

Rating Action: Moody's affirms four Moroccan banks' ratings; changes the outlook to stable from positive on three banks

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Banks rating actions follow the affirmation of the Moroccan sovereign rating and change of its outlook to stable from positive

Paris, November 23, 2018 -- Moody's Investors Service ("Moody's") has today affirmed the Ba1/NP local currency deposit ratings of Attijariwafa Bank (Attijariwafa), Groupe Banque Centrale Populaire (BCP), BMCE Bank (BMCE) and Credit du Maroc (CdM). Concurrently Moody's affirmed the baseline credit assessments (BCAs) of BMCE at b1, the BCAs of Attijariwafa, BCP and CdM at ba3 and the adjusted BCA of CdM at ba1. Moody's also affirmed the long-term foreign currency deposit ratings of the four banks at Ba2, at the same level as the country ceiling for foreign currency deposits, and affirmed the long-term Ba1(cr) Counterparty Risk Assessment (CR Assessment) and the Ba1/NP Counterparty Risk Ratings of Attijariwafa, BCP and BMCE, and the long-term Baa3(cr) CR Assessment and the Baa3/P-3 Counterparty Risk Ratings of CdM. Moody's changed the outlook on all long-term global scale ratings (GSR) local currency deposit ratings of Attijariwafa, BCP and CdM to stable from positive, and maintained the stable outlook on BMCE's GSR long-term local currency ratings.

On the Moroccan national scale, Moody's affirmed the local currency deposit ratings of Aa1.ma/MA-1 and foreign currency deposit ratings of Aa3.ma/MA-1 of Attijariwafa, BCP and CdM, and affirmed the local currency deposit ratings of Aa2.ma/MA-1 and foreign currency deposit ratings of Aa3.ma/MA-1 of BMCE.

The affirmation of the four Moroccan banks' ratings reflects Moody's view that, in a context of stable economic conditions and operating environment, the banks' credit profiles, including asset-quality metrics, loss-absorption buffers and liquidity measures, will remain broadly in line with similarly-rated peers. It also reflects the rating agency's view that the probability that government support would be forthcoming in times of stress in the banking sector remains high.

The change in outlook to stable from positive on three Moroccan banks' long-term GSR local currency deposit ratings is primarily driven by the view that, despite the resilience of economic conditions and operating conditions for banks, the pace of Moroccan government's fiscal consolidation will be slower than initially expected, as signalled by Moody's recent decision to change the outlook on Morocco's government rating to stable from positive (please see 'Moody's changes outlook on Morocco's rating to stable, affirms Ba1 rating': https://www.moodys.com/research/--PR_391239). The slower pace of improvement in the sovereign fiscal position results in weaker capacity to support banks than previously anticipated.

Further bank specific detail is given below.

A full list of affected ratings is provided towards the end of this press release.

RATINGS RATIONALE

BANK BY BANK RATIONALE FOR AFFIRMATION

Moody's decision to affirm the banks' ratings reflects the agency's view that (1) the banks credit ratings adequately capture already high, albeit stabilising, levels of asset risks, modest capital buffers and moderate profitability, in a context of stable economic conditions and improving regulatory environment for banks, which continues to be reflected by a "Moderate-" Macro Profile for Morocco; and (2) Moody's view of a high probability of government support in case of need.

- Attijariwafa Bank (Attijariwafa)

Moody's affirmed Attijariwafa's long-term local currency deposit rating at Ba1, long-term foreign currency deposit rating at Ba2 and its BCA at ba3. The affirmation of the long-term deposit ratings reflects Moody's view that the ratings capture the stability of Moroccan banks' operating environment and the bank's standalone credit profile (ba3 affirmed). The BCA reflects the bank's solid profitability (net income to tangible assets ratio of

1.4% as of June 2018) supported by its low operating costs, moderate cost of risk and a well-established franchise in Morocco and in North, West and Central Africa, which provides earnings growth. It also captures the bank's sound liquidity and funding base and the challenges arising from the bank's relatively weak, albeit gradually improving, asset quality (problem loans steadily reduced to 6.9% of gross loans as of June 2018 from 7.1% in 2015) driven by fast expansion in relatively weaker operating environments outside Morocco, as well as high loan concentrations. The BCA also stems from the bank's modest capital buffers. The affirmation of ratings also reflects Moody's assessment of a very high probability of government support in case of need, given its 27% market share in domestic deposits, resulting in two notches of uplift for the local currency deposit ratings from the bank's ba3 BCA.

- Groupe Banque Centrale Populaire (BCP)

Moody's affirmed BCP's long-term local currency deposit rating at Ba1, long-term foreign currency deposit rating at Ba2 and its BCA at ba3. The affirmation of the long-term deposit ratings reflects Moody's view that the ratings capture the stability of Moroccan banks' operating environment and the bank's standalone credit profile (ba3 affirmed). The BCA reflects the bank's well-established domestic franchise supportive of earnings growth and low cost of funding. BCP's BCA also captures a stable and diversified funding base along with a high level of liquid assets. These strengths are moderated by modest and decreasing capital buffers (Tier 1 ratio decreased to 10.3% as of June 2018 from 12% as of December 2015), reflecting elevated loan growth and acquisitions in Africa. Although provisions have materially increased in the first half of 2018, driven by the implementation of IFRS 9 standards, loss absorption buffers remain modest in view of high asset concentration and a high level of problem loans (rising to 8.3% of gross loans as of June 2018 from 7.4% as of December 2015), in particular in expanding portfolios in the sub-Saharan African region. In September, the bank announced it entered exclusive negotiations with French Groupe BPCE (long-term bank deposits A1 stable, BCA ba1) to acquire four of their African subsidiaries, which could further pressure the bank's asset quality and loss absorption buffers if concluded, although the bank will continue reinforcing in parallel its capital in 2018 and 2019 through rights issue and subordinated debt issuances. The affirmation also reflects Moody's assessment of a very high probability of government support in case of need, given BCP represents around 26% deposit market share and is recognized under the Organic Law 02-12 as a strategic company in Morocco, resulting in two notches of uplift for the local currency deposit ratings from the bank's ba3 BCA.

- BMCE Bank (Bank)

Moody's affirmed BMCE's long-term local currency deposit rating at Ba1, long-term foreign currency deposit rating at Ba2 and its BCA at b1. The affirmation of the long-term deposit ratings reflects Moody's view that the ratings capture the stability of Moroccan banks' operating environment and the bank's standalone credit profile (b1 affirmed). The BCA is driven by the bank's moderate earnings generation capacity, supported by a well-established franchise in Morocco, but challenged by high provisioning requirements related to its growing exposure to sub-Saharan Africa. It also reflects relatively weak asset quality (problem loans increased to 8.5% of gross loans in June 2018 from 7.8% in 2015) that will continue to fuel elevated cost of risk, and a modest level of capital (reported Tier 1 ratio at 9.4% as of June 2018), albeit mitigated by rising provisions (loan loss reserves increases to 85% of gross loans in June 2018 from 64% as of December 2017) driven by the implementation of IFRS 9 standards, particularly in the context of growing cross-border expansion and high loan concentrations. A recent announcement that the bank will raise its core capital is positive, but will have to be examined in light of growth plans for coming years. The BCA also stems from the bank's relatively stable funding profile and high liquidity buffers. The affirmation and the stable outlook maintained on BMCE's GSR long-term local currency ratings also reflect Moody's assessment of a very high probability of government support in case of need, given BMCE's around 15% deposit market share resulting in three notches of uplift for the local currency deposit ratings from the bank's b1 BCA.

- Credit du Maroc (CdM)

Moody's affirmed CdM's long-term local currency deposit rating at Ba1, long-term foreign currency deposit rating at Ba2 and its BCA and adjusted BCA at ba3 and ba1 respectively. The affirmation of the long-term deposit ratings reflects Moody's view that the ratings capture the stability of Moroccan banks' operating environment and the bank's standalone credit profile (ba3 affirmed). The BCA is underpinned by the bank's modest profitability in recent years, although gradually improving (net income to tangible assets increased to 1% as of June 2018 from 0.2% in 2015) after the bank reorganised its commercial activities and increased its provisioning efforts, and Moody's expectation that CdM's asset quality will continue to improve in the medium term (problem loans reduced to 8.4% of gross loans as of June 2018 from 12.1% in 2015), although still relatively weak. CdM's BCA also reflects the bank's moderate capital buffer, supported by flexible profit distribution, aiming to stabilise the bank's loss absorption buffers, and its stable deposit base that supports its

funding profile.

The affirmation of CdM's adjusted BCA of ba1 also reflects Moody's assessment of a high likelihood of affiliate support in the event of need from its French parent bank Credit Agricole S.A. (CASA, long-term bank deposits A1 positive, Adjusted BCA baa1) resulting in two notches of uplift from the bank's ba3 BCA. Although Moody's also assumes a high probability of government support, it does not result in any uplift for the local currency deposit ratings from the adjusted BCA which is already in line with Morocco government's rating of Ba1.

All ratings of the four banks on the Morocco's national scale rating were affirmed as a consequence of the affirmation of their global ratings and in line with Moody's cross-sector methodology Mapping National Scale Ratings from Global Scale Ratings published in May 2016 (https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_189032).

- CHANGE IN OUTLOOK TO STABLE FOR ATTIJARIWafa, BCP AND CREDIT DU MAROC

The change in outlook to stable from positive on the long-term GSR local currency deposit ratings of the three Moroccan banks reflects Moody's view of a lower than anticipated government's capacity to provide support to the banks if needed, as reflected in the change in outlook to stable from positive assigned to Morocco's Ba1 sovereign rating. The key drivers for the decision to change the outlook on the sovereign rating are the view that the pace of fiscal consolidation will be slower than previously assumed, implying that the central government debt/GDP ratio will peak later and at a level that exceeds the median debt ratio of peers at similar rating levels. Lower than expected fiscal space will constrain the government's capacity to absorb domestic or external shocks in a tightening global financial environment. The slower than expected pace of fiscal consolidation reflects a slight weakening of institutional strength, and specifically policy effectiveness, relative to Moody's expectations when the positive outlook was assigned.

However Moody's estimates that the operating environment for Moroccan banks remains broadly stable and benefits from (1) the country's relatively strong and sustained growth over the past several years, despite a volatile agricultural output; (2) its industrial policy agenda that supports the development of higher-value-added exporting sectors; (3) the coherent and sound economic policies and a high degree of political stability; and (4) the country's limited susceptibility to external risks. Nonetheless, operating conditions are also affected by Morocco's significant structural rigidities in terms of purchasing power, unemployment and competitiveness. Moody's view of Moroccan banks' operating environment also incorporates (1) the historical volatility of credit growth in the country, underpinned by volatile agricultural output and the dependence of exporting industries on European economic growth, and (2) banks' increasing exposure to the higher risk Sub-Saharan Africa regions. These risks are somewhat mitigated by the gradual strengthening in bank supervision and macroprudential regulation under the banking law adopted in 2014 and the central bank law adopted in 2017. Moroccan banks benefit from relatively stable funding, consisting primarily of customer deposits.

WHAT COULD CHANGE THE RATINGS -- UP/DOWN

Upward rating pressure on banks' ratings could develop from sustained improvements in the fiscal consolidation of Morocco's government, as an upgrade in Morocco's sovereign rating would imply. This could also be conditioned by a material improvement in asset quality and operating conditions, particularly for banks expanding their exposure to weaker sub-Saharan Africa regions, and an increase in loss-absorptions buffers.

As three of the Moroccan banks benefit from a government support uplift from their BCAs, downward rating pressure on bank ratings could develop following a deterioration in the operating environment or a downgrade of the sovereign rating, signalling a reduction in the government's capacity to support banks in case of need. Negative pressure on the banks' BCAs could also develop from greater-than-expected weakening in their asset quality, profitability, capital adequacy and/or liquidity profile.

LIST OF AFFECTED RATINGS

Issuer: Attijariwafa Bank

..Affirmations:

....Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Ba1

....NSR Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Aa1.ma

....Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed NP

....NSR Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed MA-1
....Long-term Bank Deposits (Foreign Currency), affirmed Ba2, Stable outlook assigned
....Long-term Bank Deposits (Local Currency), affirmed Ba1, outlook changed to Stable from Positive
....NSR Long-term Bank Deposits (Foreign Currency), affirmed Aa3.ma
....NSR Long-term Bank Deposits (Local Currency), affirmed Aa1.ma
....Short-term Bank Deposits (Local and Foreign Currency), affirmed NP
....NSR Short-term Bank Deposits (Local and Foreign Currency), affirmed MA-1
....Long-term Counterparty Risk Assessment, affirmed Ba1(cr)
....Short-term Counterparty Risk Assessment, affirmed NP(cr)
....Baseline Credit Assessment, affirmed ba3
....Adjusted Baseline Credit Assessment, affirmed ba3
....Preferred Stock Non-cumulative (Local Currency), affirmed B3(hyb)
....NSR Preferred Stock Non-cumulative (Local Currency), affirmed Ba3.ma(hyb)
..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: BMCE Bank

..Affirmations:

....Long-term Counterparty Risk Rating (Local and Foreign Currency) , Affirmed Ba1
....NSR Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Aa2.ma
....Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed NP
....NSR Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed MA-1
....Long-term Bank Deposits (Foreign Currency), affirmed Ba2, Stable outlook assigned
....Long-term Bank Deposits (Local Currency), affirmed Ba1, outlook remains Stable
....NSR Long-term Bank Deposits (Foreign Currency), affirmed Aa3.ma
....NSR Long-term Bank Deposits (Local Currency), affirmed Aa2.ma
....Short-term Bank Deposits (Local and Foreign Currency), affirmed NP
....NSR Short-term Bank Deposits (Local and Foreign Currency), affirmed MA-1
....Long-term Counterparty Risk Assessment, affirmed Ba1(cr)
....Short-term Counterparty Risk Assessment, affirmed NP(cr)
....Baseline Credit Assessment, affirmed b1
....Adjusted Baseline Credit Assessment, affirmed b1
....Senior Unsecured Regular Bond/Debenture (Foreign Currency), affirmed Ba1, outlook remains Stable
....NSR Senior Unsecured Regular Bond/Debenture (Foreign Currency), affirmed Aa2.ma
..Outlook Action:

....Outlook remains Stable

Issuer: Credit du Maroc

..Affirmations:

....Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Baa3

....NSR Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Aaa.ma

....Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed P-3

....NSR Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed MA-1

....Long-term Bank Deposits (Foreign Currency), affirmed Ba2, Stable outlook assigned

....Long-term Bank Deposits (Local Currency), affirmed Ba1, outlook changed to Stable from Positive

....NSR Long-term Bank Deposits (Foreign Currency), affirmed Aa3.ma

....NSR Long-term Bank Deposits (Local Currency), affirmed Aa1.ma

....Short-term Bank Deposits (Local and Foreign Currency), affirmed NP

....NSR Short-term Bank Deposits (Local and Foreign Currency), affirmed MA-1

....Long-term Counterparty Risk Assessment, affirmed Baa3(cr)

....Short-term Counterparty Risk Assessment, affirmed P-3(cr)

....Baseline Credit Assessment, affirmed ba3

....Adjusted Baseline Credit Assessment, affirmed ba1

..Outlook Action:

....Outlook changed to Stable from Positive

Issuer: Groupe Banque Centrale Populaire

..Affirmations:

....Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Ba1

....NSR Long-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed Aa1.ma

....Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed NP

....NSR Short-term Counterparty Risk Ratings (Local and Foreign Currency), affirmed MA-1

....Long-term Bank Deposits (Foreign Currency), affirmed Ba2, Stable outlook assigned

....Long-term Bank Deposits (Local Currency), affirmed Ba1, outlook changed to Stable from Positive

....NSR Long-term Bank Deposits (Foreign Currency), affirmed Aa3.ma

....NSR Long-term Bank Deposits (Local Currency), affirmed Aa1.ma

....Short-term Bank Deposits (Local and Foreign Currency), affirmed NP

....NSR Short-term Bank Deposits (Local and Foreign Currency), affirmed MA-1

....Long-term Counterparty Risk Assessment, affirmed Ba1(cr)

....Short-term Counterparty Risk Assessment, affirmed NP(cr)

...Baseline Credit Assessment, affirmed ba3

...Adjusted Baseline Credit Assessment, affirmed ba3

..Outlook Action:

...Outlook changed to Stable from Positive

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.

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