

Rating Action Commentary

Fitch Affirms Societe Generale Marocaine de Banques at 'AAA(mar)'; Outlook Stable

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Fitch Ratings - Dubai - 09 Feb 2022: Fitch Ratings has affirmed Morocco-based Societe Generale Marocaine de Banques' (SGMB) National Long-Term Rating at 'AAA(mar)' with a Stable Outlook.

Fitch has withdrawn SGMB's Support Rating of '3' as it is no longer relevant to the agency's coverage following the publication of its updated Bank Rating Criteria on 12 November 2021.

Key Rating Drivers

SGMB's ratings are based on Fitch's view of a moderate probability of support from the bank's 57.6% shareholder, Societe Generale S.A. (SG; A-/Stable), if required. Our assessment captures SG's strong ability, as indicated by the bank's high rating, and willingness to provide support to SGMB.

Strategically Important Subsidiary: SGMB has a moderate franchise in Morocco, with Fitch-calculated net loan and customer deposit market shares of 7%-8%. Nevertheless, SGMB is SG's largest African subsidiary and is used as a group hub for the development and roll-out of several pan-African projects.

Easy to Support: SGMB is SG's largest African subsidiary and is used as a group hub for the development and roll-out of several pan-African projects. SGMB has a moderate franchise in Morocco, with a loan and deposit market shares of 7%-8%. SGMB is small relative to SG, representing less than 1% of consolidated assets at end-3Q21, meaning that support, if required, would be manageable.

Strong Integration with SG: SGMB is highly integrated with SG through significant board representation, the appointment of key senior executives, and oversight by SG of SGMB's credit, country, market, operational and liquidity risks. In addition, the subsidiary benefits from funding lines from SG and from SG's procedures, systems, tools and branding.

No Record of Extraordinary Support: SGMB has never required extraordinary support from SG. However, instances of ordinary support include the provision by SG of counter-guarantees and foreign-currency funding, when required.

High Impaired Loans: SGMB's impaired loans/gross loans ratio of 14.6% at end-1H21 was significantly above the 9.7% sector average. This reflects more stringent classification policies and the bank's conservative recognition of impaired loans.

Only Adequate Capitalisation: SGMB's end-1H21 CET1 ratio compared well with peers. However, capital buffers are only adequate, in line with the sector.

Adequate Funding and Liquidity: Similar to peers, SGMB is primarily funded by customer deposits. These are fully sourced in Morocco and accounted for 71% of total funding at end-1H21.

Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of SGMB's National Ratings could result from a multi-notch downgrade of SG's IDR or from a reduced propensity of SG to support SGMB, both of which we view as unlikely at present.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

SGMB's National Ratings are at the top of the scale and therefore cannot be upgraded.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

SGMB's ratings are driven by potential support from Societe Generale (A-/Stable).