

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms the Ba1 long-term deposit ratings of Bank of Africa - BMCE Group; outlook remains stable

18 Jun 2025

Limassol, June 18, 2025 -- Moody's Ratings (Moody's) has today affirmed the long-term deposit and issuer ratings of Bank of Africa - BMCE Group (BOA) at Ba1 with a stable outlook and affirmed at NP the bank's short-term deposit ratings. We also affirmed the long-term Counterparty Risk Ratings (CRRs) and Counterparty Risk (CR) Assessment of the bank at Ba1 and Ba1(cr), respectively. The short-term CRRs and CR Assessment were affirmed at NP and NP(cr), respectively. The bank's Baseline Credit Assessment (BCA) and Adjusted BCA were also affirmed at b1. At the same time, BOA's national scale long- and short-term deposit ratings have been affirmed at Aa2.ma and MA-1, the national scale long- and short-term CRRs have been affirmed at Aa2.ma and MA-1, and the national scale long-term issuer ratings have been affirmed at Aa2.ma.

RATINGS RATIONALE

RATIONALE FOR BCA AFFIRMATION

Our affirmation of BOA's BCA at b1 reflects the bank's sound underlying profitability, stable deposit-based funding and high liquidity. These strengths are moderated by the bank's gradually weakening asset quality and relatively modest, albeit stable, core capitalisation.

BOA's BCA affirmation is supported by its strong and stable deposit funded profile, which represents around 67% of non-equity funding as of December 2024 and benefits from the bank's established domestic retail franchise, with a large client and depositors base in Morocco, as well as in Sub-Saharan Africa. With muted loan growth and very granular as well as low cost customer deposit base (83% in the form of current and savings account as of December 2024), we expect the bank's net loan-to-deposit ratio to remain comfortable 88% in December 2024, denoting no structural reliance on market funding at 21.9% of tangible banking assets as of the same period. As a result, the bank's level of liquid assets, at 44% of total assets as of December 2024, will also remain high.

We expect BOA's pre-provision income to remain solid at 2.5% of the bank's average total assets as of December 2024. While net interest margins could soften from recent policy rate cuts, we expect it will be mitigated by healthy business volumes supported by a low-cost and diversified retail deposit base. Also, the group's profitability reflects its international footprint, underpinned by pan-African operations that support operating income with higher yielding portfolios (Africa represented 27% of consolidated lending as of December 2024). BOA's net profits (1.2% of total assets as of December 2024) will hold steady over the next 12 to 18 months as a result of the above mentioned factors as well as normalizing cost of risk both in Morocco and Africa.

BOA's BCA affirmation also balances the above mentioned strengths with a comparatively high level of NPLs that weigh on the bank's solvency profile. BOA's asset quality is relatively weak with an NPL ratio of 10% of gross loans as of December 2024 fueled mainly by high borrower concentrations and weaker loan portfolios from Sub-Saharan Africa. Although NPL levels will remain high, we expect that the combination of supportive domestic economic conditions, lower inflation and interest rates, will ease the strain on domestic borrowers' ability to make

repayments. This will keep BOA's asset quality profile stable in the next 12 to 18 months while Sub-Saharan expansion into more challenging operating conditions is expected to be muted.

We expect real GDP growth in Morocco to average 3.5% over the next three years driven by lower inflation and government-led investments in social security and infrastructure. The African Cup of Nations 2025 and 2030 World Cup, as well as longer-term energy transition, water stress management and tourism projects will also provide lending opportunities.

BOA's BCA affirmation is also underpinned by the bank's modest, albeit stable, capital buffers. We calculate the bank's tangible common equity at 7.2% of adjusted consolidated risk-weighted assets as of December 2024 and expect that the bank's capitalisation will remain modest in light of elevated levels of NPLs and high borrower concentrations. However, we note that the bank's existing stock of problem loans is 88% covered by loan loss reserves providing some mitigation to BOA's modest capitalisation.

GOVERNMENT SUPPORT PROVIDES THREE NOTCHES OF UPLIFT TO THE BANK'S DEPOSIT RATINGS

The affirmation of the long-term deposit ratings reflects the bank's b1 BCA with a continued assumption of a very high probability of government support, resulting into three notches of rating uplift. This is underpinned by (1) the bank's importance to the local financial system (12.5% market share in terms of deposits); (2) the bank's designation as a D-SIB by Bank Al Maghrib, the central bank; and (3) the track record of authorities supporting banks in case of need in the past.

STABLE OUTLOOK

The stable outlook on the long-term deposit and issuer ratings 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 Morocco.

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

Upwards pressure on the ratings could develop from a material 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) the bank's core capitalisation and asset quality, particularly in Sub-Saharan Africa.

Downwards pressure on the ratings could develop from (a) a deterioration in Morocco's sovereign 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 lower Macro Profile for Morocco, and/or (c) a deterioration in the bank's solvency profile beyond current levels, particularly on asset quality, core capitalisation and bottom-line profitability.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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The local market analyst for this rating is Badis Shubailat, +971 (423) 795-05.

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