

Rating Action: Moody's affirms the long-term deposit ratings of three Moroccan banks, changes outlook to stable from negative

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London, July 05, 2022 -- Moody's Investors Service ("Moody's") has today affirmed the Ba1 long-term deposit ratings of three Moroccan banks: Attijariwafa bank (AWB), Groupe Banque Centrale Populaire (GBCP), and Bank of Africa - BMCE Group (BoA). Moody's has changed the outlook to stable from negative on the long-term deposit ratings of the three banks.

Today's rating actions, which follow Moody's change in the outlook of the Ba1 issuer rating of the Government of Morocco to stable from negative, reflect the continued government capacity to extend financial support to the Moroccan banks if needed. Moody's assumption of a 'very high' willingness of government support for the three Moroccan banks translates into two to three notches of government support uplift incorporated in the long-term deposit ratings. The stable outlook also captures the resilience of the local economy and of the banks' standalone credit profiles to the higher food and energy prices.

The stable outlook on the sovereign rating reflects the recovery in real GDP to pre-pandemic levels and the government of Morocco's crisis management capacity demonstrated during the pandemic. The improved governance track record underpins Moody's expectation that the government will be able to implement gradual fiscal consolidation that stabilises the debt ratio and fiscal accounts, while maintaining social stability in the face of Morocco's exposure to the food and energy price shock triggered by Russia's invasion of Ukraine. Please see "Moody's affirms Morocco's Ba1 ratings, changes outlook to stable from negative"; (https://www.moodys.com/research/--PR_467124).

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL467495 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 SOLID BANKING CREDIT METRICS AND GOVERNMENT SUPPORT

Moody's affirmation of Moroccan banks' long-term ratings reflects the banks' stable funding, high liquidity and solid underlying profitability. Moroccan banks' funding and liquidity are strong, with a stable, granular and low-cost deposit base and liquid banking assets representing 35.6% of tangible banking assets for rated banks as of December 2021. The banks' underlying profitability has recovered in 2021 following a decline in 2020 due to the coronavirus pandemic. Net income to tangible assets was 1.0% during the full-year 2021 for rated banks compared to 0.5% during full-year 2020.

-- STABLE OUTLOOKS REFLECT THE STABLE OUTLOOK ON THE SOVEREIGN RATING AS WELL STABILITY IN THE CREDIT PROFILES OF THE LOCAL BANKS

The stable outlook on the long-term ratings of the three Moroccan banks (AWB, GBCP and BoA) reflects the continued government 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 the banks' long-term ratings also reflects Moody's expectation that the banks' solid risk management, sound profitability, stable funding and ample liquidity will together balance the risks from moderate asset quality deterioration and relatively modest capitalisation buffers.

-- 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 stable from negative.

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 government 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 strong risk management, stable funding and high liquidity (36.5% liquid banking assets/tangible banking assets as of December 2021), combined with a solid profitability supported by a strong and diversified franchise in Morocco, North Africa, West Africa and Central Africa. These strengths are moderated by the bank's modest capitalisation and exposure to sub-Saharan Africa (problem loans/gross loans were 8.2% as of December 2021).

- 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 stable from negative.

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 government 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 profitability, stable and granular funding, as well as high liquidity (34.1% liquid banking assets/tangible banking assets as of December 2021). These strengths are moderated by the bank's credit concentrations and Sub-Saharan African expansion that pose risks to asset quality (problem loans/gross loans were 10.5% as of December 2021), combined with modest capital buffers.

- Bank of Africa -- BMCE Group (BoA)

Moody's affirmed BoA'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 stable from negative.

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 government 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, stable deposit-based funding and high liquidity (38.9% liquid banking assets/tangible banking assets as of December 2021). These strengths are moderated by the bank's gradually weakening asset quality (problem loans/gross loans were 9.9% as of December 2021) and relatively modest, albeit stable, core capitalisation.

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

Upwards pressure on Moroccan banks' long-term ratings could develop from an improvement in the local operating environment and in the sovereign's credit profile, which could be captured through an upgrade in the sovereign rating and in Moody's Macro Profile for Morocco.

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 July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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The local market analyst for Bank of Africa - BMCE Group ratings is Badis Shubailat, +971 (423) 795-05.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. 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_ARFTL467495 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 on <https://ratings.moodys.com/rating-definitions> .

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