

MCB Group results for the year ended 30 June 2023

PORT LOUIS, 28th September 2023: MCB Group Limited today announced its audited results for the year ended 30 June 2023.

HIGHLIGHTS

- Increase of 30.3% in net interest income;
- Growth of 38.7% in non-interest income;
- Rise of 23.3% in operating expenses;
- Impairment charges up by 4.7%; Gross NPL down to 3.2%;
- Increase of Rs 68 million in share of profit of associates;
- Year-on-year growth of 6.9% in gross loans and 13.7% in deposits.

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 14.1 bn

▲ **46.7%**

IMPAIRMENT CHARGES

Rs 3.6 bn

▲ **4.7%**

OPERATING INCOME

Rs 31.8 bn

▲ **33.3%**

ASSETS

Rs 830.0 bn

▲ **14.0%**

Commenting on the results, Jean Michel NG TSEUNG (Group Chief Executive - MCB Group Ltd) said:

"In spite of the constantly shifting and volatile landscape, the Group's profits attributable to ordinary shareholders have demonstrated remarkable resilience and growth, increasing by 46.7% to Rs 14,133 million, largely underpinned by our international activities which contributed 62% of Group profits.

Operating income continued its upward trajectory, growing by 33.3%. Net interest income rose by 30.3%, driven by the increase in interest rates and the resulting improved margins on our interest-earning assets in foreign currency, as well as an expansion in both our foreign loan book and investment securities portfolio. Non-interest income displayed a robust growth of 38.7% to reach Rs 12,002 million on the back of a 12.9% increase in net fee and commission income notably from trade financing and payment activities as well as a solid growth of 92.4% in other income, mainly related to profits arising from foreign currency dealings and fair value gains from equity financial instruments.

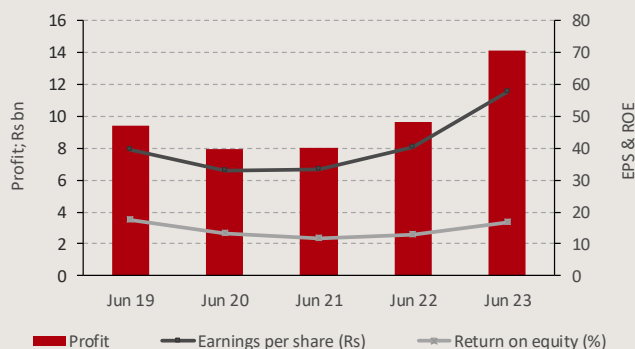
Our ongoing investments in human capital and technological capabilities have resulted in operating expenses increasing by 23.3%, with our cost to income ratio, nevertheless, declining to 35.4% compared to 38.3% for FY 2021/22. Our share of profit from associates increased by 8.5% driven by improved contribution from BFCOI.

Preserving our financial soundness has been paramount in these challenging times. Asset quality metrics have improved, with the gross NPL ratio standing at 3.2%. The Group consistently maintained prudent funding and liquidity position and remained well-capitalised with overall CAR and Tier 1 ratios of 19.2% and 16.7%, respectively.

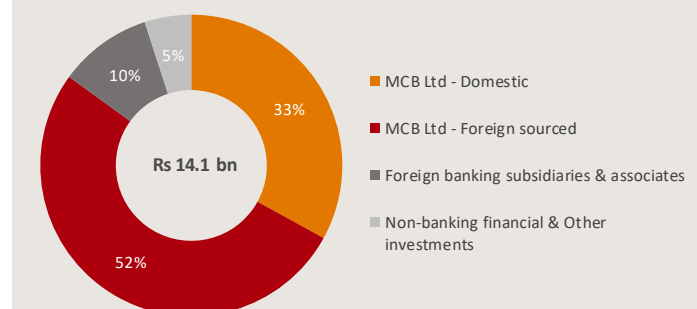
Looking ahead, the global economic environment is still highly uncertain and volatile, with inflation, albeit on a slight downtrend, remaining persistent and geopolitical tensions mounting. Against this backdrop, the economic outlook for countries where we operate will remain subject to various headwinds, 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."

Financial performance

Profitability indicators



Contribution to Group profit



Group Management Statement

Profit or loss statement

Net interest income

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 rupees dropped slightly.

Non-interest income

Non-interest income went up by 38.7% on the account 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 FY2021/22.

Operating expenses

Operating expenses increased by 23.3% on the back of:

- A 19.8% rise in staff costs as a result of ongoing investments in human capital as well as salary adjustments, namely linked to the increase in the cost of living;
- A growth of 12.2% in depreciation and amortisation costs following continued investment in technology;
- A 34.9% rise in 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

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

Share of profit of associates

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

Profit

The Group profits attributable to ordinary shareholders for the year ended 30 June 2023 grew by 46.7% to Rs 14,133 million, mainly driven by an improvement in core earnings across operating entities, in particular from our international activities.

Financial position statement

Loans and advances

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. This performance was underpinned by an expansion in both the local and international loan portfolios at the level of MCB Ltd. The growth in the cross-border loan book was mainly linked to the expansion 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%. On the asset quality side, the gross and net NPL ratios decreased to 3.2% and 1.1% respectively.

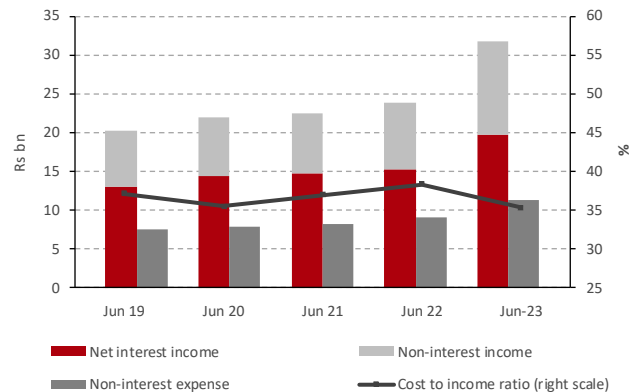
Funding and liquidity

Total deposits of the Group increased by 13.7% to Rs 597.7 billion as at 30 June 2023. At Bank level, total deposits grew at the same rate, mainly driven by an increase in foreign currency deposits to mobilise foreign currency funding. Debt securities as at 30 June 2023 stood at Rs 15.8 billion, following the issuance by MCB Ltd of Senior Unsecured Notes 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.

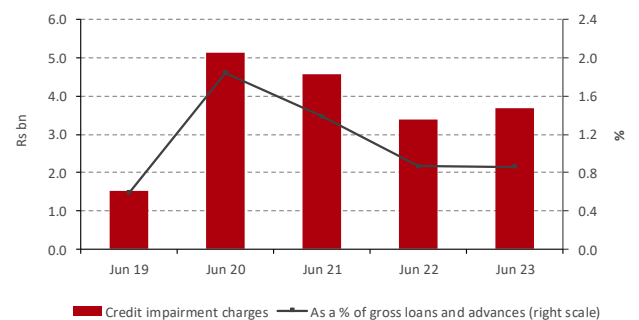
Capital position

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. As a result, the overall capital adequacy and Tier 1 ratios stood at 19.2% and 16.7% respectively.

Income and expenditure evolution

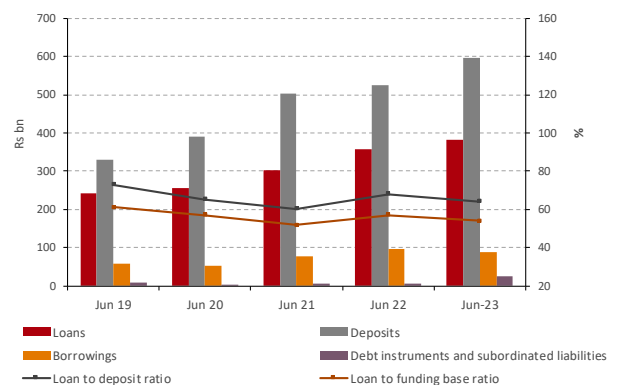


Credit impairment charges* and credit quality

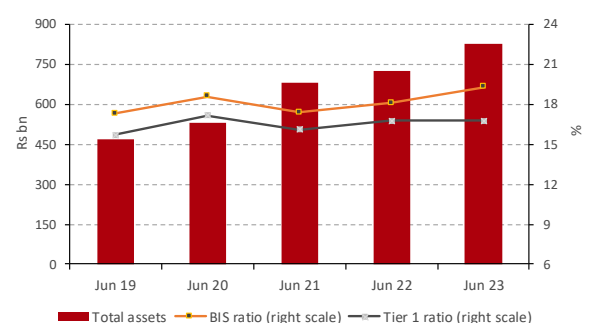


*Relate to loans & advances (including corporate notes/bonds)

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

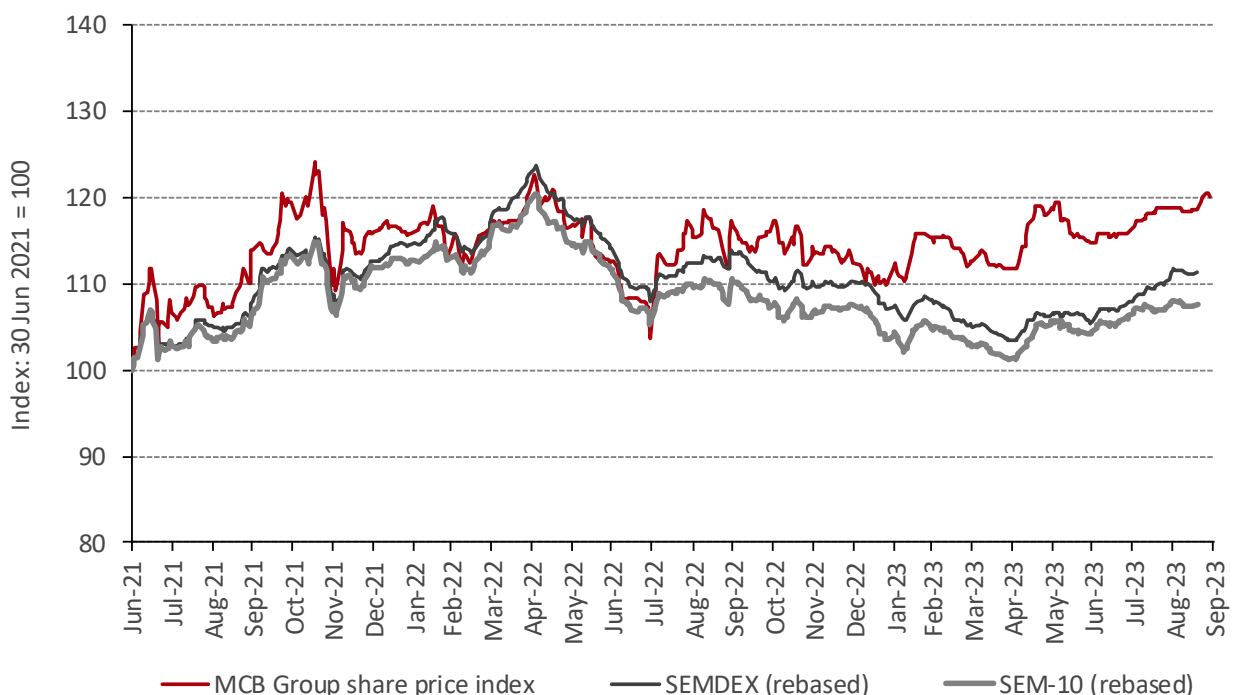
	Jun-23	Jun-22	Jun-21
Profitability			
Return on average total assets	1.8	1.4	1.3
Return on average equity	16.9	12.8	11.8
Return on average Tier 1 capital	17.1	12.9	11.9
Efficiency			
Cost-to-income	35.4	38.3	36.9
Asset quality			
Gross NPL/Gross loans and advances	3.2	3.7	3.6
Net NPL/Net loans and advances	1.1	2.4	2.3
Liquidity			
Liquid assets ¹ /Total assets	44.5	41.7	47.2
Loans to deposits	64.0	68.0	60.2
Loans to deposits and borrowings ²	53.9	57.1	51.7
Capital adequacy			
Shareholders equity to assets	10.8	10.7	10.7
BIS risk adjusted ratio ³	19.2	18.1	17.4
<i>o/w Tier 1</i> ³	16.7	16.8	16.1

¹ In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills and Government securities

² Borrowings include debt instruments

³ Based on Basel III

MCB Group share price performance





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Cautionary statement regarding forward-looking statements

This release has been prepared to assist the shareholders to assess the Board's strategies and their potential of success. The statements contained herein may include declarations of future expectations and other forward-looking statement that are based on management's current views and assumptions. These involve risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements

Readers are advised not to place undue reliance on the forward-looking statements relating to the Group's business strategy, plans, objectives and financial positions as these statements rely on assumptions and hypotheses which inherently represent an accuracy of risk. Actual results, performance and events may differ from those in such statements due to general evolution of economic, political and industry conditions, interest rate levels, currency exchange rates as well as changes in laws and regulations and the extent of competition and technological factors. In addition, MCB Group Ltd. does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

For more information, please contact the Investor Relations Unit on (230) 202-5134 / (230) 202-5558 or investor.relations@mcbgroup.com