



Results for the year ended 30 June 2024

Earnings Call held on Wednesday 2 October 2024

[Transcript](#)

CONFERENCE CALL PARTICIPANTS**Jean Michel Ng Tseung***MCB Group Ltd – Chief Executive***Thierry Hebraud***MCB Ltd – Chief Executive Officer***Dipak Chummun***MCB Group Ltd – Chief Finance Officer***Vicky Hurynag***MCB Ltd – Head of Strategy, Research and Development***Kersley Gaspard***IR Officer*

Speaker Key:

OP	Operator
JM	Jean Michel Ng Tseung
KM	Kato Mukuru
TH	Thierry Hebraud
RG	Ronak Gadhia
KB	Kaitlin Byrne

OP Good afternoon, ladies and gentlemen, and welcome to the MCB Group Limited Earnings Call for the year ended 30 June 2024. All participants will be in listen-only mode. Presentation slides are available for download via the download tab on the webcast link.

There will be an opportunity to ask questions later during this event. Participants on the webcast who wish to ask a question may do so at any time by clicking on the connect with HD audio button, which appears below the presentation, and follow the instructions. Once connected, you may press the join the question queue button to register your intent to ask a question.

I will now hand over to your host, Mr Jean Michel Ng Tseung, who will introduce the panel members. Please go ahead, sir.

Solid performance for the financial year 2023/24...

Performance - Financial Year 2023/24				
	FY 2023/24	FY 2022/23	Change	Change 9 mths to Mar 24
Operating Income (Rs m)	36,893	31,792	16.0%	20.8%
Non-interest Expenses (Rs m)	13,470	11,257	19.7%	21.4%
Attributable Profits (Rs m)	16,045	14,133	13.5%	14.6%
ROE (%)	16.6	16.9	-23 bps	
Cost of risk (%)	0.80	0.87	-7 bps	
Cost to income (%)	36.5	35.4	110 bps	
Capital				
Tier 1 Ratio (%)	18.0	16.7	130 bps	

JM

Thank you. And a very good day to all of you on this earnings call of the MCB Group Ltd for the financial year ended June 30, 2024. Around the table with me we have Thierry Hebraud, who is the Chief Executive of the Mauritius Commercial Bank Ltd. We have Dipak Chummun, who is our new Group Chief Finance Officer; Vicky Hurynag, who is our Head of Strategy, Research and Development; and Kersley Gaspard, our Investor Relations Officer.

I'm very pleased to spend this afternoon with you today to go through the results of the MCB Group for the 12 months to June 30, 2024. On the slide on the screen in front of you, you will see that the group has posted a pretty solid performance for this year, with a growth of 13.5% in attributable profits compared to the year before. Operating income has grown by 16%. Non-interest expense has increased by 19.7%. Return on equity at 16.6%, cost of risk at 80 basis points, and cost-to-income ratio of 36.5% are also pretty good performance metrics that we have posted this year.

I thought that it was also useful to talk a little bit about the last quarter of financial year 2024, because when we look at the results for the nine months which we presented to you back in May, the attributable profits for the nine months actually increased by 14.6%, compared to the 13.5% that we posted for the full year. And we thought it was useful to explain what actually gave rise to the lower growth rate in attributable profits compared to the first nine months.

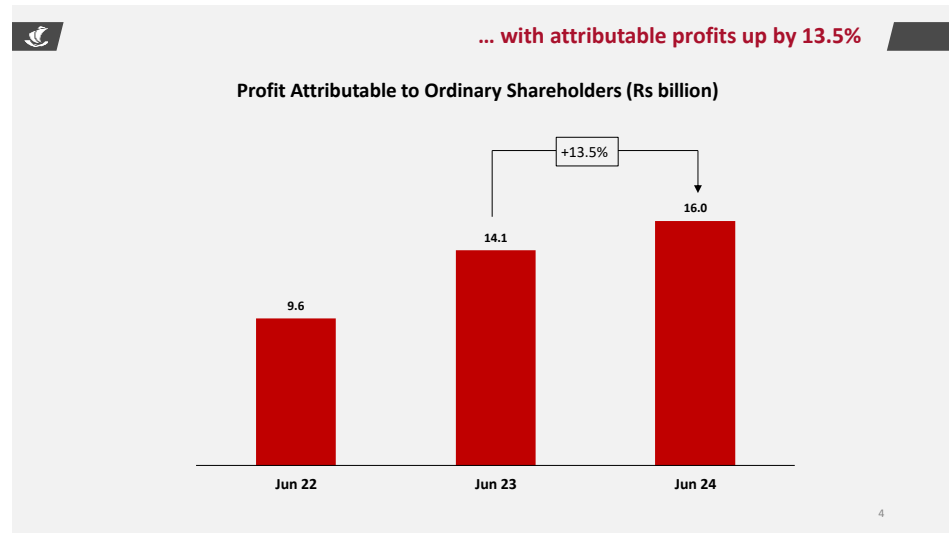
And you see on the screen that operating income actually suffered a little bit of a growth slowdown from 20.8% for the nine months to 16% for the full year. And there are, in fact, two reasons for that. Whilst the trends that we have seen on all the income statements line by line have been in accordance with the trends for the last nine months, there are actually two lines which were a little bit different. The first one is on the fair value changes in relation to MasterCard, Visa, and the shares we have in MCB Equity Fund.

If you look at the last quarter of last year, we actually posted a positive fair value movement of Rs 400 million. Whereas, if you look at the fair value movement, in the last quarter of this financial year, we actually saw an adverse movement of some Rs 300 million. That's actually a swing of Rs 700 million that's contributed to this slowdown in the growth of operating income that I just mentioned.

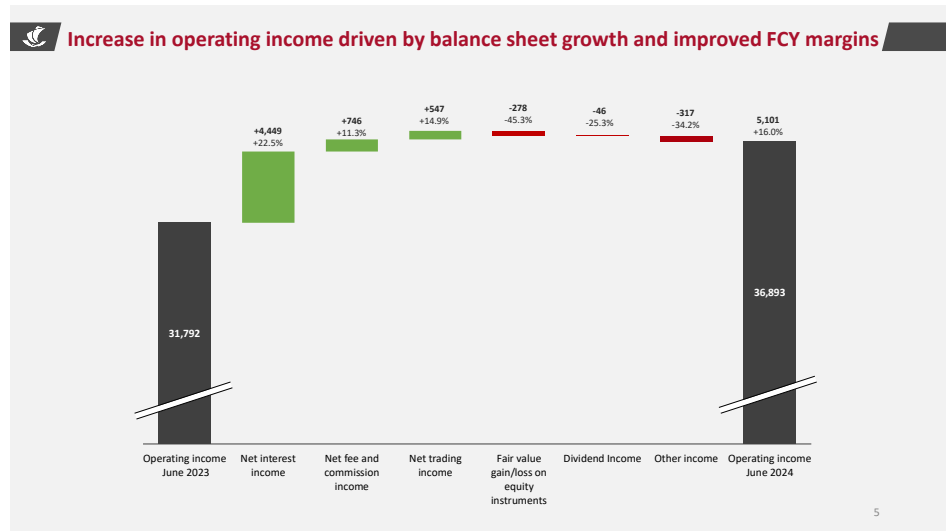
The other reason for this slowdown relates to the disposal of our stake in Société Générale Mozambique, where we posted a loss on disposal of Rs 241 million. And we can actually take any question on that after this presentation.

The other line I wanted to just touch base a little bit is on the non-interest expense, where we also witnessed a lower growth rate between the 9-month period to March 2024, which was a 21.4%, compared to the full year, which is at 19.7%. And to that effect, the reason for this drop is that, in view of the enforcement of the regulation on the Deposit Insurance Scheme in Mauritius, where over the first three quarters of FY 24 we actually accrued what would have been our contribution for the year over the three quarters. We had included a provision of Rs 413 million for the full year.

In fact, when the law was enacted, what we actually noticed is that it is only in 2025 that this contribution will be made, and not in 2024, so we reversed what we had been accruing for the first nine months. And because of that, we now see a drop, therefore, in the pace of growth of non-interest expenses.



To go a little bit more in the details. As I mentioned, Rs 16 billion of profits compared to Rs 14.1 billion in the previous year, a 13.5% growth, after a quite consequential increase in 2023 compared to 2022 where profit attributable to ordinary shareholders increased from Rs 9.6 billion to Rs 14.1 billion.

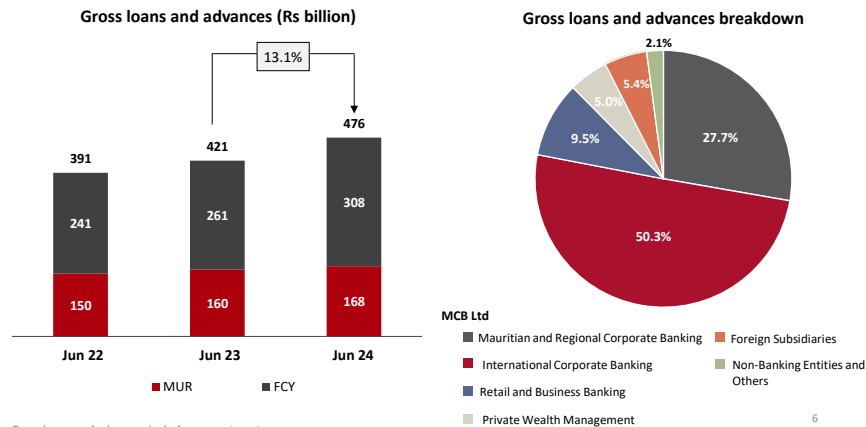


Starting with the operating income line, where we had posted in FY 23, an operating income of Rs 31.8 billion. The main contributor of that increase in operating income, which is up 16% compared to last year, is in fact the net interest income. I will explain in a little bit more detail of what has led to the increase in net interest income. But in a nutshell, the significant factor that caused the increase in net interest income is the higher net interest margin that we have registered on our foreign currency denominated assets.

On the net fee and commission income, we've seen an increase of 11.3%, very much in line with what we had seen in the first nine months, relating basically to an increase in our trade finance activities, as well as increased activity on the payment business. Likewise, net trading income up by 14.9%, which is once again very much volume related.

Fair value gain equity financial instruments; that's the MasterCard, Visa and MCB Equity fund shares, where we have seen a drop of 278 million. Notwithstanding that, for the full year, it's a positive figure, but it's actually a drop compared to last year. And then the other income you will see a drop of Rs320 million. The main contributor to that is the loss on disposal SG Mozambique, where we recorded a loss of Rs 241 million.

Y-o-y growth in gross loans and advances driven by the continued expansion of our international activities



Note: Gross loans and advances include corporate notes

As I mentioned earlier on, I'd just like to provide you with a little bit of colour in terms of what actually happened on the balance sheet side, which will hopefully help to understand what has driven the increase in our net interest income. On the gross loans and advances, you can see an increase of 13.1%.

On the rupee side, the growth in our lending book, as in previous years has been relatively small, at 3.6%, up from Rs 160 billion to Rs 168 billion. The bulk of the increase in overall loans and advances actually arose from our foreign currency loan book, which increased by 18%, up from Rs 261 billion to Rs 308 billion. I think it is useful that I make reference to the fact that the increase of 18% is, at a point in time. It's a picture that we are taking as at the 30th June. Because if you look at, for example, the FCY loan balances as at the end of March, it was somewhere around Rs270 billion.

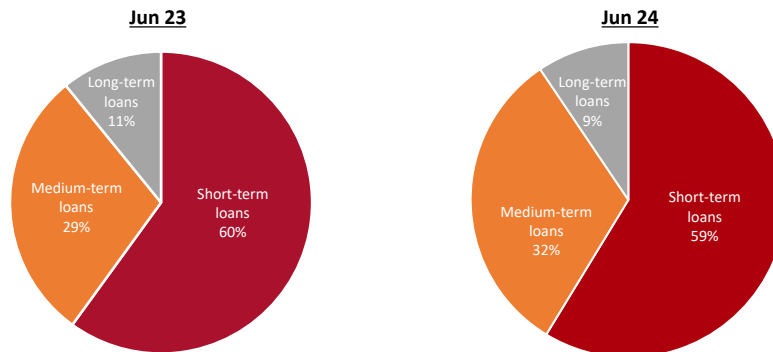
The actual increase covered in the last quarter, very much related to the 'Energy and Commodities' business, very much to do with the commodity trade finance business which, as you know, is short term and actually gives rise to some fluctuation year-on-year, as we often move from a non-fund based facility to a fund-based facility. But suffice to say that this time around, as at June 2024, the loan balance was particularly impacted by the loan disbursements that we had on the 'Energy and Commodities' business.

I think that if you look at the increase of the average balance for the year, it would have been more like 9% instead of the 18% that we see here on the balance sheet.

On the right hand side, you will see the split of our gross loans and advances. And as we have seen in previous periods, the international corporate banking keeps on growing, now at 50.3%; the Mauritian and regional corporate banking at 27.7%; retail and business banking at 9.5%; private and wealth management at 5%, and overseas banking subsidiaries at 5.4%.



Increased share of medium tenor loans in our FCY loan portfolio | MCB Ltd

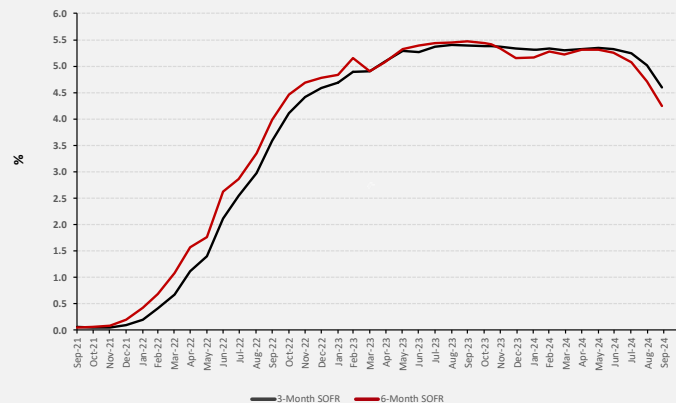


7

Once again, we want to reiterate the fact that on the foreign currency side, the big portion of our exposures is on short-term facilities and relating mainly to the 'Energy and Commodities' business.

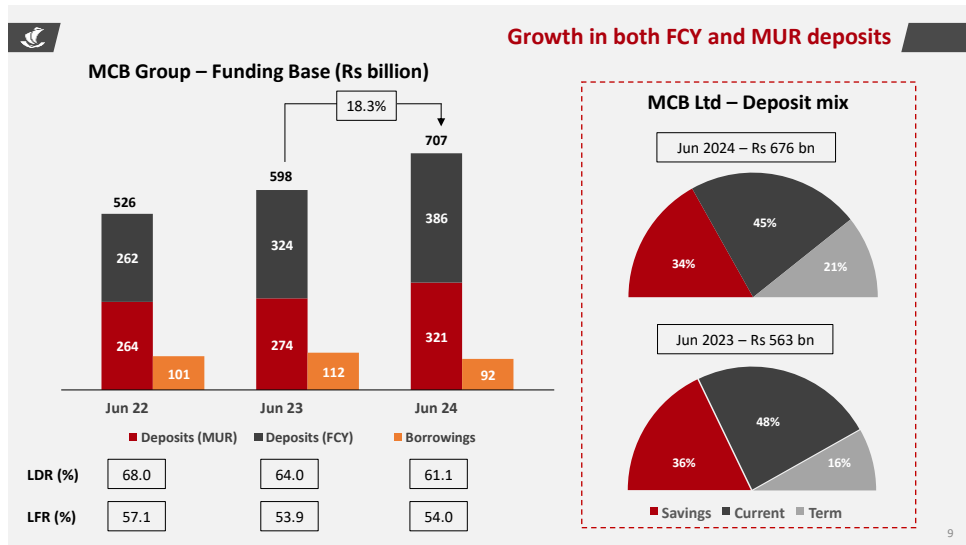


Still high interest rates but declining

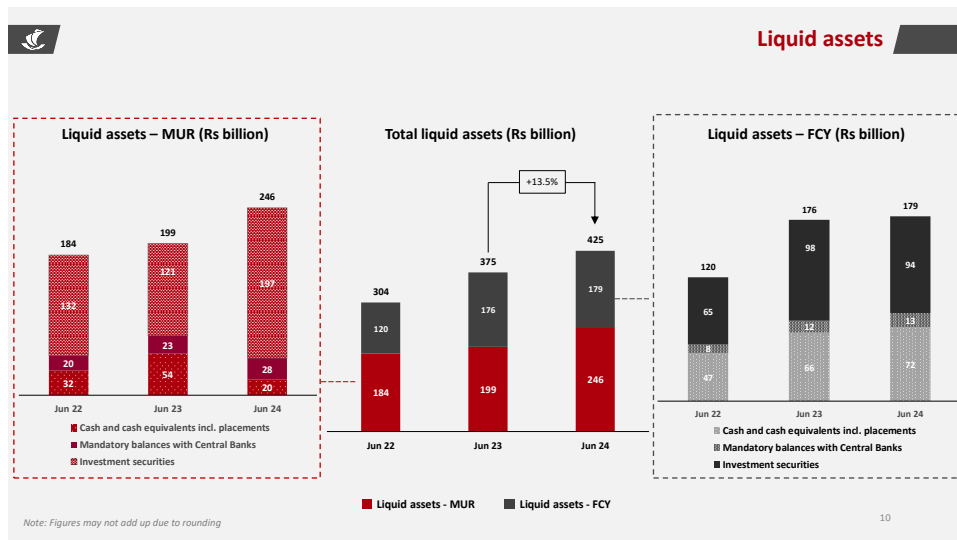


8

Still on the foreign currency side, you will see that the interest rates have been increasing since September 2021. Between July 2022 to June 2023, you will see that interest rates were on an increasing trend, and then rates have stabilised between July 2023 to June 2024. When we do the maths on an average basis, the interest rates have increased from June 2023 to June 2024. And as you can see, this has given rise to an increase in our net interest margin on our foreign currency loan book, acknowledging that interest rates have started to decline in the last few weeks. That was the asset side.



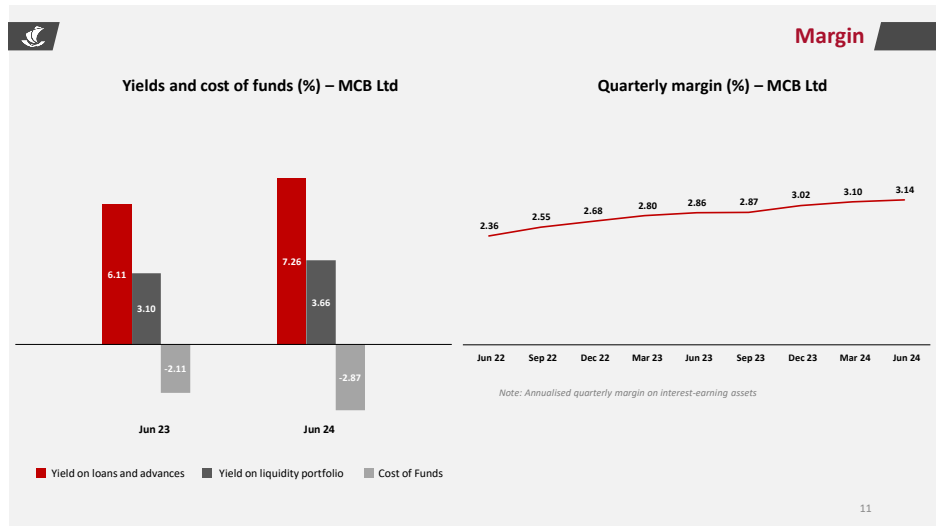
On the liability side, you can see a significant increase in our deposit base, up by 18.3%. Both at the level of our rupee deposits, which increased by 17% from Rs 274 billion to Rs 321 billion. And on the foreign currency side, it increased by 19% from Rs 354 to Rs 386 billion.



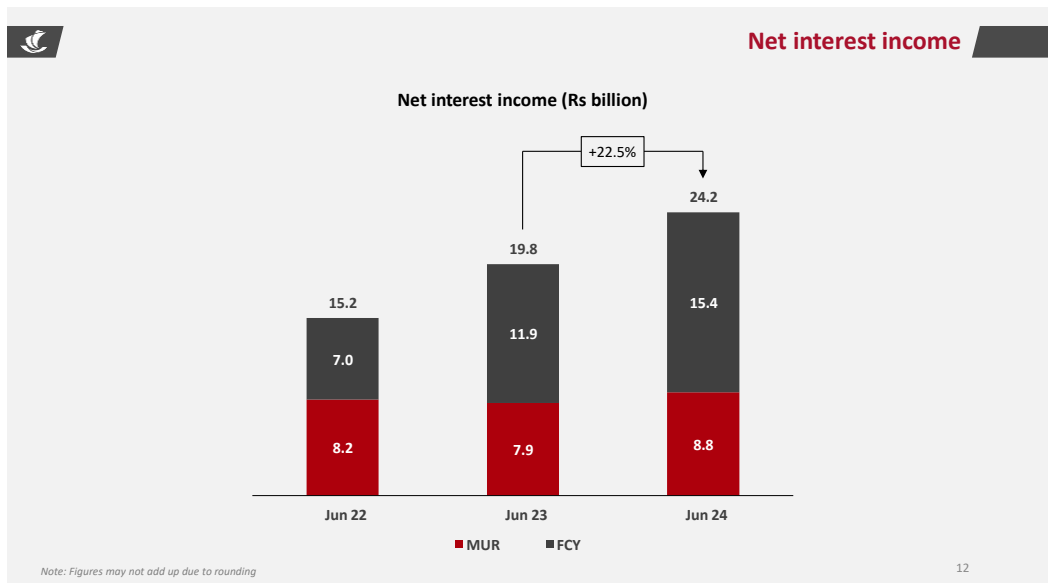
The result of the movements in our assets and liabilities is that we have seen quite a significant increase in our liquidity in rupees, because the deposits in rupees are growing a lot faster than our loans in rupees, giving rise to, therefore, an increase in our rupee liquidity of 23%, increasing from Rs 199 billion, to Rs 246 billion.

And on the foreign currency side, you would have noticed that both our assets and liabilities increased quite significantly. And therefore, that's why the significant increase in deposits is not reflected in our liquid assets which are up from Rs 176 billion to Rs 179 billion. That's on the middle side of this slide.

On the left-hand side, where has that excess liquidity in rupee been deployed? It's been deployed, basically, in those investment securities, in Treasury bills and government bonds, up from Rs 121 billion to Rs 197 billion. And on the right-hand side, the liquidity in foreign currency was deployed, both in investment securities (mainly US government bonds) and placements with foreign banks.



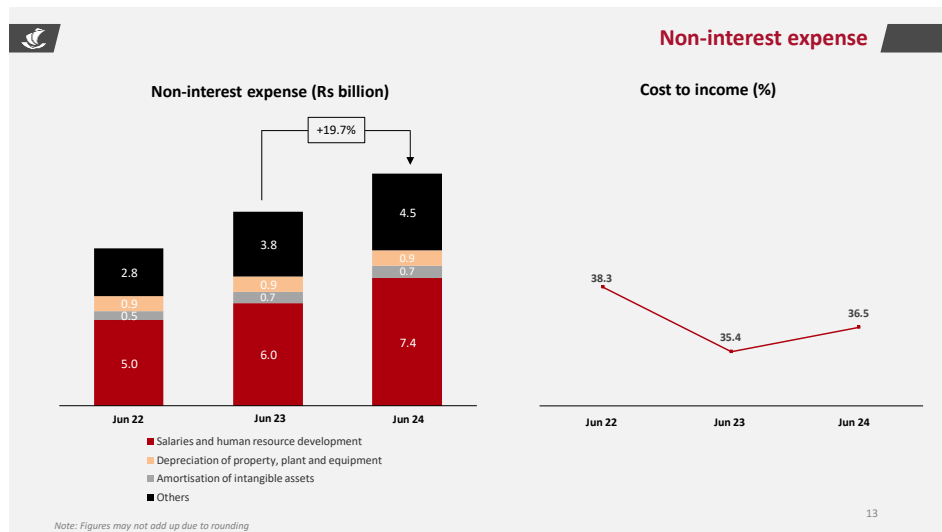
In terms of yields and cost of funds; this is a weighted average for the full year, including both rupee and foreign currency. You see that the yield on loans and advances has gone up from 6.11% to 7.26%, up by 1.15 percentage points. This increase in yield is higher than our cost of funds, which increased from 2.11% to 2.87%, up by 76 basis points. This has given rise to an increase in our net interest margin. And you will see the trend quarter-on-quarter, where we have been clocking an improvement in our NIM over the last couple of years which is currently at 3.14%, starting from 2.36% back in June 2022.



Just to wrap up what I have just been saying. If you look at the net interest income, which has grown up to increase by 22.5%, up from Rs 19.8 billion to Rs 24.2 billion. What we see is that on the rupee side, we see an increase in our net interest income from Rs 7.9 billion to Rs 8.8 billion, up by 11.3%. The main reason for this is the increase in our rupee liquidity. As I mentioned earlier on, there has been an increase in rupee liquidity because our deposits have been growing faster than our loan book. The rupee liquidity has helped boost our net interest income.

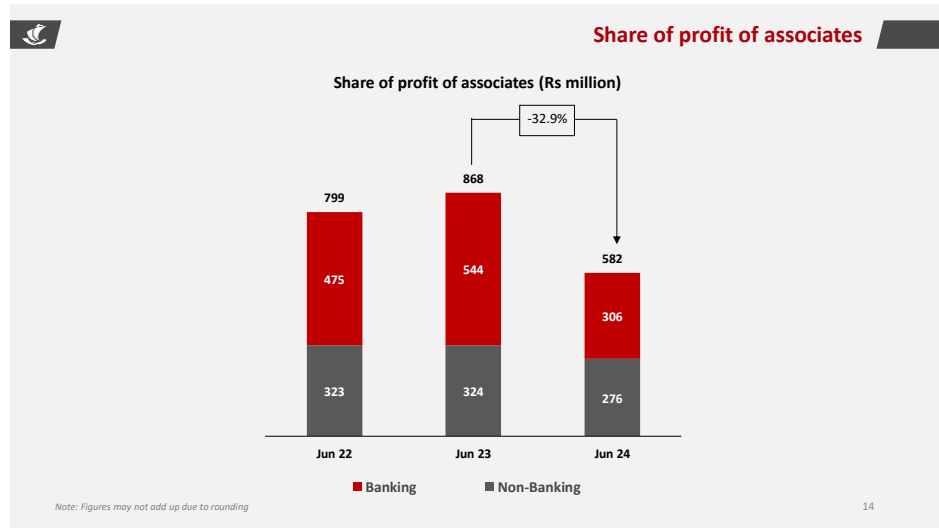
Our net interest margin on the rupee liquidity has also increased by some 40 basis points compared to last year. On the foreign currency side, you will see that our net interest income increased by 29%, from Rs 11.9 billion to Rs 15.4 billion. And in this case, the one reason being that there has been an increase in our average loan balances. I'm not talking about the point-to-point loan balances, but on an average basis, it grew by 9%.

That 9% increase in average loans partly contributed to this increase in our net interest income. But the main reason why our net interest income has increased is the net interest margin on our foreign currency loan book, which increased by some 80 basis points year-on-year.

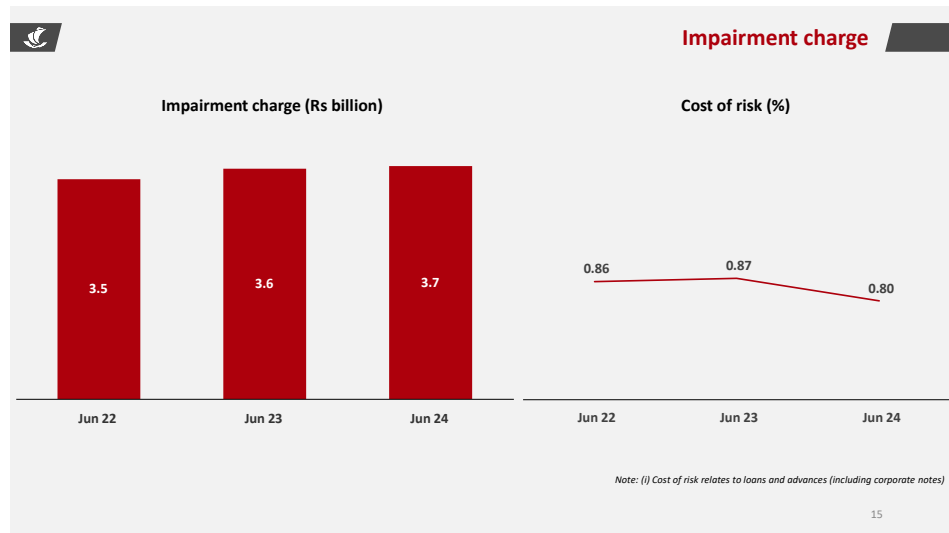


Non-interest expenses were up by 19.7%. Our staff cost has increased from Rs 6 billion to Rs 7.4 billion, up by 23%. There has been quite some salary adjustments in October 2023, backdated to July 2023. On average, there was an increase of some 15% in the salaries of our colleagues here in Mauritius. And on top of that, there has been also some recruitment that we did during the year that drove the increase in our staff costs by 23%.

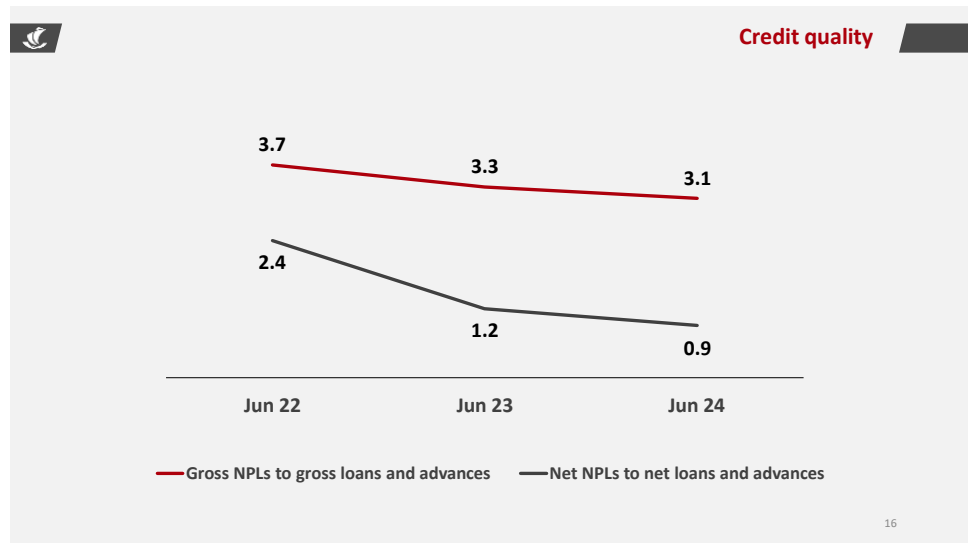
And also, there has been an increase in 'other expenses' from Rs 3.8 billion to Rs 4.5 billion relating to the two operational risk incidents that we shared with you some time back totalling Rs 450 million.



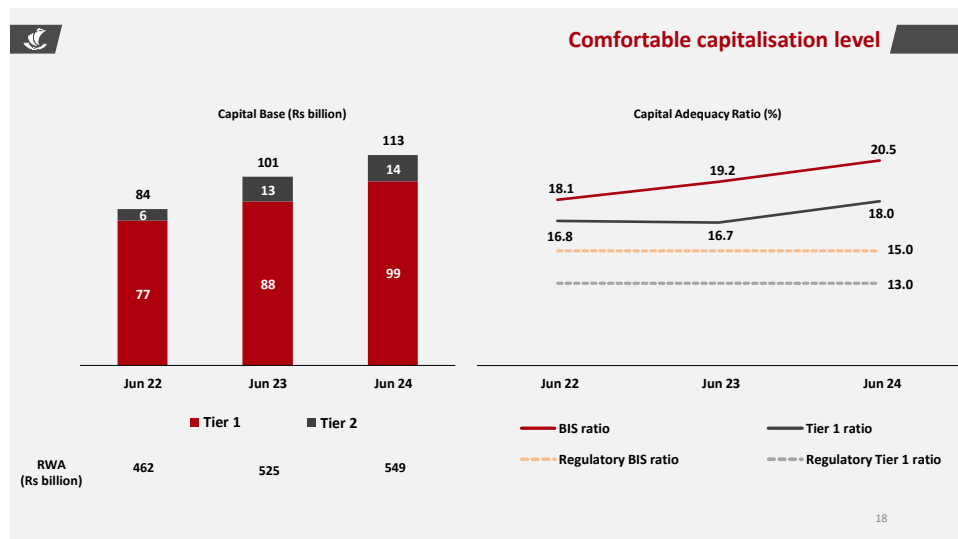
On the share of profit of associates, down by 33.9%. On the banking side, we see a drop from Rs 544 million to Rs 306 million. There's a bit of SG Mozambique in there, where we haven't reported any profits this year as a result of the disposal. But at the level of BFCOI there was, in fact, a one-off recovery of a bad debt, which was quite significant, and which actually contributed to a higher than normal profit of BFCOI last year. And on the non-banking side, there has also been a drop in profits from Fincorp.



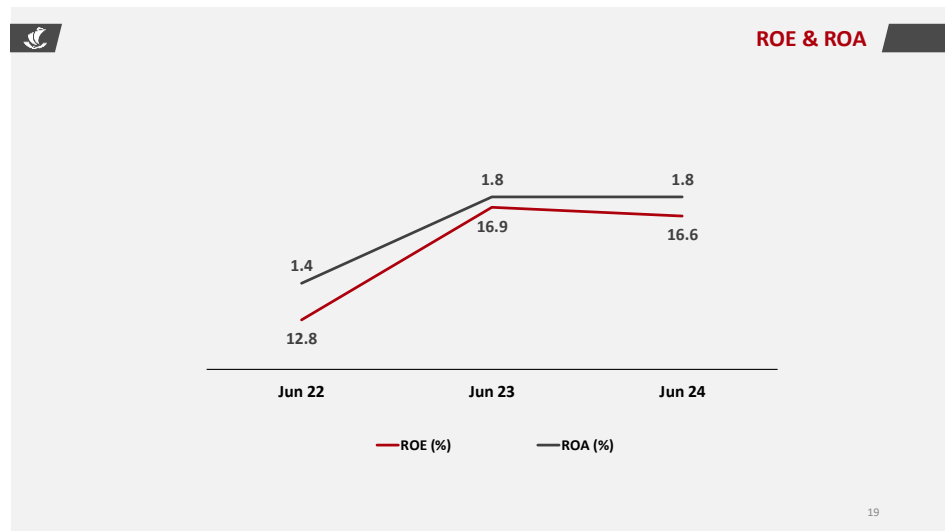
Impairment charge is improving year-on-year. The cost of risk down from 87 basis points to 80 basis points.



That's quite an encouraging trend, just like credit quality, we have seen the same trend, with the gross NPL ratio down from 3.3% to 3.1%.



And in terms of capital, we are very well capitalised with a Tier 1 ratio of 18%. We also have an overall capital adequacy ratio of 20.5%. Both ratios are significantly higher than the regulatory ratios.



And finally, in terms of return on assets and return on equity, both ratios are quite good at 1.8% and 16.6%, respectively. This concludes my presentation. My colleagues and I, we are at your disposal to provide you with any clarification or answer any questions that you may have on our results or on the activities of the group. Thank you.

OP Ladies and gentlemen, for those on the webcast who wish to ask a question, please do so by clicking on the 'connect with HD audio' button, which appears below the presentation, and follow the instructions. Once connected, you may press the join the question queue button to register your intent to ask a question. You will hear a confirmation tone that you have joined the question queue. You may click the 'withdraw from question queue' to remove yourself from the question queue.

Participants on the conference call may press star and then one. You will hear a confirmation tone to ensure that you have joined the question queue. You may press star and then two, to remove yourself from the list. The first question that we have comes from Kato Mukuru. Please go ahead.

KM Hello, everybody. I hope you can hear me.

JM Yes, we can.

KM Thank you for a very good presentation. You already answered one of my first questions on the growth in the foreign exchange book. The average number being 9% and not the 20%, so that's very helpful. On that, I just had a big question with regards to concentration. I notice in your annual report, you provide big exposures analysis. And I was noticing that where it relates particularly to oil and petroleum and energy products, the exposure seemed very, very high. The number I have for 2024 is Rs 161 billion, versus oil and gas loan exposure of Rs 128 billion.

What I was trying to understand, how much are the notes? Because it's really hard to work that backwards. To how many exposures are this, and

how does this business basically keep growing? What are the challenges you have going forward in terms of growing this business, if it's a few customers? And then what are the risks that we should be really aware of in this business? I know it's a short term, I know it's unfunded, but it just seems like it's getting so big now, it could end up being just one bad apple, and it could really have a massive impact on your future asset quality outlook. Thank you.

TH I can take the question. It's Thierry Hebraud speaking, CEO of the bank. Yes, indeed, we have this exposure, which is important in our balance sheet. The figure of Rs 161 billion reported in the credit concentration section in the annual report includes both on and off balance sheet exposures. As you mentioned, it is short-term ring-fenced structure. That being said, of course, on our side as well, these exposures and the concentration of those exposures are managed against our set risk appetite.

As far as this sector is concerned, when you speak about oil and gas, I just want to remind you that we are a major oil and gas player in Africa, which is part of our strategy and is part of our strategy of the just transition in Africa. What do we mean by that? Is that when we are looking at ESG and we look at Africa, the S in Africa is extremely important. It's how do we improve the socioeconomic environment of the continent, and what are the actions we are taking to support that.

Unfortunately, whether we like or not fuel, fossil fuel, like oil and gas, and we favour more gas than oil, step by step for many years, I think we could say, are going to be part of the energy mix. That being said, we have been developing our renewable energy financing offering and gradually growing our assets portfolio in this activity. For example we have financed an energy plant in Rwanda, a solar plant in Egypt and there are also other projects on which we are working.

Regarding the growth track we are limiting the growth in oil, and we are favouring the growth of gas. You will remember probably that we had exited coal financing, which is for us out of the scope. We are moving towards the diversification of our business. We are looking at the metal and mining sector in Africa, which possesses huge resources.

TH We are also looking at rare earth elements, which are key components of batteries and the development of electric equipment. And our diversification of our commodity trade finance business towards this sector is one of the strategic moves we are doing right now.

At the same time, over the last five years, we have increased the pace of development in what we call the 'Global and International Corporates' segment in Africa, be it Pan-African corporate, multinational having operations in Africa on the corridors between Asia, GCC countries, Europe, essentially, with Africa. Again, very ring-fenced and, very structured.

That's where we move towards the diversification. And it's important for us

that we are not increasing at least the share of this oil and gas sector by expanding other sectors.

As for challenges we can have on this oil and gas sector itself, there are transformation of the sector in the continent. If I take Nigeria, which is a major country in oil and gas, as you know probably, Dangote Refinery has started to operate. This will have a direct impact in part of our business, because today, Nigeria is exporting crude and importing refined products. When Dangote will be at full speed, the crude will be delivered to Dangote Refinery and the fuel produced by Dangote Refinery will be sold first to the country and exporting to the neighbouring countries in the continent.

This will transform part of this businesses as well. That's one of the challenges, and that is why the diversification is important for us to face this challenge over the next few years.

The second challenge we can have, and we work a lot on that, is effectively, as an African bank, that we are financing oil and gas. And that's, I would say, under scrutiny of regulators, and particularly with regards to the laws and regulations of the environment. Again, insisting that we are very transparent on what we are doing on our communication and our strategy. And that does not prevent us to work with the likes of Proparco who understand our strategy and the support us in the just transition in Africa.

OP Thank you, sir. The next question we have comes from Ronak Gadhia of Dunross Investments. Please go ahead.

RG Thank you. Thanks for the presentation, and congratulations on the record results. I have three questions. Firstly, from a margin perspective, Mr Jean Michel mentioned we are starting to see NIMs come off, global rates continue to decline. We saw that reduced rates quite significantly. In your estimates, or could you provide some guidance in terms of where you expect your NIMs to stabilise maybe in the medium term?

Second question is on your cost of risk. It's nice to see it declining, but we're almost two or three years post the COVID spike and your cost of risk of now 85, 90 basis points, still quite a lot higher than what it used to be, pre-COVID levels, which is around 60 basis points. Maybe can you just talk about why the cost of risk is elevated and when we can expect to go back to historical levels?

And last one, maybe just trying to be a bit selfish here, but as you've paid a very decent dividend for last year, but your capital ratio continues to improve. Given the valuation of the stock, would management or the board consider a buyback? Thank you.

JM Thank you for your three questions. First of all, on the NIM side, I think there are two different balance sheets. We have a foreign currency balance sheet and a rupee balance sheet. When we have a drop interest rates in the foreign currency balance sheet, there will be a drop in our NIM. We can

also say that our NIM, as we have seen in the past, when there has been an increase in interest rates, we are seeing an increase in our NIM. And likewise, when there's a drop in interest rate, there will be a drop in the NIM.

On the other side, on the rupee balance sheet, it's the other way around. And when there is a drop in interest rate, we actually see an increase in our NIM. Our balance sheet combined is a little bit hedged naturally as a result of that. Acknowledging that the drop in interest rate in foreign currency would likely be faster than the drop in interest rate in rupee, although the recent changes that we have seen is not in line with what I'm saying. Because almost simultaneously, as the FED cut rates by 50 basis points, the Bank of Mauritius also cut the key rate by 50 basis points.

In terms of our liquidity management, we have been hedging a little bit these interest rate movements by investing in a little bit longer term financial instruments at fixed rates, which will provide us with some protection, at least for the next 12 months concerning a drop in interest rate in foreign currency. And as per our sensitivity analysis, a drop of 100 basis points in FCY interest rates will give rise to a drop in our net interest income by about Rs 500 million.

And on the rupee side, a drop of 100 basis points would give rise to an increase in net interest income by Rs 230 million. This is just to provide you with a flavour of fluctuation in the interest rate happening at the moment and how is going to impact our numbers going forward.

Concerning the cost of risk, the cost of risk has been going down. It was 87 basis points last year, down to 80 basis points this year. And you're right, that we are seeing improvements in the normal rate pre-Covid was 60 basis points. As we speak and as we see, we should see stabilisation of our cost of risk, and we should see our cost of risk continue to fall gradually. Let's say we will get back to 60 basis points. But we feel and we believe that it will continue to move on a downward trend.

Finally, on the dividend and capital question. Personally, I've been discussing that with my colleagues. With the current situation that's happening globally, geopolitical tensions, what's happening in Africa itself, in Europe, even in the United States, but to a lesser extent. We believe that if we have a capital adequacy ratio in excess of 20% at the moment, which is higher than the regulatory threshold of 15%, I think we should be happy with that. Trying to come up at this point in time with capital restructuring, with buyback of shares, at this point in time, our board and our management team believe that it is appropriate to be more capitalised than less capitalised in the current context.

RG Understood. Thank you so much.

OP Thank you, sir. Ladies and gentlemen, just a reminder, if you would like to ask a question, please press star and then one now. For participants on the webcast, if you would like to ask a question, please do so by clicking

on the connect with HD audio button, which appears below the presentation, and follow the instructions. Once connected, you may press the join the question queue button to register your intent to ask a question.

The next question we have comes from Kaitlin Byrne. Please go ahead.

KB Hi. Just checking you can hear me okay? Just a question on the energy and energy and commodity book. Given that the balance fluctuates throughout the year, what is the maximum exposure you can take at any point in time? What are your risk limits as a percentage of equity? Is the first question.

And then just to understand a bit on where the business is coming from, are you winning market share in the space? And who are you winning the market share from, and what are you doing right to get that market share?

And then just on the NPL balances at year end. Given the nature of the energy and commodity loans, how they fluctuate throughout the year, does that NPL balance move around quite a lot as well? As that energy and commodity loans start to come off, does that NPL book rise as a percentage? And maybe just if you could give us the underlying country exposure for the book and what is your largest exposure for a single customer in that energy and commodity book?

And then one more question, if I can, is just your guidance on loan growth for the coming year, please. Thank you.

TH To answer, I forgot to mention on the previous question about the number of clients we are dealing with on this sector. We have roughly 45 clients, which consist of major international traders, like Trafigura, Glencore, major players, African players, and a group of smaller traders. I wouldn't say we are gaining market share. We have increased our business in services which are shared along a limited number of banks at the end of the day, because that's a very specific sector.

The gross country limit we have for sub-Saharan African countries, is USD 4.5 billion. Our current exposure, our gross exposure is USD 1.6 billion. And the country where we have the maximum exposure in this sector is Nigeria. We also have exposures in South Africa, Ivory Coast, Angola, Tanzania and Kenya. These are the key countries in which we have our exposure in this sector here in Africa.

The question on the market share, I don't have a clear answer of what is our market share and whether we have gained market share. Our exposure is fluctuating according to the cycle of this business as well, because we have an initial unfunded exposure through letters of credit and on maturity of the letter of credits there is a repayment. This is when the cash exposure is coming. We have a fluctuation of our exposure in this business between funded and unfunded. The highest limit we have as far as country limits are concerned is Nigeria, with USD 1.4 billion gross exposure limit because the vast majority of our exposure in this sector is indeed in Nigeria.

JM The net exposure for Nigeria is USD 338 million as at June 2024 which is the highest of all these Sub-Saharan countries where we are dealing. I think it's also worth mentioning, whilst we are saying that we have a gross limit of USD 4.5 billion for sub-Saharan African exposures, the way these transactions are structured, the risks are not necessarily African risks. Because many of these transactions are either back to back transactions or they are transactions where the counterparty is, for example, an oil major or a large trader, like Trafigura.

The exposure that we have in energy and commodities is pretty much well ring-fenced, to such an extent that if you look at the distribution in terms of what the end risk is, the ultimate counterparty risk is, oil majors would represent 10%. Very large traders would be representing 26%. Large and medium-sized traders would represent 29%. National oil companies, 27%. And also, you have some refineries representing 5%.

You can see that when it comes to our ultimate risk, they are not necessarily based on African exposures only. It's pretty well diversified.

OP Thank you. Kaitlin, does that answer your questions?

KB Sorry, just if you could give us some overall loan guidance for the FY 25 year, that would be helpful.

TH What we have planned on the sector of the oil sector, we have decided to limit the growth of our exposure by 5% on the oil sector. And we. We have limited the growth on gas at 20%. What does that mean? Because the gas for the time being is a minor part of the oil and gas exposure we have that we hope to favour in our strategy again on just transition.

We want to favour the development of the gas. And that's the reason why we are limiting the growth of the oil and favouring the gas because, as I speak on the concentration risk, we want to more diversify our exposures. But it's towards the oil and gas with less oil, more gas. That way, we balance our activity as well.

Do we believe this is reachable? Yes. There are needs in this sector. And, again, we are very focused, when I say 45 clients, we are really balancing all these 45 clients across our activity. They are selected clients. With the majority of them, we have relationships which have grown over several years, with strong knowledge and understanding of their business and situation.

We have, every year, a few new customers that we are on-boarding with a lot of attention. The compliance part of this business is very important, and we are very careful about the counterparties we are dealing with. We have also exited some relationships in February of 2022 at the start of the Russia-Ukraine war, where some clients were exposed to the Russian oil and gas. That was a clear decision on company's side to manage this portfolio carefully.

KB Thank you very much.

OP Thank you, sir. At this stage... Apologies, we have a follow up question from Kato Mukuru. Please go ahead.

KM Thank you, gentlemen. I wanted to ask, on the switch from oil to gas, what's the impact on margins? And if the oil book was pretty secure, as you have mentioned, because of the counterparties being very strong and they're not being really influenced by local geopolitics, why slow down on the oil at all? I guess would be my first question.

And then I was going to ask, if you don't mind, of the 45 clients in the energy and petroleum exposure that you mentioned, how many of them represent more than 10% of shareholder equity, i.e. part of that concentration risk analysis that you do in your annual report? Just to get a sense of how many people we're really talking about, who are the big, big exposures in the segment.

And lastly, I'm sure those who have been covering your name much longer would know, but I saw the real big pick up in tourism NPLs. Is that just a one-off? Because clearly, tourism has been doing pretty well in Mauritius. I was surprised to see that. But if you could help me understand that, I'd really appreciate it. Thank you.

TH As far as the NPL is concerned, it is connected to a legacy file in the Maldives, related to a major operator in the hotel activities. The client was already struggling before I joined MCB. That has nothing to do with the 'Energy and Commodities' business.

Why to slow down the oil? We slow down the growth of the oil, because as it is our major exposure, and as we want to be careful to diversify our risk, if we give 10% or 20% growth to the oil, we will never be able to offset that with the growth of our other segments. Because, as you know, the tanker is \$100 million, \$3 billion in 30 tankers, that's what we are speaking about. It goes very fast if you give capacity for growth, and we do not want to be considered as an 'oil bank'.

Our strategy is to undertake this business as an African bank. At the same time, if you want to give the capacity for the diversification of our balance sheet and our risk, we cannot continue to grow our oil exposures at a high pace. Gas today is a limited part of our business, and we want really to favour the gas. By the way, as the usage of gas goes up in Africa, it's more important than the oil. And the crude is exported whilst the gas is highly used in Africa. That's the reason why as well we want to favour the gas, which is more in line with our just transition approach to the continent.

That's the reason why, it's purely strategic risk diversification and it is also about our impact on the continent. That goes together.

OP Thank you, sir. Kato, does that answer all your questions?

KM I just wanted to go back to the 45 clients, if you don't mind. I was asking how many...

- TH I will have to come back to you with a clear answer to that, because I don't have the figures with me right now.
- JM We have some major traders, which are on our top 20 credit concentration. On a gross basis, they can be quite significant. It could add up to Rs 50 billion in terms of exposure, but this is only gross basis. And as I mentioned earlier on, many of these traders relate to the letters of credit that we will be issuing. Very often on a back-to-back basis or on a front-to-back basis, or with the promissory notes from oil majors and other large oil traders.
- On a net basis, these exposures are a lot lower.
- KM Thank you.
- OP Thank you, sir. At this stage, there are no further questions on the conference or from the webcast. Do you have any closing comments, sir?
- JM Thank you very much for attending this earnings call. It's been a pleasure to spend some time with you, to go through the full-year results, and we look forward to continue to engage with you. We are at your disposal if you need more clarification through Kersley, Dipak and I, we will be at your disposal to answer any of your queries.
- And until we meet for the first quarter of the new financial year, which will be in six weeks' time, in fact, it's in November. We wish you all a very day and a very good evening. Thank you very much.
- OP Thank you, sir. Ladies and gentlemen, that concludes today's events. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT