
	Tourism	-	3	1	-	-	-
	Port concessions	-	-	2	-	-	-
	Services	-	-	2	-	-	2

Breakdown of all assessed projects by Sector



Breakdown of financially-closed projects by Sector



 *Breakdown by Region*

<i>By regions</i>	<i>Assessed and approved projects</i>			<i>Financially-closed projects</i>		
	<i>A</i>	<i>B</i>	<i>C</i>	<i>A</i>	<i>B</i>	<i>C</i>
<i>The Americas</i>	-	-	-	-	-	-
<i>Asia and Oceania</i>	-	-	-	-	-	-
<i>Europe, the Middle East and Africa</i>	1	10	10	-	5	5

 *Breakdown by Country designation*

<i>By country designation</i>	<i>Assessed and approved projects</i>			<i>Financially-closed projects</i>		
	<i>A</i>	<i>B</i>	<i>C</i>	<i>A</i>	<i>B</i>	<i>C</i>
<i>Designated countries</i>	-	-	-	-	-	-
<i>Non-designated countries</i>	1	10	10	-	5	5

 *Breakdown by Independent review*

<i>Independent review</i>	<i>Assessed and approved projects</i>			<i>Financially-closed projects</i>		
	<i>A</i>	<i>B</i>	<i>C</i>	<i>A</i>	<i>B</i>	<i>C</i>
<i>Yes</i>	-	-	-	-	-	-
<i>No</i>	1	10	10	-	5	5

 **Breakdown by Cost**

In 2014, BMCE Bank assessed 21 projects valued at more than USD 15 billion. The 10 projects which saw financial closure in 2014 were valued at more than USD 388 million. The following table shows the different project risk categories for approved and financially closed projects.

Category	Total cost (USD M)		Number of projects		% total cost	
	Assessed and approved projects	Financially-closed projects	Assessed and approved projects	Financially-closed projects	Assessed and approved projects	Financially-closed projects
A	115	-	1	-	0.7%	0%
B	401	142	10	5	2.6%	37%
C	14 997	246	10	5	96.7%	63%
Total	15 512	388	21	11	100%	100%

*The exchange rate prevailing at 31 December 2014 was MAD 1 = USD 0.104

 **Breakdown by Financial product**

Financial year	Assessed and approved projects			Financially-closed projects		
	A	B	C	A	B	C
2014						
Project finance advisory services	-	-	-	-	-	-
Project finance	1	9	10	-	4	5
Project-related corporate loans	-	-	-	-	-	-
Bridge loans	-	1	-	-	1	-

Assessment of projects to be financed based on current state

<i>Project status</i>	<i>Category</i>			
	<i>A</i>	<i>B</i>	<i>C</i>	<i>Total</i>
<i>Financed</i>	0	24%	24%	48%
<i>Not approved</i>	0	0	0	0
<i>Under assessment</i>	5%	24%	24%	52%
<i>Not carried out</i>	0	0	0	0
<i>Total</i>	5%	48%	48%	100%

Independent audit organisations

The social and environmental performance of BMCE Bank is evaluated regularly by external organizations recognized internationally.

As part of the Environmental Management System (EMS), a Green & Sustainable Finance working group (Environmental Performance Improvement Group) has been specially designed for evaluating and managing the indirect impacts of activities financed by the bank. This group is subject to internal audits at least twice a year by qualified and independent auditors in accordance with the procedure of internal environmental audits.

In addition, BMCE Bank has implemented the environmental certification for all of its activities based on ISO 14001, maintained for over 5 years to date. In this context, Bureau Veritas, a world leader in conformity assessment and certification, undertakes yearly evaluations of BMCE Bank's compliance practices of ISO 14001 requirements, including indirect impacts of clients' activities, in terms of policy, resources and efficiency.



Bureau Veritas is a global leader in Testing, Inspection and Certification (TIC), delivering high quality services to help clients meet the growing challenges of quality, safety, environmental protection and social responsibility. As a trusted partner relying on a network of more than 930 offices in 140 countries, Bureau Veritas offers innovative solutions that go beyond simple compliance with regulations and standards, reducing risk, improving performance and promoting sustainable development.

Furthermore, as part of the external audit of the management of the Social Responsibility of the bank, the social responsibility rating and audit agency, conducted a diagnostic review of the adequacy of commitments and processes of the bank based on Vigeo's repository, which includes the degree of integration of the Equator Principles and Reporting on social and environmental impacts of the Bank.

The conclusions of Vigeo's report were presented to the Bank's General Management Committee on July 15, 2015.



Vigeo is the leading European expert in the assessment of companies and organisations with regard to their practices and performance on environmental, social and governance ("ESG") issues.

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