GROUP MANAGEMENT STATEMENT

MCB Group results for the first quarter ended 30 September 2021

PORT LOUIS, 12 November 2021: MCB Group Limited today announced its unaudited results for the first quarter of FY 2021/22.

HIGHLIGHTS

- Rise of 6.9% in net interest income
- Growth of 24.8% in net fee and commission income
- Decline of 37.3% in ‘Other income’
- Operating expenses up by 13.5%
- Impairment charges declined by Rs 403 million; Drop in gross NPL ratio to 3.4%
- Share of profit of associates up by Rs 90 million
- Y-o-y growth of 25.8% in deposits and of 21.3% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 2.2 bn

▲ **16.4%**

OPERATING INCOME

Rs 5.7 bn

▲ **4.3%**

IMPAIRMENT CHARGES (incl. ECL)

Rs 0.8 bn

▼ **32.8%**

ASSETS

Rs 670.5 bn

▲ **22.4%**

Commenting on the results, Pierre Guy Noël (Chief Executive - MCB Group Ltd) said:

“Profit attributable to ordinary shareholders increased by 16.4% for the quarter ended September 2021 to Rs 2,240 million, due to an improvement in core earnings and the decrease in net impairment charges recorded in the banking cluster.

Operating income grew by 4.3% to Rs 5,667 million. Net interest income increased by 6.9% to Rs 3,868 million resulting from an expansion in the loan portfolio, notably linked to the international activities of MCB Ltd, despite a contraction in margins. Lower yields were also recorded in the deployment of our excess liquidity domestically, leading to a drop in revenues from Government securities. Net fee and commission income grew by 24.8% to Rs 1,332 million, driven by higher revenues across banking subsidiaries, with a strong performance recorded from regional trade financing and payments activities. On the other hand, ‘Other income’ declined by 37.3% to Rs 467 million, mainly explained by market volatility giving rise to fair value losses on equity instruments.

Operating expenses increased by 13.5% to Rs 2,249 million, reflecting continued investments in human capital and technology and the impact of the depreciation of the Rupee on the expenses denominated in foreign currencies. As a result, the cost to income ratio rose to 39.7% compared to 36.5% for the corresponding period last year. Impairment charges fell by Rs 403 million to Rs 826 million due to lower provision for expected credit losses (‘ECL’) during the quarter. The cost of risk, on an annualised basis, stood at 88 basis points of gross loans and advances, compared to 139 basis points in June 2021, while gross NPL ratio declined to 3.4%.

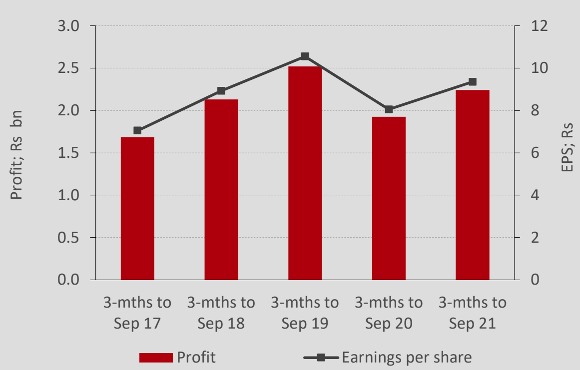
The share of profit of associates rose by Rs 90 million mainly on improved results at the level of BFCOI and Promotion and Development Group.

Our capitalisation level remains comfortable, with shareholders’ funds increasing to Rs 72.9 billion, contributing to a capital adequacy ratio of 18.4%, of which 17.0% in the form of Tier 1.

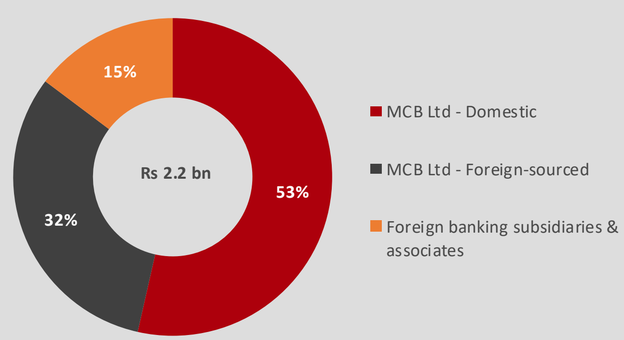
The exit of Mauritius from the FATF grey list, which should trigger the removal of the country from the EU black list, and the pick-up in tourism amidst the full-fledged reopening of our borders recently are positive developments that should contribute to the domestic economic recovery. However, uncertainties still prevail considering the evolution of the Covid-19 pandemic both locally and globally. Against this backdrop, the Group will continue to closely monitor the evolution of the situation while pursuing the implementation of its strategic objectives.’’

Financial performance

Profitability indicators



Contribution to Group profit



Note: A negative contribution was recorded from the ‘Non-banking financial’ cluster

Profit or loss statement

Net interest income

Net interest income rose by 6.9% to Rs 3,868 million resulting from an expansion in the loan book, notably linked to the international activities of MCB Ltd, despite a contraction in margins. Lower yields were also recorded in the deployment of our excess liquidity domestically, leading to a drop in revenues from Government securities.

Non-interest income

Net fee and commission income grew by 24.8% to Rs 1,332 million, driven by higher revenues across the banking subsidiaries, notably on account of a strong performance recorded from regional trade financing and payments activities. On the other hand, 'Other income' declined by 37.3%, mainly explained by market volatility giving rise to fair value losses on equity instruments.

Operating expenses

Operating expenses increased by 13.5%, reflecting continued investments in human capital and technology and the impact of the depreciation of the Rupee on the expenses denominated in foreign currencies. Given the growth of 4.3% in operating income, the cost to income ratio rose to 39.7% compared to 36.5% for the corresponding period last year.

Impairment

With a lower provision for ECL during the quarter, impairment charges fell by Rs 403 million to Rs 826 million, leading to the cost of risk, on an annualised basis, standing at 88 basis points of gross loans and advances compared to 139 basis points in June 2021. For its part, gross NPL ratio and net NPL ratio declined to 3.4% and 2.0% respectively as at September 2021.

Share of profit of associates

The share of profit of associates rose by Rs 90 million mainly reflecting improved results at the level of BFCOI and Promotion and Development Group.

Profit

Notwithstanding a negative contribution from the non-banking segment, profit attributable to ordinary shareholders for the three months ended September 2021 reached Rs 2,240 million, given improved performances across most entities within the banking cluster.

Financial position statement

Loans and advances

Gross loans of the Group recorded a year-on-year growth of 21.3% to reach Rs 311.9 billion as at 30 September 2021, with a broad-based expansion recorded across banking subsidiaries. When including Corporate Notes, gross loans and advances grew by 20.7% over the period under review. Specifically, at the level of MCB Ltd, gross loans went up by 20.9%, driven by a significant rise in its international loan book, linked to its energy & commodities and financial institutions activities.

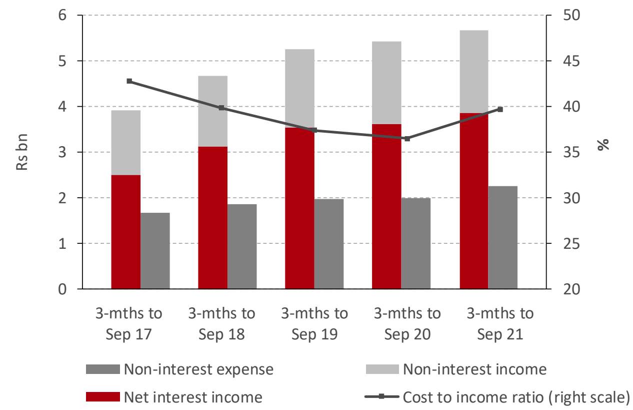
Funding and liquidity

Total deposits of the Group rose by 25.8% to Rs 500.1 billion as at 30 September 2021, underpinned by increases in both rupee and foreign currency deposits. In addition, 'other borrowed funds' grew by 16.7% to Rs 68.4 billion, in line with funding initiatives to support the expansion of the Group's international business activities. As a result, the total loans to deposits ratio stood at 62.4% while the total loans to funding base ratio, when including borrowings, reached 54.3%, reflecting adequate liquidity position. Besides, the Bank continues to maintain its US dollar Liquidity Coverage Ratio well above the regulatory norm, that is, at 264% as at 30 September 2021.

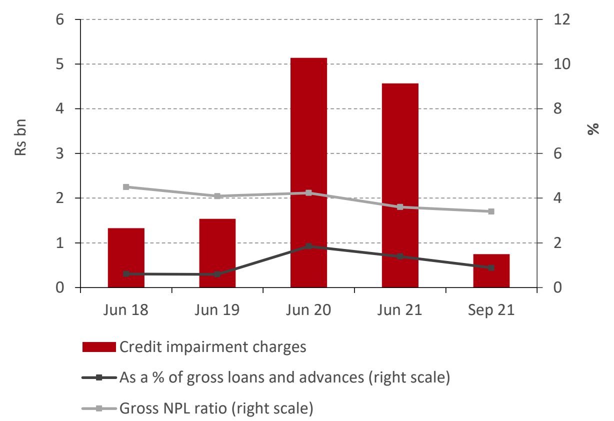
Capital position

Shareholders' funds went up by 12.7% on the back of a rise in retained earnings and 'other reserves', which contributed to the Group's Tier 1 capital increasing to some Rs 71 billion. Overall, Tier 1 and BIS ratios stood at 17.0% and 18.4% respectively, thus remaining comfortably above the minimum regulatory requirements.

Income and expenditure evolution

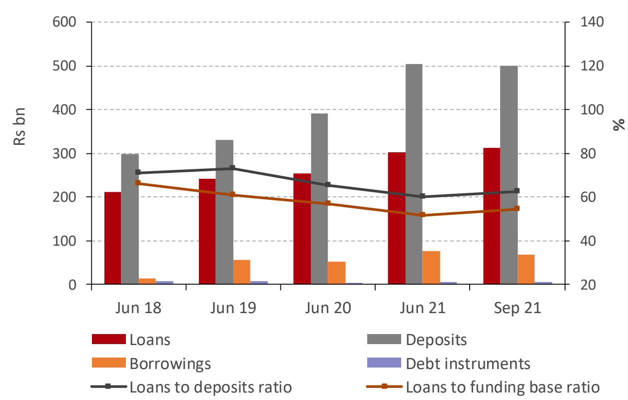


Credit impairment charges* and credit quality

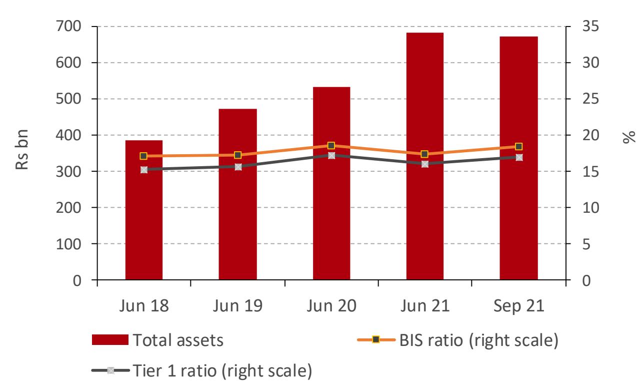


**Relate to loans & advances (including corporate notes)*
Note: Impairment charges for Sep 21 relate to three months while the ratio has been annualised

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

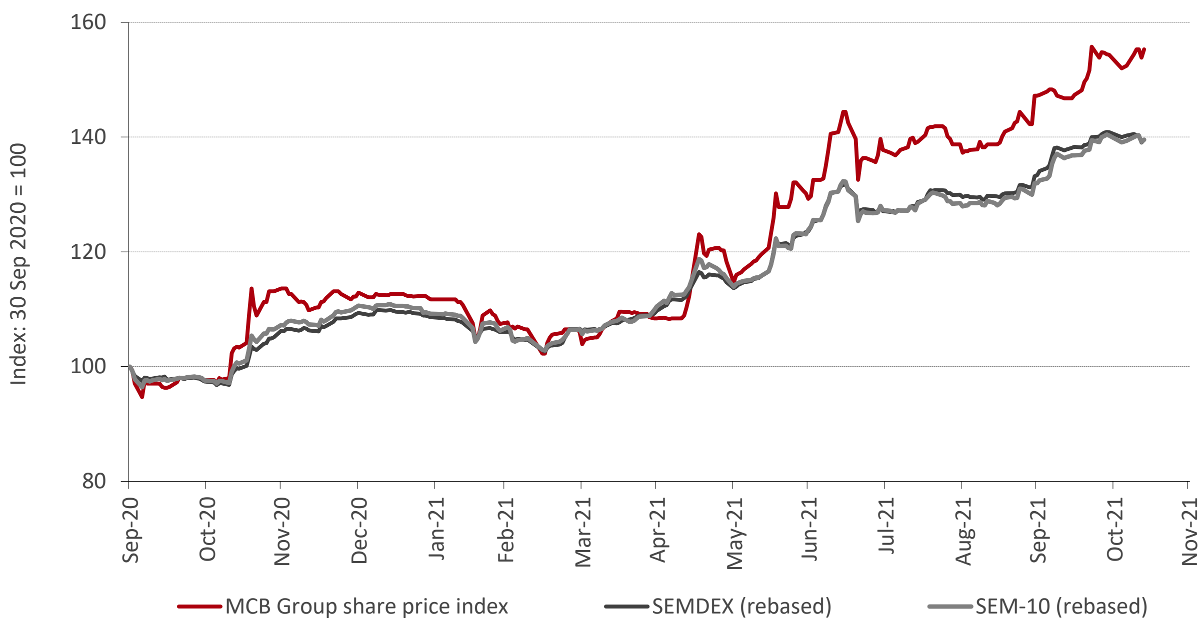
Financial soundness indicators (%)

	Sep-21	Jun-21	Sep-20
Profitability			
Return on average total assets[1]	1.3	1.3	1.4
Return on average equity[1]	12.3	11.8	12.1
Return on average Tier 1 capital[1]	12.5	11.9	11.9
Efficiency			
Cost-to-income	39.7	36.9	36.5
Asset quality*			
Gross NPL/Gross loans and advances	3.4	3.6	4.1
Net NPL/Net loans and advances	2.0	2.3	2.6
Liquidity			
Liquid assets[2]/Total assets	45.0	47.2	44.3
Loans to deposits	62.4	60.2	64.7
Loans to deposits and borrowings[3]	54.3	51.7	55.9
Capital adequacy			
Shareholders equity to assets	10.9	10.7	11.8
BIS risk adjusted ratio[4]	18.4	17.4	18.2
o/w Tier 1[4]	17.0	*16.1*	16.8

**June 2021 figures restated*

[1] *Annualised rate for September*
[2] *In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds*
[3] *Borrowings include debt instruments*
[4] *Based on Basel III*

MCB Group share price performance



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