

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's takes rating actions on 30 banks in Middle East, Pakistan and Turkey following update to country ceilings methodology**

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10 Dec 2020

Limassol, December 10, 2020 -- Moody's Investors Service ("Moody's") has today upgraded the long-term foreign currency deposit ratings of 29 banks and the long-term foreign currency issuer rating of one bank across five countries: Bahrain, Oman, Jordan, Pakistan and Turkey. Moody's has also downgraded the long-term foreign currency Counterparty Risk Rating of one bank in Oman.

The rating actions are driven by changes in the local currency (LC) and foreign currency (FC) country ceilings applied to the jurisdictions of the banks following the publication of Moody's updated Country Ceilings Methodology on 7 December 2020. This methodology is available at this link:

[https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1225594](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1225594) .

Today's rating actions cover: (1) Bahrain Islamic Bank B.S.C., (2) National Bank of Bahrain BSC, (3) BBK B.S.C., (4) Bank Muscat SAOG, (5) HSBC Bank Oman SAOG (HBON), (6) National Bank of Oman SAOG, (7) Oman Arab Bank S.A.O.G, (8) Bank Dhofar SAOG, (9) Sohar International Bank SAOG, (10) Bank Nizwa SAOG, (11) Arab Bank PLC, (12) Cairo Amman Bank (CAB), (13) Housing Bank for Trade and Finance (The) (HBTF), (14) Allied Bank Limited, (15) Habib Bank Ltd., (16) MCB Bank Limited, (17) National Bank of Pakistan, (18) United Bank Ltd., (19) T.C. Ziraat Bankasi A.S., (20) Turkiye Is Bankasi A.S., (21) Turkiye Garanti Bankasi A.S., (22) Akbank T.A.S., (23) Turkiye Halk Bankasi A.S., (24) Yapi ve Kredi Bankasi A.S., (25) Turkiye Vakiflar Bankasi T.A.O., (26) QNB Finansbank A.S., (27) Denizbank A.S., (28) Turk Ekonomi Bankasi A.S., (29) HSBC Bank A.S. (Turkey) and (30) Alternatifbank A.S.

All other ratings and assessments of the banks are unaffected by today's actions.

Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL436478](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL436478) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

#### RATINGS RATIONALE

Today's rating actions on 30 banks in Middle East, Pakistan and Turkey are driven by changes in country ceilings under Moody's updated country ceilings methodology. Country ceilings typically indicate the highest rating level that would generally be assigned to the financially strongest obligations of issuers domiciled in a country, absent exceptional considerations such as external support from outside the country.

The updated ceilings methodology has unified deposit ceilings with the typically higher debt ceilings, whereby LC and FC country ceilings are no longer distinguished between deposit and debt ceilings. These changes reflect Moody's view that the risks that affect access to bank deposits are not materially different from those that affect the ability of banks and non-banks to service their debt obligations.

#### FOREIGN CURRENCY CEILINGS

As a result of the methodology change, FC ceilings as applied to FC deposits were raised in Bahrain, Oman, Jordan, Pakistan and Turkey, resulting in upgrades of long-term FC deposits of 29 banks and the long-term FC issuer rating of one bank.

At the same time, FC ceilings applicable to debt obligations were lowered in Oman, resulting in the downgrade of the long-term FC Counterparty Risk Rating of HBON.

#### ELIMINATION OF OFFSHORE CEILINGS

Moody's has removed separate offshore FC ceilings in Bahrain. The offshore business model has faced significant challenges in recent years globally, in particular related to regulations surrounding anti-money laundering and tax evasion, eroding in Moody's view the distinctions that historically justified separate, higher ceilings for offshore centres.

However, the ratings of Gulf International Bank BSC (GIB) are unaffected by the change in the refreshed FC country ceilings for Bahrain. This reflects the fact that the bank's support provider is the Government of Saudi Arabia (A1 negative) where GIB also has most of its assets with minimal exposure in Bahrain itself.

## OUTLOOK

The outlooks on the long-term FC deposit ratings for 24 of the 30 banks affected by today's rating actions were maintained. In addition, the outlook on the long-term FC issuer rating for Bahrain Islamic Bank B.S.C. was also maintained.

At the same time, Moody's has assigned a stable outlook to the long-term FC deposit ratings of five Pakistani banks: Allied Bank Limited, Habib Bank Ltd., MCB Bank Limited, National Bank of Pakistan and United Bank Ltd.

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

### Bahrain

There is currently no upward pressure because the banks' long-term deposit and issuer ratings -- where applicable - are currently at the sovereign level. An upgrade of the government's rating could result in an upgrade of these ratings.

Ratings could be downgraded if the agency witnesses one or combination of the following (1) deterioration in the banks' solvency profile, (2) continued pressure on the operating environment leading to lower macro profile, and (3) a downgrade in the sovereign's rating.

### Oman

Upwards pressure on the long-term deposit ratings of all Omani banks (except HBON) is limited given their positioning at the same level as the sovereign rating, as well as the negative outlook. Upwards pressure on the long-term deposit ratings of HBON is limited given their positioning above the sovereign rating, as well as the negative outlook. A higher sovereign rating could lead to upwards pressure on the ratings of Omani banks.

Downward pressure on the long-term deposit ratings of Omani banks could develop through a deterioration in the sovereign's credit profile, or a material deterioration in the banks' solvency and liquidity.

### Jordan

There is currently limited upside to the banks' ratings. For Arab Bank PLC, long-term LC deposit ratings are already two notches above the sovereign rating, while for CAB and HBTF the long-term LC deposit ratings are on par with the Government of Jordan reflecting their closer linkage. Accordingly, any upgrade for the banks would need to be preceded by a strengthening of the sovereign creditworthiness and operating environment in Jordan and in key regional markets.

A rating downgrade could be a consequence of a weakening in the banks' key operating environments, which would in turn lead Moody's to expect a weakening in the banks' financial fundamentals, or a deterioration in Jordan's sovereign creditworthiness. For Arab Bank PLC any increase in the interconnectedness between its own balance sheet and the Jordanian sovereign risk would also be credit negative.

### Pakistan

Upward pressure on Pakistani banks' long-term deposit ratings can result from improvements in the operating environment and the sovereign's credit risk profile, combined with improvements in the bank's solvency metrics and specifically their profitability, asset quality and capital metrics.

Downward pressure on Pakistani banks' long-term deposit ratings would develop following a downgrade of the sovereign rating, reflecting the high interlinks between the banks' credit profile and that of the government. Downward pressure on banks' BCAs could also develop from a greater-than-expected deterioration in operating conditions because of the spread of the pandemic, weakening the banks' asset quality, profitability and capital metrics.

### Turkey

An upgrade of the banks' long-term deposit ratings is unlikely, given the current negative outlook. Moody's

could change the outlook to stable following a stabilisation of Turkey's sovereign outlook, an improvement of the operating environment, which would stabilise the banks' stock of problem loans and profitability, and a further structural reduction of the banks' reliance on foreign currency funding.

Conversely, Moody's could downgrade the banks' long-term deposit and senior debt ratings -- where applicable - following a downgrade of Turkey's sovereign debt rating, a further deterioration in Turkey's operating environment, a higher-than-expected deterioration of asset quality and profitability, or a material decline in capital ratios.

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1147865](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

The local market analyst for Akbank T.A.S., Turkiye Vakiflar Bankasi T.A.O., Turk Ekonomi Bankasi A.S., QNB Finansbank A.S., Denizbank A.S. and Alternatifbank A.S. ratings is Nitish Bhojagarwala, +971 (423) 795-63.

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#### REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL436478](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL436478) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Endorsement
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Disclosure to Rated Entity
- Lead Analyst
- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at [www.moodys.com](http://www.moodys.com), for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The person who approved Arab Bank PLC, Cairo Amman Bank, Housing Bank for Trade and Finance (The), Allied Bank Limited, Habib Bank Ltd., National Bank of Pakistan, MCB Bank Limited, United Bank Ltd., Turkiye Halk Bankasi A.S., Turkiye Vakiflar Bankasi T.A.O., QNB Finansbank A.S., Denizbank A.S., Turk Ekonomi Bankasi A.S., HSBC Bank A.S. (Turkey), Alternatifbank A.S., Bank Dhofar SAOG, Bank Muscat SAOG, Bank Nizwa SAOG, HSBC Bank Oman SAOG, National Bank of Oman SAOG, Oman Arab Bank S.A.O.G, Sohar International Bank SAOG, Bahrain Islamic Bank B.S.C., National Bank of Bahrain BSC and BBK B.S.C. credit ratings is Sean Marion, MD - Financial Institutions, Financial Institutions Group, JOURNALISTS: 44 20 7772 5456, Client Service: 44 20 7772 5454. The person who approved T.C. Ziraat Bankasi A.S., Turkiye Is Bankasi A.S., Turkiye Garanti Bankasi A.S., Akbank T.A.S. and Yapi ve Kredi Bankasi A.S. credit ratings is Henry MacNevin, Associate Managing Director, Financial Institutions Group, JOURNALISTS: 44 20 7772 5456, Client Service: 44 20 7772 5454.

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