CAPITAL intelligence

BANK RATING

Credit du Maroc

Bank Rating Report

Credit du Maroc

Morocco

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CREDIT DU MAROC

Casablanca, Morocco
11 October 2016

RATINGS

	Current	Previous	Last Changed
Sovereign	***NR**		
Foreign Currency			
Long-Term:	**BBB-**	BB+	Nov 07
Short-Term:	**A3**	B	Nov 07
Financial Strength	**BB+**	BBB-	Aug 13
Support	**2**	-	-
Outlook			
Foreign Currency	**Stable**	-	-
Financial Strength	**Stable**	Negative	Aug 13

**Not publicly rated; internal shadow sovereign rating assigned*

FINANCIAL HIGHLIGHTS

USD (mn) MAD (mn)	2015 USD	2015 MAD	2014 MAD	2013 MAD
Total Assets	5,112	50,703	48,577	49,726
Net Loans	3,586	35,562	33,705	35,370
Customer Deposits	4,222	41,873	40,919	42,379
Total Capital	408	4,047	4,096	3,969
Gross Income	204	2,022	2,055	2,039
Net Income	9	87	238	296
Exchange Rate: USD/MAD		*9.92*	*9.07*	*8.15*

%	2015	2014	2013
NPL / Gross Loans	11.19	11.39	9.70
Loan-Loss Reserves /NPLs	83.87	76.44	76.08
Capital Adequacy Ratio	14.40	14.48	13.19
Net Loans / Stable Funds	77.01	74.48	76.01
Estimated Net Interest Margin	3.24	3.19	3.17
Cost / Income	58.84	57.52	56.24
Return on Average Assets	0.17	0.48	0.61

RATINGS DRIVERS

Supporting the Rating

- Majority owned by Credit Agricole with board and senior management representation.
- Sound liquidity with a solid stock of liquid assets and funding, mainly supplied by customer deposits.
- Sound capital position.

Constraining the Rating

- Further decline in operating and net profit in 2015 and the Bank's profitability is extremely low. This reflects low net and non-interest income, weak asset growth, relatively high expenses and a continued high cost of risk
- Non-performing loans (NPL) ratio is high and some way above peer banks.
- Challenging operating environment with weak loan demand and a tight deposit market.

RATING RATIONALE

Credit du Maroc (CM) is majority owned and managed by the French financial institution Credit Agricole. CM holds a reasonable position in the Moroccan banking sector, controlling just over five per cent of sector assets, but has seen a deterioration in its performance over the last few years. Its financial profile has been hit through increasing NPLs due to weakness in the corporate and commercial loan book and an associated high cost of risk. This has resulted in consistently falling profitability which was again the case in 2015. The Bank's NPLs rose in 2015 but at a reduced rate. However, the level of NPLs is very high; the highest in the peer group. The Bank's provision coverage is sound and has continued to improve.

The cost of risk increased again, as well as weak asset growth, in 2015 and this has impacted CM's returns in association with low gross income. The Bank's net and non-interest income has been weak and not at a level which can absorb a relatively high expense base and cost of risk.

Aiding CM's position is a reasonable level of capital adequacy, although internal capital generation is low reflecting low net profit and a high dividend payout. CM also has a relatively good liquidity profile;

funding is nearly all sourced from domestic customer deposits and the base of liquid assets is sound and higher than most peer banks.

CM's Financial Strength Rating (FSR) is affirmed at 'BB+', supported by the sound capital position and relatively good liquidity. It is constrained by a high level of NPLs and very weak profitability which continues to come under pressure. The Outlook for the FSR is 'Stable'. Any further deterioration in asset quality and or profitability could put the FSR under downward pressure. CM's Foreign Currency Ratings (FCRs) are maintained at 'BBB-' Long-Term and 'A3' Short-Term, with a 'Stable' Outlook. Downward pressure on the FSR would likely flow into the FCRs. The Support Rating is maintained at '2', reflecting majority ownership by Credit Agricole and the high likelihood of support from the Parent. The Credit Agricole ownership provides uplift to the foreign currency ratings from CM's current FSR. CI Ratings (CI Ratings or CI) believes there is a high probability that Credit Agricole would be willing to support CM, in case of need, as it remains important to the Group's operations in North Africa. In addition, it represents less than 1% of CA's total assets.

OUTLOOK

CM's main challenges are to improve loan asset quality and increase profitability. The Bank has seen a consistent rise in NPLs over the past few years although at a reduced rate – the rise in NPLs in 2015 was marginal and was backed up by increased provisioning. The rise in non-performing loans has caused a high cost of risk with the provision charge consuming a very high proportion of operating profit. This continues to impact the Bank's returns. However, CI Ratings expects the cost of risk to fall in 2016. CM's return on average assets is very weak; Low returns are also partly due to weak asset growth, a function of both the challenging operating environment and CM's growing NPLs (the Bank has restricted credit growth in order to try and improve loan asset quality). These factors have led to a low level of gross income, together with weaker net interest income in 2015. CI expects CM's returns to improve slightly in 2016 as the cost of risk is expected to fall and gross income should rise. Profitability will remain considerably below peer banks, however.

CM's position is supported by its majority shareholder, Credit Agricole, which provides management and system support to the Bank. The liquidity, funding position and capital of the Bank are sound. Nearly all of the Bank's funding is sourced from domestic retail customer deposits.

In regard to the Moroccan economy, lower GDP growth is forecast this year due to weaker growth in the agricultural sector. The impact of weak external demand from key trading partners – notably the EU – will continue to affect domestic demand and hence credit and asset growth.

BANK HISTORY AND STRATEGIES

Bank History

Crédit du Maroc (CM) was established in 1963, when the 34-year-old branch of France's Crédit Lyonnais (CL) was incorporated as Crédit Lyonnais Maroc – adopting its present style in 1966. The Bank was founded as a joint-venture wherein local investors, including the then state-owned BMCE, held a minority interest. Current ownership consists principally of France's Crédit Agricole S A. Wafa Assurance, one of the largest Moroccan insurance companies and owned by Attijariwafa Bank (AWB), holds a 10% stake (previously 34%, see below). In 2004, Wafa Bank was acquired by Banque Commerciale du Maroc (BCM), while in France CL was acquired by Crédit Agricole S.A. The latter event, of course, meant that CL's 51% stake in CM passed to Crédit Agricole S.A. In September 2004, BCM merged with its newly-acquired WB subsidiary, creating a successor bank (AWB).

In late 2008, Credit Agricole S.A. signed an agreement with Morocco's Attijariwafa Bank to sell its stakes in some African operations to Attijariwafa. The transaction included selling assets in Congo, Cameroon, Gabon, Senegal and some other countries for an amount of EUR250mn. In turn, Credit

Agricole purchased another 24% of Credit du Maroc, held by Wafa Assurance for EUR144mn to raise its share in CM to 77% (officially this was approved by the authorities only in late 2009).

Ownership Structure

The Bank receives support from Credit Agricole through board and senior management representatives, as well as product and technology expertise. Risk management is supported by the parent company's systems and knowledge.

Credit du Maroc's Shareholders December 2015	**%**
Crédit Agricole S.A.	78.70
Wafa Assurance	10.69
Others	10.61
Total	**100.00**

As the majority owner, support in case of need is expected to come from Crédit Agricole. However, this is not guaranteed. Support from the Moroccan authorities is also likely in case of need, as would be the situation for other major domestic banks.

Net income for the Credit Agricole Group was €1,942mn (+29.5% Q2/Q2) in 1H 2016. Its fully-loaded CET 1 ratio was 14.2%. Stress tests performed under the supervision of the European Banking Authority and the ECB revealed the impact of the adverse scenario used for the stress tests on the CET1 ratio at end-December 2015 amounted to 300bps, giving a fully-loaded CET1 of 10.5%. In the adverse scenario, Crédit Agricole Group would comply with all the applicable requirements as the sum of the minimum regulatory requirement set by the Supervisor in December 2015 (SREP) and the systemic buffer applicable to the Group as of 1 January 2019 (1%) amounts to 10.5%. The estimated TLAC ratio was 19.5% at 30 June 2016, excluding eligible senior debt. The Group therefore already complies with the minimum requirement for 2019 set at 19.5%.

The Group's liquidity position is strong. The Group's cash balance sheet, at EUR1,066 billion at 30 June 2016, shows a surplus of long term funding sources over long term assets of EUR104 billion. Both Crédit Agricole S.A. and the Group had an LCR ratio of over 110% at end-June 2016. Shareholders' equity stands at EUR92.9 billion.

Moroccan Economy

The current coalition government is led by moderate Islamist party, PJD and composed of 4 parties. The government is continuing to roll out the last pending constitutional reforms and pursuing the implementation of promised subsidy, pension and capital market reforms. Morocco engaged in a programme of wide-ranging reforms with the adoption of a new Constitution in 2011, which set the basis for a more open and democratic society, a more modern state of law and institutions, greater separation of powers, and increased decentralisation.

The country held regional and local elections in September 2015 that defined a new local political map where two major political players emerged: ruling PJD (Party for Justice and Development) and opposition party PAM (Party for Authenticity and Modernity). While the latter dominated the leadership of the country's regions (5 out of 12), PJD is the clear winner in the management of Morocco's largest cities.

Due to an exceptional 2014/2015 agricultural season, economic growth rebounded to 4.4% in 2015 (2014: 2.4%). However, with the current drought, the 2015/2016 cereal production will be much below average and will drag down total GDP growth below 2% in 2016. Higher growth in 2015 was the result of an exceptional cereal harvest and improved non-agricultural production (+3.3% in 2015. Inflation moderated to 1.6%. The budget deficit improved from −4.9% of GDP in 2014 to −4.3% in 2015. The trade deficit significantly reduced to MAD −36.8 billion, attributable to the solid performances of exporting sectors and to lower energy costs. Increased foreign-currency reserves covered 6.7 months of imports in 2015 and are estimated to be a higher 7 months in 2016. Net international reserves increased 23.5% in 2015, to MAD 224.7 billion.

In 2015, the trade deficit declined from MAD-114.1 billion to MAD-77.3 billion. The change was due to the 5.9% rise in exports, to MAD318.7 billion, reflecting automobile sales (+20.7%), sales of phosphates and derivatives (+15.6%), and agriculture and food exports (+11.4%); the 4.6% decline in imports, to MAD 396.0 billion, attributable to reduced energy costs (−28.1%) and lower food imports (−14.3%). Remittances from Moroccans living abroad rose by 3.0%, to MAD 61.8 billion. Net foreign direct investment rose by 2.7%, to MAD 30.7 billion.

On April 13, 2015, Morocco adopted a managed floating exchange-rate system, which pegs the MAD to a weighting of 60% EUR and 40% USD, compared with 80% and 20% previously. This new system is designed to enhance the current structure of Morocco's foreign trade

Public finances improved in 2015 as a result of economic growth and subsidy limits. Ordinary revenue rose 2.8% in 2015, to MAD207.5 billion. This change was due to a 4.0% rise in tax revenue, to MAD 183.2 billion, and a 5.4% rise in nontax revenue, to MAD21.3 billion.

At December 31, 2015, government debt stood at MAD626.6 billion, up 6.9%. This change was due to a 2.6% rise in domestic debt, to MAD486.0 billion, and a slight decline (−4.1%), to MAD 140.6 billion, in external debt. Total debt at the end of 2015 represented 63.4% of GDP, similar to 2014.

In response to deteriorating fiscal trends, Morocco has embarked on a major fiscal consolidation effort since 2013. The government initiated the reform of the subsidy system and began to rein in other recurrent and investment expenditures, while consolidating tax revenues. As a result, the fiscal deficit decreased from 7.2% of GDP in 2012 to 4.3% of GDP in 2015. Improvements on the external front have been even more spectacular. The current account deficit, which culminated to 10% of GDP in 2012, was reduced to 2.3% of GDP in 2015. This reflected the combination of lower imports, as a result of the sharp fall in international oil prices, and higher exports from the "new" industries (automobile, aeronautics, and electronics) as well as from the agro-industrial sector.

Morocco's economic growth has slowed down in recent years. On average, real GDP grew by 3.8% during 2013-2015 underperforming its trend of 4.6% per annum during 2003-2012. While domestic demand had been the main driver of growth before 2012, its contribution started to weaken in 2013. The 2016 Budget Law confirmed the Government's resolution to solidify the tax base, rein in expenditures and implement a pension reform that would lengthen the system sustainability and reduce its contingent liabilities. Along with the ongoing subsidy, fiscal and financial reforms, all these actions are contributing to consolidating the macroeconomic framework, improving the business environment, and enhancing higher growth potential.

In July 2016, the IMF approved a USD3.47 billion Precautionary and Liquidity Line (PLL) for Morocco. In recent years, the authorities have successfully reduced fiscal and external vulnerabilities and implemented key reforms with the support of two successive 24-month PLL arrangements. The new PLL arrangement will provide Morocco with useful insurance against external shocks as the authorities pursue their reform agenda aimed at further strengthening the economy's resilience and fostering higher and more inclusive economic growth.

The authorities have stated that they intend to treat the arrangement as precautionary, as they have done under the previous two arrangements, and they do not intend to draw under the PLL unless Morocco experiences actual balance of payments needs from a significant deterioration of external conditions.

Morocco's first PLL arrangement for SDR 4,117.4 million (about US$6.21 billion at the time of approval) was approved on August 3, 2012. Morocco's second 24-month PLL arrangement for SDR 3.2351 billion (about US$5 billion at the time of approval) was approved on July 28, 2014. Although the economy remains sound and fiscal balances have been addressed, risks remain. In particular, heightened geopolitical and security risks, a protracted period of slower growth in Morocco's main trading partners (EU), or more volatile global financial conditions could significantly affect the economy.

Indicators	2013	2014	2015	2016f	2017f
GDP Growth (%)	4.4	2.9	4.4	2.8	4.2
CPI inflation, period ave (%)	1.9	0.4	1.6	1.5	2.0
Primary balance, ex grants % GDP	-3.3	-3.7	-2.5	-2.2	-1.1
Total external debt % GDP	30.2	32.7	31.9	32.7	31.9
Gross reserves (in billions of US$)	19.3	20.4	23.5	28.8	32.2
Total Government Debt % GDP	63.6	63.4	63.6	64.4	64.0
Credit to the private sector	3.8	4.6	3.3	-	-
Reserves Months of Imports	4.6	5.3	6.0	6.7	7.4

Source: IMF

Banking Sector

A new banking law introduced in December 2014 aims to strengthen consolidated supervision and improve bank resolution. The new central bank law further enhances central bank independence and expands its role to include, inter alia, contributions to financial stability and the oversight of financial market infrastructures. Banks are adequately capitalised and profitable, with stable funding. Banks provide mostly short- and medium-term customer loans, funded mainly by stable retail deposits, including from Moroccans living abroad. However, NPLs have risen recently due to weak activity in certain sectors, although they are well provisioned. Vulnerabilities include difficulties faced by companies involved in construction and real estate development.

Comprehensive stress tests for the eight largest banks suggest the system is resilient to severe shocks associated with prolonged weakness in Europe and global financial market volatility. In a scenario with a sharp downturn that leads to sustained output losses, only one small bank would see its capital ratio fall below the regulatory minimum, with a capital shortfall estimated at 0.2% of GDP. Market price-based stress tests confirm the resilience of the banking system. However, banks are vulnerable to large corporate defaults and deposit withdrawals. The banking system is particularly vulnerable to concentration risks. In a very low probability event of large deposit losses, all eight banks would maintain liquidity coverage ratios (LCRs) above the 60% regulatory threshold, although two banks' LCRs would be below 100%.

Bank supervision is effective and improving. The new banking law extends Bank Al-Maghreb's (BAM) regulatory and supervisory power to financial conglomerates, microfinance institutions, and off-shore banks. The law also aims at improving cross-border supervision and tightening rules for consolidated risk management. Supervisory colleges have just been set up for the three banks with significant Sub-Sahara Africa (SSA) exposures.

The new banking law created a macro-prudential policy committee, the Systemic Risk Surveillance and Coordination Committee (CCSRS), in which the central bank plays a leading role. A special bank resolution regime is in place but needs stronger legal basis. The resolution regime provides various options — such as purchase and assumption, bridge bank, and asset management companies — but remains untested. The legal framework needs to be strengthened, including by embedding the least-cost principle, bail-in powers, and depositor preference.

In addition, the new banking law establishes the possibility of special measures for domestic systemic institutions, including special resolution plans. The banking law authorises the governor of the central bank to institute prudential measures for those banks considered as systemic domestically. In addition, it provides the governor with the power to set up an urgency mechanism to resolve banking crises through the establishment of a provisional administrator and the transfer of nonperforming assets to an ad hoc structure, or through a possible split. The new banking law grants BAM additional powers for early intervention and prompt remedial actions. Besides the standard powers of a supervisor (warning, injunction, order, sanction, and suspension and withdrawal of the license), the new banking law provides the central bank with a very broad spectrum of additional early intervention measures. Currently both BAM and the Deposit Guarantee Fund (DGF) can extend emergency liquidity assistance to banks.

Morocco's financial sector weathered the global financial crisis quite comfortably, mainly because of banks' limited exposure to risky global assets, low private and public foreign debt, and the relatively weak linkage of the Moroccan financial system to global financial markets. Capital outflows are restricted for residents and the exchange rate is pegged to a basket of the euro and US dollar. The system has been indirectly affected through real channels due to Morocco's close links with Europe via trade, remittances, and FDI.

Weak economic activity in certain sectors has resulted in rising NPLs since 2012. Bank lending has slowed since 2012 driven by weak demand as well as supply-side factors including tight liquidity, increased credit risks and rising NPLs. Banks with limited access to the interbank market relied on BAM's liquidity facilities. The situation has significantly improved since 2014, but lending conditions have remained tight, especially for the very small, small and medium enterprises. Morocco's financial system is bank-dominated and highly concentrated. With total assets of 140% of GDP, banks comprise about half of the financial system. The share of public banks has declined steadily to 16% from 40% percent in 2002. Of the 19 banks, of which five are majority public-owned and seven majority foreign-owned. The sector is dominated by the six largest banks, which hold a market share of deposits and credit of about 84%. The three largest banks, Attijariwafa, Banque Marocaine du Commerce Extérieur (BMCE) and Banque Centrale Populaire (BCP), hold about two-thirds of total bank assets.

The Banks' expansion in SSA has brought about benefits but also potential vulnerabilities. Moroccan banks have built up their presence overseas mainly through the acquisition of local banks, thus local deposits largely fund their subsidiaries. Operations in SSA have been profitable. Compared to other pan-African banks, the share of cross-border operations is higher for Moroccan banks, although these operations are more diversified geographically. Potential risks could arise due to the weaknesses in banks' consolidated risk management framework, regulatory gaps in key host countries, and the lack of an effective cross-border crisis management framework. BAM is taking steps to address the risks, including by setting up supervisory colleges for the three largest banks and signing seven bilateral MOUs with host countries.

Basel III

Bank Al-Maghrib (Morocco's central bank) is committed to the gradual adherence to Basel III norms on capital adequacy and liquidity. The Central Bank increased the Tier 1 Capital to RWA ratio requirement to 9% and the regulatory CAR to 12% (effective June 2013). The definition of capital by the Basel Committee was adopted in April 2013. Regarding the liquidity coverage ratio, a transitional period is being observed before this ratio becomes fully operational.

Key Banking Sector Metrics

The sector remains sound overall. Aggregated data indicate that the banking sector as a whole is well capitalised. At end 2015, the average capital adequacy ratio was 13%, comfortably above the minimum requirement. Tier 1 capital accounted for 85% of total capital. Deposits are the main funding source for banks, amounting to two-thirds of their liabilities on average in 2015. Banks' liquidity has been relatively tight prompting Bank Al-Maghrib (BAM) to fill the gap, which it did mainly through seven-day advances. Cash advances provided by BAM were around 7% of total bank liabilities in 2015.

NPLs have increased recently, reflecting the economic slowdown. The highest NPL ratios are observed in sectors most affected by the weak growth in Europe, such as the hotel and restaurant sector (with an NPL ratio of 21%), followed by the transport and communication, agriculture, and trade sectors. Continued difficulties faced by companies involved in these sectors could further increase NPLs. The NPLs are adequately provisioned at 70%. Since 2011, banks have been required to submit a list of risky loans to BAM. BAM has closely monitored these watch-list loans, and imposed a 10% provisioning requirement on these loans. More recently, the criteria for the watch-list loans have been tightened.

FX exposure remains relatively small. Domestic private credit is mainly provided in dirham; only about 3% of total domestic credit is in FX. Large exposures continue to pose risks despite tight rules. Total large exposures represent 340% of the banking system's Tier 1 (T1) capital, based on a stricter definition than the Basel III. BAM sets the limit for a bank's exposure to a single counterparty or a group of connected counterparties at 20% of T1 capital, compared to 25% in Basel III; 7 exposures above this limit are deducted from the banks' own funds. Exposures with explicit government guarantees are excluded. Large exposures present vulnerabilities, especially since it is unclear whether banks have seniority in corporate debt restructuring and the legal framework for restructuring private debt in Morocco is relatively weak

Sector customer deposits rose by 5.8% in 2015, to MAD764,407mn. Non-interest-bearing deposits account for 61.9% of total deposits at the end of 2015. The share of interest-bearing deposits stood at 38.1% of total deposits. Deposits from Moroccans living abroad rose by 5.1% in 2015, to MAD 163,132mnn. These deposits accounted for 21.3% of total bank deposits. Loans outstanding increased in 2015, rising 1.9% to MAD760,839mn, compared with a rise of 2% between 2013 and 2014. The slowdown in lending is attributable mainly to the 0.1% decline in loans granted to businesses (MAD475,201 million), and a 7.7% decline in mortgage loans (MAD 60,815 million, or 12.8% of total loans)

The loan-to-deposit ratio stood at 99.5% at the end of 2015, down 3.8 points from 103.4% a year earlier. With regard to credit risk, NPLs rose by 8.5% year on year, resulting in a NPL ratio of 7.37% and a coverage ratio of 67.93%. Money market liquidity shortfall continued to decline in the money market in 2015, falling to MAD16.5 billion from MAD40.6 billion a year earlier. This improvement was due to the rise in FX reserves in 2015. Bank Al-Maghrib maintained its accommodative monetary policy with interest rates at 2.5%.

Current Business Model

CM is the smallest in a field of six main Moroccan banks, with a market share of around 5% at end 2015. CM has typically concentrated on lending to individuals and large companies. The Bank operates a network of 348 branches in Morocco, two branches in France and one representative office in Milan, Italy.

Although on a small scale, CM follows a universal banking model, providing a wide range of banking services and products from simple retail activities to investment banking and capital market operations. Subsidiary operations include leasing, capital markets and insurance. These remain very small against the Bank's total assets.

The Bank aims to continue developing services and infrastructure across its three main divisions: retail, SME and corporate banking.

Principal Business Strategies

Although also focusing on the retail market, CM is differentiating itself from competitors by concentrating more towards the middle market, including the SME sector. Its main emphasis in this area is geared to exporters. The retail operations are performing well and main activities include consumer credits and mortgages. The latter is experiencing good growth. In the retail segment, growth in the Bank's operations are benefiting from a widening branch network.

CM's third segment is the corporate sector, with the Bank's link to Credit Agricole supporting activities. It is active with most of Morocco's main blue chip corporate, as well foreign company subsidiaries operating in the country. Credit Agricole also provides significant support on the retail banking side, particularly in terms of product design, marketing, operations and risk management.

CM is in the midst of a four year plan to end 2018. The 'CAP 2018' is a transformation project structured around four directions: increasing commercial efficiency, raise operational efficiency whilst achieving customer satisfaction, excellence of human resources, and creating effective governance

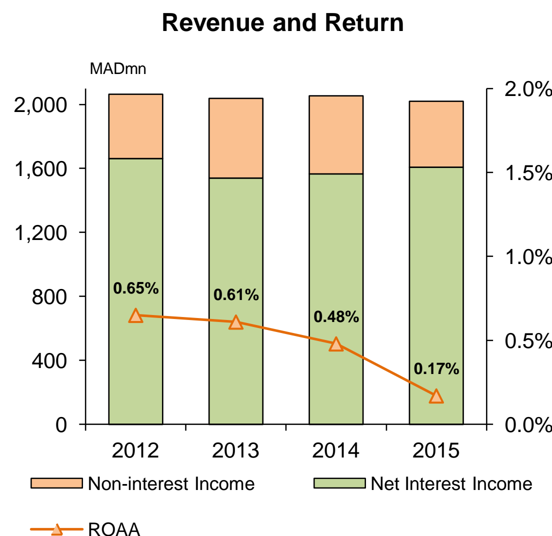
while improving financial performance. During 2015, CM invested in several projects into the framework of CAP 2018. It accelerated the digitalization of the Bank with the launch of electronic signature, a first for Morocco. CM implemented a range of e-Banking solutions accompanying exporting operators on the settlement of trade transactions. It also enhanced its bancassurance. Part of this strategy is focusing on home mortgages and the Bank has enjoyed success in this area.

KEY FINANCIAL ISSUES

Accounts for 2015 were audited by PricewaterhouseCoopers Maroc and Fidaroc Grant Thornton, *Expert Comptable*, both of Casablanca, and presented according to International Financial Reporting Standards (IFRS). The accounts were unqualified. Credit du Maroc Leasing (66.67% owned), Credit du Maroc Offshore (100% owned), Credit du Maroc Assurance (100% owned), Credit du Maroc Capital (100% owned), and SIFIM (100% owned) [Housing Finance] subsidiaries are consolidated into the accounts. Data on restructured loans and debt maturity is not available. Comprehensive income details are also not given. Half year figures are not released until September.

FINANCIAL PERFORMANCE

Large fall in net profit and returns in 2015, reflecting lower gross income and a higher cost of risk. Returns have fallen for some years now as asset growth has been weak and provisioning charges high. CM's returns are weak and the lowest in the peer group. CM's returns weakened again in 2015, and significantly, and this continues the trend of the past seven years for the Bank. Its low returns are due to, modest net interest income, a relatively low level of non-interest income (NII), a high operating cost base and continued high provision charge relative to operating profit. In addition, asset growth

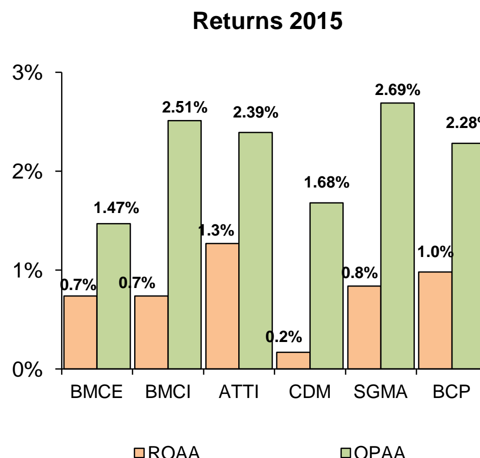


In 2015, CM's return on average assets fell to just 0.17% from 0.48% in 2014. CM's profitability record has long-been modest, recording below the 1% level for many years, but has been on a continual downward trend since 2008. The past few years the ROAA has been very weak CM's operating profit on average assets, at 1.68% (2014: 1.78%), has also continued to fall for some years. CM's bottom line is also impacted by a high provision charge and associated high cost of risk due to the level of NPLs which have grown over the last few years.

CM's main earnings drivers are its net interest income and a good margin. Interest income was MAD2,296mn in 2015, down by 5.3% (2014: -1.4%) year-on-year. By far the main contributor is income from the Bank's loan portfolio. In 2015, the loan portfolio grew by 5.5%, with CM experiencing slightly higher credit demand on the back of better economic growth in Morocco last year. In the previous three years, credit growth was very weak. Loan yields again fell in 2015 due to the decrease in the country's key benchmark rate and competeviness in better quality credits. Both factors contributed to the fall in interest income.

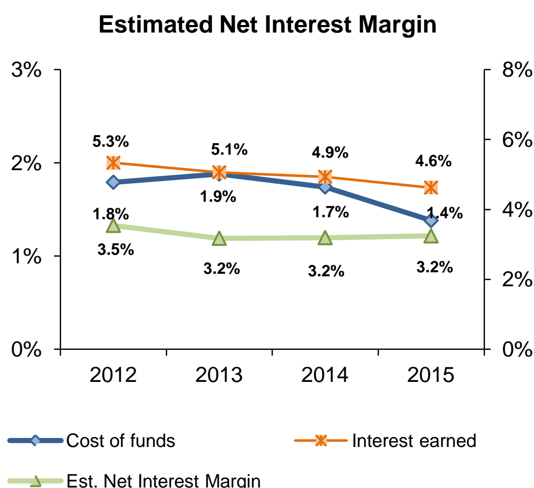
CM's operating profit on average assets is lower than the peer group average. The Bank's operating profit on average assets, at 1.68% (2014: 1.78%), is below the peer group average of 2.17%. It is some way below that of the highest ratio, which is recorded by Société Générale Marocaine de Banques, followed by BMCI (BNP Paribas). CM's return on average assets (ROAA), at 0.17%, is the lowest in the peer group.

CM's margins widen marginally in 2015 due to fall in the cost of funds. The Bank's estimated net interest margin (NIM) rose in 2015, widening by 5 basis points (bps) to 3.24% from 3.19% in 2014. The result was due to a 36bp fall in the cost of funds, to 1.38% in 2015. The decrease in the cost of funds reflected the fall in market rates in 2015 together with the faster rise in demand and savings deposits. Estimated interest on average earning assets declined by 31 bps to 4.62%. Tight margins in better quality corporate loans - and lower benchmark rates - have been factors in the fall in yields. Interest expense declined by a large 19.8% in 2015 with net interest income up by only 2.7% to MAD1,608mn. CM's estimated NIM of 3.24% is in line with the peer group average (3.02%).



Key:
***BMCI**-Banque Marocaine pour le Commerce et l'Industrie*
***ATTI**-Attijariwafa*
***BCP**-Banque Centrale Populaire*
***CDM**-Credit du Maroc*
***SGMA**- Société Générale Marocaine de Banques*
***BMCE**-Banque Marocaine Commerce Exterior*

Weaker non-interest income (NII) in 2015. NII fell in 2015, decreasing by 15.4% to MAD414mn. This was due to declines in gains on securities and reduced other income on the back of weaker volumes. FX income remained stable in 2015. Increased gains on securities were seen in 2014 as CM (and other banks) took advantage of attractive yield differentials in the market to capital on good gains. CM's level of NII is low, representing 20.5% (cf. 23.8% in 2014) of gross income at end 2015. The Bank's fee structure and strategy has not been developed over the years, with the Bank preferring to focus on interest activities. That said, CM's management hope to build its NII going forward, capitalising on its market position and growing (once the economy improves) retail activities. Fee and commission income was steady in 2015. The bulk of NII is derived from core fee and commission income, mainly linked to loans and credit cards. It also includes insurance related fees and bank customer related fees. Fee and commission income is very small against average assets at just 0.59%.



CM has lower efficiency ratios than peer banks. Operating expenses rose by just 0.7% in 2015 but formed a steady 2.40% of average total assets (ATA) against 2.41% in 2014. CM has a high operating expense base against both average assets and gross income. Against peer banks, its cost base is much higher. The operating expenses to gross income ratio was slightly higher (weaker) at 58.84% (based on CI calculations), against 57.52% in 2014, due to the limited growth in gross income. At 59%, there remains much scope to improve efficiency further, but mainly through lifting income which is currently low.

Another fall in operating profit recorded in 2015. Operating profit fell by 4.7% in 2015 to MAD832mn. As mentioned previously, there has also been a consistent downward trend against average assets for many years at CM.

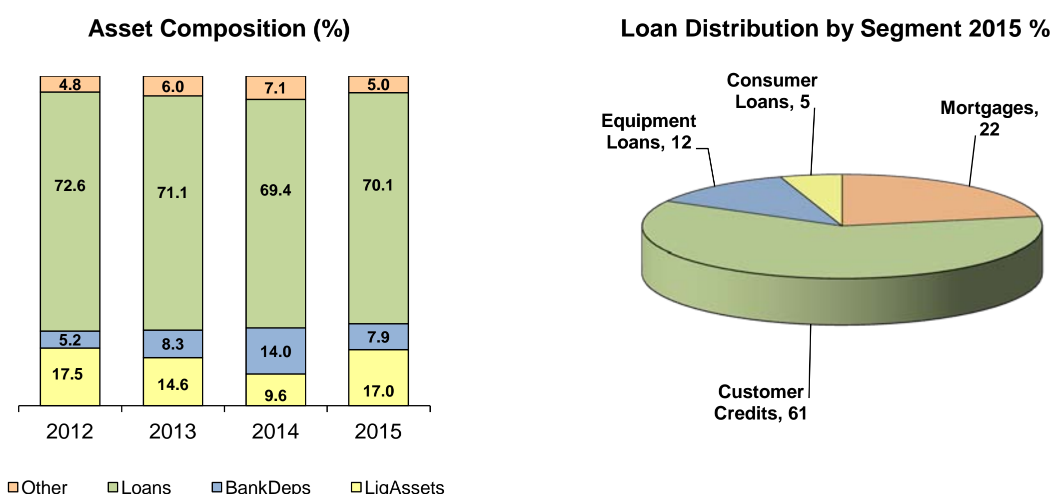
Cost of risk remains high against operating profit. Charge increases in 2015. CM's net provision charge for doubtful debts increased by 23% to MAD610mn (includes 'other provisions and recoveries for risks and charges'). Total gross provisions were MAD1,065mn (2014: MAD1,021mn) including MAD844mn (2014: MAD830mn) provisions for receivables and commitments, MAD157mn (2014: MAD157mn) for loan losses, and MAD64mn (2014: MAD33mn) for other charges. Recoveries of

provisions on loans was MAD456mn in 2015 (2014: MAD525mn) with reversals of provisions for loans MAD415mn (2014: MAD452mn), other provision reversals MAD28mn (2014: MAD58mn) and recoveries of loans written off MAD12mn (2014: MAD14mn).

The rise in NPLs was a lower 4.5% in 2015. The provisioning charge consumed a greater and very high 73.2% (2014: 56.8%; 2013: 56.2%; 2012: 39.4% of operating profit).

Other expenses included those related to discontinued business and additional tax charges. Net profit declined by 64% to MAD87mn; it was the sixth year in a row that the Bank has recorded a fall.

BALANCE SHEET



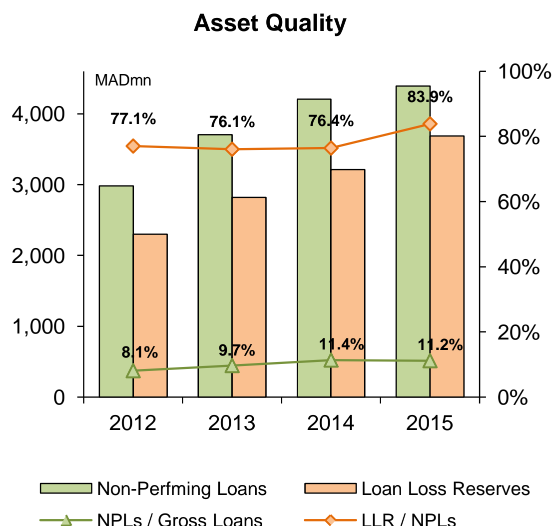
Slightly higher asset base in 2015 as loans grow. With slightly higher economic growth in 2015, CM's assets recorded a rise of 4.4% in 2015, led by the loan portfolio which increased by 5.5%. Asset growth has been weak at CM for the last few years. Previously for CM, with Morocco achieving solid economic growth for some years and thus creating good loan demand and increased penetration of the banking sector into the economy, loans to assets at CM increased from below 60% in 2006 to 77% at end 2009. CM's loan growth since then has been very limited. A factor has also been CM's rising level of NPLs which in turn saw management reduce credit expansion and focus more on credit quality, or at least trying to arrest the increase in NPLs.

CM's loans accounted for a slightly higher 70.1% (2014: 69.4%) of total assets at end 2015. By sector, growth over the last few years has been at a higher rate in retail loans, with mortgage loans (housing finance) the main driver behind the rise in retail loans. This was again the case in 2015. Corporate loans have seen little growth over recent time. Corporate loan growth in 2015 was better but equipment loans fell. CM has typically concentrated on lending to large companies, but has been endeavouring to focus more on the retail sector, as is the case for other banks in Morocco.

Total liquid assets (liquid assets [cash, central bank and government securities], plus deposits with banks) continue to account for a reasonable 24.8% (2014: 23.6%) of total assets, up slightly from year end 2014. Government securities (T-bills) increased, with liquid assets increasing to a much higher 17.0% of total assets against 9.6% previously. Government securities fell in the previous year as the Bank capitalised on the yield curve. Deposits with banks formed 7.9% of total assets (2014: 14.0%). All government securities are Moroccan government treasury bills (Dirham denominated). There is a good secondary market for these securities and they can be repo'd to the central bank. Other marketable securities (2.2% of total assets) are nearly all domestic corporate bonds from financial institutions.

Well diversified loan book by economic sector. CM has a well diversified loan portfolio by sector. At end 2015, the largest sector exposure was to individuals/retail sector. Mortgages comprise 23% of the portfolio. Higher risk sectors such as auto, agriculture, textiles and hotels are small in exposure. However, these have been the main source of NPLs. The corporate sector has suffered over the last few years due to the deterioration in Morocco's main export market – the Eurozone. In addition, the hotel and tourism sector has been hit through a fall in visitors. Just over one-half of loans are short- and medium-term loans. Long-term loans are mainly corporate loans and mortgages.

Limited rise in NPLs in 2015 but the NPL ratio remains very high. CM's NPLs rose by 4.5% (2014: +13.5%) in 2015 to MAD4,393mn. NPLs have risen briskly over the past six years. The increased rate of defaults reflected pressure in the corporate loan book, particularly in the textile, auto, construction and electronics industry. Weakness has been felt in the Moroccan economy as a result of the global financial crisis and in particular the problems in the EU. The Moroccan economy has seen pressure, particularly for manufacturers and exporters as the key EU market (particularly France and Spain) has been hit. High end property developments and hotels have also been impacted.



At year end 2015, NPLs represented a high 11.2% of gross loans against 11.4% at end 2014. Loans are classified as NPLs at 90 days past due as per Central Bank regulations. CM's NPL ratio of 11.2% is higher than the sector NPL ratio of 7.5% at end 2015. This is in part due to the fact that the French owned banks, like CM, have a more systematic and mechanical process of downgrading the quality of loans to NPLs than other local competitors. This is also stressed by the mother company who has strict rules of classification of loans, especially when the regional environment is not positive.

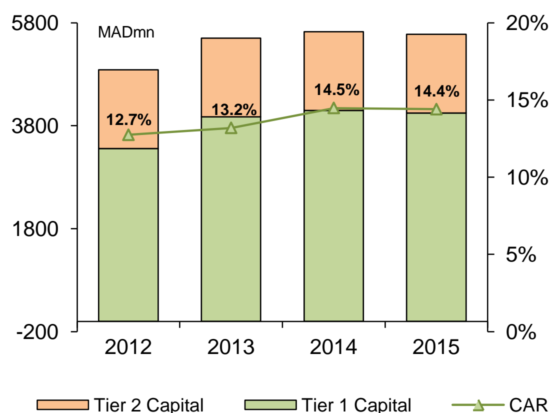
The interpretation of the fiscal law allowing the write-off of 100% provisioned loans in Morocco is still unclear. It is not clear at which date the write-off could be done without any fiscal risk. CM has taken the conservative side and prefers not to take a fiscal risk with write-offs. This is one reason why CM's NPL ratio is higher than other 100% Moroccan owned competitors.

That said, CM's NPL ratio is also higher than the other French-owned banks in Morocco.

Provisioning coverage improves in 2015 and is at a satisfactory level. Loan-loss reserves (LLRs) to NPLs stood at an adequate 83.9% at end 2015 against 76.4% at end 2014. Looking at unprovided NPLs against free capital, the ratio was a lower 25.5% at end 2015 against 35.3% at end 2014. The Bank is considered to have good collateral – including real estate, securities and cash – linked to its NPL portfolio, which, when included with specific provisions, increases coverage to 100%. The Bank also has general risk provisions of MAD531mn (2014: MAD401mn) within liabilities. This raises the coverage to 96%. The effective NPL coverage, which also takes into account free capital, is however relatively low at 1.47x.

There was a slight fall in contingents in 2015, declining by 0.3% (2014: -18.6%) through LCs. Contingent activity is not significant, representing 30% of total assets.

Capital adequacy position steady in 2015 and at a sound level. CM's CAR improved marginally to 14.40% at end 2015 from 14.48% at end 2014. Equity components adhere to Basel III standards whilst risk adjusted capital is based on Basel II standardised approach, including a charge for operational risk. The tier 1 ratio was 11.0% at end 2015 (2014: 11.13%).



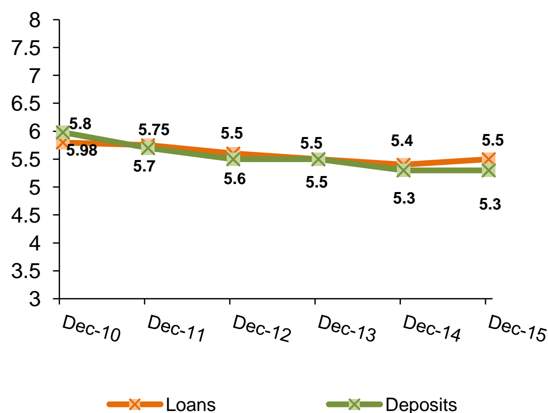
Total capital was lower by 1.2% to MAD4,047mn, representing a modest 7.98% of total assets against 8.43% at end 2014. The fall was due to reduced reserves during the year. The last paid-up capital increase was in 2013: CM's share capital increased by MAD71.5mn in 2013 through the issuance of 715,030 new CM shares.

The Bank has a stock of Tier 2 Capital which includes subordinated debt. The most recent issue was in 2011: a ten year subordinated debt issue of MAD500mn which was structured under five tranches with an overall cost of around 5.3%. CM issues subordinated debt (Tier 2) to the extent required by the growth of its loan portfolio. CM's first issue of subordinated debt was in late 2008; this was a facility of MAD1 billion of ten year maturity at a fixed rate of 4.98%. Growth in core capital has been slow as paid-up capital has not been significantly increased for many years, with the exception of 2013. The rate of internal capital generation ratio is low, reflecting the very high payout to shareholders. CM often increases its Tier 1 by distributing stock dividends. Total subordinated debt stood at MAD1,526mn at end 2015.

The minimum capital ratio for Moroccan banks is 12% (introduced from June 2013), with a minimum Tier 1 Capital ratio of 9%. Bank Al-Maghrib is committed to enhanced regulation and supervision, including the gradual adherence to Basel III norms on capital adequacy and liquidity. The new definition of capital by the Basel Committee was adopted in April 2013.

There is an ongoing transition to Basel II advanced approach for RWA. The Bank is in compliance with Basel III rules regarding regulatory capital and capital adequacy ratio (from June 2014 with full implementation in 2019). Minimum requirements are currently: CET1=8%; CET1+AT1=9%; CAR=12%. CM is also in compliance with Basel III rules regarding liquidity (LCR) with minimum currently at 60% in Morocco.

Fixed assets comprise 1.9% of total assets. Investments in affiliates (these include leasing, insurance, brokerage, fund structuring and Banque International de Tanger) consume another 0.62%. Both figures are low and hence do not significantly impact the free capital position. Free capital stood at MAD2,777mn at end 2015. Free capital to total capital was sound at 69%.



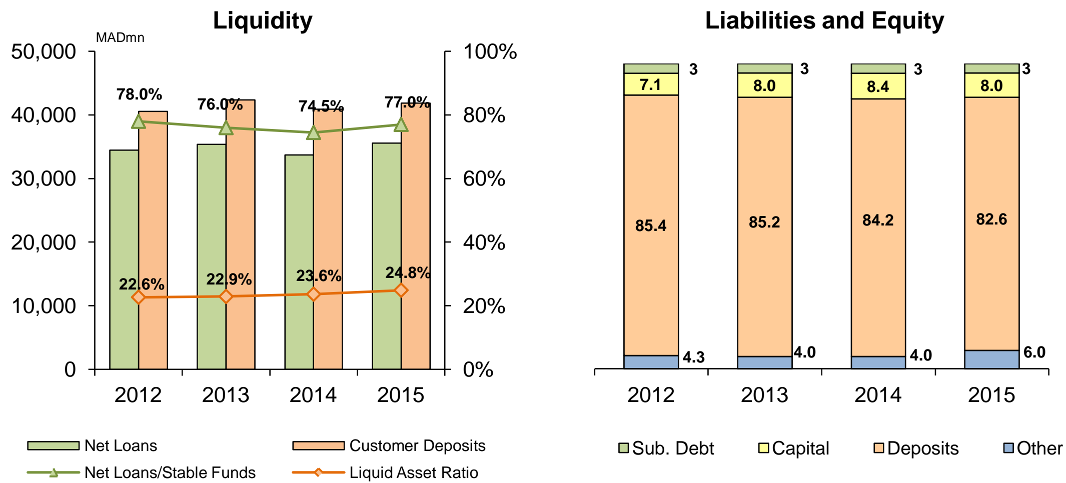
CM has a comfortable liquidity position, with the position steady in 2015. CM's liquidity and funding position is viewed as sound. Most ratios tightened marginally in 2015 due to the rise in net loans outpacing the increase in customer deposits. Over the three years to end 2013, domestic market liquidity for Moroccan banks tightened. The Central Bank of Morocco responded to the tightening of monetary conditions by increasing liquidity injections. Lower international reserves had a substantial restrictive impact on bank liquidity, contributing to slowing credit growth to 4% in 2013 (and 7% in 2012). While the policy interest rate has remained unchanged at 3% since March 2012, the Central Bank, Bank Al-Maghrib, doubled the daily average of its liquidity injections to help fill the liquidity shortage. It extended eligible collateral for its repo facilities to shares of mutual funds backed by mortgages and loans to small and medium enterprises, and softened the eligibility criteria for certificates of deposits. In September 2012, it also cut its reserve requirements for banks by two percentage points to 4%. In 2014, liquidity for the sector improved, albeit slightly, again aided by weak credit growth. In 2015, the banking sector saw further slight improvement in liquidity (aided by higher reserves) but the customer deposit market remains thin.

CM's funding is mainly sourced from customer deposits. Customer deposits are the main source of funding for CM. However, deposit growth has been limited. In 2015, the deposit base grew by 2.2% to MAD41,873mn. In 2014, customer deposits fell by 3.5%. At end 2015, customer deposits represented a slightly lower 82.6% (2014: 84.2%) of total liabilities and capital. Funding is very much retail dominated and not subject to the vagaries of the wholesale market. At 83%, the contribution of customer deposit funding to overall funding is higher at CM than compared to peer banks.

The rise in overall deposits in 2015 was due to the increase in demand and savings deposits. Time deposits rose by only 1.3% to MAD5,889mn. Demand deposits, which are either no-cost or very low cost, form well over one-half of total deposits and rose in 2015, increasing by 4.2% to MAD22,655mn. Savings deposits increased by 3.7% to MAD8,832mn. CASA deposits form a high 75.2% of total deposits. The growth in deposits in 2015 saw the Bank's market share maintained at 5.3%. CD's (classified as other deposits in the CI spreads) fell by 7.3% in 2015 to MAD4.5 billion. Within CDs there are longer term tenors over one year, thus providing support to maturity matching. CDs fell in 2015 due to lower rates.

As stated above, loan-based liquidity ratios deteriorated slightly in 2015 as the rise in net loans was greater than the increase in customer deposits. The net loans to customer deposits ratio rose to 84.9% in 2015 from 82.4% in 2014. The net loans to stable funds ratio weakened but remained comfortable at 77.0% (74.5% in 2014). Both ratios remain sound. CM's liquid asset ratio stood at a slightly higher 24.8% (2014: 23.6%), and was also adequate. The Bank's holdings in liquid assets, including treasury bills, cash and Central Bank placements, together with bank placements, provide CM with a good stock of readily available liquid assets. With the fall in bank placements in 2015, the Bank's net interbank position fell. The net liquid assets ratio was steady and sound at 20.2% (2014: 20.9%).

The Bank has back-up funding facilities (the extent is not provided by management) from Credit Agricole, if needed. However, this back-up has not been used as there has been no need for it.



The Bank's Liquidity Coverage Ratio (based on ECB definition) was over 120% as at end 2015 against a minimum required ratio of 60% in Morocco currently. Overall, CM's liquidity position is currently solid, aided by a good base of customer deposits that provide the vast bulk of funding and a healthy stock of liquid assets. Its position is better than the other French-owned banks in Morocco which display tight liquidity.

CREDIT DU MAROC

MA003

PERFORMANCE RATIOS	Audited	AUD 12/2015	AUD 12/2014	AUD 12/2013	AUD 12/2012
A . SIZE FACTORS (USD 000)					
1 . Total Assets		5,112,186	5,358,644	6,101,291	5,608,987
2 . Total Capital		408,067	451,804	486,992	396,452
3 . Net Profit		8,755	26,266	36,366	36,187
B . ASSET QUALITY					
4 . Total Assets Growth Rate (YoY%)		4.38	-2.31	4.78	2.00
5 . Estimated Non-Peforming Loans (NPLs) Net Accretion Rate (%)		8.23	17.69	27.43	6.86
6 . NPL Ratio (%)		11.19	11.39	9.70	8.12
7 NPAs (Including NPLs) To Total Assets (%)		8.66	8.65	7.45	6.29
8 . Loan-Loss Reserve To NPLs (%)		83.87	76.44	76.08	77.06
9 . Loan-Loss Reserve To Gross Loans (%)		9.39	8.70	7.38	6.26
10 . Unprovided Non-Performing Loans To Free Capital (%)		25.51	35.28	33.75	32.67
11 . Effective NPL Coverage Ratio (Times)		1.47	1.43	1.47	1.47
12 . Unprovided NPLs To Operating Profit (Months)		10.22	13.61	11.92	9.03
13 . Loan-Loss Provisioning Expense To Gross Loans (%)		2.71	2.76	2.79	0.98
14 . Related Party Exposure To Total Capital (%)		0.00	0.00	0.00	0.00
15 . Total Contingents To Total Assets (%)		30.04	31.46	37.75	34.03
C . CAPITAL ADEQUACY					
16 Reported Common Equity Tier 1 Ratio To Local Standards (%)					
17 . Reported Tier 1 Ratio To Local Standards (%)			11.13	9.96	
18 . Reported Total Capital Adequacy Ratio To Local Standards (%)		14.40	14.48	13.19	13.10
19 . Internal Capital Generation (%)		4.28	0.72	0.64	0.82
20 . Total Capital Growth Rate (YOY %)		-1.18	3.19	18.33	7.88
21 . Total Capital To Total Assets (%)		7.98	8.43	7.98	7.07
22 . Total Capital To Gross Loans (%)		10.31	11.09	10.39	9.13
23 . Free Capital (MAD 000)		2,777,323	2,807,647	2,626,820	2,095,040
24 . Free Capital To Total Capital (%)		68.62	68.55	66.18	62.46
25 . Dividend Payout Ratio (%)		0.00	98.67	94.36	96.41
D . LIQUIDITY					
26 . Stable Funds (MAD 000)		46,176,636	45,255,100	46,535,638	44,159,746
27 . Net Loans To Total Assets (%)		70.14	69.38	71.13	72.57
28 . Net Loans To Total Customer Deposits (%)		84.93	82.37	83.46	84.96
29 . Net Loans To Total Deposits (%)		80.38	79.83	81.40	82.70
30 . Net Loans To Stable Funds (%)		77.01	74.48	76.01	77.99
31 . Net Investments To Total Assets (%)		13.06	9.24	13.38	11.92
32 . Liquid Asset Ratio (%)		24.84	23.59	22.86	22.64
33 . Net Liquid Asset Ratio (%)		20.17	20.91	20.70	20.31
34 . Quasi-Liquid Asset Ratio (%)		27.08	27.68	25.91	24.35
35 . Short-Term Funding Coverage Ratio (%)		578.99	1,031.92	1,199.15	1,043.81
36 . Net FX Currency Assets (MAD 000)					
37 . FX Deposits Less FX Loans (MAD 000)					
38 . Net Interbank Assets (MAD 000)		1,608,681	5,478,159	3,029,551	1,334,686
E . PROFITABILITY					
39 . Return on Average Assets (%)		0.17	0.48	0.61	0.65
40 . Operating Profit To Average Assets (%)		1.68	1.78	1.84	1.94
41 . Gross Income To Average Assets (%)		4.07	4.18	4.20	4.40
42 . Estimated Funding Cost (%)		1.38	1.74	1.88	1.79
43 . Estimated Interest on Average Total Assets (%)		4.62	4.93	5.06	5.33
44 . Estimated Net Interest Margin (%)		3.24	3.19	3.17	3.54
45 . Non-Interest Income To Gross Income (%)		20.46	23.79	24.41	19.52
46 . Operating Expenses To Gross Income (%)		58.84	57.52	56.24	55.95
47 Operating Expenses To Average Assets (%)		2.40	2.41	2.36	2.46
48 . Operating Profit Growth Rate (YOY %)		-4.70	-2.12	-1.95	-1.17
49 . Risk Provisioning Expense To Operating Profit (%)		73.24	56.78	57.56	39.40
50 . Return on Average Equity (%)		2.13	5.90	8.09	9.47
RATES					
. Exchange Rate (Units per USD)		9.92	9.07	8.15	8.46
. Inflation Rate (%)		1.60	0.40	1.90	1.50
. Benchmark Interest Rate (MAD)		2.50	2.75	2.90	2.80

NOTES:

CREDIT DU MAROC

BALANCE SHEET - ASSETS (MAD 000) External Audit	12/2015 USD 000	AUD 12/2015	AUD 12/2014	AUD 12/2013	AUD 12/2012	Growth (%) 12/2015	12/2014	12/2013	12/2012	Breakdown (%) 12/2015	12/2014	12/2013	12/2012
CASH & EQUIVALENT ASSETS:													
Cash	173,924	1,724,998	619,246	885,979	1,282,683	178.56	-30.11	-30.93	221.34	3.40	1.27	1.78	2.70
Central Bank	142,459	1,412,931	1,564,440	1,245,974	2,250,055	-9.68	25.56	-44.62	6.35	2.79	3.22	2.51	4.74
Treasury Bills	552,334	5,478,123	2,495,875	5,129,985	4,769,673	119.49	-51.35	7.55	58.33	10.80	5.14	10.32	10.05
Government Securities													
Reverse Repos													
Other													
TOTAL CASH & EQUIVALENT ASSETS	868,717	8,616,052	4,679,561	7,261,938	8,302,411	84.12	-35.56	-12.53	50.21	16.99	9.63	14.60	17.50
DEPOSITS WITH BANKS:													
Short - Up to 1 Year	401,335	3,980,495	6,781,399	4,103,834	2,441,925	-41.30	65.25	68.06	-48.75	7.85	13.96	8.25	5.15
Medium - Over 1 Year													
TOTAL DEPOSITS WITH BANKS	401,335	3,980,495	6,781,399	4,103,834	2,441,925	-41.30	65.25	68.06	-48.75	7.85	13.96	8.25	5.15
TOTAL LIQUID ASSETS	1,270,052	12,596,547	11,460,960	11,365,772	10,744,336	9.91	0.84	5.78	4.39	24.84	23.59	22.86	22.64
OTHER MARKETABLE SECURITIES	114,545	1,136,076	1,987,401	1,516,477	813,092	-42.84	31.05	86.51	-9.01	2.24	4.09	3.05	1.71
LOANS AND ADVANCES:													
Short Term	2,742,283	27,198,339	25,033,518	25,332,338	24,426,926	8.65	-1.18	3.71	72.23	53.64	51.53	50.94	51.47
Medium/Long Term (MLT)	1,214,813	12,048,680	11,885,054	12,857,144	12,311,362	1.38	-7.56	4.43	-35.85	23.76	24.47	25.86	25.94
Other									-100.00				
Leasing and Factoring													
of which : Non-Performing Loans	442,950	4,393,242	4,204,100	3,705,617	2,983,270	4.50	13.45	24.21	6.86	8.66	8.65	7.45	6.29
GROSS LOANS AND ADVANCES	3,957,096	39,247,019	36,918,572	38,189,482	36,738,288	6.31	-3.33	3.95	1.58	77.41	76.00	76.80	77.42
Loan-Loss Reserve	-371,510	-3,684,685	-3,213,514	-2,819,089	-2,298,832	14.66	13.99	22.63	8.20	-7.27	-6.62	-5.67	-4.84
NET LOANS AND ADVANCES	3,585,586	35,562,334	33,705,058	35,370,393	34,439,456	5.51	-4.71	2.70	1.16	70.14	69.38	71.13	72.57
NON-MARKETABLE SECURITIES	702	6,965	5,975	5,975	75,974	16.57		-92.14	1,198.48	0.01	0.01	0.01	0.16
SUBSIDIARIES & AFFILATES	31,508	312,496	304,191	311,123	289,015	2.73	-2.23	7.65	12.89	0.62	0.63	0.63	0.61
NET NON-PERFORMING ASSETS (Excluding NPLs)													
FIXED ASSETS	96,534	957,441	983,835	1,031,040	970,187	-2.68	-4.58	6.27	5.69	1.89	2.03	2.07	2.04
OTHER ASSETS	13,258	131,499	129,513	124,743	123,613	1.53	3.82	0.91	4.97	0.26	0.27	0.25	0.26
TOTAL ASSETS	5,112,186	50,703,358	48,576,933	49,725,523	47,455,673	4.38	-2.31	4.78	2.00	100.00	100.00	100.00	100.00
CONTINGENT ACCOUNTS:													
Financial Guarantees / SLCs / Acceptances	1,202,513	11,926,684	11,149,931	12,632,510	10,265,455	6.97	-11.74	23.06	16.62	23.52	22.95	25.40	21.63
Irrevocable Commitments													
Documentary L/Cs	333,340	3,306,111	4,131,497	6,138,694	5,886,020	-19.98	-32.70	4.29	9.21	6.52	8.51	12.35	12.40
Bid / Performance / Retention Bonds													
TOTAL CONTINGENT ACCOUNTS	1,535,853	15,232,795	15,281,428	18,771,204	16,151,475	-0.32	-18.59	16.22	13.81	30.04	31.46	37.75	34.03

BALANCE SHEET - LIABILITIES (MAD 000) External Audit	42,368 USD 000	AUD 12/2015	AUD 12/2014	AUD 12/2013	AUD 12/2012	Growth (%) 12/2015	12/2014	12/2013	12/2012	Breakdown (%) 12/2015	12/2014	12/2013	12/2012
SHORT-TERM INTERBANK LIABILITIES:													
ST Placements From Banks	239,139	2,371,814	1,303,240	1,074,283	1,107,239	81.99	21.31	-2.98	-4.44	4.68	2.68	2.16	2.33
Current Portion of LT Bank Debt													
Repos With Banks													
Interbank Liability To Parent / Related Party													
TOTAL SHORT-TERM INTERBANK LIABILITIES	239,139	2,371,814	1,303,240	1,074,283	1,107,239	81.99	21.31	-2.98	-4.44	4.68	2.68	2.16	2.33
CUSTOMER DEPOSITS:													
Demand	2,284,157	22,654,577	21,737,748	21,436,427	19,648,722	4.22	1.41	9.10	-0.57	44.68	44.75	43.11	41.40
Savings	891,646	8,843,468	8,532,005	8,110,429	7,566,915	3.65	5.20	7.18	6.46	17.44	17.56	16.31	15.95
Time	593,740	5,888,792	5,812,340	6,385,487	5,536,214	1.32	-8.98	15.34	-3.37	11.61	11.97	12.84	11.67
Other	452,332	4,486,287	4,837,182	6,447,022	7,785,073	-7.25	-24.97	-17.19	5.42	8.85	9.96	12.97	16.40
TOTAL CUSTOMER DEPOSITS	4,221,874	41,873,124	40,919,275	42,379,365	40,536,924	2.33	-3.45	4.55	1.39	82.58	84.24	85.23	85.42
OFFICIAL DEPOSITS													
TOTAL DEPOSITS + ST INTERBANK LIABILITIES	4,461,013	44,244,938	42,222,515	43,453,648	41,644,163	4.79	-2.83	4.35	1.22	87.26	86.92	87.39	87.75
NON-BANK SHORT-TERM DEBT													
MEDIUM / LONG TERM FUNDING													
SUBORDINATED DEBT	153,879	1,526,189	1,528,178	1,529,453	1,527,782	-0.13	-0.08	0.11	0.03	3.01	3.15	3.08	3.22
HYBRID CAPITAL													
OTHER LIABILITIES	89,228	884,971	730,567	773,439	929,486	21.13	-5.54	-16.79	24.21	1.75	1.50	1.56	1.96
TOTAL LIABILITIES	4,704,119	46,656,098	44,481,260	45,756,540	44,101,431	4.89	-2.79	3.75	1.58	92.02	91.57	92.02	92.93
CAPITAL:													
Paid Up Capital	109,710	1,088,121	1,067,899	1,035,848	922,392	1.89	3.09	12.30	3.60	2.15	2.20	2.08	1.94
Reserves	298,356	2,959,139	3,027,774	2,933,135	2,431,850	-2.27	3.23	20.61	9.60	5.84	6.23	5.90	5.12
Minority Interest													
TOTAL CAPITAL	408,067	4,047,260	4,095,673	3,968,983	3,354,242	-1.18	3.19	18.33	7.88	7.98	8.43	7.98	7.07
TOTAL LIABILITIES + TOTAL CAPITAL	5,112,186	50,703,358	48,576,933	49,725,523	47,455,673	4.38	-2.31	4.78	2.00	100.00	100.00	100.00	100.00
REGULATORY CAPITAL													

PROFIT AND LOSS ACCOUNT (MAD 000) External Audit	42,368 USD 000	AUD 42,368	AUD 42,003	AUD 41,638	AUD 41,273	Growth (%) 12/2015	12/2014	12/2013	12/2012	% of Average Total Assets 12/2015	12/2014	12/2013	12/2012
Interest Income	231,451	2,295,558	2,423,297	2,456,928	2,503,943	-5.27	-1.37	-1.88	4.23	4.62	4.93	5.06	5.33
Interest Expense	-69,288	-687,207	-856,903	-915,868	-841,511	-19.80	-6.44	8.84	8.32	-1.38	-1.74	-1.88	-1.79
Net Interest Income	162,163	1,608,351	1,566,394	1,541,060	1,662,432	2.68	1.64	-7.30	2.28	3.24	3.19	3.17	3.54
Net Fees and Commissions	26,345	261,289	259,860	237,907	247,659	0.55	9.23	-3.94	1.00	0.53	0.53	0.49	0.53
FX Trading Income	7,345	72,852	78,690	189,127	71,263	-7.42	-58.39	165.39	-11.40	0.15	0.16	0.39	0.15
Derivatives Income													
Gain / Loss on Securities	3,743	37,122	69,705			-46.74				0.07	0.14		
Other Investment Income	4,074	40,409	55,903	60,720	57,224	-27.72	-7.93	6.11	46.04	0.08	0.11	0.12	0.12
Gains/Loss on Real Estate Held For Investment													
Share of Profits From Associates													
Net Insurance Income													
Other Income	218	2,159	24,914	9,794	27,133	-91.33	154.38	-63.90	1.19	0.00	0.05	0.02	0.06
Total Non-Interest Income	41,725	413,831	489,072	497,548	403,279	-15.38	-1.70	23.38	2.97	0.83	1.00	1.02	0.86
GROSS INCOME	203,887	2,022,182	2,055,466	2,038,608	2,065,711	-1.62	0.83	-1.31	2.41	4.07	4.18	4.20	4.40
Operating Expenses	119,974	1,189,921	1,182,205	1,146,475	1,155,829	0.65	3.12	-0.81	5.42	2.40	2.41	2.36	2.46
OPERATING PROFIT	83,913	832,261	873,261	892,133	909,882	-4.70	-2.12	-1.95	-1.17	1.68	1.78	1.84	1.94
Total Provisioning Expenses	-61,458	-609,551	-495,797	-513,537	-358,524	22.94	-3.45	43.24	-14.52	-1.23	-1.01	-1.06	-0.76
GROSS PROFIT / (LOSS)	22,455	222,710	377,464	378,596	551,358	-41.00	-0.30	-31.33	9.99	0.45	0.77	0.78	1.17
Extraordinary Items	-8,919	-88,460	-25,606	-4,796	-14,637	245.47	433.90	-67.23	66.42	-0.18	-0.05	-0.01	-0.03
Tax & Equivalent	-4,781	-47,420	-113,757	-77,416	-230,556	-58.31	46.94	-66.42	26.50	-0.10	-0.23	-0.16	-0.49
NET PROFIT (or -LOSS)	8,755	86,830	238,101	296,384	306,165	-63.53	-19.66	-3.19	-1.31	0.17	0.48	0.61	0.65
Net Changes in Fair Value													
Net FX Translation Gains													
Other													
COMPREHENSIVE INCOME	8,755	86,830	238,101	296,384	306,165	-63.53	-19.66	-3.19	-1.31	0.17	0.48	0.61	0.65
Proposed Cash Dividends			234,938	279,679	295,165	-100.00	-16.00	-5.25	11.56		0.48	0.58	0.63

RATIO FORMULAE

Category	Ratio	Formula
A.SIZE FACTORS (USD 000)	1. TOTAL ASSETS	TOTAL ASSETS
	2. TOTAL CAPITAL	TOTAL CAPITAL
	3. NET PROFIT	NET PROFIT
B.ASSET QUALITY	4. TOTAL ASSETS GROWTH RATE (YOY%)	(CURRENT YEAR TOTAL ASSETS – PREVIOUS YEAR TOTAL ASSETS) X 100 / PREVIOUS YEAR TOTAL ASSETS
	5. ESTIMATED NON-PEFORMING LOANS (NPLS) NET ACCRETION RATE (%)	(NPLs + RECOVERIES OF NPLs NOT WRITTEN-OFF+ WRITEOFFS-NPLs (PREVIOUS YEAR)) X 100 / NON-PERFORMING LOANS(PREVIOUS YEAR)
	6. NPL RATIO (%)	NON-PERFORMING LOANS X 100 / GROSS LOANS
	7. NPAS (INCLUDING NPLS) TO TOTAL ASSETS (%)	(NON-PERFORMING ASSETS + NON-PERFORMING LOANS) X 100 / TOTAL ASSETS
	8. LOAN-LOSS RESERVE TO NPLS (%)	LOAN-LOSS RESERVE X 100 / NON-PERFORMING LOANS
	9. LOAN-LOSS RESERVE TO GROSS LOANS (%)	LOAN-LOSS RESERVE X 100 / GROSS LOANS
	10. UNPROVIDED NON-PERFORMING LOANS TO FREE CAPITAL (%)	(NON-PERFORMING LOANS - LOAN LOSS RESERVE) X 100 / FREE CAPITAL
	11. EFFECTIVE NPL COVERAGE RATIO (TIMES)	(LOAN-LOSS RESERVE + FREE CAPITAL) / NPLs
	12. UNPROVIDED NPLS TO OPERATING PROFIT (MONTHS)	(NON-PERFORMING LOANS - LOAN LOSS RESERVE) X 12 / OPERATING PROFIT
	13. LOAN-LOSS PROVISIONING EXPENSE TO GROSS LOANS (%)	PROVISIONS FOR LOANS (SPEC + GEN) X 100 / GROSS LOANS
	14. RELATED PARTY EXPOSURE TO TOTAL CAPITAL (%)	RELATED-PARTY EXPOSURE (FUNDED + UNFUNDED) X 100 / TOTAL CAPITAL
	15. TOTAL CONTINGENTS TO TOTAL ASSETS (%)	(TOTAL CONTINGENT ACCOUNTS) X 100 / TOTAL ASSETS
C.CAPITAL ADEQUACY	16. REPORTED COMMON EQUITY TIER 1 RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	17. REPORTED TIER 1 RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	18. REPORTED TOTAL CAPITAL ADEQUACY RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	19. INTERNAL CAPITAL GENERATION (%)	(COMPREHENSIVE INCOME – PROPOSED CASH DIVIDENDS – EXTRAORDINARY ITEMS) X 100 / PREVIOUS YEAR TOTAL CAPITAL
	20. TOTAL CAPITAL GROWTH RATE (YOY %)	(CURRENT YEAR TOTAL CAPITAL – PREVIOUS YEAR TOTAL CAPITAL) X 100 / PREVIOUS YEAR TOTAL CAPITAL
	21. TOTAL CAPITAL TO TOTAL ASSETS (%)	TOTAL CAPITAL X 100 / TOTAL ASSETS
	22. TOTAL CAPITAL TO GROSS LOANS (%)	TOTAL CAPITAL X 100 / GROSS LOANS
	23. FREE CAPITAL (000)	TOTAL CAPITAL – SUBSIDIARIES AND AFFILIATES – FIXED ASSETS
	24. FREE CAPITAL TO TOTAL CAPITAL (%)	FREE CAPITAL X 100 / TOTAL CAPITAL
	25. DIVIDEND PAYOUT RATIO (%)	PROPOSED CASH DIVIDENDS X 100 / NET PROFIT

RATIO FORMULAE

Section	Ratio	Formula
D.LIQUIDITY	26. STABLE FUNDS (000)	TOTAL CUSTOMER DEPOSITS + MEDIUM & LONG-TERM FUNDING + SUBORDINATED DEBT + HYBRID CAPITAL + FREE CAPITAL
	27. NET LOANS TO TOTAL ASSETS (%)	NET LOANS X 100 / TOTAL ASSETS
	28. NET LOANS TO TOTAL CUSTOMER DEPOSITS (%)	NET LOANS X 100 / TOTAL CUSTOMER DEPOSITS
	29. NET LOANS TO TOTAL DEPOSITS (%)	NET LOANS X 100 / TOTAL CUST. DEP. + OFFICIAL DEP. + ST PLACEMENTS FROM BANKS + INTERBANK DEP. TO PARENT OR RELATED PARTY
	30. NET LOANS TO STABLE FUNDS (%)	NET LOANS X 100 / STABLE FUNDS
	31. NET INVESTMENTS TO TOTAL ASSETS (%)	(TREAS BILLS & GOV. SEC. + OTHER MKT SEC. + NON-MKT SEC.) X 100 / TOTAL ASSETS
	32. LIQUID ASSET RATIO (%)	TOTAL LIQUID ASSETS X 100 / TOTAL ASSETS
	33. NET LIQUID ASSET RATIO (%)	(TOTAL LIQUID ASSETS – TOTAL ST INTERBANK LIABILITIES - NON-BANK ST DEBT) X 100 / TOTAL ASSETS
	34. QUASI-LIQUID ASSET RATIO (%)	(TOTAL LIQUID ASSETS + OTHER MARKETABLE SECURITIES) X 100 / TOTAL ASSETS
	35. SHORT-TERM FUNDING COVERAGE RATIO (%)	(TOTAL LIQUID ASSETS + OTHER MARKETABLE SECURITIES) X 100 / TOTAL ST INTERBANK LIABILITIES + NON-BANK SHORT-TERM DEBT
	36. NET FX CURRENCY ASSETS (000)	FOREIGN CURRENCY ASSETS – FOREIGN CURRENCY LIABILITIES
	37. FX DEPOSITS LESS FX LOANS (000)	FOREIGN CURRENCY LOANS – FOREIGN CURRENCY DEPOSITS
	38. NET INTERBANK ASSETS (000)	TOTAL DEPOSITS WITH BANKS – TOTAL ST INTERBANK LIABILITIES
E.PROFITABILITY	39. RETURN ON AVERAGE ASSETS (%)	NET PROFIT X 100 / AVERAGE TOTAL ASSETS
	40. OPERATING PROFIT TO AVERAGE ASSETS (%)	OPERATING PROFIT X 100 / AVERAGE TOTAL ASSETS
	41. GROSS INCOME TO AVERAGE ASSETS (%)	GROSS INCOME X 100 / AVERAGE TOTAL ASSETS
	42. ESTIMATED FUNDING COST (%)	INTEREST EXPENSE X 100 / AVERAGE TOTAL ASSETS
	44.ESTIMATED INTEREST ON AVERAGE TOTAL ASSETS	INTEREST INCOME X 100 / AVERAGE TOTAL ASSETS
	44. ESTIMATED NET INTEREST MARGIN (%)	ESTIMATED INTEREST ON AVERAGE TOTAL ASSETS (%) – ESTIMATED FUNDING COST (%)
	45. NON-INTEREST INCOME TO GROSS INCOME (%)	NON-INTEREST INCOME X 100 / GROSS INCOME
	46. OPERATING EXPENSES TO GROSS INCOME (%)	OPERATING EXPENSES X 100 / GROSS INCOME
	47. OPERATING EXPENSES TO AVERAGE ASSETS (%)	OPERATING EXPENSES X 100 / AVERAGE TOTAL ASSETS
	48. OPERATING PROFIT GROWTH RATE (YOY %)	(CURRENT-YEAR OPERATING PROFIT – PREV-YEAR OPERATING PROFIT) X 100 / PREV-YEAR OPERATING PROFIT
	49. RISK PROVISIONING EXPENSE TO OPERATING PROFIT (%)	TOTAL PROVISONING EXPENSES X 100 / OPERATING PROFIT
	50. RETURN ON AVERAGE EQUITY (%)	NET PROFIT X 100 / AVERAGE TOTAL CAPITAL
F. COUNTRY SPECIFIC RATIOS	. EXCHANGE RATE (UNITS PER USD)	
	. INFLATION RATE (%)	
	. BENCHMARK INTEREST RATE ()	

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RATINGS DEFINITIONS

International Issuer Credit Ratings: Foreign Currency and Local Currency

CI's international issuer credit ratings indicate the general creditworthiness of an entity (such as a bank, corporate or sovereign) and the likelihood that it will meet its financial obligations in a timely manner. Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness, as well as the likelihood that an entity would receive external support in the event of financial difficulties.

Ratings assigned to banks and corporates are generally not higher than the ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign.

CI may assign either a public rating or an internal 'shadow' rating to the sovereign. Shadow sovereign ratings are not intended for publication and are used to ensure that sovereign risk factors are adequately reflected in the ratings of non-sovereign issuers.

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Long-Term Issuer Ratings

Investment Grade

AAA — The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.

AA — Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.

A — High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.

BBB — Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB — Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

B Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.

C Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.

RS Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Short-Term Issuer Ratings

Investment Grade

A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a "+" affixed to the rating.

A2 Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.

A3 Strong capacity for timely repayment that may be affected by unexpected adversities.

Speculative Grade

B Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.

C Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.

RS Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular rated entity is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a bank or corporate rating over the 12 months following its publication are denoted Positive, Stable or Negative. The time horizon for a sovereign rating outlook is longer, at 12-24 months.

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Financial Strength Ratings

CI's financial strength ratings provide an opinion of a bank's inherent financial strength, soundness and risk profile. These ratings do not address sovereign risk factors, including transfer risk, which may affect an institution's capacity to honour its financial obligations, be they local or foreign currency. Financial strength ratings also exclude support factors, which are addressed by foreign and local currency ratings, as well as CI's support ratings. However, financial strength ratings do take into account the bank's operating environment including the economy, the structure, strength and stability of the financial system, the legal system, and the quality of banking regulation and supervision. Financial strength ratings do not assess the likelihood that specific obligations will be repaid in a timely manner.

The following rating scale applies to the financial strength rating.

AAA Financially in extremely strong condition with positive financial trends; significant strengths in other non-financial areas. Operating environment likely to be highly attractive and stable.

AA Financially in very strong condition and significant strengths in other non-financial areas. Operating environment likely to be very attractive and stable.

A Strong financial fundamentals and very favourable non-financial considerations. Operating environment may be unstable but institution's market position and/or financial strength more than compensate.

BBB Basically sound overall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment.

BB One or two significant weaknesses in the bank's financial makeup could cause problems. May be characterised by a limited franchise; other factors may not be sufficient to avoid a need for some degree of temporary external support in cases of extraordinary adversity. Unstable operating environment likely.

B Fundamental weaknesses are present in the bank's financial condition or trends, and other factors are unlikely to provide strong protection from unexpected adversities; in such an event, the need for external support is likely. Bank may be constrained by weak market position and/or volatile operating environment.

C In a very weak financial condition, either with immediate problems or with limited capacity to withstand adversities. May be operating in a highly volatile operating environment.

D Extremely weak financial condition and may be in an untenable position.

Capital Intelligence appends "+" and "-" signs to financial strength ratings in the categories from "AA" to "C" to indicate that the strength of a particular institution is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.

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Support Ratings

CI's support ratings assess the likelihood that, in the event of difficulties, a bank would receive sufficient financial assistance from the government or private owners to enable it to continue meeting its financial obligations in a timely manner. Support ratings complement CI's financial strength ratings which, in effect, indicate the likelihood that a bank will fail due to inherent financial weaknesses and/or an unstable operating environment and therefore may require external support to avoid defaulting on its obligations. Neither financial strength ratings nor support ratings take account of transfer and convertibility risks associated with sovereign events. The overall creditworthiness of an institution and default risk is captured by CI's foreign currency ratings. Foreign currency ratings take into account all factors affecting the likelihood of repayment including inherent financial strength, external support, the operating environment, and sovereign-related risks.

Although subjective, support ratings are based on a thorough assessment of a bank's ownership, market position and importance within the sector and economy, as well as the country's regulatory and supervisory framework and the credit standing of potential supporters.

The following rating scale applies to support ratings.

1. The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.

2. The likelihood of support is very high. The ability and willingness of potential supporters to provide sufficient and timely support is very strong.

3. The likelihood of support is high. The ability and willingness of potential supporters to provide sufficient and timely support is strong.

4. The likelihood of support is moderate. There is some uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.

5. The likelihood of support is low. There is considerable uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.

ATTRIBUTES AND LIMITATIONS OF CREDIT RATINGS

Users of Capital Intelligence's (CI) credit ratings should be aware of the following attributes and limitations of the ratings:

- CI's credit ratings are statements of opinion and not statements of fact. They are an independent opinion of the creditworthiness of an entity or obligor either in general (an issuer rating) or with regard to a specific financial obligation (an issue rating).
- CI's credit ratings are intended to provide a relative ranking of credit risk among rated entities and obligations based on fundamental credit analysis and expressed in rating symbols from 'AAA' to 'D'. Reflecting the limited number of gradations, entities or obligations with the same rating may not be of exactly the same credit quality, but they will share substantially similar credit risk characteristics.
- CI's credit ratings are assigned by, and all subsequent rating actions (including upgrades, downgrades and changes in outlook) determined by, rating committees and never by an individual analyst.
- CI's credit ratings indicate the likelihood of default, but they do not indicate a specific probability of default over any given time period.
- CI may initiate credit ratings on issuers without the request of the issuer provided there is adequate public information available to form a credible opinion of the issuer's creditworthiness.
- CI does not audit or verify the accuracy of information obtained from issuers as part of the rating process and may, in some cases, rely on unaudited financial data.
- A credit rating may, at any time, be raised, lowered, placed under review, suspended or withdrawn in accordance with CI's policies and procedures.
- CI may assign private 'shadow' sovereign ratings – internal assessments of sovereign risk that are not intended for publication and are used as an input into other rating assessments. Shadow sovereign ratings may constrain or cap the ratings of other rated issuers within a country. Shadow sovereign ratings may be based on a lower level of information or less detailed analysis compared to public sovereign ratings and, although monitored, may be reviewed less frequently than every six months. They do not represent a full rating opinion.

CI's credit ratings may be used as an analytical input into, but are not a substitute for, investors' own risk management. Investors in particular should be aware that:

- CI's credit ratings focus on one aspect of investment risk – credit (or repayment) risk – and do not explicitly capture loss severity or recovery prospects.
- CI's ratings are not recommendations to purchase, sell, or hold stocks or shares in an institution or particular security.
- CI's ratings do not assess or indicate the likelihood of changes in the market price of rated instruments due to market-related factors such as changes in interest rates or liquidity.
- CI's ratings do not provide an opinion of the liquidity in the market of an issuer's securities.