

RATING ACTION COMMENTARY

Fitch Affirms Morocco's BMCE at 'BB+'; Outlook Stable

Wed 05 Jul, 2017 - 08:44 ET

Fitch Ratings-London-05 July 2017: Fitch Ratings has affirmed Banque Marocaine du Commerce Extérieur (BMCE) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'BB+', National Long-Term Rating at 'AA-(mar)' and Viability Rating (VR) at 'b+'. The Outlook on the Long-Term ratings is Stable. A full list of ratings is below.

KEY RATING DRIVERS

IDRS, NATIONAL RATINGS, SUPPORT RATING AND SUPPORT RATING FLOOR
BMCE's IDRs, National Ratings, Support Rating (SR) and Support Rating Floor (SRF) are driven by a moderate probability of support from the Moroccan sovereign (BBB-/Stable). The Stable Outlook mirrors that on the sovereign rating.

BMCE is the third-largest Moroccan bank, controlling a 15% domestic market share. BMCE also operates across several African countries, mainly under the Bank of Africa brand. African assets outside Morocco represented around 28% of consolidated assets at end-2016.

BMCE is classified as a domestic systemically important bank (DSIB) in Morocco and Fitch believes the authorities would have a high propensity to support it if required. However, the overall probability of support is only moderate, given Morocco's financial strength. Fitch assigns the same SRF to all DSIBs in Morocco.

VR

BMCE's risk appetite has a high influence on the VR. The bank's expansion into African countries indicates above average risk appetite, in our view. Diversification brings benefits and contributions from African subsidiaries support profitability, generating

32% of net income in 2016. However, African assets carry higher risks than Moroccan assets.

BMCE's domestic franchise is smaller than its two larger peers, each of which control market shares of around 25%. The three banks follow diversification strategies into African countries but BMCE's plans are more ambitious and it already relies on more volatile markets for a significant volume of its profits. The ownership structure of the African subsidiaries is complex and there are considerable minority holdings which can limit visibility.

Stable deposits provide the bulk of funding, although the bank's reliance on wholesale funding is slightly higher than peers. Liquid assets adequately cover short-term market funding maturities. African subsidiaries are largely self-funded but periodic systemic liquidity strains may occur.

Asset quality and capitalisation are on the weak side, in our view. The bank's loan book is split 30% SMEs, 28% corporates, and 27% retail, with the balance comprising loans to financial and other institutions, micro companies and other segments. Impaired loans represented 8.3% of total loans at end-2016, which is slightly below the 9% average for large Moroccan banks but loan loss cover, at around 60%, is below the 70% average.

We believe there is a risk that reported loan classifications in Morocco may not fully capture impairments, exposing banks to unexpected losses. Definitions for watch list loans, considered 'sensitive', are not harmonised in Morocco's banking sector, for example, and these can be significant. Restructured loans are rapidly reclassified as performing and levels of foreclosed assets can be on the high side, suggesting loan quality weakness. Fitch's assessment of BMCE's capitalisation and leverage metrics has a high influence on the bank's VR.

As is the case with many Moroccan banks, single-name concentrations can be high at BMCE. However, concentrations are below the averages for large banks, with the top 20 loans representing 15% of lending at end-2016 (average for large banks: 22%). BMCE extends loans to related-parties, as is the case for many Moroccan banks. We have no indications that such lending is not extended on market terms.

BMCE's capital and leverage assessment is the weakest among rated Moroccan banks and the bank has limited buffers to absorb unexpected losses, in our view. The adequacy of capital has a high influence on BMCE's VR.

RATING SENSITIVITIES

IDRS, NATIONAL RATINGS, SR AND SRF

The bank's IDRs, National Ratings, SR and SRF are sensitive to a change in Fitch's view of the Moroccan state's willingness or ability to support the bank. The ratings are also sensitive to a change in Fitch's assumptions regarding the availability of sovereign support for Moroccan financial institutions should progress be made with resolution legislation. In our view, these scenarios are unlikely in the near future.

BMCE's National Ratings would not necessarily be downgraded if the sovereign were downgraded because National Scale ratings are an opinion of creditworthiness relative to the universe of issuers within a single country and a sovereign downgrade would not necessarily alter the relativities between the sovereign and the bank. If the Moroccan state's willingness to support BMCE diminishes, due to loss of systemic importance, for example, the National Ratings could be downgraded, but this scenario is unlikely in the foreseeable future.

VR

The bank's VR would benefit from an improvement in capital ratios and reduced risk appetite. Evidence of heightened risk appetite or weaker asset quality could put negative pressure on the VR.

The rating actions are as follows:

Long-Term Foreign- and Local-Currency IDR affirmed at 'BB+'; Outlook Stable

Short-Term Foreign- and Local-Currency IDR affirmed at 'B'

National Long-Term Rating affirmed at 'AA-(mar)'; Outlook Stable

National Short-Term Rating affirmed at 'F1+(mar)'

Support Rating affirmed at '3'

Support Rating Floor affirmed at 'BB+'

Viability Rating affirmed at 'b+'

Contact:

Primary Analyst

Janine Dow

Senior Director

+44 203 530 1464

Fitch Ratings Limited

30 North Colonnade

London E14 5GN

Secondary Analyst

Nicolas Charreyron

Analyst

+971 4424 1208

Committee Chairperson

Alexander Danilov

Senior Director

+7 495 956 2408

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email:

peter.fitzpatrick@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria

[Global Bank Rating Criteria \(pub. 25 Nov 2016\)](#)

[National Scale Ratings Criteria \(pub. 07 Mar 2017\)](#)

Additional Disclosures

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN

ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM.

PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT

[HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE

PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33

Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax:

(212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The

individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Banks

Africa

Global

Europe

Morocco
