CareEdge RATINGS AFRICA
A subsidiary of CARE Ratings Limited, India

# MCB Group Limited
**25 June 2024**

**Rating**

| Facilities/Instruments | Amount (MUR Million) | Rating[1] | Rating Action |
|---|---|---|---|
| **Bond Issue** | **2,000** | **CARE MAU AAA; Stable** | Reaffirmed |
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## Rating Rationale
The ratings assigned to the bond issues of MCB Group Limited ("MCBG") continue to derive strength from The Mauritius Commercial Bank Ltd ["MCB Ltd" – CARE MAU AAA(Is); Stable], which is a 100% subsidiary and has an established track as a dominant banking institution in Mauritius with strong market position of around 40% share of the domestic credit and 48% share of local currency deposits, its diversified and resilient income profile, a comfortable capital adequacy which further strengthened to protect depositors, a diversified loans portfolio mitigating credit risks, low level of non-performing assets while remaining on an improving trend, and a robust liquidity profile. The ratings are further supported by the leading positions of other group entities across the banking & non-banking segments both in and outside of Mauritius, the consistent and increasing flow of dividend income from group companies resulting into sustained growth in profitability for MCBG (Standalone), and the highly qualified & experienced management team of MCBG.

## 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 group entities, leading to a decline in dividend income for MCBG (Standalone)
- Weakening in capitalisation level resulting into the consolidated CAR falling below 16%
- Deterioration in asset quality resulting into the consolidated GNPA increasing beyond 5%

## BACKGROUND
MCB Group Limited ("MCBG") was incorporated in 2013, as a result of the reorganisation of the Group. In April 2013, the shareholding of The Mauritius Commercial Bank Ltd ("MCB Ltd") was restructured, and its shares, which were listed on the Stock Exchange of Mauritius ("SEM"), were exchanged on a one-for-one basis for shares in MCBG, the bank's ultimate holding company. The ordinary shares of MCB Ltd were delisted, while those of MCBG were listed on the Official Market of the SEM. Furthermore, those MCB Ltd shares held by MCBG were exchanged for shares in MCB Investment Holding Limited – incorporated in 04 November 2013, as a wholly owned subsidiary of MCB Group Limited, to act as the intermediate holding for all group banking investments.
With total assets of MUR 829,981 million as on 30 June 2023 and a market capitalization of MUR 95,168million as on 26 April 2024, MCBG holds a dominant position in the banking & financial services sector in Mauritius, through its entities operating under three business clusters namely, Banking, Non-Banking Financial and Other Investments.

Given that MCB Ltd constitute more than 90% of the profitability and total assets of the Group, the consolidated performance of MCBG is strongly linked to that of MCB Ltd.

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

Fuelled by the elevated interest rate environment following successive hikes from local and international central banks, MCB Ltd registered a marked 92.71% growth in interest income during FY23. The Bank is also continuing its diversification of revenue mix as shown by the non-interest income which increased by 35.98% mainly on the back of higher fees & commission and FX dealing income. Impairment cost remained stable with a marginal increase of only 3.77% being observed in FY23. The above factors combined resulted in the PAT of MCB increasing by 44.83% to reach MUR 12,959 million from MUR 8,948 million in FY22. Consequently, the profitability of MCBG soared to MUR 14,313 million in FY23 from MUR 9,961 million in FY22.

For the nine-month ending 31 March 2024, MCBG registered a total income of MUR 46,452 million (9MFY23: MUR 34,259 million) and posted a PAT of MUR 12,419 million (9MFY23: MUR 10,860 million).

**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.***

**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.