

Brief Rating Rationale
CRAF reaffirms ‘CARE MAU AAA (Is); Stable’ Issuer Rating to
The Mauritius Commercial Bank Ltd.

Ratings

Facility/Instrument	Amount (MUR Million)	Rating	Rating Action
Issuer Rating	Not Applicable	CARE MAU AAA (Is); (Stable) [Triple A (Is); Outlook: Stable]	Reaffirmed

Rating Rationale

The Issuer rating assigned to The Mauritius Commercial Bank Ltd. (“MCB”) derives strength from the long track record of MCB with a dominant position in the Mauritian banking sector, systemic importance of the bank to Mauritian banking sector, comfortable Capital Adequacy Ratio (CAR), stable business performance with reasonable contribution from non-interest income, strong Current Account Savings Account (CASA) base with consistent growth in low cost deposits, comfortable asset-liability maturity profile & liquidity profile, diversified advances portfolio, strong & improving asset quality with low NPL and strong financial position with comfortable gearing & Net Interest Margin (NIM). The rating also takes into account the international financing activities of MCB and the management of its exposure to risks.

The ability of MCB to maintain asset quality & profitability while growing its business, maintaining comfortable liquidity and capitalisation levels well above regulatory norms act as the key rating sensitivities.

BACKGROUND

Established in 1838, MCB is one of the leading and longest-standing banking institutions in Mauritius and one of the oldest banks in continuous operation in the Southern Hemisphere. MCB operates under the aegis of MCB Group Limited, with the Group listed since 1989 on the Stock Exchange of Mauritius. Headquartered in Port Louis, the bank operates a universal banking business model and services over one million clients by providing retail banking, corporate and institutional banking, as well as private banking and wealth management services.

MCB has a total market share of over 40% and 45% in respect of domestic credit to the Mauritian economy and local currency deposits respectively, as well as around 52% of cards issued locally. It provides a range of banking products and services to its clients through a network of 40 branches, 178 ATMs and over 9,100 point of sale (POS) terminals, as well as its mobile and internet banking offerings. As at June 30, 2019, MCB had a deposit and advance base of Mur 314 billion and Mur 234 billion, respectively.

Moreover, MCB is increasingly widening its market footprint in sub-Saharan Africa and the region. It has been doing so, over the past 3 decades, by positioning itself as a relationship bank through its cross-

border trade, project and commodity financing activities and leveraging on its network of around 790 correspondent banks worldwide and the presence of the MCB Group's entities in 10 countries overseas. MCB is a professionally managed bank. It is governed by 8-member Board of Directors comprising of experienced bankers and professionals.

In FY19, Total Interest income increased by 25.5% to Mur 17,449 Million, in line with the expansion of bank's loan portfolio, mainly linked to the international activities. Fees and commission income increased by 12.2% in FY19, driven by higher revenues from cards activities and regional trade finance, notably linked to the Energy and Commodities business.

MCB sustained sound financial indicators in FY19, as gauged by an improvement in asset quality, maintenance of strong funding & liquidity position and healthy Return on average total assets (2.3%) and NIM (3.6%). The Bank delivered a reasonable Return on Net worth of 19.2% despite the challenging business environment both locally and on the international front.

As at June 2019, the overall CAR and the Tier 1 ratio stood at 16.60% and 15.70% respectively, remaining comfortably above applicable prevailing regulatory requirements (13.50% and 6.50% respectively).

During FY19, MCB's Gross NPL ratio improved to 3.8% from 4.10% in FY18, which is better than the industry average of 5.50% in June 2019. The specific provisions coverage ratio stood at 28.9% during FY19.

Borrowings has increased by MUR 41 Billion, mainly in light of the successful closing of a USD 800 Million of syndicated term loan programme on the international debt markets.

Contingent liabilities include guarantees, letters of credit, endorsements and other obligations on account of customer's commitment.

Disclaimer

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Annexure I

Rating Symbols *Long /Medium-term Instruments*

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

CRAF's Issuer Rating (CIR) reflects the overall credit risk of the issuer. The rating scale has been aligned with the long-term instrument rating scale ranging from AAA(Is) (Highest Safety) to D(Is) (Default). 'Is' suffix indicates 'Issuer Rating'

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.

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.