

Rating Action: Moody's affirms the Ba1 long-term deposit ratings of four Moroccan banks

09 Feb 2021

Outlook changed to negative from stable on two banks

Paris, February 09, 2021 -- Moody's Investors Service ("Moody's") has today affirmed the Ba1 long-term deposit ratings of four Moroccan banks: Attijariwafa bank (AWB), Groupe Banque Centrale Populaire (GBCP), Bank of Africa - BMCE Group (BoA) and Credit du Maroc (CdM). Moody's has changed the outlook to negative from stable on the long-term deposit ratings of AWB and GBCP and, at the same time, maintained the negative outlook on the long-term deposit and issuer ratings of BoA and the stable outlook on the long-term deposit ratings of CdM.

Today's rating actions, which follow Moody's change in the outlook of the Ba1 issuer rating of the Government of Morocco to negative from stable, reflect the government's potential weakening capacity to extend financial support to the Moroccan banks, if needed over the next 12 to 18 months. Moody's assumption of a 'very high' willingness of government support for three Moroccan banks (AWB, GBCP and BoA) translates into two to three notches of government support uplift incorporated in the long-term deposit ratings. The negative outlook also captures any downside risks that the ongoing coronavirus outbreak shock on the local economy presents on the banks' already weakening standalone credit profiles.

The negative outlook on the sovereign rating reflects the rising public debt burden and expanded contingent liability risks from state-owned enterprises (SOE) debts in addition to newly extended credit guarantees as part of the government's pandemic response. Please see "Moody's changes Morocco's outlook to negative, affirms Ba1 rating"; (https://www.moodys.com/research/--PR_439136).

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL440103 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

-- AFFIRMATION OF DEPOSIT RATINGS REFLECTS SOME SOLID BANKING CREDIT METRICS AND GOVERNMENT SUPPORT

Moody's affirmation of Moroccan banks' long-term ratings reflects the banks' still stable funding, high liquidity and solid underlying profitability through the cycle. Moroccan banks' funding and liquidity are strong, with a stable, granular and low-cost deposit base and liquid banking assets representing 32.3% of tangible banking assets for rated banks as of June 2020. The banks' underlying profitability, albeit lower in 2020 due to the coronavirus pandemic, is expected to start to recover in 2021. Net income to tangible assets was 0.2% during first-half 2020 for rated banks compared to 1.0% during full-year 2019.

-- NEGATIVE OUTLOOKS REFLECT THE NEGATIVE OUTLOOK ON THE SOVEREIGN RATING

The negative outlook on the long-term ratings of three Moroccan banks (AWB, GBCP and BoA) reflects the potential weakening in the government's capacity to extend financial support to the banks in case of need. Moody's assumption of a 'very high' willingness of government support for these banks translates into two to three notches of government support uplift incorporated in the long-term deposit ratings.

The stable outlook on CdM's long-term deposit ratings reflects the fact that there is currently no government support uplift incorporated in this bank's deposit rating. This is because the bank's ba1 Adjusted BCA is positioned at the same level as the Ba1 sovereign rating. CdM's long-term deposit ratings benefit from two notches of parental support uplift from Credit Agricole S.A. (Credit Agricole, FC bank deposit Aa3 stable, Adjusted BCA of a3, BCA of baa2), CdM's parent.

-- BANK-BY-BANK SUMMARY OF ACTIONS

- Attijariwafa bank (AWB)

Moody's affirmed AWB's Ba1 long-term deposit ratings and its ba3 standalone Baseline Credit Assessment (BCA). At the same time, the rating agency has changed the outlook on the bank's long-term deposit ratings to negative from stable.

The affirmation of the Ba1 long-term deposit ratings reflects the affirmation of the bank's ba3 BCA, as well as Moody's continued assessment of a very high likelihood of support in case of need (which translates into two notches of government support uplift).

The affirmation of the BCA at ba3 reflects the bank's stable funding and high liquidity (34.2% liquid banking assets/tangible banking assets as of June 2020), combined with a solid underlying profitability on a through the cycle basis (although lower in 2020 amid the pandemic), supported by a strong and diversified franchise in Morocco, North Africa, West Africa and Central Africa. These strengths are moderated by the economic slowdown caused by the coronavirus pandemic, the bank's modest capitalisation, high credit concentrations, and exposure to sub-Saharan Africa (problem loans/gross loans were 7.6% as of June 2020).

- Groupe Banque Centrale Populaire (GBCP)

Moody's affirmed GBCP's Ba1 long-term deposit ratings and its b1 standalone BCA. At the same time, the rating agency has changed the outlook on the bank's long-term deposit ratings to negative from stable.

The affirmation of the Ba1 long-term deposit ratings reflects the affirmation of the bank's b1 BCA, as well as Moody's continued assessment of a very high likelihood of support in case of need (which translates into three notches of government support uplift).

The affirmation of the BCA at b1 reflects the bank's established cooperative bank franchise that drives sound underlying profitability on a through the cycle basis (although lower in 2020 amid the pandemic), stable and granular funding, as well as high liquidity (31.5% liquid banking assets/tangible banking assets as of June 2020). These strengths are moderated by the economic slowdown amid the coronavirus pandemic, the bank's high credit concentrations and Sub-Saharan African expansion that pose risks to asset quality, combined with modest capital buffers (problem loans/gross loans were 10.0% as of June 2020).

- Bank of Africa -- BMCE Group (BoA)

Moody's affirmed BoA's b1 standalone BCA and Ba1 long-term deposit ratings, with an unchanged negative outlook.

The affirmation of the Ba1 long-term deposit ratings reflects the affirmation of the bank's b1 BCA, as well as Moody's continued assessment of a very high likelihood of support in case of need (which translates into three notches of government support uplift).

The affirmation of the BCA at b1 reflects the bank's sound underlying profitability through the cycle (although lower in 2020 amid the pandemic), stable deposit-based funding and high liquidity (38.5% liquid banking assets/tangible banking assets as of June 2020). These strengths are moderated by the bank's gradually weakening asset quality (problem loans/gross loans were 9.5% as of June 2020) and relatively modest and decreasing core capitalisation.

For BoA, the negative outlook, originally assigned on 18 June 2020, on the long-term deposit ratings reflected the risk that the economic deterioration resulting from the coronavirus outbreak would pressure the already modest capitalisation and weakening asset quality over the following 12 to 18 months. The negative outlook now also reflects the outlook on the sovereign rating, which signals potential weakening in the Moroccan government's credit strength as well as in its capacity to support the country's banks in case of need.

- Credit du Maroc (CdM)

Moody's affirmed CdM's Ba1 long-term deposit ratings, and affirmed its ba1 Adjusted BCA and its ba3 standalone BCA. At the same time, the rating agency has maintained the stable outlook on the bank's long-term deposit ratings.

The affirmation of the Ba1 long-term deposit ratings reflects the affirmation of the bank's Adjusted BCA at ba1. The affirmation of the Adjusted BCA at ba1 reflects the affirmed ba3 BCA, combined with the unchanged two notches of affiliate support from Credit Agricole. The two-notch affiliate support uplift reflects Credit Agricole's

controlling stake (78% equity stake) in CdM, CdM's strategic fit within the Credit Agricole group, the brand name association between the two entities, and Credit Agricole's long track record of providing operational support to CdM.

The affirmation of the BCA at ba3 reflects the bank's sound capitalisation and profitability (although lower in 2020 because of the pandemic), as well as stable funding and solid liquidity (22.3% liquid banking assets/tangible banking assets as of June 2020). These strengths are moderated by the economic slowdown caused by the coronavirus pandemic, as well as the bank's relatively weak asset-quality metrics (problem loans/gross loans were 9.1% as of June 2020).

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upwards pressure on Moroccan banks' long-term ratings is limited for those with a negative outlook, as well as their positioning at the same level as the sovereign rating. A stabilisation in the sovereign rating outlook could lead to a stabilisation in the banks' ratings.

Downward pressure on Moroccan banks' ratings could develop through (a) a deterioration in the sovereign's credit profile, which could be captured through a downgrade in the sovereign rating, and/or (b) a significant weakening in the operating environment in Morocco, which could be captured through a lowering in Moody's Macro Profile for Morocco, and/or (c) a material deterioration in the banks' solvency and liquidity.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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The local market analyst for these ratings is Mik Kabeya, +971 (423) 795-90.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL440103 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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