

MCB Group Limited

June 06,2022

CRAF reaffirms 'CARE MAU AAA; (Stable) rating assigned to the Bond Issue of MUR 2,000 million of MCB Group Limited ("MCBG")

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bond Issue	2,000	CARE MAU AAA; Stable [Triple A; Outlook: Stable]	Outlook revised from Negative to Stable
Total	2,000		

Rating Rationale

The rating assigned to the bond issue of MUR 2,000 million of MCB Group Limited ("MCBG") derives strength from the long track record of the Group (MCBG together with its subsidiaries and affiliates) with dominant position in Mauritian banking sector through its subsidiary - The Mauritius Commercial Bank Limited ("MCB Bank" or "MCB Ltd" or "the bank" – rated CARE MAU AAA (Is); Stable), professional and highly qualified management team, established group with strong presence in the banking and financial sector, consistent flow of dividend from subsidiaries (notably from MCB Bank), comfortable Capital Adequacy Ratio, strong financial position with comfortable gearing and stable operating performance. The rating is also supported by MCB Bank being the largest bank in terms of assets and deposits in Mauritius, strong Current Account Savings Account (CASA) base with consistent growth in low-cost deposits during the last 3 years, comfortable asset-liability maturity profile & liquidity profile, diversified advances portfolio with stringent Non-Performing Assets (NPA) recognition norms, strong & improving asset quality with low NPA and healthy Net Interest Margin (NIM). The rating also takes into account MCBG's exposure to regulatory risk, foreign exchange risk, any potential delay in dividend payment by MCB Bank due to dip in performance of the bank and risk associated with volatility in interest rates.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade: **Not applicable**

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Subdued performance of subsidiaries, in particular from MCB Bank
- Decline in profit of MCB Bank leading to a significant decline in dividend payment by the bank.
- Deterioration in asset quality

BACKGROUND

MCB Group Limited (MCBG) was incorporated in 2013, as a result of reorganization of the group. In April 2013, the shareholding of The Mauritius Commercial Bank Ltd. ("MCB Bank") was restructured, and its shares were exchanged, on a one-for-one basis, for shares in MCBG, the bank's ultimate holding company. MCB Bank's ordinary shares were delisted, while MCB Group's shares were listed on the Stock Exchange of Mauritius. Furthermore, those MCB Bank shares held by

¹Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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MCB Group were exchanged for shares in MCB Investment Holding Limited – incorporated in November 04, 2013, as a wholly owned subsidiary of MCB Group Limited, to be the intermediate holding for all group banking investments.

The Mauritius Commercial Bank Ltd. (CARE MAU AAA (IS); Stable – Rating reaffirmed in March 2022 with change in Outlook from Negative to Stable) was incorporated on September 01, 1838 by Mr. James Blyth founded as La Banque Commerciale de Maurice in Port Louis. In 1839, Queen Victoria granted a Royal Charter to the newly established bank for a period of twenty years under the name of 'The Mauritius Commercial Bank. The charter was renewed every twenty years until 18 August 1955 when the Bank became a limited liability company. The bank was listed on Stock Exchange of Mauritius since 1989.

MCB Group has evolved into a prominent regional banking and financial services player, offering a comprehensive range of tailored and innovative solutions through its local and foreign subsidiaries and associates. MCB Group Ltd is the ultimate holding company of the Group and the entities thereof operate under three distinct clusters namely Banking, Non-Banking Financial and Other Investments.

Banking – With its 183-year history, MCB Ltd, the Group's main subsidiary, is the market leader in the Mauritian banking sector, in promoting the country's socio-economic development. The Group initiated its banking expansion beyond domestic shores since the early 1990s and its presence abroad now spans 10 countries. It has dedicated banking subsidiaries in Madagascar, Seychelles and Maldives while being present in Reunion Island, Mayotte and France through its associate Banque Française Commerciale Océan Indien and Mozambique via its associate Société Générale Moçambique. Furthermore, MCB Ltd has established representative offices in Paris, Johannesburg and Nairobi as well as an advisory office in Dubai.

Non- Banking – MCBG through its Non-Banking entities provides its clients in and outside Mauritius with the extensive and customized financial solutions. MCBG works closely with its customers to understand their imperatives, challenges and priorities, while assisting the clients to design solutions adapted to their needs. Within the non-banking financial cluster, MCB Capital Markets Ltd provides a broad range of investor services, notably including corporate finance advice, asset management, stockbroking, private equity, structured products, and registry services, while MCB Group through its subsidiaries also provides factoring services, leasing solutions, and microfinance.

Other Investments – MCBG is involved beyond the traditional financial services field, as gauged by its engagement across several business areas and ancillary undertakings. The Group also has dedicated structures to promote its actions in the Corporate Social Responsibility and philanthropic fields.

The Group has a highly qualified and experienced employee pool having significant experience in their related field. As at June 30, 2021, the Group had around 3,700 employees comprising of professionals, skilled and semi-skilled workers distributed among the various business verticals.

Following decline in PAT in FY20 essentially due to a substantial increase in Expected Credit Losses (ECL) resulting from the high level of uncertainty engendered by the COVID-19 crisis,, the Group's PAT recovered slightly by 3.1% to reach MUR 8.2 billion for the year ended 30 June 2021, reflecting lower impairment charges of only MUR 4,766 million compared to MUR 5,076 million during the previous period. For its part, Gross NPL ratio was reduced from 4.2% to 3.6% (figure restated) as at June 2021.

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Total debt (including deposits) of the Group was MUR 590 billion as on June 30, 2021. Majority of the deposits and debt (around 93%) pertained to deposit and debt raised by MCB Bank.

The overall capital adequacy ratio and Tier 1 ratio decreased slightly to 17.4% and 16.1% respectively, thus remaining comfortably above the minimum regulatory requirements.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure I

Rating Symbols

Long /Medium-term Instruments

Symbols	Rating Definition
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

Rating Outlook

The rating outlook can be 'Positive', 'Stable' or 'Negative'.

A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.

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