

Rating Action: Moody's assigns first-time Ba1 issuer ratings to BMCE Bank

14 Feb 2019

Paris, February 14, 2019 -- Moody's Investors Service today assigned first-time Ba1 local currency and foreign currency long-term issuer ratings to BMCE Bank (BMCE) with a stable outlook.

Moody's positioning of the bank's issuer ratings at Ba1 on the global scale is at the same level as the bank's local currency deposit rating. It reflects the view that the bank's ability to honour its senior unsecured debt obligations is at par with its capacity to honour its deposit obligations in local currency.

At the same time, Moody's assigned first-time Aa2.ma local currency and foreign currency long-term issuer ratings to BMCE on the Moroccan national scale rating (NSR), which are derived from the bank's global scale ratings and reflect its credit positioning relative to domestic peers.

The stable outlook of the long-term global scale issuer ratings matches the stable outlook of BMCE's long-term deposit ratings.

All other ratings of BMCE were unaffected by today's rating action.

A full list of assigned ratings can be found at the end of the press release.

RATINGS RATIONALE

Moody's issuer ratings are opinions of a bank's ability to honour senior unsecured debt obligations and, accordingly, the issuer ratings assigned today reflect: (1) the banks' Baseline Credit Assessment (BCA) and Adjusted BCA of b1; (2) the results of Moody's basic Loss Given Failure (LGF) analysis, resulting in an alignment of the Preliminary Rating Assessment (PRA) with the BCA as per Moody's Banks methodology applied to jurisdictions without an operational resolution regime; and (3) the rating agency's assumptions of government support for BMCE's senior unsecured debt obligations, reflected in very high support assumptions and three notches of uplift from the bank's b1 BCA.

The bank's issuer ratings are assigned at the level of the most senior plain vanilla unsecured bonds, which for Moroccan banks is the senior unsecured debt rating. Although there is no senior unsecured debt rating assigned to BMCE, Moody's views the loss characteristics of senior unsecured debt instruments as similar to those of its rated deposits. As a result, the bank's issuer ratings equal its local currency deposit ratings of Ba1 and are one notch above the bank's foreign currency long-term deposit ratings of Ba2, which is capped by the foreign currency deposit ceiling of Ba2 in Morocco.

Because BMCE's issuer ratings are aligned with its local currency long-term deposit rating, the outlook on the long-term issuer ratings mirror the banks' outlooks on its local currency long-term deposit rating.

WHAT COULD CHANGE THE RATINGS UP

The bank's issuer ratings could be upgraded following an upgrade of its BCA and Adjusted BCA.

Upward pressure on the banks' BCA could develop following a steady reduction in nonperforming loans (NPLs) and a strengthening in the bank's capital and reserve buffers.

WHAT COULD CHANGE THE RATINGS DOWN

The bank's issuer ratings could be downgraded following a downgrade of its BCA and Adjusted BCA, in particular if BMCE's NPL formation increases and risk-absorption buffers deteriorate.

BMCE's issuer ratings could also be downgraded due to a reduction in government support assumptions or a deterioration in the Moroccan government's capacity to support the banks in case of need.

LIST OF AFFECTED RATINGS

Issuer: BMCE Bank

..Assignments:

....Long-term Issuer Rating (Local and Foreign Currency), assigned Ba1 Stable

....NSR Long-term Issuer Rating (Local and Foreign Currency), assigned Aa2.ma

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1113601.

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