

Ref: MA00324CRA00-01

29 August 2025

## **Credit du Maroc's Ratings Affirmed with a Stable Outlook**

**Capital Intelligence Ratings (CI Ratings or CI)** today announced that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and Short-Term Foreign Currency Rating (ST FCR) of Credit du Maroc (CM or the Bank) at 'BB+' and 'B', respectively. At the same time, CI Ratings has affirmed CM's Bank Standalone Rating (BSR) of 'bb', Core Financial Strength (CFS) rating at 'bb' and Extraordinary Support Level of Moderate. The Outlook for the LT FCR and BSR remains Stable.

The Moroccan Holmarcom Group (HG) acquired its majority stake in CM from France's Credit Agricole S.A. (CA) in December 2022. HG is a Moroccan-based conglomerate with core businesses in the finance (mainly insurance), agro-industry, logistics and real estate sectors. The transaction took place in two stages: a tranche of 64% was concluded in December 2022. Holmarcom finalised the acquisition of CA's remaining 15% stake in CM in June 2024, taking its total holding to 79%. CA continued to support CM during this transition phase to ensure the continuity of its services and contribute to its full integration with HG. Due to the close collaboration of CM's teams under the supervision of HG and the support of CA, the transition process was completed in accordance with the commitments made by both parties, leading to the full autonomy of CM in terms of operations, activities and information systems.

The Bank's LT FCR is set one notch above the BSR. The uplift reflects our assessment of the moderate likelihood of extraordinary support, if needed, from the Moroccan authorities. As the eighth-largest bank in Morocco, we do not consider CM to be of systemic importance to the sector. However, the Bank is relatively sizeable and controls over 5% of customer deposits in the sector, and thus the likelihood of support from the authorities is moderate. HG may be willing to support the Bank in case of need. However, CI currently assesses its capacity to provide sufficient and timely support as moderate to uncertain.

CM's BSR is derived from a CFS rating of 'bb' and an Operating Environment Risk Anchor (OPERA) of 'bb+'. The CFS is underpinned by satisfactory capital ratios (including CET1), a very good net interest margin (NIM) with consistent improvement in returns over the past three years, together with a stable and defensible franchise. The rating is also constrained by the low level of core liquid assets – although the liquidity coverage ratio (LCR) is sound – and still moderately high NPL ratio (although better than the sector). We note, however, year-on-year improvement in loan asset quality.

CM has a steady market position in the Moroccan banking sector, controlling just over 5% of sector assets. The Bank's activities are concentrated on the domestic market. It has various subsidiaries, including leasing, insurance, broking and asset management, but these are small.

Loan asset quality is satisfactory, with CM's level of NPLs below that of peer banks in Morocco, and the sector overall. Stage 2 classified loans are moderate compared to the market, and declined in H1 25. The NPL ratio also fell in H1 25, to 6.6%. CM has satisfactory buffers in place, with loan-loss reserve coverage adequate.

CM's earnings strength is satisfactory, and returns improved once again in 2024, reflecting higher net interest income (NII) and increased gains from securities; the latter have grown significantly in percentage terms over the past two years, aided by declining market interest rates. Operating expenses were flat, and operating profit increased by a good level in 2024 in both percentage terms and against average total assets. The ROAA is slightly above the peer group average. The Bank's NIM is good – the Bank records the second-highest NIM in the peer group – and CM has the lowest cost of funds in the peer group. Earnings are generated principally from core and stable banking operations, although CI notes that security gains exceeded fee and commission income in 2024 and constitute the largest non-interest income item. H1 25 net profit was 14% higher than H1 24. Operating income in H1 25 was 11% above that of H1 24, led by stronger NII. We expect good results in full-year 2025.

CM's liquidity and funding position is considered adequate. Over three-quarters of assets are funded by a stable and quite granular customer deposit base, supported by medium- and long-term funding

facilities. CM's loans to customer deposits ratio is satisfactory, but the level of liquid assets is low despite improvement in 2024; however, the LCR is good. Medium- and longer-term funding is provided by debt securities issued on the local market, including subordinated facilities. Funding is also supported by a loan from the IFC (IFC has a minority stake in Holmarcom) to support trade-related activities. In 2024, IFC provided a further line of credit to CM amounting to MAD1bn. Overall, CM's funding profile is stable and diversified.

Capital ratios and metrics are satisfactory, and ratios are slightly better than the peer average. The Bank's capital position provides a reasonable buffer against unforeseen events. Internal capital generation has been mixed, and the dividend payout ratio has been high over the past few years.

### Rating Outlook

The Outlook for all the ratings is Stable. CI expects CM to maintain its overall financials at a satisfactory level this year. Credit risk and profitability will remain the main challenges. Funding and liquidity are expected to remain adequate.

### Rating Dynamics: Upside Scenario

The likelihood of an upward revision in CM's ratings is currently unlikely. A favourable rating action in the future would require further improvement in the Bank's profitability, as well as strengthened liquidity, asset quality and capital metrics. The direction of the CFS is positive if financial metrics continue to improve and, if so, this would put upward pressure on the BSR. An upward revision in CI's internal assessment of sovereign credit risk for Morocco and/or OPERA, which is considered very remote at present, could likely exert upward pressure on the ratings.

### Rating Dynamics: Downside Scenario

A significant weakening of CM's loan asset quality, liquidity and/or capital which the Bank could not address in a reasonable time could lead to a lowering of the ratings. A downgrade in CI's internal assessment of sovereign risk for Morocco and/or OPERA could also exert downward pressure on the ratings.

### Ratings

Foreign Currency		Outlook	BSR	Outlook	CFS	ESL	OPERA
LT	ST	LT FC		BSR			
<b>BB+</b>	<b>B</b>	<b>Stable</b>	<b>bb</b>	<b>Stable</b>	<b>bb</b>	<b>Moderate</b>	<b>bb+</b>

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### About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus. The following information source was used to prepare the credit ratings: public information. Financial data and metrics have been derived by CI from the rated entity's financial statements for FY2021-24. CI may also have relied upon non-public financial information provided by the rated entity and may also have used financial information from credible, independent third-party data providers. CI considers the quality of information available on the rated entity to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The principal methodology used to determine the ratings is the Bank Rating Methodology, dated 3 April 2019 (see [www.ciratings.com/page/rating-methodologies/bank-ratings](http://www.ciratings.com/page/rating-methodologies/bank-ratings)). Information on rating scales and definitions, the time

horizon of rating outlooks, and the definition of default can be found at [www.ciratings.com/page/our-policies-procedures](http://www.ciratings.com/page/our-policies-procedures). Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at <http://cerrep.esma.europa.eu>

This rating action follows a scheduled periodic (annual) review of the rated entity. Ratings on the entity were first released in January 1996. The ratings were last updated in August 2024. The ratings and rating outlook were disclosed to the rated entity prior to publication and were not amended following that disclosure.

The ratings have been initiated by CI. The following scheme is therefore applicable in accordance with EU regulatory guidelines.

Unsolicited Credit Rating

With Rated Entity or Related Third Party Participation:	No
With Access to Internal Documents:	No
With Access to Management:	No

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