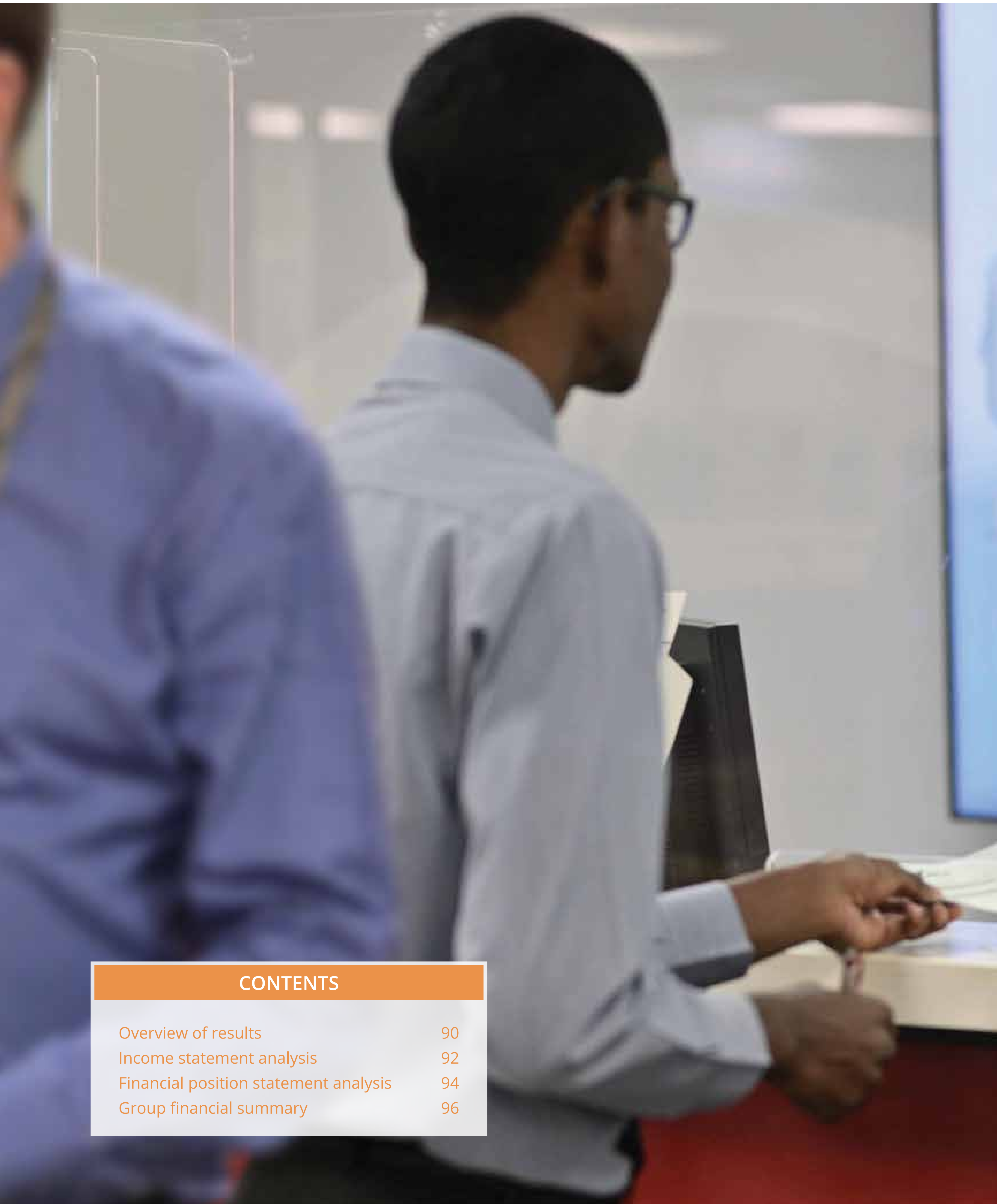

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Group financial performance

Overview of results

The Group delivered a strong performance with profits attributable to ordinary shareholders for the year ended June 2023 increasing by 46.7% to Rs 14,133 million, mainly driven by an improvement in core earnings across entities and in particular from our international activities which contributed to 62% of Group profits.

Group financial highlights

- Operating income grew by 33.3%. Net interest income increased by 30.3% backed by an expansion in advances and improved margins on foreign currency earning assets. Non-interest income increased by 38.7%, reflecting higher transaction volume across entities and favourable movement in the value of equity financial instruments.
- Cost to income ratio decreased to 35.4%, in spite of a 23.3% increase in operating expenses to support business growth.
- There has been a slight increase in impairment charges, with the cost of risk being flat at 0.86% while the NPL ratio declined to 3.2%.
- Share of profit of associates increased by 8.5% to Rs 867 million.
- The liquidity position remained healthy with a loan-to-deposit ratio of 64.0% and loan-to-funding base of 53.9%.
- Comfortable capital positions were maintained with both the BIS and Tier 1 ratios well above regulatory requirements.

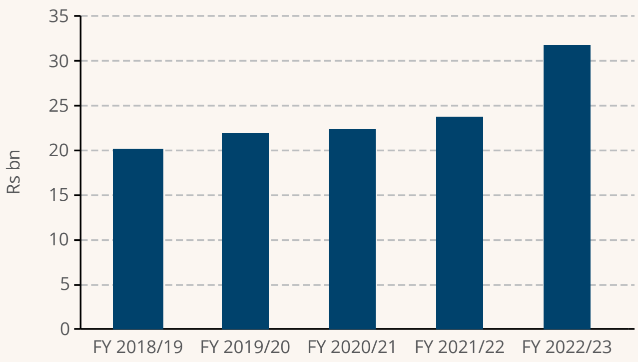
Key figures	
Rs 14,133 million *(Rs 9,637 million)*	**Profit attributable to ordinary shareholders**
Rs 31,792 million *(Rs 23,845 million)*	**Operating income**
35.4% *(38.3%)*	**Cost to income ratio**
Rs 3,644 million *(Rs 3,481 million)*	**Impairment charges**
Rs 17,758 million *(Rs 12,031 million)*	**Profit before tax**
16.9% *(12.8%)*	**ROE**
19.2% *(18.1%)*	**BIS ratio**

Note: Figures in brackets relate to FY 2021/22

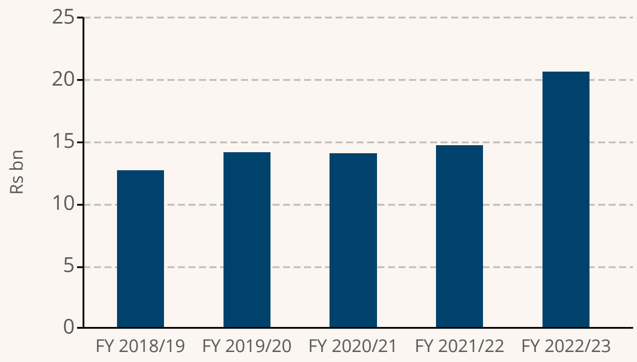
Outlook for FY 2023/24

The global economic environment is still highly uncertain and volatile, with inflation, albeit on a slight downtrend, remaining persistent and geopolitical tensions mounting. Against this backdrop, the economic outlook for countries where we operate will remain subject to various headwinds, although the ongoing recovery driven by the momentum in tourism is encouraging. As we continue to monitor the implications of the challenging context on our business activities, we will remain focused on implementing our strategic initiatives and gearing up our internal capabilities. As a consequence, we are cautiously confident about FY 2023/24.

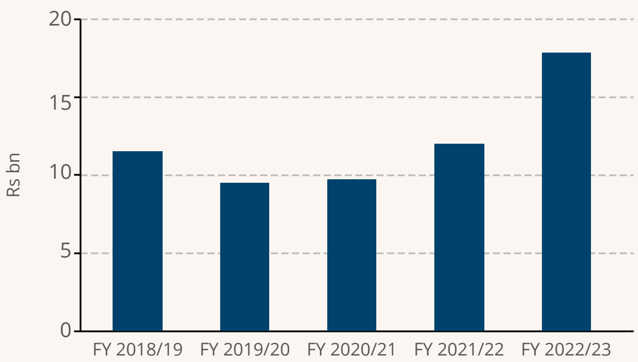
Operating income



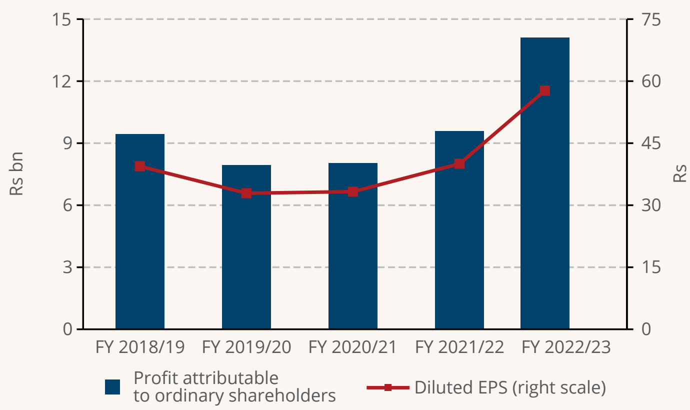
Operating profit before provisions



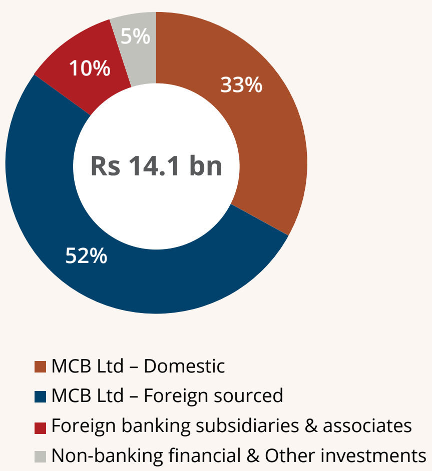
Profit before tax



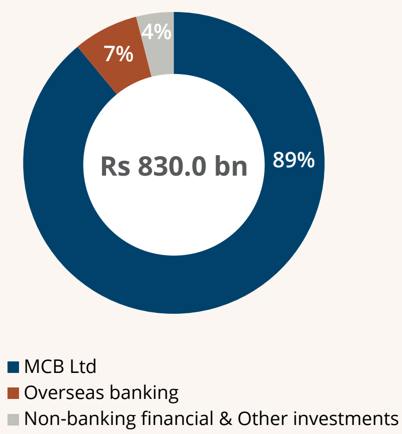
Profit attributable to ordinary shareholders



Contribution to Group profit (FY 2022/23)



Asset breakdown by cluster as at June 2023



Income statement analysis

Net interest income	As a % of average earnings assets	
	FY 2021/22	FY 2022/23
Rs 19,790 million (+4,599 million)	2.5%	2.9%

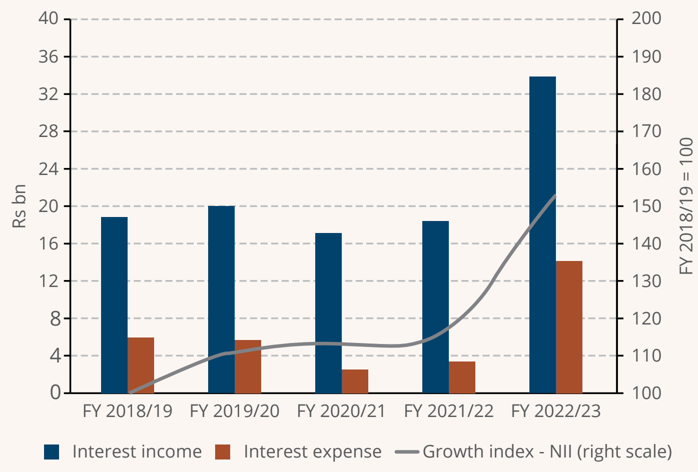
Net interest income increased by 30.3% mainly reflecting the improved margins generated by our foreign currency earning assets following the successive hikes in interest rates in global markets as well as a further expansion in our interest-earning assets, in particular, linked to our cross-border activities. Conversely, margins on interest-earning assets denominated in rupee dropped slightly.

Non-interest income	As a % of operating income	
	FY 2021/22	FY 2022/23
Rs 12,002 million (+3,348 million)	36.3%	37.8%

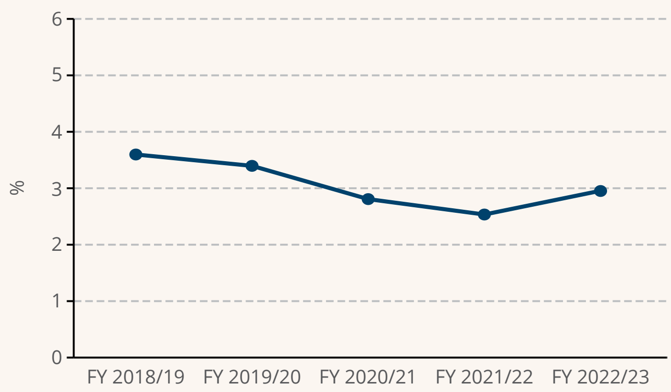
Non-interest income went up by 38.7% on the back of:

- A 12.9% increase in net fee and commission income to Rs 6,606 million, driven by higher revenues from regional trade financing and payment activities within the banking cluster and an enhanced performance at the level of MCB Capital Markets.
- A 58.8% rise in profit from dealing in foreign currencies, mainly due to improved performance at MCB Ltd in line with higher volume of FX transactions.
- Fair value gains of Rs 614 million on equity financial instruments compared to a loss of Rs 518 million registered in FY 2021/22.

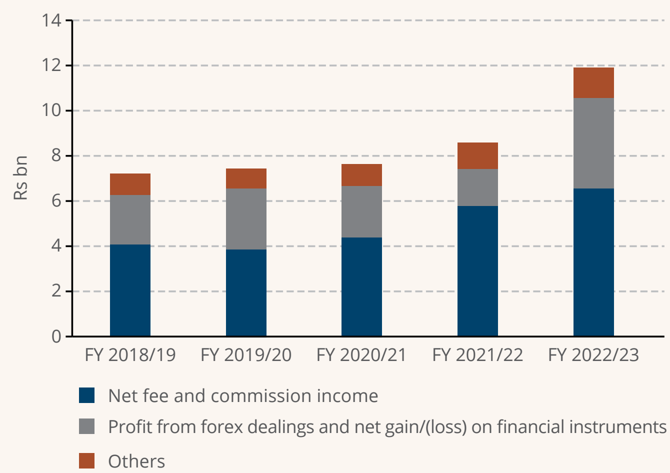
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 11,257 million	**FY 2021/22**	**FY 2022/23**
(+2,125 million)	38.3%	35.4%

Operating expenses increased by 23.3% on account of:

- A 19.8% rise in staff costs as a result of ongoing efforts to reinforce our human capital as well as salary adjustments, namely linked to the increase in the cost of living.
- A 24.2% increase in amortisation cost associated with the continued investment in technology.
- A 34.9% rise on other operating expenses driven by software and IT-related costs as well as professional fees.

Combined with a rise of 33.3% in operating income, the Group's cost to income ratio decreased by 2.9 percentage points to 35.4%.

Impairment charges	As a % of loans and advances	
Rs 3,644 million	**FY 2021/22**	**FY 2022/23**
(+163 million)	0.86%	0.86%

In line with additional ECL associated with the expansion of our loan book and the important increase in the specific provision coverage, impairment charges increased by 4.7%. The cost of risk on loans and advances remained flat at 86 basis points.

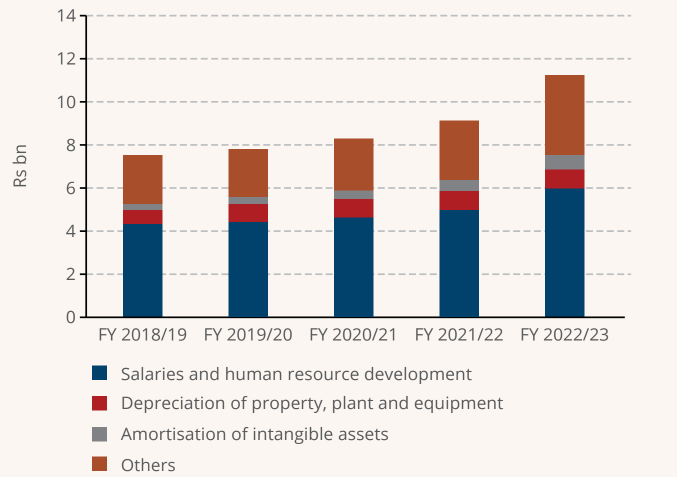
Share of profit of associates	As a % of profit for the year	
Rs 867 million	**FY 2021/22**	**FY 2022/23**
(+68 million)	8.0%	6.1%

The share of profit of associates increased by 8.5% to Rs 867 million driven by improved contribution from BFCOI.

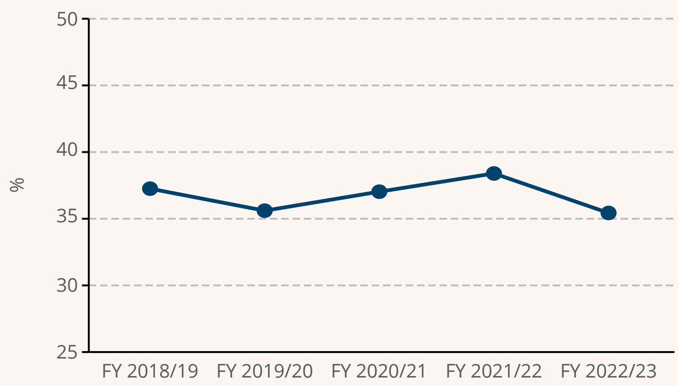
Tax expenses	Effective tax rate	
Rs 3,445 million	**FY 2021/22**	**FY 2022/23**
(+1,375 million)	17.2%	19.4%

The strong growth in profit before tax and a change in the tax laws during the year contributed to a rise of 66.4% in the tax charge for the year.

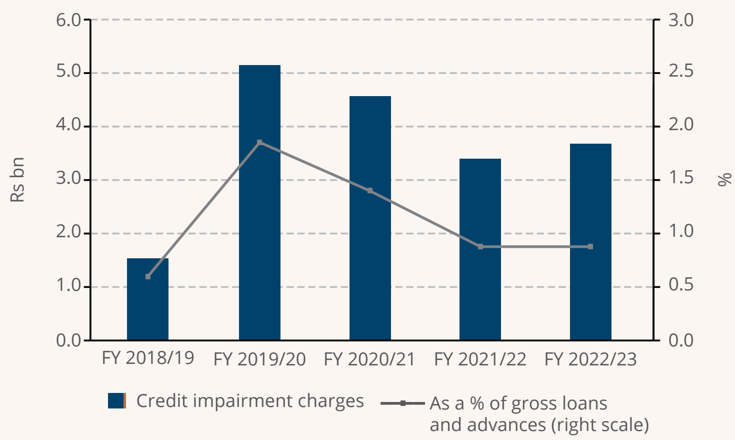
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges



Note: Cost of risk pertains to loans and advances

Financial position statement analysis

Gross loans	Gross NPL	
	As at 30 Jun 22	As at 30 Jun 23
Rs 382.3 billion		
(+24.7 billion)	3.7%	3.2%

Gross loans of the Group registered a year-on-year growth of 6.9% in FY 2022/23, supported by a broad-based increase across banking subsidiaries. Specifically, MCB Ltd posted a similar growth rate in gross loans over the period under review. This performance was underpinned by an expansion in both the local and international loan portfolios. The cross-border customer loan book grew by 8.9%, as the Bank made further inroads in the commodity trade financing business, financing of Power and Infrastructure projects and the Global and International Corporates segment. At the domestic level, the overall loan portfolio increased by 8.3% with retail loans increasing by 8.7% while loans to the corporate segment recorded a growth of 8.1%. On the asset quality side, the gross and net NPL ratios decreased to 3.2% and 1.1% respectively.

Funding base	Loans to funding base ratio	
	As at 30 Jun 22	As at 30 Jun 23
Rs 709.4 billion		
(+83.1 billion)	57.1%	53.9%

Total deposits of the Group increased by 13.7% to Rs 598 billion as at June 2023. At Bank level, deposits grew at the same rate, driven by an increase in foreign currency deposits in line with its strategy to mobilise foreign currency funding to support the growth of its international activities. Debt securities as at June 2023 stood at Rs 16 billion, following the issuance by MCB Ltd of Senior Unsecured Notes for a notional amount of USD 300 million as part of its Global Medium Term Note programme. 'Other borrowed funds' decreased by 7.7% as a result of the repayment of some facilities linked to the Group's assets and liabilities management.

Loans and advances

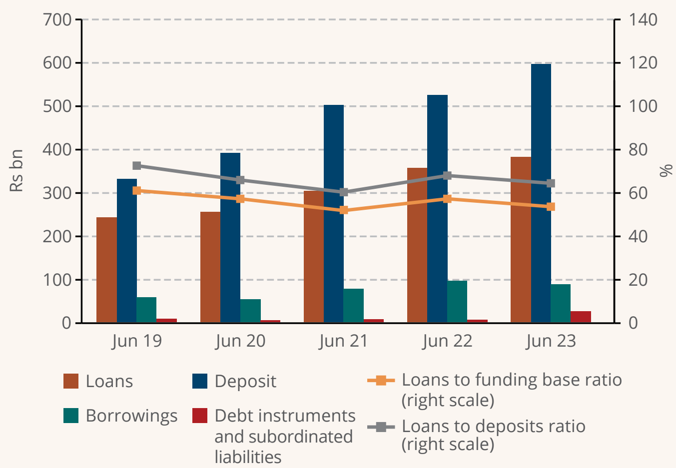
June 2023	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	**367,765**	**8.3**
Agriculture and fishing	9,525	7.0
Manufacturing	17,253	(24.7)
Tourism	31,035	(10.6)
Transport	8,866	31.0
Construction	16,001	(1.9)
Financial and business services	50,205	69.6
Traders	121,468	8.1
of which Petroleum and Energy products	*93,224*	*3.7*
Personal and professional	51,513	7.9
of which credit cards	*1,025*	*10.7*
of which housing	*39,355*	*10.3*
Global Business Licence holders	23,849	47.4
Others	38,050	(13.7)
of which Energy and Commodities Asset-backed financing	*17,126*	*6.8*
Loans to banks	**14,568**	**(19.6)**
Total	**382,333**	**6.9**

Note: Figures may not add up to totals due to rounding.

June 2023	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	367,765	8.3
Loans to banks	14,568	(19.6)
Gross loans	382,333	6.9
Corporate notes/bonds	43,446	28.8
Total loans and advances	**425,779**	**8.8**

Note: Figures may not add up to totals due to rounding.

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
	As at 30 Jun 22	As at 30 Jun 23
Rs 369.5 billion		
(+65.7 billion)	41.7%	44.5%

With the funding base increasing at a higher pace than loans and advances, total liquid assets increased by 21.6% to Rs 369.5 billion, underpinned by higher investment in government securities and a rise of 64.5% in cash and cash equivalents, mainly due to the deployment of rupee liquidity in the 7-day BoM bills and an increase in balances with banks abroad.

Overall, liquid assets as a percentage of the Group's funding base stood at 52.1% as at 30 June 2023 compared to 48.5% one year earlier.

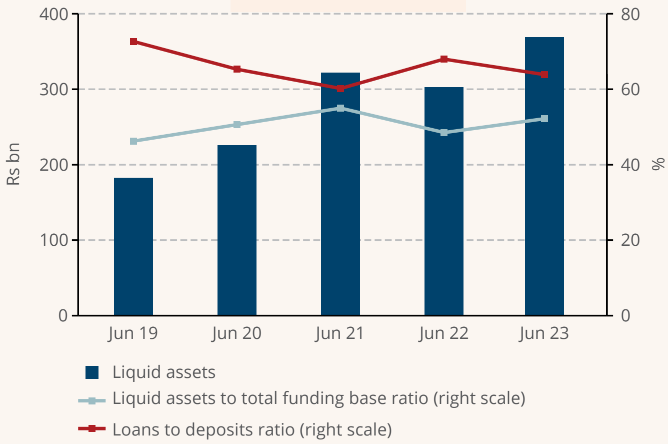
Shareholders' funds	Return on equity	
	As at 30 Jun 22	As at 30 Jun 23
Rs 89.8 billion		
(+11.9 billion)	12.8%	16.9%

Shareholders' funds increased by 15.2% in line with a rise of Rs 9.7 billion in retained earnings, the conversion of preference shares into ordinary shares and the issue of scrip shares in lieu of dividend. The Group's capital base was further strengthened by the issuance by MCB Ltd of a Tier 2 debt instrument for a notional amount of USD 147 million. As a result, the overall capital adequacy and Tier 1 ratios stood at 19.2% and 16.7% respectively.

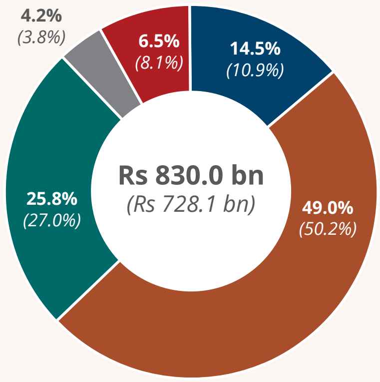
Dividend

A final dividend of Rs 11.75 was declared in September payable in December 2023 after an interim dividend of Rs 8.50 was paid in July 2023, bringing the total dividend per share to Rs 20.25.

Liquidity position

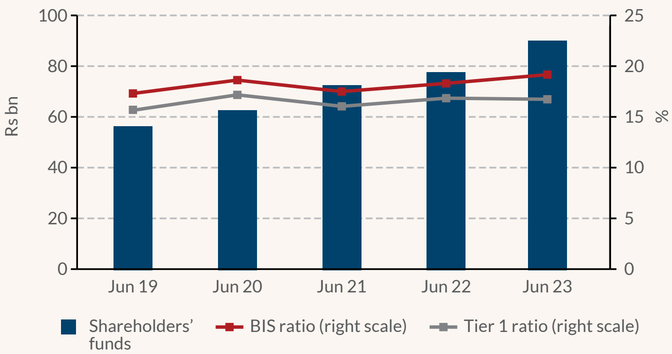


Asset mix as at 30 June 2023



Note: figures in brackets relate to FY 2021/22

Shareholders' funds and capital adequacy



Note: Capital adequacy figures are based on Basel III

Group financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19
Operating income	31,792	23,845	22,404	21,955	20,226
Operating profit before impairment	20,535	14,713	14,133	14,163	12,716
Operating profit	16,891	11,232	9,367	9,087	11,119
Profit before tax	17,758	12,031	9,739	9,488	11,523
Profit attributable to ordinary equity holders of the parent	14,133	9,637	8,019	7,912	9,434
Statement of financial position (Rs m)					
Total assets	829,981	728,128	683,133	532,114	471,418
Total loans (gross)	382,333	357,685	303,319	255,023	241,612
Investment securities	267,472	239,684	198,530	148,858	126,204
Total deposits	597,766	525,656	503,972	390,659	331,500
Subordinated liabilities	8,172	1,793	1,984	2,122	5,572
Other borrowed funds	87,657	94,995	77,136	52,444	56,886
Debt securities	15,760	3,848	4,007	2,007	2,013
Shareholders' funds	89,763	77,912	72,892	62,545	56,509
Performance ratios (%)					
Return on average total assets	1.8	1.4	1.3	1.6	2.2
Return on average equity	16.9	12.8	11.8	13.3	17.5
Loans to deposits ratio	64.0	68.0	60.2	65.3	72.9
Cost to income ratio	35.4	38.3	36.9	35.5	37.1
Capital adequacy ratios (%)					
BIS risk adjusted ratio	19.2	18.1	17.4	18.6	17.3
of which Tier 1	*16.7*	*16.8*	*16.1*	*17.2*	*15.7*
Asset quality					
Non-performing loans (Rs m)	13,636	14,331	11,878	11,723	10,559
Gross NPL ratio (%)	3.2	3.7	3.6	4.2	4.1
Cost of risk (%)	0.86	0.86	1.39	1.84	0.59

Notes:
(i) Capital adequacy ratios are based on Basel III
(ii) Cost of risk pertains to loans and advances