



Results for the first quarter ended 31 December 2025

Earnings Call held on Friday 20 February 2026

[Transcript](#)

CONFERENCE CALL PARTICIPANTS

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Kersley Gaspard

IR Officer

Conference call transcript

20 February 2026

Results for the six months ended 31 December 2025

Operator

Good afternoon, ladies and gentlemen, and welcome to the MCB Group Limited earnings call, results for the six months ended 31 December 2025. All participants will be in a 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 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.

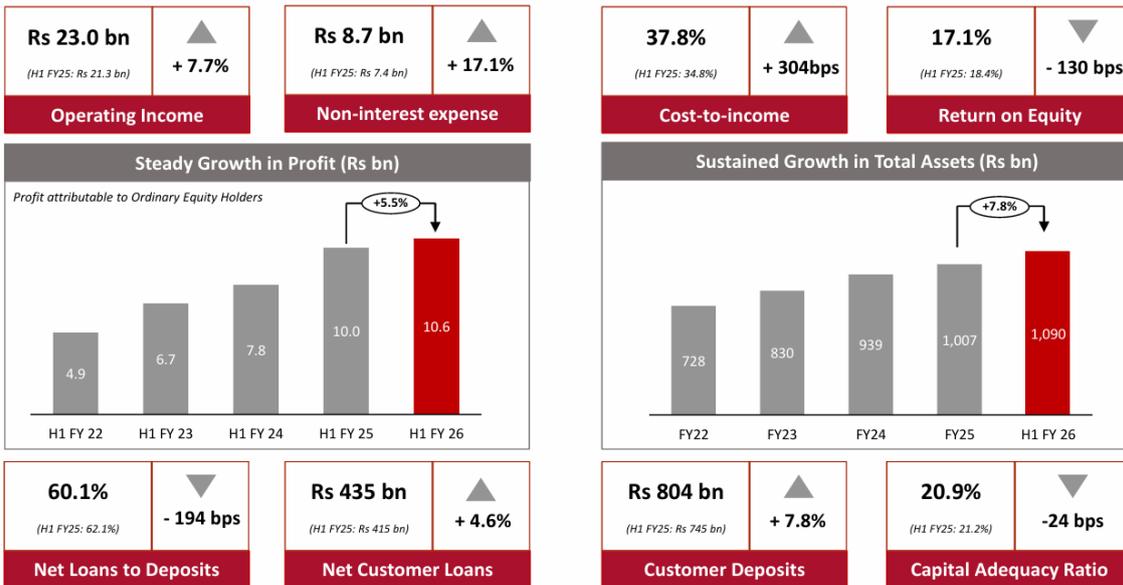
Jean Michel Ng Tseung

Thank you. Good day, and a very warm welcome to you all at the very first earnings call of this calendar year. We hope that you've all had a very good start of this new year. Around the table, we have Thierry Hebraud, Chief Executive of the MCB Limited, Dipak Chummun, our group CFO, and Kersley Gaspard, our Head of Investor Relations.

Without further ado, I will pass on to Dipak, who will run us through the presentation, where we will understand better the results of the MCB Group for the six months ended 31 December 2025. Dipak, the floor is yours. Thank you.

Dipak Chummun

Thank you very much, Jean Michel. Hello, everybody. It's my pleasure to engage with you and discuss the group results for what I'm going to call H1 2026, or H1 26, as I go along.

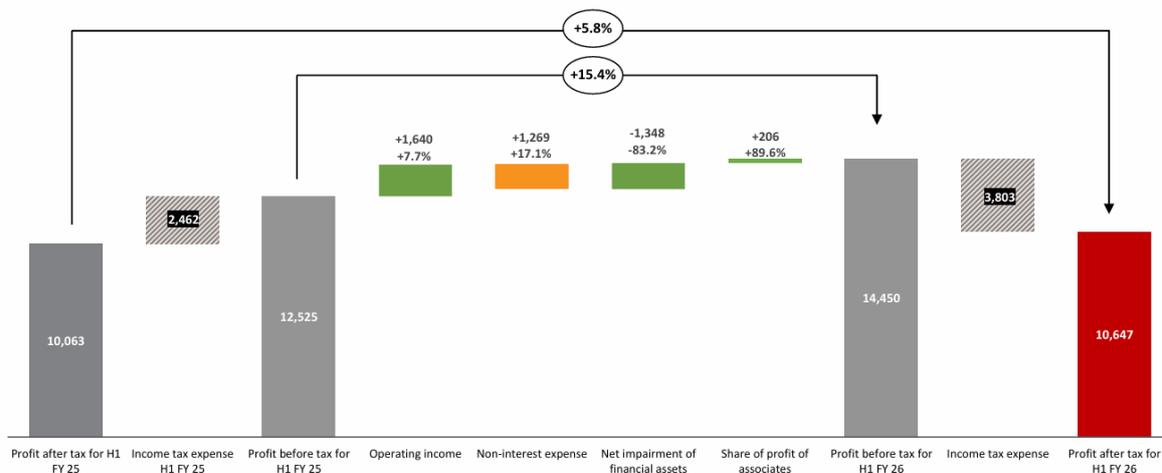


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As mentioned, our performance for the six months has been strong, and that's despite some of the challenges that we talked about in our last earnings call. Attributable profits for the period have increased by 5.5% to Rs 10.6 billion for the half year. Operating income is up 7.7%. Non-interest expenses of 17.1%, leading to a cost-to-income ratio, which is at 37.8%. Our return on equity is down to 17.1%, a slight reduction from 18.4% last year. Our balance sheet has grown by 7.8% year on year. Our net customer loans have increased by 4.6%, deposits up by 7.8%, leading to a slight reduction in our loans-to-deposit ratio to 60.1% from 62.1% last year. Our capital adequacy ratio is slightly down year on year to 20.9%, a small reduction of 24 basis points relative to the same period last year.



Significant impact of tax rate changes on profit after tax.



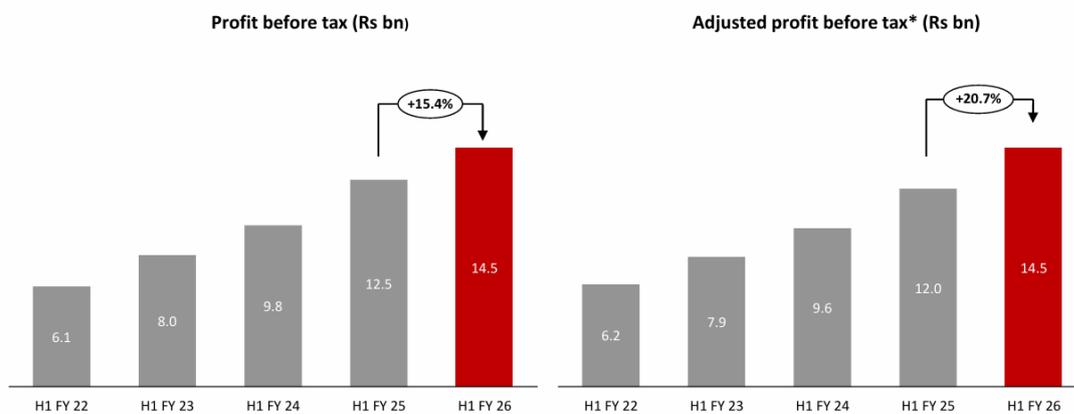
Note : Figures are in Rs million and percentage changes refer to year-on-year changes for each item

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In the next couple of slides, I'm going to analyse some of our headline numbers in a little bit more depth. This slide is focusing on profit after tax and profit before tax. What you will see is our profit after tax has grown year-on-year by 5.8%. But if you look at the two grey columns slightly in the middle of the chart, our profit before tax has increased by 15.4%. And that's mainly because of our significant increase in tax charges year-on-year. Tax charges have increased by 54.5% year-on-year.

And the main reason for that is the tax rates in Mauritius have increased significantly through the last national budget. And our effective tax rate last year was 19.7%, and has now increased to 26.3%, which is close to 7% increase on the overall profit before tax. And that largely explains the 5.8% increase in profit after tax.

 **Reported PBT increased by 15.4%. However, adjusted (core) PBT increased by 20.7%.** 

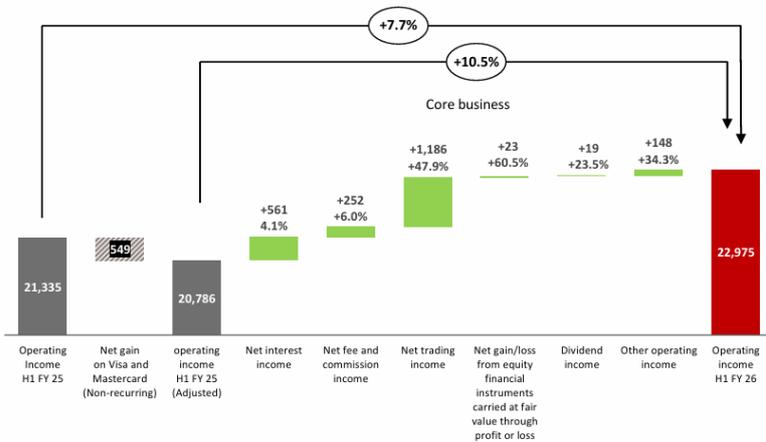


*Adjusted PBT defined as reported PBT excluding the effect of fair value changes of Visa and Mastercard shares

Now let's deep dive into the profit before tax. Profit before tax, as mentioned on the previous slide, has increased by 15.4%. And this is what you see in the reported numbers on the left-hand side of this slide. If you look at the chart on the right-hand side, we have adjusted our profit before tax to show you the impact of profit, of excluding the fair value gains and losses that we've incurred in the last five equivalent periods.

Effectively, what it does is it excludes 549 million of profits, which we had reported in our H1 25 results last year. If you look at the H1 FY25 figure on the right-hand side, you will see that it's Rs 12 billion as opposed to Rs 12.5 billion. And that's the Rs 549 million that we've excluded. On a like-for-like basis this year versus last year, profit before tax actually increased by 20.7%. That's in effect the growth from our core business.

Whilst reported operating income showed a growth of 7.7%, core business revenue increased by 10.5%



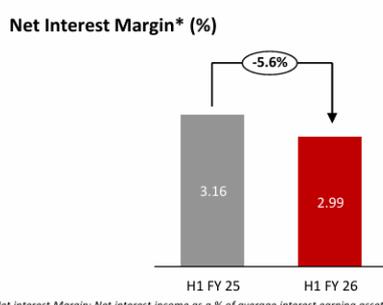
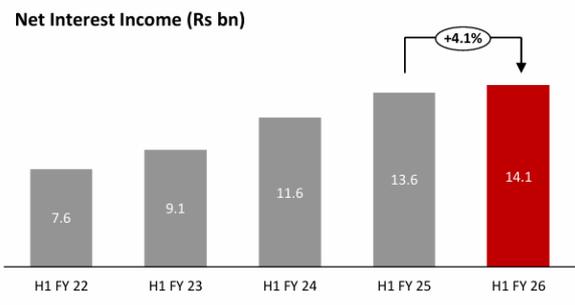
- Increase in net interest income driven by balance sheet growth despite a contraction in overall margins.
- Rise in net fee and commission income explained by stronger performance in payment & wealth management activities.
- Growth in net trading income due to higher revenues from dealing in foreign exchange & fixed income securities.
- Drop in net gain from equity financial instruments recorded, with fair value gains on Visa & Mastercard shares no longer recognised in the income statement as from this financial year.

Note : Figures are in Rs million and percentage changes refer to year-on-year changes for each item

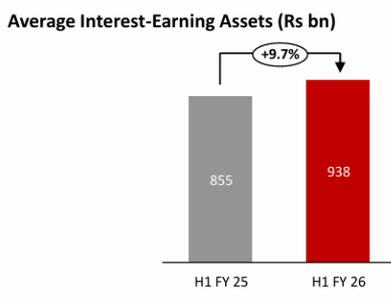
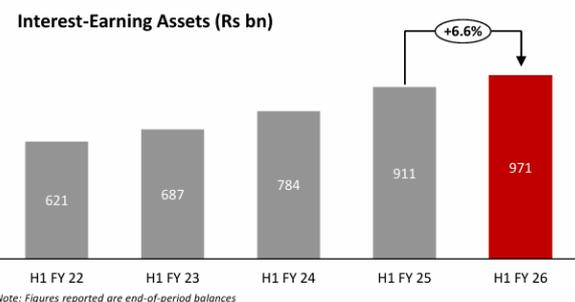
What I'm doing here is I'm eliminating the impact of the fair value gains from Master and Visa card, which are non-recurring last year. And I've also, the previous slide, eliminated the impact from changes in legislation relating to taxation. Our underlying business has grown by 21%. Let's deep dive a little bit more.

This is a view of our top line, our operating income line. You will see the Rs 549 million appearing again. Our top line, as I mentioned in my very first summary slide, has grown by 7.7% overall. If I exclude the non-recurring impact of fair value gains of Master and Visa card last year, the effective core business revenue line growth is 10.5% up year-on-year. And that's accounted for by a 4.1% increase of net interest income, a 6% increase in fee and commission income, a 47.9% increase in trading income. And then a few other lines on the right-hand side.

Net Interest Income (NII) – Y-o-Y growth supported by the rise in interest-earning assets



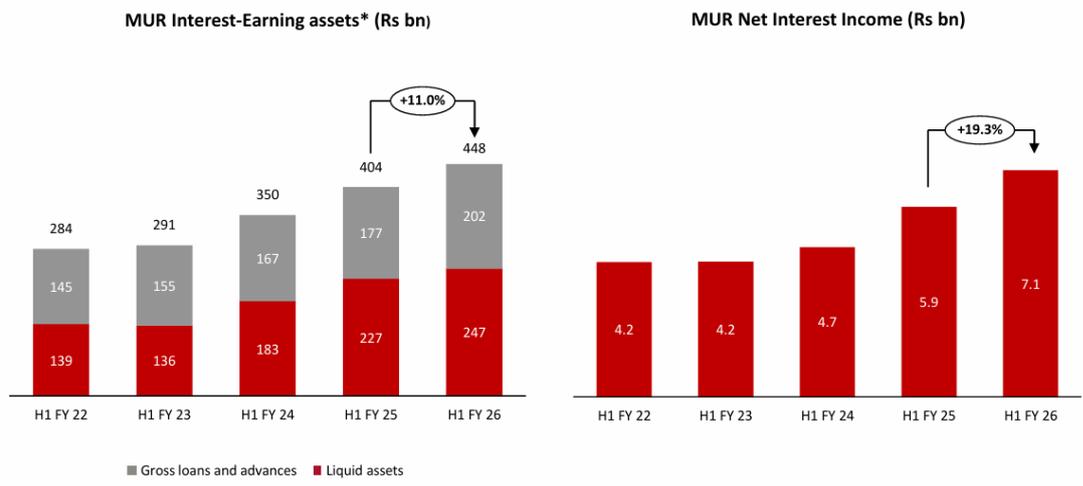
*Net Interest Margin: Net interest income as a % of average interest earning assets



Note: Figures reported are end-of-period balances

Let's look at net interest income now. At overall level, net interest income has increased by 4.1%. That's the same figure that was on the previous slide. The main reason for that increase is our overall assets have grown. If you look at the bottom right-hand side, you'll see that the average net interest earning assets has increased by 9.7% year-on-year but offset a little bit by a decline in net interest margins.

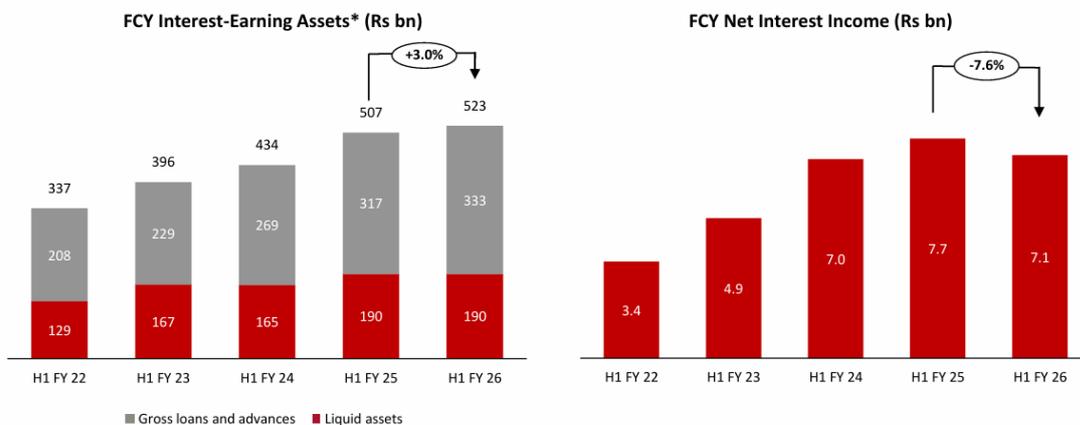
MUR NII – Increase driven by loan and liquid assets growth and higher yields on govies



* Interest earning assets reported as end of period balances; average balances increased by 13.2% y.o.y

Main reason for this decline in net interest margins is that we've got a lower percentage of our excess liquidity invested in MUR government securities now, so they are actually placed overnight with the Bank of Mauritius at lower rates. If you look at Mauritian rupees, both our loans and advances and liquid assets have increased.

Liquid assets have increased because our deposits have increased at a faster rate than our local currency assets for all loans and advances. But the excess liquidity is placed to a higher extent into overnight placements compared to the previous year, where there was a higher mix of government securities. When you package all of those, the net interest income in Mauritian rupee has increased by 19.3%.

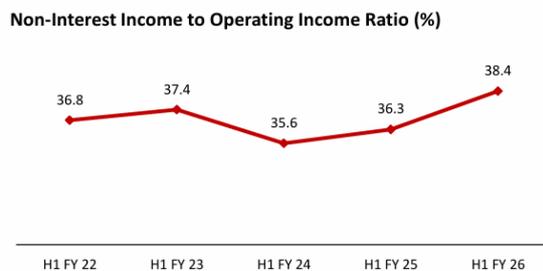


* Interest earning assets reported as end of period balances; average balances increased by 6.4% y.o.y

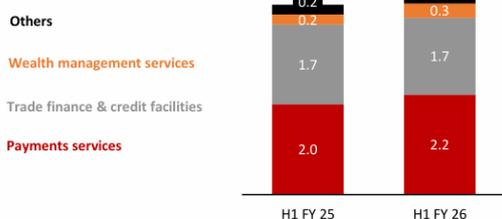
In foreign currency, our overall interest earning asset base has increased by 3%. Our liquid assets increased slightly, but our gross loans and advances continue to grow. We've had a decline in overall net interest income as a result of some margin compression in our overall foreign currency business as a result of two things. One is there is a slight decline in overall margins on the lending side, and two, there has been an increase in the mix of fixed deposits on the deposit side, which eats into the overall margins.

Non-interest income – Growth supported by both fees and forex profit

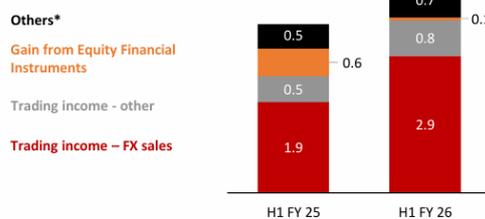
Non-Interest Income (Figures in Rs bn)	H1 FY 25	H1 FY26	%Δ Y-o-Y
Net Fee and Commission Income	4.2	4.4	6.0%
Net trading income	2.5	3.7	47.9%
Other Income	1.1	0.7	-32.6
Total Non-Interest Income	7.8	8.8	13.9%



Net fee and Commission Income (Rs bn)



Net trading and other Income (Rs bn)



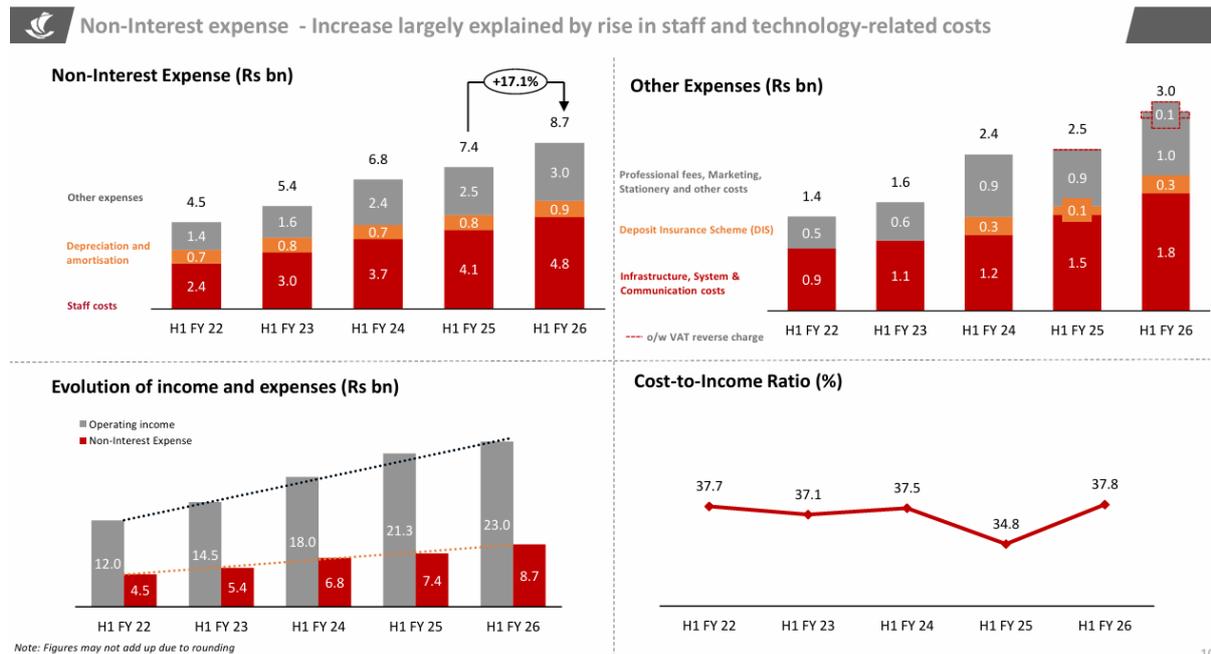
Note: Figures may not add up due to rounding

* Includes dividend income and other operating income

Let's take a look at non-interest income. Top, left-hand side, you see the net fee and commission income line, which is increased by 6% year on year. And the net trading income line, which is increased by close to 48% year on year. The two charts at the bottom give you breakdowns of those things. You see payments, trade finance,

credit facilities, and wealth management have contributed to the growth in net fee and commission income. And our net trading income has grown significantly, in particular on FX sales and FX trading. FX trading is our proprietary trading and FX sales is the business we do with our external customers.

As a result of the increase in non-interest income, our non-interest income ratio to operating income has grown to 38%. That's a target that we have internally to continuously grow. We obviously want to diversify our income base and improve the value proposition to our clients with a broader range of products, both on and off-balance sheet.

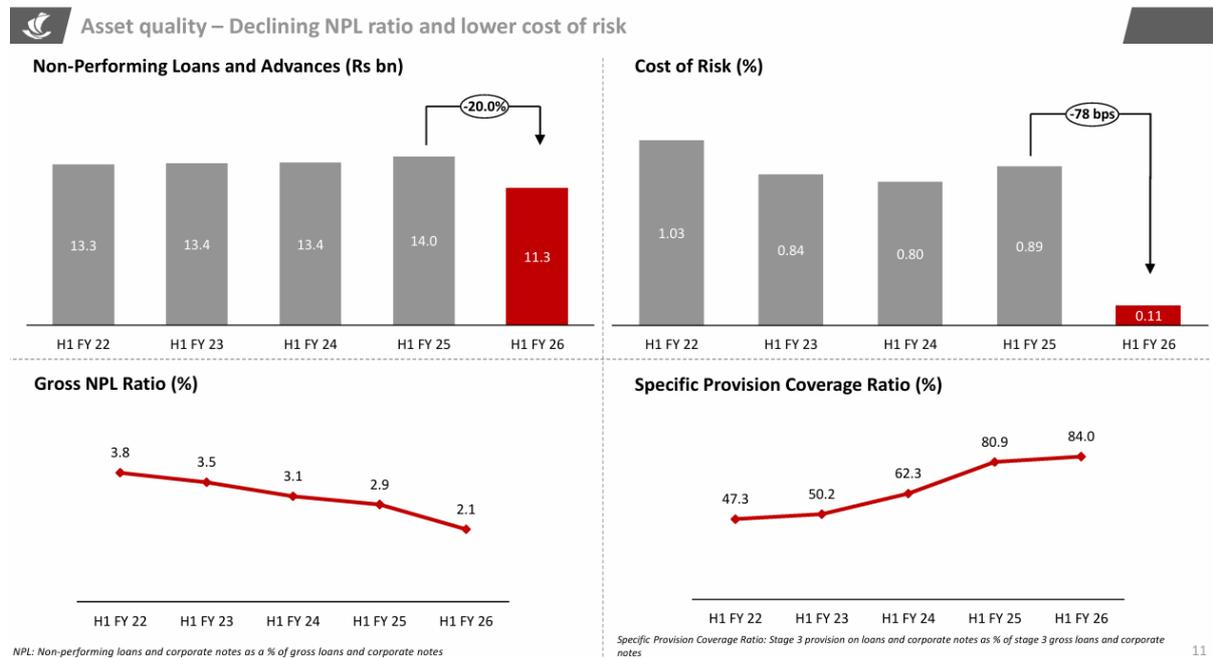


Let's take a look at operating expenses, also known as non-interest expense. The chart on the top left gives you a breakdown of the broad categories. Staff costs have increased. As you know, we have invested in people by increasing headcount over the last few years to support business growth. Plus, there have been various measures, both compulsory and discretionary, that have led to an increase in expense per headcount. That's taken our overall staff cost base from Rs 4.1 billion to Rs 4.8 billion year on year for the first half of FY26.

And our other expenses are explained by the categories on the top right-hand side of this slide, predominantly made up of infrastructure, systems and communication costs which has increased for a few different reasons. One, is we are investing in technology to become more efficient over time. By virtue of having more people, we've got to purchase more licenses. All of these are typically purchased in foreign currency. And Mauritian rupee has depreciated over time, which makes the expenses in rupee equivalent higher. We effectively face a little bit of a double whammy on the infrastructure and communication costs.

There's also the deposit insurance scheme that's been added to the other expense category. And then all the other professional fees, marketing, and other costs contribute to the column shown in grey, which is reasonably flat over the last three years.

Looking at the chart on the bottom left, you will see the pace of growth on our operating income line. Whilst our operating expenses, or what we call non-interest expenses, has also grown, but it grows at a lower rate. But in percentage terms, it looks higher. Where we stand today is our cost/income ratio for the half year is 37.8%, which is not so dissimilar from the last few periods.



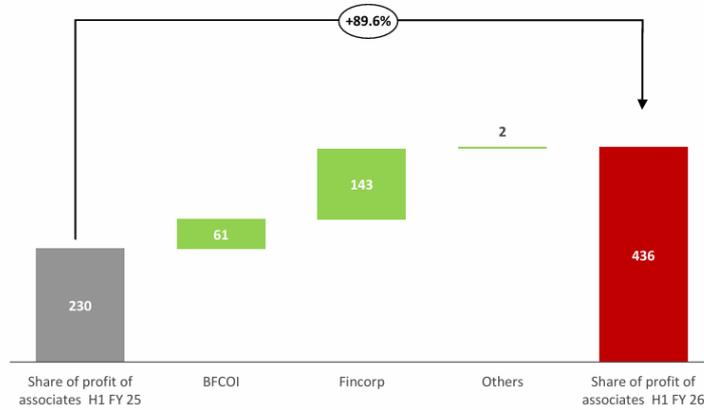
Taking a look on the asset quality. What you're going to see is a decline in our non-performing loans and advances. That's principally because we've actually written a legacy exposure that has been on our balance sheet for some time. Having said that, a large part of the amount that we've written off has actually been recovered during the course of the period, which is why, on the top right, you will see that our cost of risk has gone down significantly.

I would say that our normalised cost of risk would be between 70 and 80 basis points. But for the half year, that number goes down to 11 basis points, principally because of the large recoveries we've made during the period. Now you might ask me, is this going to be recurring or not? Let me advance an explanation on this. The loans that we've recovered have actually been non-performing loans for a number of years, I believe seven or eight years. And as I mentioned earlier, they were part of the non-performing loans and had been fully provisioned, which is why we have released the provision following the partial recovery during the period.

Whilst we will still have some element of recoveries in periods to come, I would probably advance that it's not going to be at the same level on a recurring basis.

The charts at the bottom just give you the revised numbers, as a result of these large shifts in nonperforming loans. NPL ratio is now down to 2.1%, but our specific provision coverage ratio is up to 84.0%

Associates – Increase explained mainly by improved performance of PAD



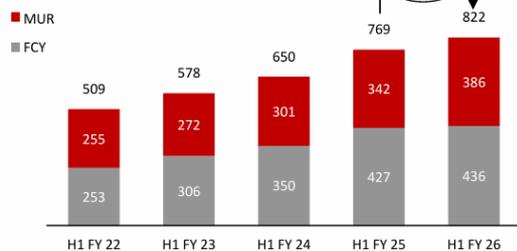
Note: Figures are in Rs million

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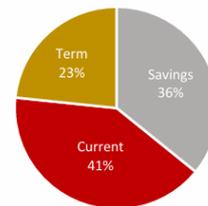
Next slide is on associates. We've had an improvement in the contribution from associates. First of all, our share of profits from BFCOI has increased. And under Fincorp, we've had a higher share of profits as a result of PAD's contribution to the profits of MCB. PAD is a company that has a big share of Medine Ltd, which has benefited from significantly increased land sales during the period compared to the prior year.

Funding and liquidity – Growth driven by MUR deposits

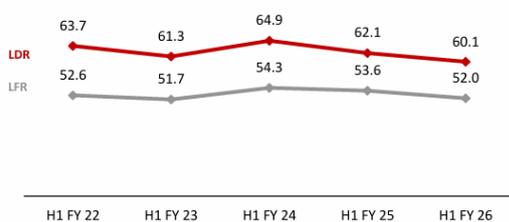
Deposits (Rs bn)



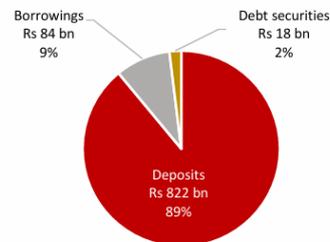
MCB Ltd deposit mix (%) – H1 FY 26



Liquidity ratios (%)



Funding base composition (%) – H1 FY 26



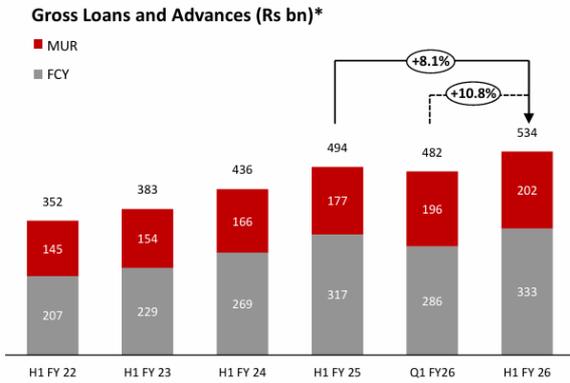
LDR: Net customer loans and advances (including corporate notes) to customer deposit ratio
LFR: Loan-to-funding base (including borrowings) ratio

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Let's take a look at our funding base. Both our funding base in Mauritian rupee and foreign currency have increased. Overall, our funding base has increased by 6.9%. And our liquidity ratios are still very healthy at a loan-to-deposit ratio of 60.1%. The pie chart on the right-hand side gives you an indication of what the mix of our deposits are. You can see it's largely customer deposits, with some borrowings and debt securities.

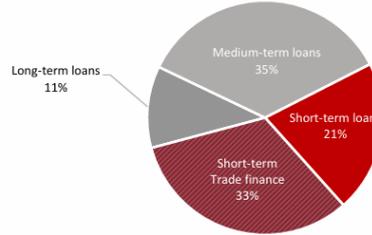


Loans and advances – Growth supported by higher MUR disbursement to both retail and corporate customers

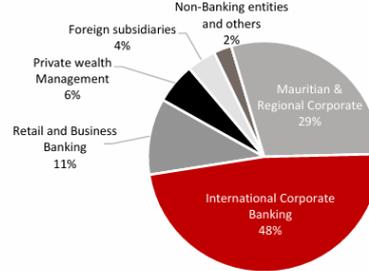


* Including corporate notes

FCY Loans by Tenor (%) – H1 FY26



Gross loans by Line of Business (%) – H1 FY 26*



Overall, you see, loans and advances, both in local and foreign currency, have increased. Our customer business continues to do well. What we've included in the bar chart, the second to last, we've also included the figure as at quarter one of 2026, which means one quarter ago, the figures for September. And you can see that there's an increase of 10.8% overall in loans and advances from September last year.

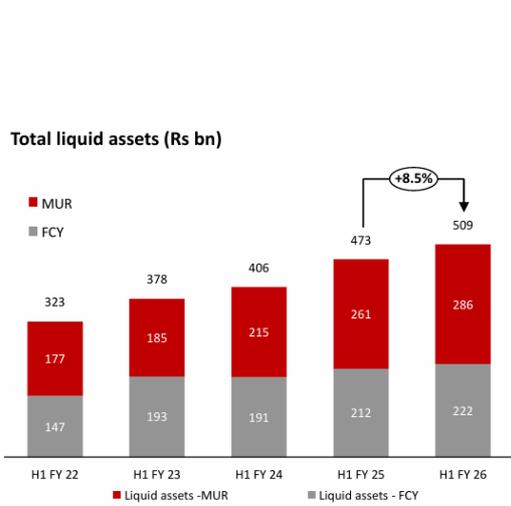
You probably ask yourself, what was that decline from H1 25 to quarter one 26? And that goes back to what I told you at year end, the decline at the time of the Nigerian business through the changes in the oil and gas sector in Nigeria, where we had lost, initially, \$500 million from our balance sheet. Not lost as in lost, but our overall exposure had dropped, which we compensated by doing off-balance sheet business.

But when you look at the, where we are today, as of H1 26, we are pretty much at the same level. Look at the grey component of the chart. We're pretty much at the same level, and even slightly higher than where we were half of last year. There was a bit of drop in funded exposures during the course of the last financial year but we have now picked up again and we are back to levels which are ahead of where we were in H1 of 2025.

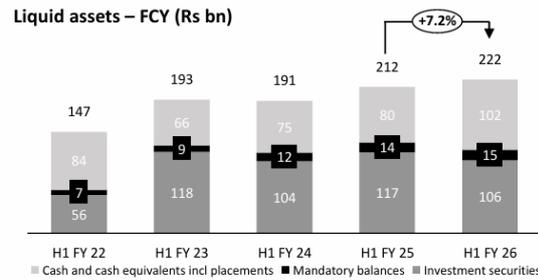
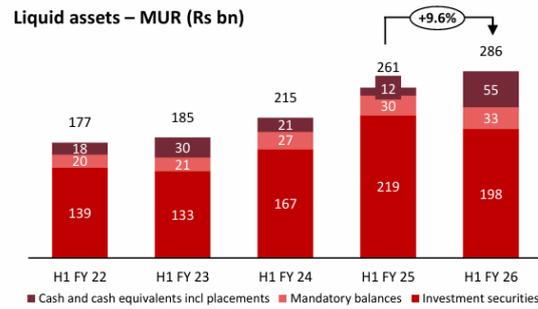
The pie chart on the right-hand side gives you a mix by tenor bucket. You see there's a 33% share of short-term trade finance assets and a 21% share of short-term assets. All in all, that's in excess of 50% of our loans and advances are short term, which is good.

The pie chart on the bottom right gives you a mix by our businesses. And you can see that close to 50% of our exposure comes from our international corporate banking units, and that's been growing. And 29% comes from our Mauritian and regional corporates, which tend to be the biggest companies in the region.

Liquid assets – Excess liquidity deployed mainly in placement with banks



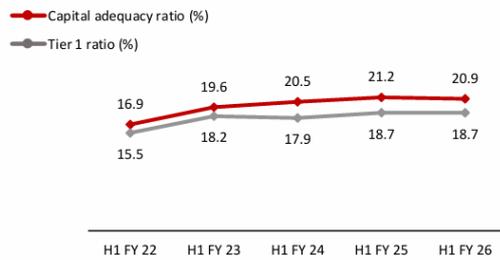
Note: Figures may not add up due to rounding



Let's take a look at liquid assets. The red columns on the left-hand side are Mauritian rupee and the columns in grey are in foreign currency, which are then further broken down in the charts on the right-hand side. You've got various shades of red on top, various shades of grey at the bottom. And you can see a slight decline in investment securities in Mauritian rupee, from Rs 219 billion to Rs 198 billion. And that's mainly because the Bank of Mauritius has slowed down the issuance of treasury bills in its mopping up of excess liquidity. It's now got us to place more rupees into cash and cash equivalents, i.e. the overnight placement with the Bank of Mauritius.

And on the foreign currency side, I think it's probably more a timing difference. It just so happened that at the end of the period, there was less money in investment securities and more money in cash and cash equivalents.

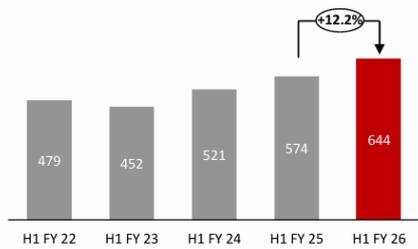
Capital Adequacy Ratio (%)



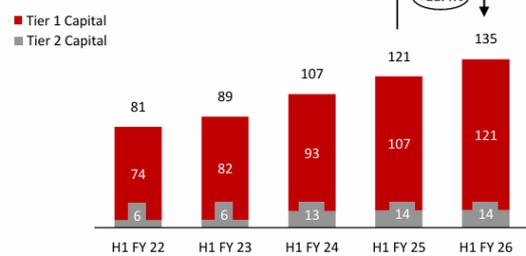
Return on Equity (%)



Risk-Weighted Assets (Rs bn)



Total Capital (Rs bn)



Capital adequacy ratio, on the top left chart. You'll see we're still very comfortably above the 15% minimum capital that we are meant to hold. Our risk weighted assets on the bottom left-hand chart have increased by 12.2%, which partially explains our reduction in capital adequacy ratio. And the increase in RWA is mainly due to the increase in loans in corporate banking, which carry a higher risk weight compared to short-term trade finance.

Return on equity is slightly down to 17.1% for H1 FY26. The main drivers for this decline have been the increase in taxes, and, obviously, the non-recurring impact of the gains in Master and Visa card, which benefited the figure of last year.

Final slide is on share price. Yes, there's been some downward pressure on our share price over the past few weeks and months, potentially as a result of people wondering what's going to happen after the increase in taxes. But it's good to see that in the last few days, there's been a bit of bounce back. And we expect now that the results are out for each one, over time, we're going to see some bounce back.

At this point, this concludes my presentation and I will open up the floor to questions and answers.

Jean Michel Ng Tseung

Thank you, Dipak. We'll be very happy to take on board any questions or clarifications that you may wish to have. Thank you.

Operator

Thank you, sir. Participants on the webcast who wish to ask a question may do 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.

For those on the conference, if you would like to ask a question, please press star and then one now. If you decide to withdraw your question, please press star, and then two, to remove yourself from the list. Again, if you are on the conference, if you would like to ask a question, please press star and then one now. The first question that we have comes from Timothy Wambu of Absa. Please go ahead.

Timothy Wambu

Thank you very much. Good afternoon, and thank you, Jean Michel, Dipak, Kersley and the rest of the team. Thank you for the presentation. Just a couple of questions from my end. The first one is, you've mentioned that you've continued to grow your cash and cash equivalents. You've also mentioned that the reason for the drop in investment securities is because of less small parts that are taking place. Could you give us an idea of what kind of yields you're probably earning on the placements? I think that would be useful.

My second question is, we've seen OpEx outpace revenues. And therefore, your cost-to-income ratio surged to above 38%. Could you give us your guidance, what you think cost-to-income ratio looks like in the near term? I think it's clear that staff costs continue to increase. You mentioned the 14th cheque before, and you've also been speaking about the IT and system costs. Should we be worried that it crosses 40%?

My third question is on the improvement in asset quality. You mentioned you've written off a facility that is fully provisioned. Could you tell us which sector this was? And what is the accounting policy for write backs? Do you net off impairments, or are they added back to your revenues? Maybe just some clarity on that. I'll pause there. Thank you.

Dipak Chummun

Maybe I'll take the first one. Looking at the slide, firstly, on the cash and cash equivalents. And I suppose you are referring to the rupee cash and cash equivalents, isn't it? It's more on the rupee side that we have indeed seen an increase in cash and cash equivalents from Rs 12 billion to Rs 55 billion, whilst investment in investment securities actually dropped from Rs 219 billion to Rs 198 billion.

There has been of late indeed less issuance of such instruments by the Bank of Mauritius. And that would explain why we have indeed seen this increase in cash and cash equivalents. The yield on average on these bills would be of the order of 4.5%, and the excess cash is currently deposited with the Bank of Mauritius and remunerated at 3%. That's the explanation for the increase in the cash and cash equivalents during this semester.

On the cost-to-income side, yes, you're right. There has an increase of the cost to income. I think it's useful to mention that during the year 2024, 2025, we felt it was important to consolidate our workforce. There was quite a bit of pressure at all levels, front, back, and middle office, by virtue of the fact that the business had grown for quite a number of years, but the recruitment did not follow that same trend. We consciously took the decision to bridge that gap. We did recruit quite a few people. The headcount had actually increased by quite a bit.

Salaries had also gone up in line with inflation rate in the last few years. But what we can say now is that now that we have consolidated the team, the process now is to optimise what we are doing. That's what we've been

explaining to our teams we've consolidated last year. This year, it's a question of optimising. We don't expect employee costs to continue to progress at the same rate as what we have seen in the last few years.

Regarding asset quality, it was a legacy exposure. It's a company that operates in the hospitality sector in the Maldives. It's been there for quite a while and it was fully provided for. We did recover a part of the capital that was outstanding. And the accounting treatment, is that any recovery that we make doesn't go to the operating income but would rather go to a reduction in the impairment charges. It's an impairment credit that was booked on the income statement following the release of provision linked to that exposure, if you see what I mean. That's why we've seen a drop in the impairment charge for that six-month period. I hope I have answered your question.

Timothy Wambu

Yes, you have. Thank you very much. I think that is very clear. Maybe just on that cost-to-income ratio outlook. You've addressed, obviously, the staff cost, reason why it went up. Should we realistically start looking at 40%, or is that something that you think doesn't happen anytime soon?

Dipak Chummun

I think it's a stabilisation, because now we are at let's say 38%. We should be stabilised.

Thierry Hebraud

If I may, the growth you see in the staff cost this year is effectively the result of last year's consolidation. The impact of the hiring we have done over the last two years, and this finalisation, at the end of this financial year, we consider we will have consolidated the teams, as we had to do. This year already, we have substantially decreased the growth of staff compared to the two previous years. And now you know, of course, that AI is within our agenda. On any new hiring starting this year, we are just looking at whether AI will be able to be a substitute in a period of six months to one year.

Timothy Wambu

Thank you. That's clear.

Operator

Thank you, sir. The next question we have comes from Jonathan Richards of Edison Group. Please go ahead.

Jonathan Richards

Good afternoon, good evening to all. Thank you very much for taking the time. I have three questions, if I may. Firstly, on the revenue side, how sustainable do you think the increase in the FX sales and other trading income components are? We saw quite a large step up that you were able to achieve in the first half. Just want to get a feel for how sustainable that is, what you think the ultimate level of contribution you can get from those revenue items.

And then secondly, second question on the cost side, just following up on the discussion around the cost-to-income ratio is very clear on staff costs. Could you just give us an idea of what technology costs should really be, how we should be thinking about them, given that you're going to be optimising through AI? Does that necessarily mean that you have to spend a bit more on technology over the next couple of years, or next half year, explicitly?

And then the last question is just on tax. Obviously, you saw a big step up to that 26% effective tax rate in the half year. How should we be thinking about the impact on the full year? Is there still more increase to come, or do you think you're stabilised at this 26% level going forward? Thank you very much.

Thierry Hebraud

Thank you. Starting with the FX sales revenues, there is no exceptional big one-off in these figures. It's rather the result of the development of our operations. Part of it is linked to our operations in Mauritius, but the biggest part of it is the development with our international operations, be it clients, be it banks. This is linked to the development of new capacity, new product. Our platform is on a certain number of African currencies. This all goes together. To tell you we will continue this pace of growth, if I would tell you that, my Head of Global Markets will shout at me, but he's shouting each time we are speaking about the budget.

That's a little bit a joke, to answer your question, but we believe the trend of growth is going with the growth of our operations in the continent, in Africa, and partly, of course, in Mauritius, where we are continuing to gain business. This is not exceptional. It's connected to the growth and development of other businesses.

As far as the technology cost, indeed, this is part of the analysis we are doing right now. Because the technological developments in AI, digitalisation, we will do additional recruitment of high value people and talents in these specific areas. We know that these will contribute to an increase in costs for the next two, three years, connected to the development of the new technology and the transformation of our businesses.

At the same time, in the more traditional business, there is what we call an optimisation, that is expected to lead to a stabilisation in costs. This is a little bit what we can say on this part. As far as tax is concerned, I give the floor to Dipak.

Dipak Chummun

Look, the increases in tax happened in Mauritius. And, as you know, a large part of our profits are booked in Mauritius, so we're subject to Mauritian tax law. Under the banner of fair share contribution, there have been these increases in tax which are meant to be in place for about three years, but it's difficult for us to predict whether it's going to continue beyond that or not. It's very rare in jurisdictions where they increase taxes, they then reduce them after. We'd rather take a cautious approach.

We are continuing to grow our business, which is why you can see that the underlying or core business profit before tax is up close to 21% year on year. We're progressing on what we can control and what we can do. And part of doing business, the cost of doing business is you pay taxes in the jurisdiction in which you do business,

and that's what we're doing.

Yes, the increase is mitigated or muted somewhat this year versus last year, but if we continue on this trajectory, next year you're going to see better percentages at the bottom line.

Perhaps I take the liberty today to just add something on the cost front. To reemphasize what Thierry said, in that, yes, we're looking for optimisation of our base operating costs, but at the same time, we're very conscious that there are some mega trends happening in the world. AI is going to change a lot of things, and we don't want to miss the train completely. And we are actually looking significantly into how we can leverage off new tools, techniques, and infrastructure that are going to become more prevalent to make our business lines and operating costs more efficient. In the initial few years, the chances are the numbers, the costs that we're going to have to invest will be there to then generate the savings and efficiencies later on.

Jonathan Richards

All very clear. Thank you very much.

Operator

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

Ronak Gadhia

Good afternoon, Mr Jean Michel. It's been a while. Hope you're all doing well. And congratulations on the results. I also have three questions. Firstly, the perennial issue about credit ratings. We recently saw Moody's change the coverage outlook on Mauritius government's rating to negative. If you could just maybe talk about maybe the steps that the government is taking to make sure that the ratings downgrade doesn't actually happen. And in the worst-case scenario, if the ratings downgrade were to happen, could you maybe help us understand the potential impact on MCB? That's the first question.

The second question on loan growth. And apologies if I'm not getting this right, but from what I see during the full-year numbers and in the first half, it seems a lot of the loan growth we've seen over the last six, nine months seems to be coming from the domestic business, as opposed to the international trade finance business. Which is a change, because that business hadn't grown much for the last ten or so years. If you could confirm if the growth is coming from domestic sources, and if it is, then what sectors are driving it and how sustainable that is in the short to medium term?

And then finally, on the liquidity situation. Again, that's been a problem for a very, very long time. Under the new administration, under the new governor at the Bank of Mauritius, are they doing anything different compared to the previous administrations, to mop up that excess liquidity? Or is this problem likely to persist, in your opinion? Thank you.

Dipak Chummun

In terms of the Moody's prospect, as you mentioned, the government has been making quite a bit of effort and

communicated quite a bit on what they're doing to contain the increase in the indebtedness of the country. I think Moody's does recognise these efforts. And, as you possibly are aware, some of the measures are quite unpopular, like increasing the retirement age for pension entitlement. That has not been necessarily a very popular move, but the government has been sticking to their decision to increase the age to 65 years old.

Even in terms of salary increases for the civil servants, even that was met with some dissatisfaction from the public in general. We are seeing real efforts being made by the government to manage the debt side and the fiscal side of the economy.

You mentioned about a potential downgrade. There would be certainly an impact if the country was downgraded, insofar as MCB is concerned. The main impact would be twofold. The first one would be on our trade finance business, whereby our signature of letter of credits, which was very much valued, or still very much valued for being an investment grade, would be impacted if the country was no longer investment grade. There would be, in our mind, a drop in the volume of trade finance businesses, if that were to happen.

Deposits as well would potentially be impacted in Mauritius as an IFC as well. We may have to increase the cost of deposit rate to maintain our deposit base at the same level. So, yes, there will be an impact. I wouldn't say that it would be a catastrophic impact on our income statement, but no doubt there will be an impact on our business and on our bottom line if the country was downgraded.

Thierry Hebraud

I can comment on the loan growth, I think we need to be a little careful on the analysis of the figures and that are provided. Let's speak about the foreign currency portfolio. As we have said, this portfolio has been severely impacted at the magnitude of half a billion dollars in cash loans by the transformation of the Nigerian oil and gas business, essentially. When you look at the evolution of the loan portfolio, the foreign currency, you need to have in mind that there have been a drop and a rebuilding of this portfolio. That's part of it.

Second aspect of this loan portfolio in commodity trade finance, is that part of the oil and gas business has switched from funded to non-funded in a quite substantial manner over the last quarter. We need to be careful on this analysis of the foreign currency loan portfolio.

As far as the rupee, you're very right to mention it, because probably, you remember, on previous presentations, we had at a certain moment loss of market share, because we did not want to enter into a pricing competition in our own market. We have reviewed this strategy, because lending in our market in Mauritius means getting business at lower prices. We couldn't continue to lose ground on the lending side, so we have decided to go in the competition. And what you see here is part of it, is regaining market share, both on the corporate and the retail in the mortgage loans as well.

This is what explained this growth of our business, of our loan portfolio in local currency, which is really regaining market share. You see that in our margins, which have decreased, and they have decreased because of the competition. It has decreased, as well, because we are more and more lending in sustainable finance, which are

loans with favoured pricing. That's also explaining the growth of loans, but somewhere the decrease of our margins.

Jean Michel Ng Tseung

The third question is about liquidity. And the market, as you mentioned, is still and has been for many, many years, very liquid. We haven't seen any major change in policy stance from the Bank of Mauritius with the change in government or the change in the governor. We haven't seen any major change in policy in terms of absorbing that excess liquidity.

Ronak Gadhia

And just the last one, the perennial question of mine, dividends. You're still maintaining a payout ratio of 35%, but your capital ratio continues to build. Any prospect of a slight uplift in the payout ratio?

Dipak Chummun

Sorry, could you repeat the last bit of your question?

Ronak Gadhia

Any prospect of uplifting your dividend payout ratio, given that the capital ratio seems pretty robust and continues to gradually increase?

Dipak Chummun

I think if you look at our capital adequacy ratio in the last quarter, it has actually dropped. I think we are hopeful that our business will grow, both in Mauritius and outside of Mauritius, as Thierry was explaining. And therefore in the context of all the uncertainties or the geopolitics situation, the tariff war and so on and so forth, to have this level of capital, I think, is a good thing. I wouldn't say necessarily a capital adequacy that will keep on increasing in light of the pipeline that we have. I think the risk weighted assets will keep on growing, based on the business in Mauritius and outside of Mauritius as well.

Ronak Gadhia

Thank you very much. And good luck for the rest of the year.

Dipak Chummun

Thank you very much.

Operator

Thank you. Just a final reminder for those on the webcast, if you would like to ask a question, please do so by clicking the Connect With HD Audio button, which appears below the presentation, and follow the instructions. For those on the conference call, if you would like to ask a question, please press star and then one now. The next question we have is a follow up from Timothy Wambu of Absa. Please go ahead.

Timothy Wambu

Thank you. Just a follow-up question. One is, maybe the line wasn't very clear, on the increase in your foreign currency loans quarter on quarter, of about 16%. Are these CTF facilities? If not, tell us which sectors were able to grow your foreign currency loans.

My second follow-up question is tied to what Ronak was asking. It's to do with the sovereign rating. I think I've asked this question a couple of times before, and Moody's haven't come back since January 2025 with an update. But I'm just wondering, from where you sit, is there any data that you see that's leaning more on the positive side? Unfortunately, we can't seem to get any of these data anywhere. I think that would be very helpful.

And then maybe, just lastly, I know he's asked about dividends, but will a share buyback be also something that has ever crossed your mind? Thank you.

Thierry Hebraud

As far as the foreign currency portfolio, it's all together. There is a part of regaining activity in the CTF, but we have a very big momentum in power and the global international corporate portfolio. We have really increased quite substantially our exposure in this sector development. It's part of it, it's not only CTF. That must be clear when you look at the quarter on quarter growth.

Timothy Wambu

And is this the CTF business in Angola? I think you spoke a lot about Angola before.

Thierry Hebraud

When I was speaking on CTF, we have gone through a geographical diversification at an accelerated pace. But this is true as well, because our clients, particularly the traders, which are heavily exposed to the Nigerian business themselves, have been caught by this transformation of the business and have started to diversify their portfolio as well. Angola is part of it, it's not the only one.

Dipak Chummun

Your second question is about Moody's, isn't it? I think that there are two sides of the coin. It's indeed positive and reassuring to see the different efforts made by the government to manage the indebtedness. But it's true that the other side of the coin is that we've increased taxes. It makes the jurisdiction less attractive. You've got two sides to that question of how Moody's will view this. But in my mind, at the end of the day, I think Moody's does realise that the drop in indebtedness will not come overnight, it will come over time. And I think that they will see in a good light, the efforts that are being made to manage the fiscal deficit, even if that is impacting, at least in the short term, the competitiveness of our jurisdiction.

Third question is about the share buyback. It's a little bit connected to the question of Ronak, about increasing

the dividend yield, for the same reason. If you look at the business prospects, we believe that our loan portfolio has the potential to keep on growing. We are seeing growth, both in Mauritius and outside of Mauritius, that will mean increased risk weighted assets, that will mean more required capital. Our capital has been quite stable over the last two quarters.

As I mentioned, it's not a bad thing to have this level of capital, as we speak, in the current context, in the current instability caused by all these geopolitical conflicts, wars and tariffs. We are assessing the situation. For the time being, it's not necessarily on the cards to proceed with a share buyback.

If I may add some of you will know that we have communicated our vision 2030, and our vision 2030 is about continuously growing international business. The second pillar of our strategy is about creating a top tier corporate and investment bank, and that will require capital. It will require enhanced capacity. And we're not stepping away from that. Share buyback or high dividends actually will be counter-intuitive, considering the resources we're going to need to enable our future growth.

We see potential in the market to continue growing. Are there issues in some jurisdictions and other jurisdictions? Indeed, there will always be, but we're very selective and very careful in the businesses that we've conducted so far, and we're going to be very careful and selective in the businesses we do in the future. But our story right now, our journey right now, is one of growth. And the increased tax rate and so on and so forth are distractors, rather than causes for fundamental shift in our strategy.

Timothy Wambu

Thanks, Dipak. If I could maybe just throw in a quick one. Would M&A constitute part of your growth in this international business?

Dipak Chummun

Sorry, was your question about acquisitions? Not in the immediate future. Once we've developed a certain scale and a certain capacity in five years' time, or something like that, if the right target comes across the table, we'll consider, we'll evaluate. We're not actively going there.

Thierry Hebraud

We don't want to waste our energy in other initiatives that are not part of our Vision 2030. We want really to create a top tier CIB and private wealth management bank in Africa on the basis of our current operating model, having hubs, which are originating hubs, supporting the development of our businesses. We are, we can say, moving to Dubai. You know we are in Dubai. We have a license for advisory office in Dubai. Probably, we are considering having a second booking and liquidity centre in this development, but this is not an acquisition, this is probably a development.

Dipak Chummun

This is an organic growth.

Thierry Hebraud

Organic growth out of Dubai. And if we succeed in this strategy, nothing will prevent us in 2030 to requestion ourselves on what should be the next step of our strategy. But we believe that today, if we would have to make acquisition on the continent, that would take too much of our energy bandwidth, capacity, and that would be detrimental to our development strategy in the sectors we want to develop.

Timothy Wambu

Thank you. Very clear. Thank you very much, gentlemen.

Operator

Thank you, sir. Ladies and gentlemen, at this stage, there are no further questions on the conference or the webcast. I will now hand back to management for closing remarks. Please go ahead, sir.

Jean Michel Ng Tseung

Thank you very much for your participation at this earnings call. And we look forward to have this same conversation the next quarter, in May. Thank you very much again. And have a good day. Bye-bye.

Operator

Thank you. Ladies and gentlemen, that then concludes today's conference. Thank you for joining us. You may now disconnect your lines.