

CREDIT OPINION

12 July 2022

Update



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RATINGS

Groupe Banque Centrale Populaire

Domicile	Casablanca, Morocco
Long Term CRR	Ba1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Ba1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Groupe Banque Centrale Populaire

Update following ratings affirmation, and change of outlook to stable from negative

Summary

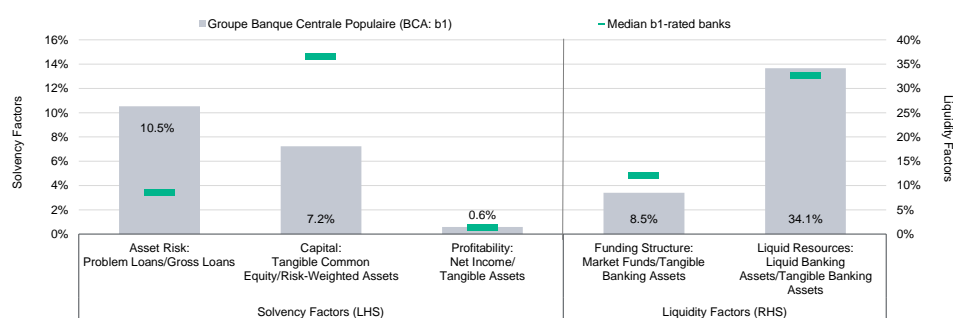
[Groupe Banque Centrale Populaire's](#) (BCP) Ba1 long-term deposit ratings incorporate (1) the bank's b1 Baseline Credit Assessment (BCA) as well as (2) a three-notch uplift from the bank's BCA based on our assessment of a very high likelihood of support from the [Government of Morocco](#) (Ba1 stable) in case of need.

The government uplift reflects the bank's importance to the local financial system, the bank's designation as a strategic company for Morocco as well as the bank's designation as a D-SIB by Bank Al Maghrib.

The BCA of b1 reflects its sound risk management, as well as its established cooperative bank franchise that drives sound profitability, stable and granular funding, as well as high liquidity. These strengths are moderated by the bank's credit concentrations and Sub-Saharan African expansion that pose risks to asset quality, combined with relatively modest capital buffers.

Exhibit 1

Rating Scorecard - Key financial ratios



The problem loan and profitability ratios are the weaker of the average three-year ratios and the latest reported ratios. The capital ratio is the latest reported figure (December 2021). The funding structure and liquid asset ratios are the latest year-end figures.

Source: Moody's Investors Service

Credit strengths

- » Strong domestic cooperative franchise combined with growing international activities support profitability
- » Established cooperative bank franchise, combined with leading franchise among non-resident Moroccans, together drive stable and granular funding
- » High liquid resources
- » Very high probability of government support if needed

Credit challenges

- » Credit concentrations and exposure to Sub-Saharan Africa pose risks to asset quality
- » Relatively modest capitalisation

Outlook

The stable outlook reflects our expectation that the bank's sound profitability, stable funding and high liquidity will balance the risk from credit concentration, Sub-Saharan African exposure and modest capitalisation. The stable outlook is also aligned with the stable outlook on the sovereign rating.

Factors that could lead to an upgrade

Upwards pressure on the ratings could develop from an improvement in (a) Morocco's operating environment and in the sovereign's credit profile, which could be captured through an upgrade in the sovereign rating; (b) the operating environment of the various Sub-Saharan jurisdictions in which the bank operates; and (c) in the bank's capitalisation and asset quality.

Factors that could lead to a downgrade

Downwards pressure on the ratings could develop from (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 the Macro Profile for Morocco, and/or (c) a material deterioration in the bank's fundamentals.

Key indicators

Exhibit 2

Groupe Banque Centrale Populaire (Consolidated Financials) [1]

	12-21 ²	12-20 ²	12-19 ²	12-18 ²	12-17 ²	CAGR/Avg. ³
Total Assets (MAD Million)	465,014.2	444,274.1	431,428.3	396,589.7	383,545.3	4.9 ⁴
Total Assets (USD Million)	50,287.6	49,895.2	45,128.5	41,422.3	41,035.8	5.2 ⁴
Tangible Common Equity (MAD Million)	31,448.7	30,665.0	33,602.6	24,636.6	29,095.2	2.0 ⁴
Tangible Common Equity (USD Million)	3,400.9	3,443.9	3,514.9	2,573.2	3,112.9	2.2 ⁴
Problem Loans / Gross Loans (%)	10.5	10.5	9.2	8.1	8.0	9.2 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	7.2	7.2	--	--	8.8	7.8 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	49.1	49.6	43.6	46.4	43.6	46.5 ⁵
Net Interest Margin (%)	2.8	2.8	2.8	2.9	2.9	2.8 ⁵
PPI / Average RWA (%)	2.3	--	--	--	2.5	2.4 ⁶
Net Income / Tangible Assets (%)	0.6	0.3	0.9	0.9	0.9	0.7 ⁵
Cost / Income Ratio (%)	49.9	57.2	51.9	52.2	51.3	52.5 ⁵
Market Funds / Tangible Banking Assets (%)	8.5	9.4	11.6	13.2	11.8	10.9 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	34.1	32.8	30.4	29.6	33.2	32.0 ⁵

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Gross Loans / Due to Customers (%)	82.9	85.9	90.7	91.6	89.6	88.1 ⁵
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[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

Group Banque Centrale Populaire (GBCP) is a Casablanca-based cooperative bank established in 1926. GBCP is the second largest bank in Morocco and the sixth largest in the continent, with total assets of \$50 billion as of December 2021. GBCP has market share of around 22.3% in terms of loans and around 25.5% in terms of deposits in Morocco as of December 2021.

GBCP is a mutualist banking group comprising (a) Credit Populaire du Maroc (CPM), which contains the various banking activities in Morocco; and (b) other subsidiaries, which include non-banking subsidiaries as well as international banking subsidiaries. CPM, which comprises entities conducting banking activities in Morocco, is made of: (a) Banque Centrale Populaire (BCP), a central body; and (b) Banques Regionales Populaires (BPRs), which are regional banks. BCP owns the aforementioned "other subsidiaries".

BCP and the BPRs are legal entities, while GBCP and CPM are economic concepts (but not legal entities). There is cross-shareholding between BCP and the BPRs. BCP, the central body, has a 52% ownership stake in the BPRs, while the BPRs have a 41.8% ownership stake in the central body. As of December 2021, the BPRs are GBCP's largest shareholders. Other shareholders included insurance and pension funds (37.6% stake) such as MCMA, MAMDA, CIMR and RCAR; staff (5.0% stake); BPCE (4.1% stake); and others (11.6% stake).

GBCP operates within 3 main business segments: Moroccan banking and offshore banking (70% of the operating income in 2021), International retail banking and insurance (26%) and Specialist finance companies (4%).

GBCP has pan-African operations, with 81% of its loans located in Morocco, 16% in Africa and 1% in Europe as of December 2021. The group operates in 32 countries, primarily located in Africa (North Africa, West Africa, Central Africa, Mauritius and Madagascar) and Europe. This pan-African presence reflects the acquisition of Groupe Banque Atlantique (present in 10 West African countries) in 2012 and the set-up of a subsidiary in Guinea Bissau in 2016. In 2019, GBCP acquired three banks from Groupe BPCE, including BICEC (Cameroon), BCI (Republic of Congo) and BMOI (Madagascar). For further information, please see [Issuer Profile, August 23rd, 2021](#).

For assessing GBCP's operating environment, we use a Weak+ Macro Profile, which is the weighted average of the Macro Profile or proxy Macro Profile of the countries in which the group operates. Specifically, we use the weighted average of Morocco ([Moderate-](#)), Cote d'Ivoire ([Weak](#)) and Togo ([Very Weak+](#)) (see scorecard on page 8).

Detailed credit considerations

Credit concentrations and exposure to Sub-Saharan Africa pose risks to asset quality

We expect GBCP's asset quality to moderately weaken, reflecting weaker borrowers' repayment capacity in the various jurisdictions in which the bank operates amid higher inflation, modest economic growth in Morocco and tighter funding conditions in some jurisdictions.

We expect Morocco's economy to grow below trend in 2022, after strong rebound in 2021. Severe drought conditions this year will weigh on the agricultural sector and on overall growth, in addition to early Omicron lockdowns. Higher energy and food prices will also dampen private consumption, while overall growth will remain supported by relatively expansive fiscal and monetary policy. We expect real GDP growth to be below trend at 2% in 2022, after rebounding by 7.9% in 2021 following the 7.2% contraction in 2020.

Similar to other Moroccan banks, we consider that GBCP's borrower concentrations to large corporates pose risks to its asset quality. The bank's top 20 Moroccan exposures (excluding related parties) represented around 118% of the group's tangible common equity as of December 2021.

As of December 2021, GBCP's problem loans/gross loans ratio was stable at 10.5% compared to 10.5% in 2020 (9.2% in 2019). The material increase in the problem loans ratio in 2020 reflected higher delinquencies during the pandemic, while the gradual increase over 2015-19 (similar to other Moroccan banks) reflected Morocco's subdued economic growth as well as some large corporate defaults in the country. GBCP's problem loans to gross loans ratio in the bank's Sub-Saharan African operations (12.8% as of year-end 2021) was higher than the one in the Moroccan operations (9.8% as of year-end 2021).

GBCP's coverage ratio (loan-loss reserves divided by problem loans) was healthy at 97.5% as of December 2021 (89% local average as of December 2021), compared to 80% as of December 2017. The considerable improvement in the coverage ratio during 2018 reflected the adoption of IFRS9 accounting standards, which led to the constitution of an expected credit loss allowance. The balance of loans and advances that are not impaired but exhibit a significant increase in credit risk — classified in the Stage 2 bucket under IFRS9 — decreased to 9.0% of gross loans as of December 2021, from 10.2% as of December 2020.

Strong domestic cooperative franchise combined with international activities supports profitability, amid easing provisioning efforts

We expect the bank's profitability to continue to trend towards pre-pandemic levels in the coming 12-18 months, primarily due to increasing operating income and continued reduction in loan loss provisioning (though still higher than pre-pandemic levels). Net income to tangible banking assets improved to 0.6% during the full-year 2021 from 0.3% in 2020 (where the bank had recorded a one-off contribution charge related to a national special fund for management of the COVID pandemic), but remains below historical levels of profitability.

GBCP's profitability reflects the bank's established franchise in Morocco, supported by the group's cooperative structure and promotion of financial inclusion across Morocco. The bank's ongoing business diversification, with sustained growth in the non-interest income contribution over recent years, will also support profitability. Fees and commissions income accounts for 18% of operating income, capital market activities for 15% and other activities for 4%.

The group's profitability also reflects its growing international footprint, with a solid franchise with non-resident Moroccans as well as growing operations in Sub-Saharan Africa (primarily in West Africa historically, and recently further expanding in Central Africa). Sub-Saharan represented around 17.3% of total loans in 2021.

Net interest margins for GBCP showed marginal improvement during 2021 at 2.83%, compared to 2.76% in 2020. Accordingly, the bank's loan loss provisions consumed 40% of pre-provision income during full-year 2021, compared to 66% during 2020. Cost of risk (loan loss provisions divided by gross loans) dropped to 142 bps during the full-year 2021, compared to 194 bps during the full year 2020, but remain ABOVE 2019 levels of 93 bps. The bank's cost to income ratio dropped to 50% during full-year 2021, from 57% in 2020 (52% when excluding the bank's MAD 1 billion one-off donation to a national Covid fund).

Modest capitalisation

We expect GBCP's capitalisation to remain relatively modest over the coming 12-18 months, reflecting sound profitability (though still somewhat lower than pre-pandemic levels), moderate credit growth and earnings retention. The group's consolidated dividend pay-out ratio for 2021 was 63.4% (36.9% effective pay-out ratio, when excluding the dividend paid to the fully integrated BPRs).

For Moroccan banks, we adjust the capitalisation ratios for: (a) minority interests, a capital component unlikely to provide absorption at the holding company level; (b) the risk-weighting on the bank's holding of Moroccan government securities, in line with the Basel II framework; and (c) IFRS9 adoption, assuming a fully loaded impact from 2018 onwards, while local regulation allows a phased-in adoption over 2018-23.

For GBCP specifically, our computation of the tangible common equity (TCE) also includes the group's MAD3 billion (\$309 million) of Tier 1 capital that is held in a support fund available for mutual support to the central body and the regional mutual banks (BPRs). This Tier 1 capital portion of the support fund accounts for around 77 bps of our TCE ratio computation. GBCP's support fund also includes an additional MAD 1.2 billion in Tier 2 capital that we do not include in our TCE computation, but that is also available for mutual support.

As of December 2021, GBCP's tangible common equity/risk weighted assets ratio (adjusted for minority interests, government securities and for the support fund) was stable at 7.2% since December 2020. GBCP's reported regulatory capital is solid, with a Basel III Tier 1 ratio of 10.7% and a total capital adequacy ratio of 13.5% as of December 2021, against a 9% and 12% regulatory minima for Tier 1 and total capital ratios respectively.

In addition, the bank's 9.0% Basel III Tier 1 leverage ratio as of December 2021 compares favourably with of several banks in advanced economies, given the measurement of risk weighting under the standardised approach in Morocco (compared to the measurement under the Internal Ratings-Based approach in most advanced economies).

Established cooperative bank franchise, combined with leading franchise among non-resident Moroccans, drive stable and granular funding

We expect the bank's funding to remain stable, supported by a large, granular and stable deposit base (79% of non-equity liabilities as of December 2021). GBCP's strong deposit base, which is one of the largest in the country (around 25.5% market share as of December 2021), reflects the combination of its cooperative structure and large presence across Morocco due to its financial inclusion mandate. GBCP's funding base also benefits from the bank's leading franchise with non-resident Moroccans.

The bank benefits from high proportion of low cost and granular current and saving account deposits, accounting for 81% of deposits as of December 2021 (80% as of December 2020). The bank's top 20 depositors represented less than 10% of deposits as of December 2020. As of December 2021, GBCP's market funds were stable at 8.5% of tangible banking assets (9.4% as of year-end 2020), which compares favourably with the 13.7% local average.

High liquid resources provide sizeable buffer

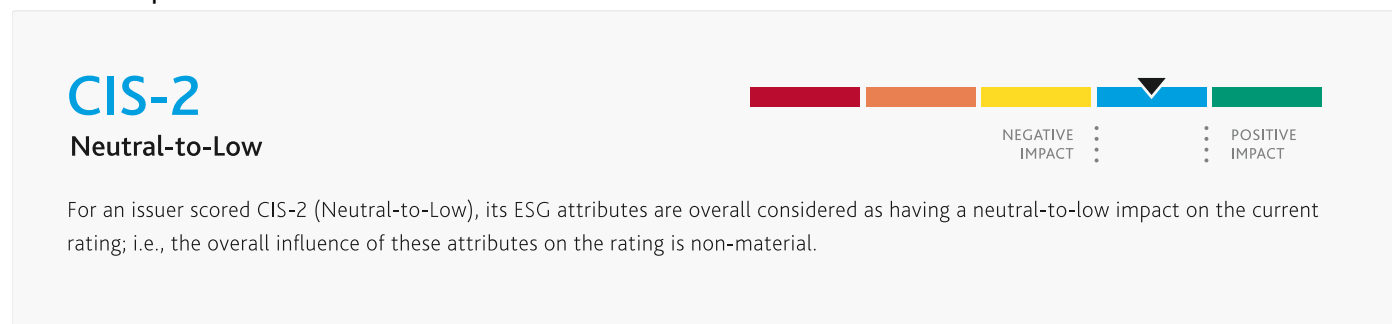
We expect GBCP's liquidity to remain high. The bank's consolidated liquidity coverage ratio stood at 186% as of December 2021 up from 174% as of December 2020 on a consolidated basis, compared to the 100% local regulatory minimum threshold. As of December 2021, the bank's liquid banking assets/tangible banking assets stood at 34.1% (32.8% as of year-end 2020), which is in line with the 35.6% local average. In addition, the bank's net loan-to-deposit ratio remained healthy at 76% as of December 2021 (79% as of year-end 2020).

ESG considerations

GRUPE BANQUE CENTRALE POPULAIRE's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

ESG Credit Impact Score



Source: Moody's Investors Service

GBCP's ESG Credit Impact Score is neutral-to-low (**CIS-2**). This reflects limited credit impact from social risk factors on the rating to date, as well as our government support assumptions which balance the impact of ESG risks.

Exhibit 4

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

GBCP faces moderate environmental risks. Physical climate risks reflect Morocco's strong dependence on rain-fed agriculture, and water scarcity that is leading to dwindling groundwater reserves. In addition, the importance of the agricultural sector in the national output and in employment (primary sector accounts for 10-15% of GDP and about 35% of total employment) contributes to a volatile growth pattern and exposes Moroccan banks' credit profiles to environmental risk. Mitigants to environmental risks include GBCP's loan book diversification, both within and outside Morocco. In line with global peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, GBCP is engaging in developing its climate risk and portfolio management capabilities.

Social

GBCP faces high industrywide social risks. Customer relations risks captures increased supervisory focus on promoting the fair treatment of financial customers. Risks related to societal and demographic trends reflect the relatively modest population growth and the already high banking penetration, which together limit business growth prospects in Morocco. High cyber and personal data risks are mitigated by a solid and improving IT framework. The aforementioned risks are partly moderated by the bank's growing exposure to Sub-Saharan Africa.

Governance

GBCP's governance risks are low. The group has a solid track record of financial strategy and risk management, as well as sound corporate governance practices. GBCP's hybrid ownership structure (being both a mutualist banking group and a listed group) results in a specific governance and organisational set-up, but this does not create incremental governance risks. Organisational structure risks reflect the inherent operational risks resulting from the firm's international footprint across a large number of jurisdictions (32 countries), primarily located in Africa and Europe. Nonetheless, the aforementioned risks are partly mitigated by the firm's sound corporate governance and by the close supervisory oversight from the group's Moroccan regulator (in coordination with some of GBCP's other regulators).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support

BCP's Ba1 deposit rating reflects our assessment of a very high probability of government support, given the bank's systemic importance as the second-largest bank in Morocco, which accounts for around 25.5% of domestic deposits. This high probability of government support also reflects the fact that the Organic Law 02-12 identifies BCP as a strategic corporate in Morocco. Finally the support assumptions also reflect the track record of local authorities supporting bank in case of need in the past.

Counterparty Risk (CR) Assessment

The CR Assessment is positioned at Ba1(cr)

The CR Assessment, prior to government support, is positioned three notches above the Adjusted BCA of b1, reflecting our view that its probability of default is lower than that of senior unsecured debt and deposits. We believe senior obligations represented by the CR Assessment will be more likely to be preserved to limit contagion, minimize losses and avoid the disruption of critical functions. In most cases, we then add the same likelihood of government support uplift as is currently applied to deposit ratings. In the case of BCP, its CR Assessment of Ba1(cr) is aligned with its deposit rating, which is already in line with the Moroccan government bond rating of Ba1..

Counterparty Risk Rating

Groupe Banque Centrale Populaire's CR Rating is placed at Ba1/NP

We consider Morocco a jurisdiction with a non-operational resolution (non-ORR) regime. For non-ORR countries, the starting point for the CRR is one notch above the bank's Adjusted BCA, to which we then typically add the same notches of government support uplift as applied to deposit and senior unsecured debt ratings.

National scale rating

BCP's national scale ratings of Aa1.ma/MA-1 for local and foreign currency deposits are derived from the bank's global scale deposit ratings and demonstrate that it is one of the strongest credits in the country, primarily reflecting the very high probability of government support that aligns the bank's ratings with that of the sovereign. National scale ratings are not intended to rank credits across multiple countries. Instead, the national scale ratings provide a measure of relative creditworthiness within a single country (Morocco in the case of BCP). Our national scale ratings are given a two-letter suffix to distinguish them from our global scale ratings. For example, national scale ratings in Morocco have the country abbreviation "ma". The Aa1.ma rating reflects the positive pressures on the bank's ratings.

Sources of facts and figures cited in this report

The global medians quoted in the report are calculated using the most recent full-year financial data for rated banks. Averages used in this report are as of December 2021 for rated Moroccan banks. Bank-specific figures originate from bank's reports and Moody's Investors Service. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document [Financial Statement Adjustments in the Analysis of Financial Institutions](#), published on 9 August 2018.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

Groupe Banque Centrale Populaire

Macro Factors							
Weighted Macro Profile		Weak +	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	10.5%	b3	↔	b3	Expected trend	Collateral and provisioning coverage	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	7.2%	b3	↔	b3	Expected trend	Risk-weighted capitalisation	
Profitability							
Net Income / Tangible Assets	0.6%	b1	↔	ba3	Expected trend		
Combined Solvency Score		b3		b2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	8.5%	ba1	↔	ba1	Deposit quality		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	34.1%	ba2	↔	ba2	Stock of liquid assets		
Combined Liquidity Score		ba1		ba1			
Financial Profile							
				b1			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Ba1			
BCA Scorecard-indicated Outcome - Range				ba3 - b2			
Assigned BCA				b1			
Affiliate Support notching				0			
Adjusted BCA				b1			

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	ba3	2	Ba1	Ba1
Counterparty Risk Assessment	1	0	ba3 (cr)	2	Ba1(cr)	
Deposits	0	0	b1	3	Ba1	Ba1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
GRUPE BANQUE CENTRALE POPULAIRE	
Outlook	Stable
Counterparty Risk Rating	Ba1/NP
Bank Deposits	Ba1/NP
Baseline Credit Assessment	b1
Adjusted Baseline Credit Assessment	b1
Counterparty Risk Assessment	Ba1(cr)/NP(cr)

Source: Moody's Investors Service

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