

**RATING ACTION COMMENTARY**

# **Fitch Revises Outlooks on 3 Moroccan Banks to Negative**

Mon 18 May, 2020 - 11:36 ET

Fitch Ratings - Dubai - 18 May 2020: Fitch Ratings has revised Morocco-based Attijariwafa Bank's (AWB), Bank of Africa's (BOA) and Credit Immobilier et Hotelier's (CIH) Outlooks to Negative from Stable, while affirming the three banks' Long-Term Foreign-and Local-Currency Issuer Default Ratings (IDRs) at 'BB+'. The three banks' National Ratings are unaffected by this rating action.

The rating actions follow Fitch's revision of the Outlook on Morocco's sovereign rating to Negative from Stable on the anticipated adverse impact of the COVID-19 pandemic (see "Fitch Revises Morocco's Outlook to Negative, Affirms at 'BBB-' dated 28 April 2020, available on [www.fitchratings.com](http://www.fitchratings.com)).

Fitch expects the Moroccan economy to contract 4.5% in 2020 and general government (GG) debt to rise to 58% of GDP in 2020 from 52.5% in 2019 under our baseline scenario. This is Morocco's sharpest GDP contraction in 25 years, with the country's external and fiscal deficits also set to worsen. The magnitude of the shock will raise downside risks to the sovereign's credit profile, despite a proactive policy response in line with the authorities' long-standing commitment to prudent economic policies.

## **KEY RATING DRIVERS**

IDRs, Support Ratings (SRs) and Support Rating Floors (SRFs)

AWB's, BOA's and CIH's IDRs, SRs and SRFs are driven by a moderate probability of support from the Moroccan sovereign (BBB-/Negative).

AWB and BOA are classified as domestic systemically important banks (DSIB) in Morocco and Fitch believes the authorities would have a high propensity to support them, if required. However, the overall probability of support is moderate, given Morocco's 'BBB-' sovereign rating, which is reflected in the SRF being notched down once from the sovereign rating. In the event of a sovereign downgrade, Fitch would maintain the one notch difference to reflect this consideration.

CIH's SRF is also notched down once from the sovereign rating to reflect some limitations associated with the sovereign's financial flexibility. CIH, whose market share is around 4%, is not a DSIB, but its indirect state ownership has a high influence on our support assessment and on our decision to align its SRF of with that of DSIBs.

Fitch believes the sovereign's propensity to support to the banking sector remains high due the role it plays in financing the economy and the authorities' drive to preserve financial stability as the country implements its economic development plans.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to negative rating action/downgrade:

AWB's, BOA's and CIH's IDRs and SRFs are sensitive to a change in Fitch's view of the Moroccan state's ability to support the banks. A downgrade of the Moroccan sovereign rating would trigger a downgrade of their support-driven ratings.

-Downgrade of the banks' SRs would require a multi-notch downgrade of the Moroccan sovereign rating.

-The ratings could also be downgraded and the SRF revised lower if Fitch concludes that sovereign's propensity to support Moroccan financial institutions has weakened. However, we believe it is unlikely at present.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-An upgrade of the banks' support-driven ratings would require an upgrade of sovereign's Long-Term IDR, which is unlikely in the near term given the Negative Outlook.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Financial Institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

AWB's, BOA's and CIH's IDRs, National Ratings, SR and SRF are driven by a moderate probability of support from the Moroccan sovereign.

## ESG CONSIDERATIONS

AWB has an ESG Relevance Score of '4' for Governance Structure, reflecting our assessment that Al Mada (46% ownership) may be in a position to influence the bank's credit decisions, leading to heightened related-party lending. This is relevant to the rating, but must be considered in conjunction with other factors. All other ESG scores for AWB are '3' or lower. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

The highest level of ESG credit relevance, if present, is a score of 3 for BOA and CIH. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

## RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
Attijariwafa Bank	LT IDR	BB+ Rating Outlook Negative	Affirmed	BB+ F Outlo Stable
	ST IDR	B	Affirmed	B
	LC LT IDR	BB+ Rating Outlook Negative	Affirmed	BB+ F Outlo Stable
	LC ST IDR	B	Affirmed	B
	Support	3	Affirmed	3

[VIEW ADDITIONAL RATING DETAILS](#)

## **FITCH RATINGS ANALYSTS**

### **Gilbert Hobeika**

Director

Primary Rating Analyst

+971 4 424 1214

Fitch Ratings Ltd

Al Thuraya Tower 1, Office 1805 & 1806, Dubai Media City, PO Box 502030

Dubai

### **Ramy Habibi Alaoui**

Senior Analyst

Secondary Rating Analyst

+971 4 424 1208

### **Artur Szeski**

Senior Director

Committee Chairperson

+48 22 338 6292

## **MEDIA CONTACTS**

### **Louisa Williams**

London

+44 20 3530 2452

[louisa.williams@thefitchgroup.com](mailto:louisa.williams@thefitchgroup.com)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

## **APPLICABLE CRITERIA**

[National Scale Ratings Criteria - Effective from 18 July 2018 to 8 June 2020](#)

(pub. 18 Jul 2018)

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

## **ADDITIONAL DISCLOSURES**

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Attijariwafa Bank	EU Issued
Bank of Africa	EU Issued
Credit Immobilier Et Hotelier	EU Issued

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Banks   Africa   Europe   Morocco

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