# GROUP MANAGEMENT STATEMENT

# MCB Group results for the year ended 30 June 2021

**PORT LOUIS, 28 September 2021:** MCB Group Limited today announced its audited results for the year ended 30 June 2021.

## HIGHLIGHTS

- Rise of 3.1% in net interest income
- Growth of 13.3% in net fee and commission income
- Decline of 14.5% in 'other income'
- Operating expenses up by 6.1%
- Impairment charges declined to Rs 4.8 billion; Gross NPL ratio dropped to 3.9%
- Share of profit of associates down by Rs 29 million
- Y-o-y growth of 29.0% in deposits and of 18.9% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

**Rs 8.0 bn**

▲ 1.4%

OPERATING INCOME

**Rs 22.4 bn**

▲ 2.0%

IMPAIRMENT CHARGES (incl. ECL)

**Rs 4.8 bn**

▼ 6.1%

ASSETS

**Rs 683.1 bn**

▲ 28.4%

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

*"Notwithstanding the particularly difficult economic and market conditions which exerted pressures on revenue lines across segments and prompted us to maintain a prudent stance by building additional provisions, in the form of Expected Credit Losses, the Group posted a resilient performance, with profit attributable to ordinary shareholders edging up by 1.4% to reach Rs 8,019 million.*

*Operating income increased by 2.0% compared to last year. Net interest income rose by 3.1%, driven primarily by increased investment in Government securities as a result of the persisting excess liquidity situation prevailing in most of our markets. Our diversification strategy led to a healthy expansion of the Bank's international loan book, helped further by the weakness of the Mauritian Rupee. However, net interest income in foreign currency declined marginally due to the drop in LIBOR rates. Net fee and commission income recovered from its contraction in the previous year to grow by 13.3%, supported by higher revenues from regional trade financing and wealth management activities. In contrast, 'other income' bore the brunt of the challenging context and declined by 14.5%. Lower volumes of trading in foreign exchange coupled with high volatility in money and foreign exchange markets, contributed to a drop of Rs 459 million in net gain from financial instruments. On the other hand, other operating income remained stable, the profit of Rs 356 million realised on the disposal of our shares in ICPS Ltd being largely offset by the absence of rental income at the level of COVIFRA, as a result of our borders being closed throughout the whole financial year.*

*Operating expenses increased by 6.1% on the back of ongoing investment in capacity building initiatives, notably linked to our digitalisation efforts, thus leading to a rise in the cost-to-income ratio from 35.5% to 36.9%. However, impairment charges declined by 6.1% to Rs 4,766 million. The cost of risk in relation to loans and advances, while decreasing from 1.84 % to 1.39%, remained high as we continued to increase our Expected Credit Losses (ECL) which reached Rs 8,854 million as at June 2021. Excluding ECL provisions, cost of risk for the year decreased from 64 to 55 basis points.*

*The share of profit of associates fell by Rs 29 million, principally due to lower contribution from BFCOI more than offsetting improved results at the level of Promotion and Development Ltd.*

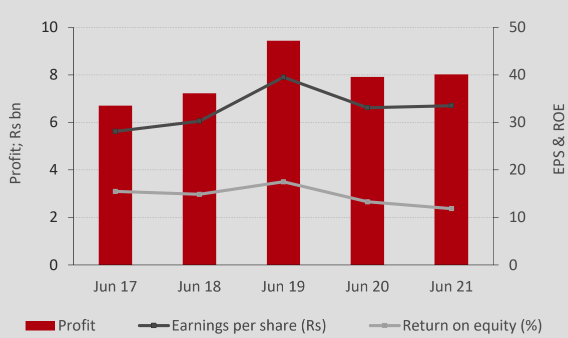
*The Group continued to display strong capitalisation levels with capital adequacy ratios remaining comfortably above minimum requirements. The BIS and Tier 1 ratios stood at 17.4% and 16.1% respectively despite a significant growth of 21.1% in risk-weighted assets. Furthermore, asset quality improved slightly with NPL declining from 4.2% to 3.9% while healthy liquidity and funding positions were maintained.*

*After a year during which no dividend was paid by the Group as a result of the substantial uncertainty resulting from the outbreak of the pandemic, we have resumed payment of dividend this year, albeit at a reduced rate compared to previous years. In addition to the interim dividend of Rs 7.25 per share paid in July 2021, a dividend of Rs 9.50 per share has today been declared and will be payable in December 2021. The total dividend payable this year will thus amount to Rs 16.75 per share, equivalent to 25% of profit attributable to ordinary shareholders in relation to Financial Years 2020 and 2021. The Board of Directors has also approved, subject to regulatory approval, a Scrip Dividend Scheme. This scheme will provide to the shareholders of the Group an option to convert a designated portion of their future dividends into shares of the Group. The successful implementation of this scheme will potentially enable the Group to consolidate its capital base in order to support its future expansion and/or, alternatively, provide it with additional capacity to increase its dividend payout.*

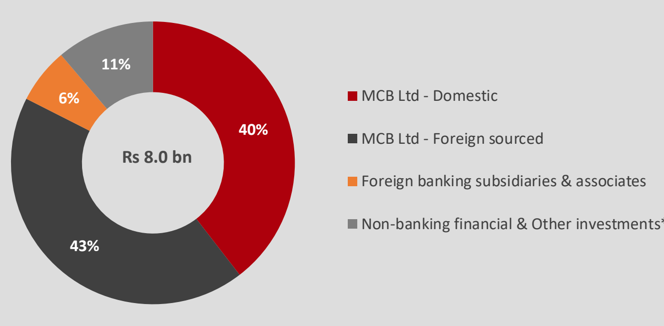
*The operating context is still subject to uncertainties, with the global economic recovery remaining uneven and fragile. Notwithstanding some encouraging trends in Seychelles and Maldives on the tourism front, the future evolution of long haul travel is yet to be firmly ascertained, while further adverse dynamics, especially amidst market volatilities and supply chain constraints, could continue to impact the domestic economy. However, progress made on the vaccination front and the opening of the borders should help economic recovery, with further support expected, should the country promptly exit the FATF and EU caution lists. On the basis of our strong fundamentals and continued execution of our diversification strategy, the Group is well equipped to reap the benefits of economic recovery, with prospects on the international front in particular being encouraging.''*

## Financial performance

### Profitability indicators




### Contribution to Group profit




** Includes profit on disposal of our shares in ICPS Ltd of Rs 356 million*

## Profit or loss statement

### Net interest income

Net interest income rose by 3.1%, driven primarily by increased investment in Government securities as a result of the persisting excess liquidity situation prevailing in most of our markets. The Bank's international loan book also witnessed a significant growth, helped further by the weakness of the Mauritian Rupee. However, net interest income in foreign currency declined marginally due to the drop in LIBOR rates.

### Non-interest income

Non-interest income remained relatively flat, with the growth in net fee and commission income offset by a dampened performance in 'other income' as explained below:

- Net fee and commission income rose by 13.3% to stand at Rs 4,460 million, supported by higher revenues mainly from regional trade financing and wealth management activities.
- 'Other income' bore the brunt of the challenging context and declined by 14.5%. Lower volumes of trading in foreign exchange coupled with high volatility in money and foreign exchange markets, contributed to a drop of Rs 459 million in net gain from financial instruments. On the other hand, other operating income remained stable, the profit of Rs 356 million realised on the disposal of our shares in ICPS Ltd being largely offset by the absence of rental income at the level of COVIFRA, as a result of our borders being closed throughout the whole financial year.

### Operating expenses

Operating expenses increased by 6.1% on account of:

- A rise of 3.1% in staff costs, which represented 55% of the cost base, on the back of continued investment in human capital;
- Continued investment in technology linked to the stepping up of the digitalisation efforts contributing to a growth of 10.6% in depreciation and amortisation costs and an increase of 9.9% in other expenses following higher software and IT related costs.

Given the growth of 2.0% in operating income, the cost to income ratio worsened by 1.4 percentage points to reach 36.9%.

### Impairment

Whilst specific provisions net of recoveries increased by Rs 287 million to Rs 1,999 million, additional ECL on the Group's performing asset portfolio decreased from Rs 3,364 million to Rs 2,767 million for the period under review, leading to impairment charges declining by 6.1% to reach Rs 4,766 million. As a result, the cost of risk in relation to loans and advances thus remained high, albeit dropping by 45 basis points to reach 1.39% as at June 2021. Excluding ECL provisions, cost of risk for the year decreased from 64 to 55 basis points.

### Share of profit of associates

The share of profit of associates fell by Rs 29 million, principally due to lower contribution from BFCOI more than offsetting improved results at the level of Promotion and Development Ltd.

### Tax expenses

Tax expenses rose by 0.4%, with profit before tax rising by 2.6%, leading to our effective tax rate remaining broadly unchanged.

### Profit

Profit attributable to ordinary shareholders increased slightly by 1.4% to stand at Rs 8,019 million for the year ended June 2021, with both banking and non-banking clusters being impacted by the challenging environment.

## Financial position statement

### Loans and advances

Gross loans of the Group registered a year-on-year growth of 18.9% in FY 2020/21 to reach Rs 303.3 billion as at 30 June 2021, supported by a broad-based increase across banking subsidiaries. Specifically, MCB Ltd posted a similar growth rate in gross loans, driven by a significant expansion in its international loan book, linked to Energy & Commodities and Financial Institutions, while rupee depreciation also weighed in the balance.

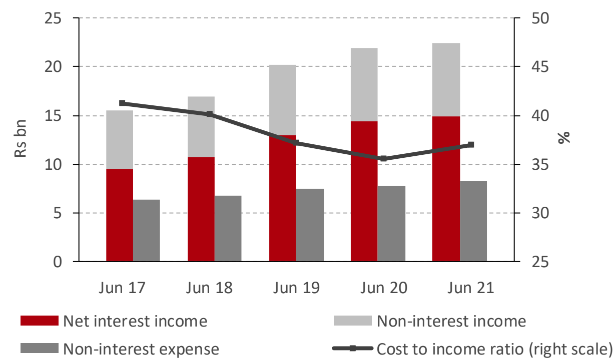
### Funding and liquidity

Total deposits of the Group increased by 29.0% to reach Rs 504.0 billion as at 30 June 2021, underpinned by growth across banking subsidiaries. In particular, MCB Ltd recorded a rise of 28.0% in its deposit base. While rupee-denominated deposits grew by 9.2%, foreign currency deposits of the Bank increased by 55.8%, reflecting our commercial initiatives as well as the impact of the rupee depreciation. For its part, 'other borrowed funds' went up by 47.1% to reach Rs 77.1 billion, in line with funding initiatives undertaken by MCB Ltd with a view to supporting its international business activities. In addition, the Group has implemented a Multi-Currency Note Programme in order to finance its growth opportunities, with a first issue of Notes amounting to Rs 2.0 billion made in June 2021, the proceeds of which were invested in the capital of the Bank to support its business expansion. As a result, the total loans to deposits ratio stood at 60.2% while the total loans to funding base ratio, when including borrowings, reached 51.7%. Recently, MCB Ltd successfully raised a syndicated facility of USD 1 billion on global financial markets to refinance existing obligations and to fund its asset growth.

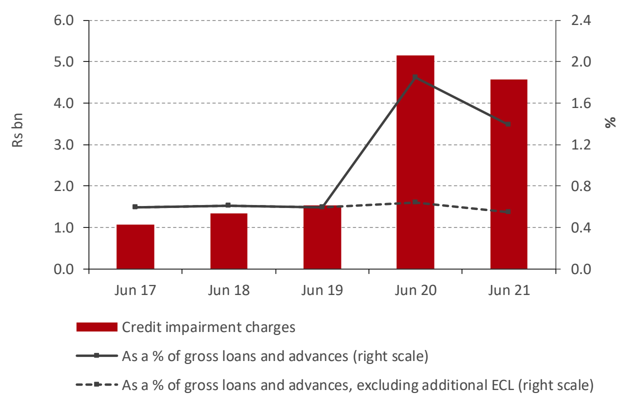
### Capital position

Shareholders' funds increased by 16.5% reflecting a growth of 14.4% (+Rs 7.3 billion) in retained earnings net of the interim dividend and a rise of Rs 3.0 billion in other reserves. The Group continued to display strong capitalisation levels with capital adequacy ratios remaining comfortably above minimum requirements. The BIS and Tier 1 ratios stood at 17.4% and 16.1% respectively despite a significant growth of 21.1% in risk-weighted assets.

**Income and expenditure evolution**

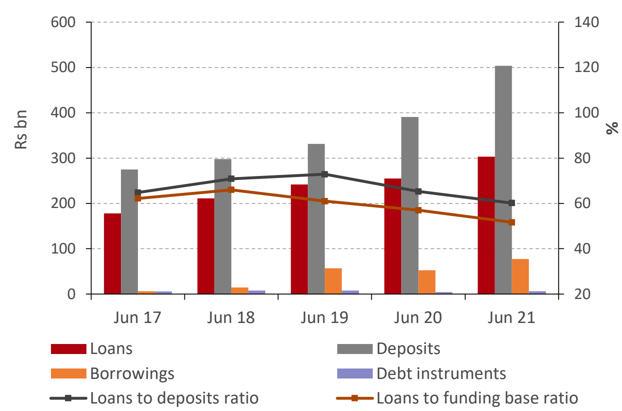



**Credit impairment charges***

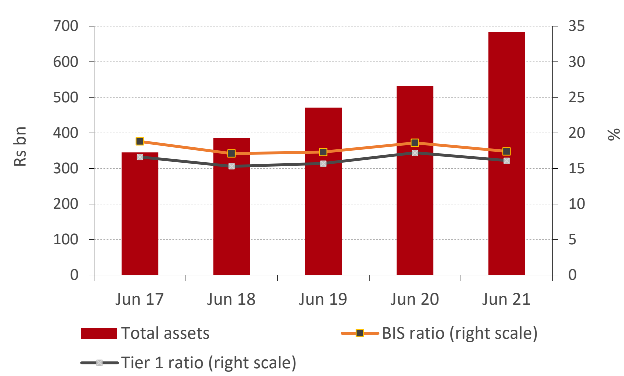



**Relate to loans & advances (including corporate notes)*

**Loans and funding base**




**Total assets and capital adequacy**



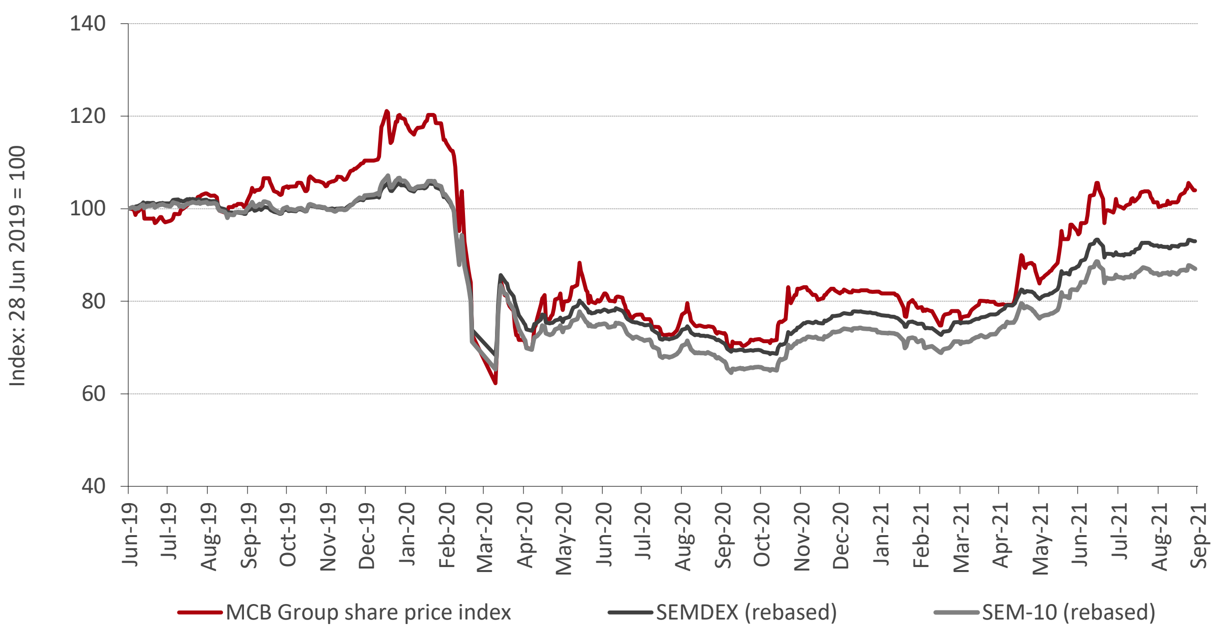

*Note: Capital adequacy ratios are based on Basel III*

## Financial soundness indicators (%)

| | Jun-21 | Jun-20 | Jun-19 |
|---|---|---|---|
| **Profitability** | | | |
| Return on average total assets | 1.3 | 1.6 | 2.2 |
| Return on average equity | 11.8 | 13.3 | 17.5 |
| Return on average Tier 1 capital | 11.9 | 13.4 | 18.1 |
| **Efficiency** | | | |
| Cost-to-income | 36.9 | 35.5 | 37.1 |
| **Asset quality** | | | |
| Gross NPL/Gross loans and advances | 3.9 | 4.2 | 4.1 |
| Net NPL/Net loans and advances | 2.5 | 2.9 | 2.9 |
| **Liquidity** | | | |
| Liquid assets[1]/Total assets | 47.2 | 42.6 | 38.8 |
| Loans to deposits | 60.2 | 65.3 | 72.9 |
| Loans to deposits and borrowings[2] | 51.7 | 57.0 | 61.0 |
| **Capital adequacy** | | | |
| Shareholders equity to assets | 10.7 | 11.8 | 12.0 |
| BIS risk adjusted ratio[3] | 17.4 | 18.6 | 17.3 |
| *o/w Tier 1*[3] | *16.1* | *17.2* | *15.7* |

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

## MCB Group share price performance




*Note: The Stock Exchange of Mauritius was closed for trading as from 20 March 2020 until 6 April 2020* www.mcbgroup.com