



Results for the year ended 30 June 2025

Earnings Call held on Friday 3 October 2025

[Transcript](#)

CONFERENCE CALL PARTICIPANTS

Jean Michel Ng Tseung

MCB Group Ltd – Chief Executive

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MCB Group Ltd – Chief Finance Officer

Anbar Jowaheer

MCB Group Ltd- Head of Strategic Funding

Kersley Gaspard

IR Officer

Conference call transcript

3 October 2025

RESULTS FOR THE YEAR ENDED 30 JUNE 2025

Operator

Good afternoon, ladies and gentlemen, and welcome to the MCB Group Earnings Call. Results for the year ended 30 June 2025. All participants will be in 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 at any time 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 intention 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.

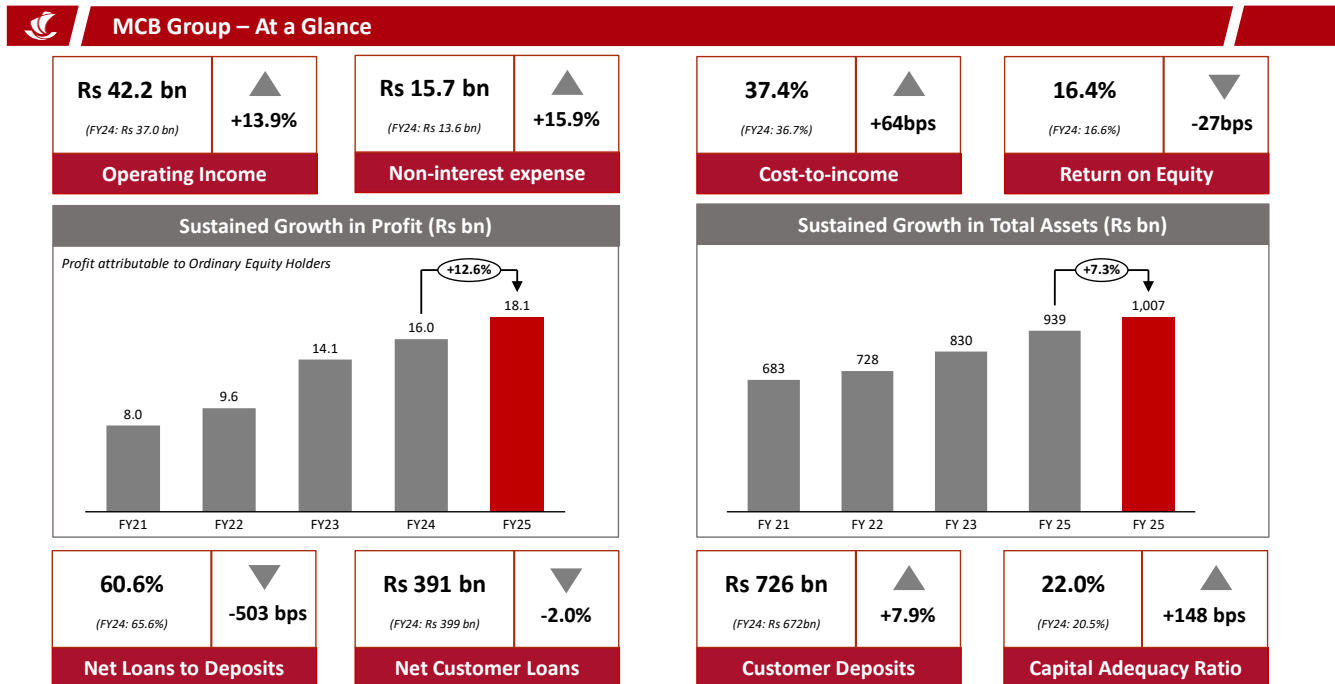
Jean Michel Ng Tseung

Thank you very much. And a very warm welcome to you all at this earnings call, where we will have the opportunity to present to you the full year results of MCB group for the financial year end June 2025. Around the table, we have Dipak Chummun, our group CFO, Kersley Gaspard, Investor Relations Officer at the MCB Group, Nirvan Dabee and Anbar Jowaheer.

It's been, indeed, quite a long time since our last meeting, about four and a half months, I would say. The last time was in May 2025. We are very pleased to be reconnecting with you today to share these results. They are a pretty good set of results, with a 12.6% growth in profits compared to last year.

What I suggest that we do now is I will hand over to my colleague, Dipak, who will run us through the financial performance and all the slides in a few seconds. And then we'll be very happy to continue the conversation with any questions or clarifications that you may have. Thank you. And over to you, Dipak.

Dipak Chummun



Thank you very much, Jean Michel. Good afternoon, everybody. I'm pleased to engage with you today and take you through our full-year results for the year ended 30th of June 2025. I'll take you through a few slides.

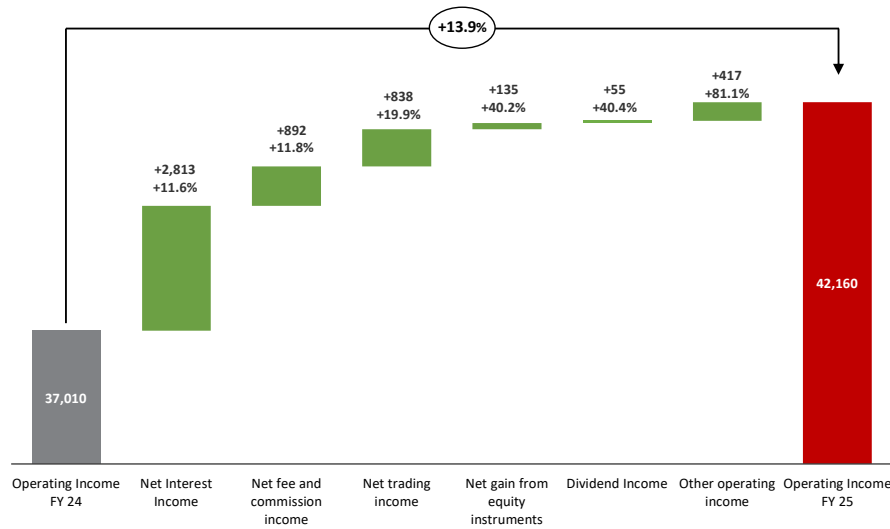
So, MCB's results at a glance. You will see that the operating income of the group has increased from Rs 37 billion to Rs 42.2 billion. That represents a 13.9% growth year-on-year. Non-interest expenses have increased from Rs 13.6 billion to Rs 15.7 billion, representing an increase of 15.9%. Our cost-to-income ratio is marginally up from 36.7% to 37.4%. Return on equity is reasonably flat, sitting at 16.4%, compared to 16.6% last year.

The little table at the bottom shows that our year end position on net loans is slightly down, so is our net loans-to-deposit ratio. And I'll take you through that a little bit later and explain why. Our overall customer loans, and this graph basically explains the same thing. It is slightly down year-on-year as at year end. Our customer deposits are close to 8% up. And capital adequacy on a local regulatory basis is up from 20.5% to 22%.

We look at the charts in the middle of the page. You'll see that year-on-year, as Jean Michel already alluded to, our profit attributable to shareholders has increased by 12.6% a year. And if you calculate the CAGR over the last five years, you'll see that our attributable profits have increased by north of 20%.



Operating income – Growth achieved in both net interest income and non-interest income



- Interest-earning assets growth and improved rupee liquidity margins drove net interest income.
- Continued expansion of payments, trade finance and financial markets activities contributed to non-interest income growth.
- Growth in net trading income reflected higher volume of foreign currency transactions.
- Higher fair value gains recorded on equity financial instruments with fair value gains on Visa and Mastercard shares now being recognised in Other Comprehensive Income.

Note : Figures are in Rs million

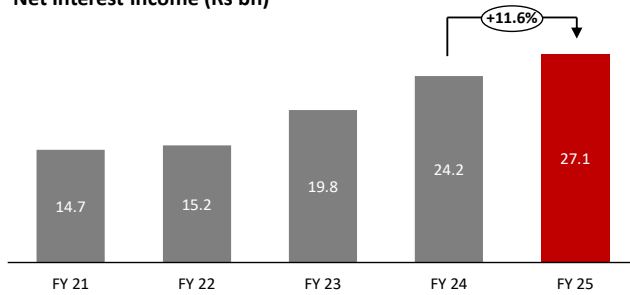
3

Next page, I'll take you through this slide on operating income. As expected, and consistent with previous years, our net interest income has increased by Rs 2.8 billion, representing an 11.6% increase year-on-year. Our fee and commission income is up by Rs 892 million, representing 11.8% year-on-year. Net trading income is up Rs 838 million, representing 19.9% year-on-year increase on that line.

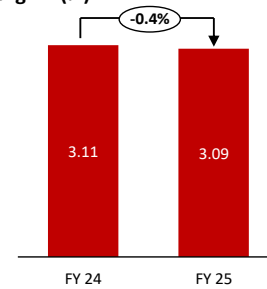
Net gains from equity instruments are up 40.2%. Dividend income up by Rs 55 million, and other operating income Rs 417 million. So, all in all, an overall increase in operating income of 13.9% year on year. I'll take you through a little bit of detail of each line now.

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

Net Interest Income (Rs bn)

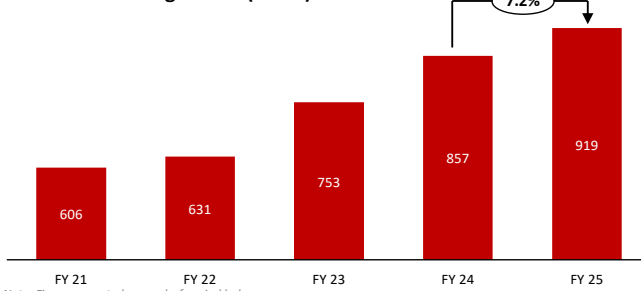


Net Interest Margin* (%)



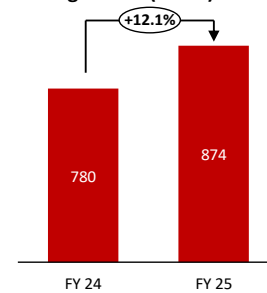
*Net Interest Margin: Net interest income as a % of average interest earning assets

Interest-Earning Assets (Rs bn)



Note: Figures reported are end-of-period balances

Average Interest-Earning Assets (Rs bn)



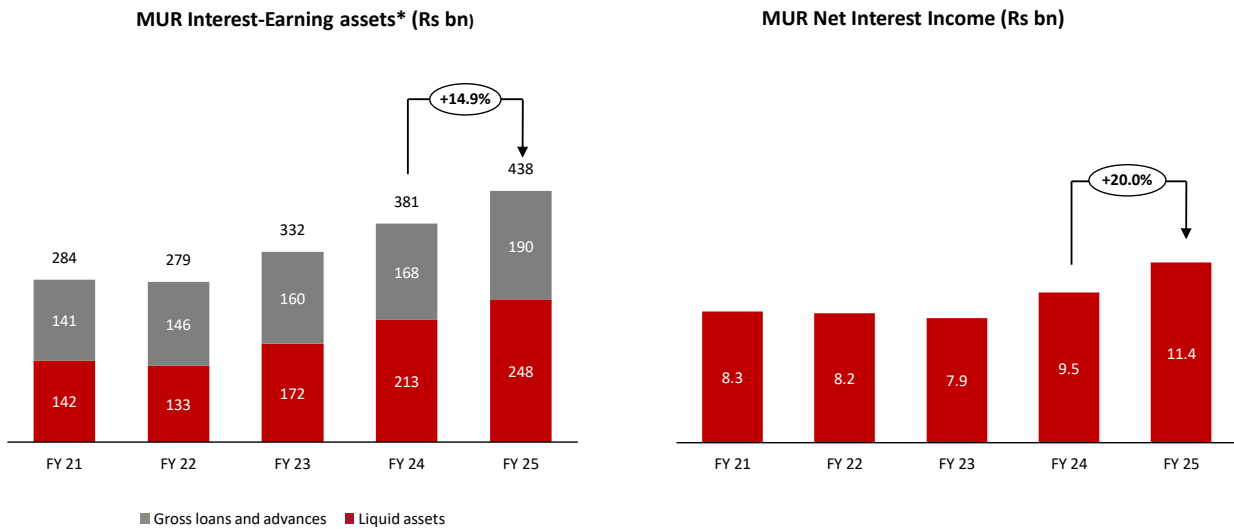
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So, net interest income on top of the page, top left-hand side, you'll see that year-on-year, net interest income has increased by 11.6%, explained by the two charts on the right-hand side of the page.

So year-on-year there's a marginal decline in net interest margins overall in the portfolio, so 0.4% decline. Counteracted by an increase in average interest-earning assets of 12.1%. So short of one decimal place rounding difference, this explains the year-on-year net interest income increase. So 12.1% and -0.4% is roughly 11.6%. The chart on the bottom left just shows you how our year-end position on interest-earning assets has evolved over the last five years.



MUR NII – Increase driven by the loan growth and the deployment of excess liquidity at higher rates



* Interest earning assets reported as end of period balances; average balances increased by 15.4% y.o.y

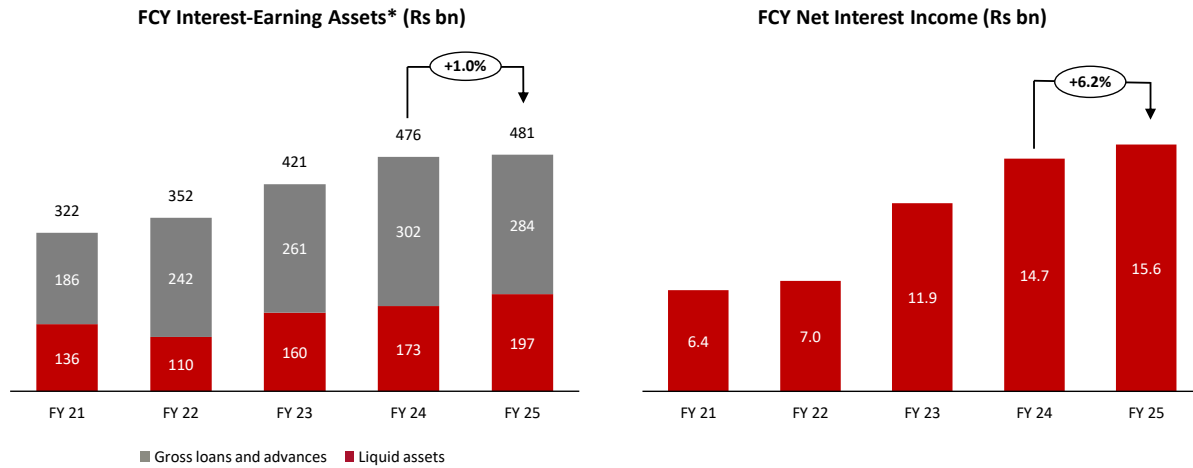
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Let's deep dive a little bit more in detail on the Mauritian rupee net interest income side. Most of the interest-earning assets are broken down into two broad categories. So gross loans and advances and liquid assets. You'll see that on both counts, the interest-earning assets have increased. So, overall, 14.9%, with loans and advances increasing by 13%, and liquid assets increasing by 16.3% year-on-year.

The net interest income overall increased by 20%, driven by the growth on both sides. That is, loans and advances and liquid assets, and slightly higher yields on Mauritian government bonds.



FCY NII – Growth driven by an increase in average interest-earning assets



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* Interest earning assets reported as end of period balances; average balances increased by 8.6% y.o.y

Foreign currency component of the portfolio. So, you will see that interest-earning assets are reasonably flat compared to last year, but this is the year end position. There's a tiny footnote at the bottom which tells you that the average balances are up by 8.6% year-on-year, which largely explains why our net interest income have increased by 6.2%.

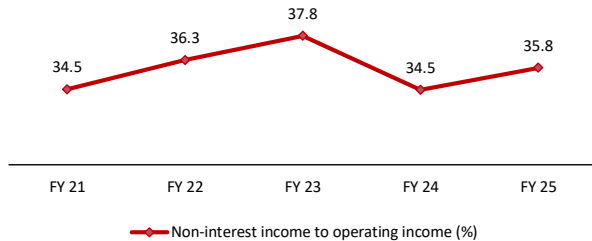
The slight decline in average margins during the year is due to a tiny decline in customer margins and a shift in mix in deposits, where we've had a slightly higher mix in fixed deposits.



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

Non-Interest Income (Figures in Rs bn)	FY24	FY25	%Δ Y-o-Y
Net Fee and Commission Income	7.6	8.4	11.8%
Other Income	5.1	6.7	27.7 %
Total Non-Interest Income	12.8	15.1	18.3%

Non-Interest Income to Operating Income Ratio (%)



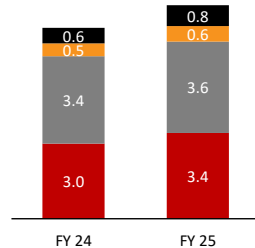
Net fee and Commission Income (Rs bn)

Others

Wealth management services

Trade finance & credit facilities

Payments services



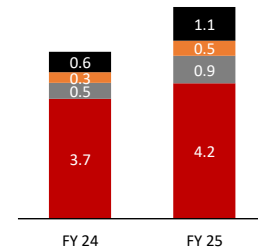
Other Income (Rs bn)

Others

Gain from Equity Financial Instruments

Trading income - other

Trading income – FX sales



Note: Figures may not add up due to rounding

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Non-interest income comprises two components, net fee and commission income and other income. A little bit more detail on both of these lines in the chart at the bottom of the page. The bottom left gives you a breakdown of net fee and commission income between trade finance and credit fees, payment services, and wealth management services. Not in that order. But you will see on the chart that on all three counts, in fact, on all four counts, the figures for 2025 are higher than 2024. Overall net fee and commission income has risen by 11.8%.

The 'other income' component of non-interest income comprises trading income, basically proprietary trading, FX sales and gain from equity financial instruments. Now, arguably, FX sales and FX trading income could be classified under a different line. But historically, at MCB, it's been put under other income. And we're going to evaluate in future periods whether we actually need to reclassify it in a separate line of its own.

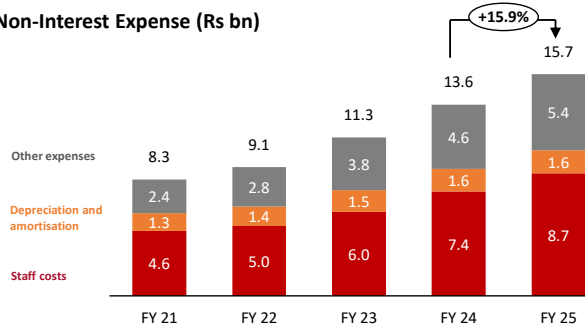
The good part of the story is, when you look at FX sales and FX and derivatives trading, on both counts the figures have increased by double digits, in percentage terms. It reflects a lot of focus that we're placing on generating non-balance sheet related revenues as we develop our business.

This said, if you look at the line on the top-right hand side of this chart, you will see that non-interest income as an overall percentage to operating income has hovered between 34% and 38% over the last five years, which is arguably a percentage that we want to increase over time.

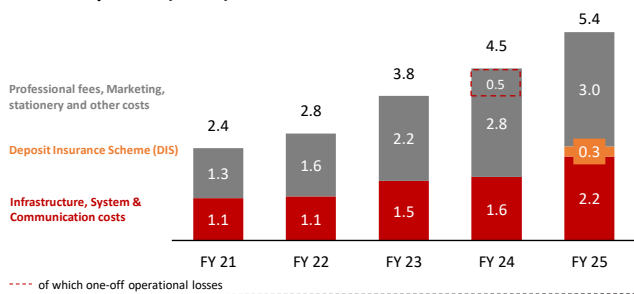
There's a bit of fluctuation, depending on the year and depending on market volatility and some non-recurring income data that have accrued in the different periods. It's a good story overall, because the trend is generally on the upside.

Non-Interest expense - Increase largely explained by rise in staff and technology costs

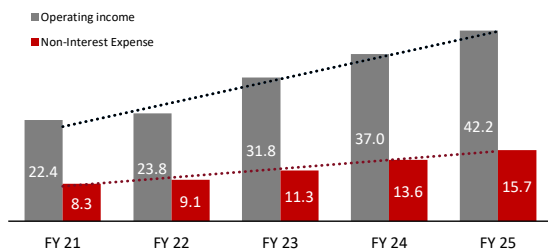
Non-Interest Expense (Rs bn)



Other Expenses (Rs bn)

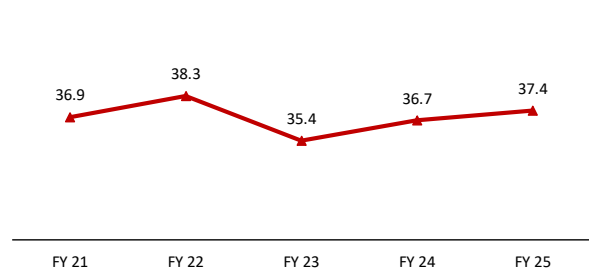


Evolution of income and expenses (Rs bn)



Note: Figures may not add up due to rounding

Cost-to-Income Ratio (%)



Non-interest expenses. Some people prefer calling it operating expenses, comprise three major buckets. So staff costs, depreciation & amortisation, and other expenses. Other expenses. I'll start with that one, because on the top right-hand side of this chart gives you a breakdown of other expenses, and you'll see that a large component of other expenses are infrastructure, systems and communication costs, largely tech.

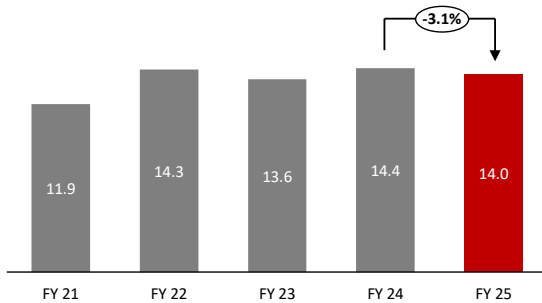
And then we've got all the other running expenses of the bank, professional fees, marketing and other costs. In 2025, we have incurred roughly Rs 256 million on the new deposit insurance scheme that has come into force.

So our cost-to-income ratio has been between 35% and 38% over the years. There's marginal increase in the cost-to-income ratio this year compared to last year. And we think over time, this cost-to-income ratio will probably gravitate slightly up to closer to 40%, which is not unreasonable given where we are operating from and factoring in the investments that we're making to develop our strategy.

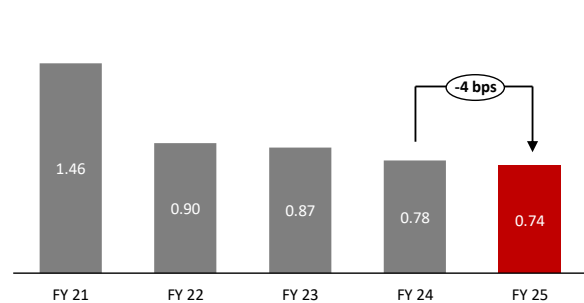


Asset quality – Decline in Gross NPL ratio and cost of risk with strong provision coverage

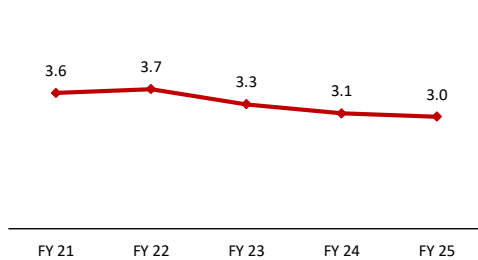
Non-Performing Loans and Advances (Rs bn)



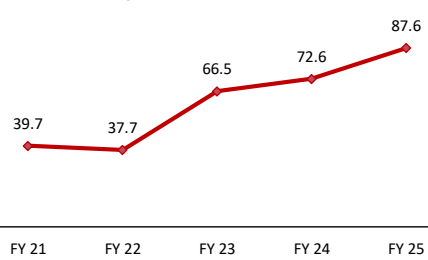
Cost of Risk (%)



Gross NPL Ratio (%)



Specific Provision Coverage Ratio (%)



NPL: Non-performing loans and corporate notes as a % of gross loans and corporate notes

Specific Provision Coverage Ratio: Stage 3 provision on loans and corporate notes as % of stage 3 gross loans and corporate notes

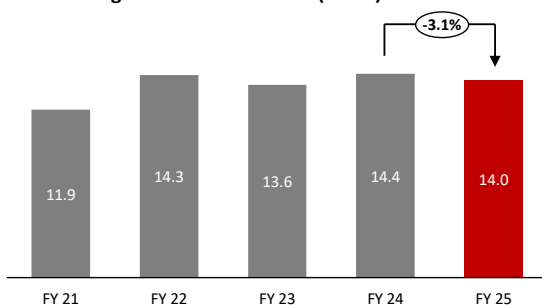
9

On the asset quality side. Good story there. Despite an increase in our overall asset base, our non-performing loans have gone down from Rs 14.4 billion to Rs 14 billion. So, 3% down. Our cost of risk is down from 78 basis points to 74 basis points. Gross NPLs, that's obviously a mathematical calculation. Our gross NPL is down to 3% of the overall portfolio. But also, our specific coverage ratio is up to close to 88% from 72.6% last year. So, fairly good coverage of non-performing asset.

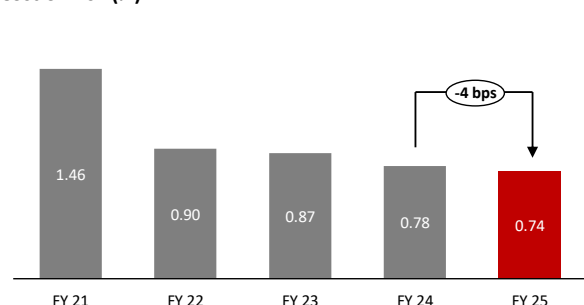


Asset quality – Decline in Gross NPL ratio and cost of risk with strong provision coverage

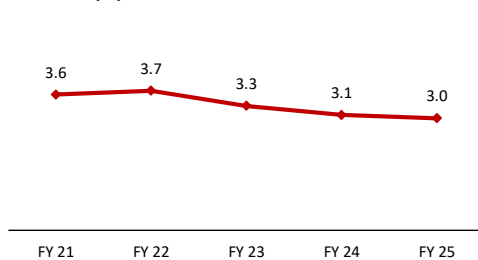
Non-Performing Loans and Advances (Rs bn)



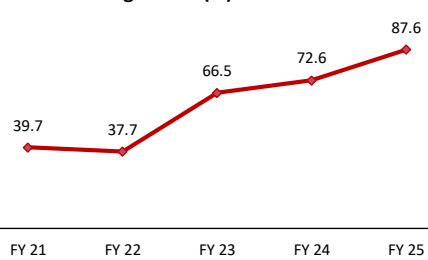
Cost of Risk (%)



Gross NPL Ratio (%)



Specific Provision Coverage Ratio (%)

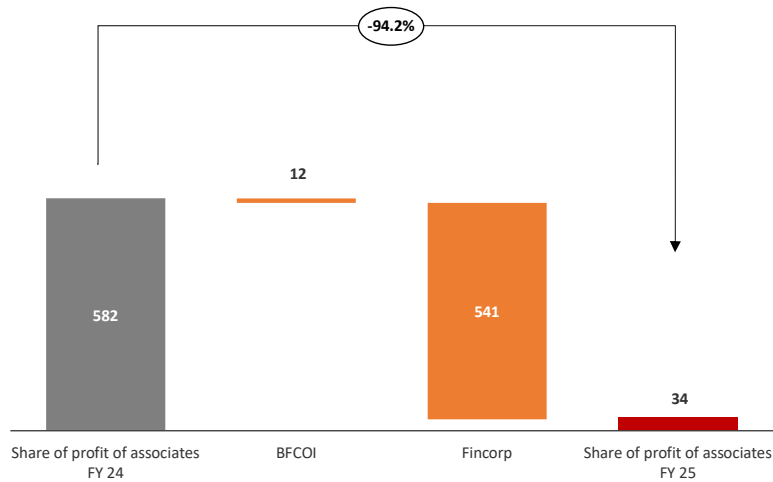


NPL: Non-performing loans and corporate notes as a % of gross loans and corporate notes

Specific Provision Coverage Ratio: Stage 3 provision on loans and corporate notes as % of stage 3 gross loans and corporate notes

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Associates – Decline in the share of profits driven by loss incurred by PAD



Note: Figures are in Rs million

- Lower share of profit was recorded from BFCOI as business activities were impacted by a severe cyclone in Mayotte during the financial year.
- Loss incurred by PAD as a result of:
 - I. the write down of investment property value at level of its subsidiary Caudan in view of significant repairs to the quay following the damages caused by a cyclone in 2024;
 - II. reduced profit at the level of its associate Medine.

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Moving on to the contribution from associates. Last year, we had a share profit from associates of Rs 582 million. And this year, we report Rs 34 million. The big drop relates to one of our subsidiaries, which holds land via an associate, which has seen a fairly big revaluation or fair value reduction rather in its land and investment properties, following a cyclone which hit Mauritius in 2024.

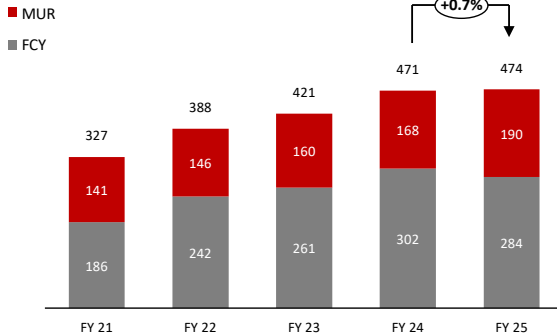
If you look at the second bullet point, number one, there's a fairly hefty write-down in the fair value of investment properties in Caudan, which is a waterfront property in Mauritius. We have written down the property value in view of significant repairs to the quay following damages caused by a cyclone in 2024.

The second component is a significant reduction in profits at the level of one of Fincorp's own associates, called Medine, which sold far fewer plots of land in the year 24/25, relative to what they had sold in the previous year. This said, they still have a large land bank, and our understanding is their sale of land activity will kick start again in the current year and thereafter.



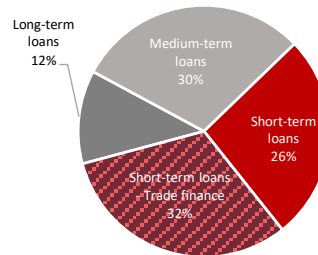
Loans and advances – Drop in FCY gross loans and advances on account of lower CTF funded exposures

Gross Loans and Advances (Rs bn)*

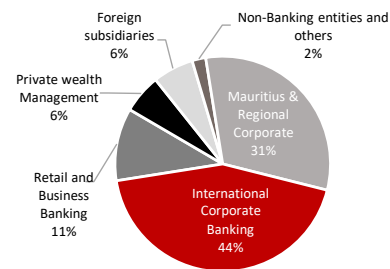


* Including corporate notes

FCY Loans by Tenor (%) – FY25



Gross loans by Line of Business (%) – FY25



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We take a look at loans and advances. So, the chart on the left-hand side gives you a breakdown of loans and advances in foreign currency, in the grey column and rupee in the red column. You will see in the grey block that between 2024 and 2025, and these are year-end positions, the overall figure has dropped by roughly Rs 18 billion, partly explained by a drop of roughly USD 500 million in exposure related to our Commodity Trade Finance business in Nigeria. This is the drop that we saw at the end of the third quarter, following the ongoing restructuring of the Nigerian oil sector with the refining of crude petroleum being done in the country. We see that drop of USD500 million as a one-time re-baselining of our commodity trade finance business, from which we're going to continue growing.

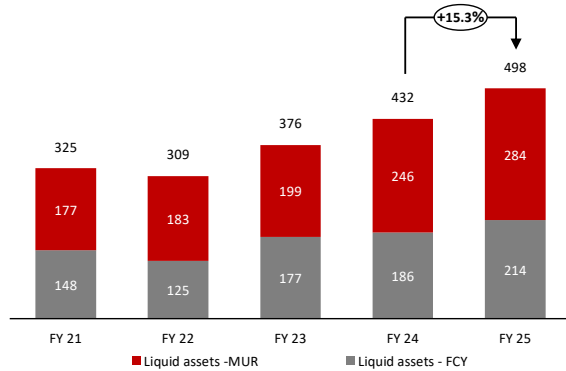
The pie charts on the right-hand side at the top, gives you a mix by tenor buckets, and you'll see that a large component of our loans and advances are short term. 32% is related to trade finance exposures.

And the bottom right pie chart gives you a breakdown between our different business lines with 44% of the loans and advances portfolio sitting in our international corporate banking book.



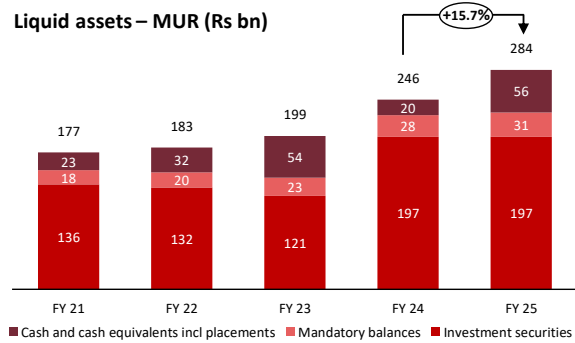
Liquid assets – Excess liquidity in both MUR and FCY mainly deployed in placements and balances with banks

Total liquid assets (Rs bn)

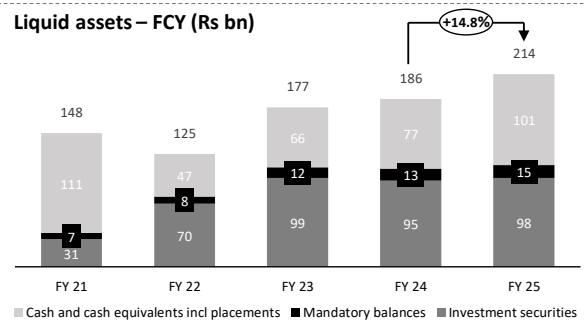


Note: Figures may not add up due to rounding

Liquid assets – MUR (Rs bn)



Liquid assets – FCY (Rs bn)



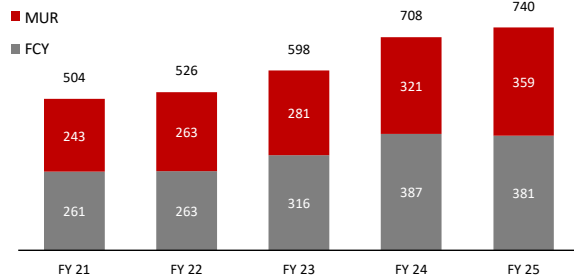
12

Liquid assets. So, again, a breakdown between foreign currency and rupee. You'll see a fairly significant increase in liquid assets in Mauritian rupees. Mainly resulting from increased deposits in Mauritian rupees that end up being deployed in various liquid assets, like I explained earlier, on which we've also seen an increase in margin contributing to the increase in NII.

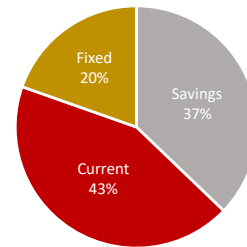
On the right-hand side, at the bottom, you'll see the breakdown of liquid assets in foreign currency with a slightly higher than normal increase year-on-year in our cash and cash equivalents, with investment securities staying reasonably flat.

Funding and liquidity – Continued growth in MUR deposits

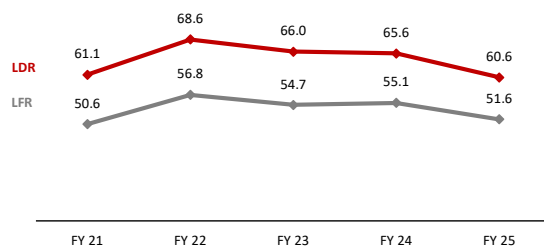
Deposits (Rs bn)



MCB Ltd deposit mix (%) – FY25

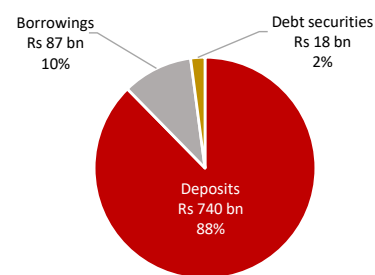


Liquidity ratios (%)



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

Funding base composition (%) – FY25



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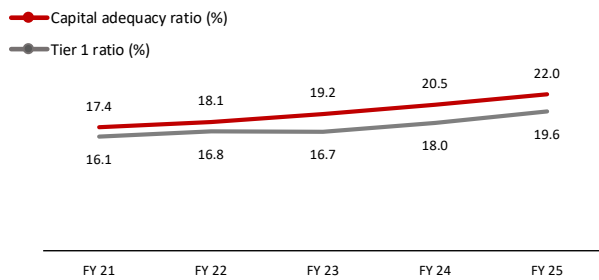
The next slide takes you through funding and liquidity. Our deposit base in foreign currency has remained reasonably flat, except that's been a slight increase in fixed deposits in our deposits mix. And in Mauritian rupee, like I mentioned earlier, we've seen a continuous rise in rupee deposits.

Liquidity ratios, our loan-to-deposit ratio is down to 60.6%, compared to 65.6% last year. These are based on basically spot 30th of June balances following the reduction in assets already mentioned relating to changes happening in the Nigerian oil and gas sector.

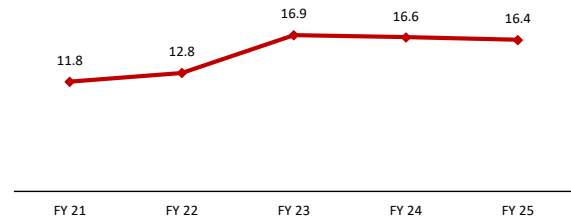


Capital adequacy and return – Improved capital adequacy ratios and stable ROE

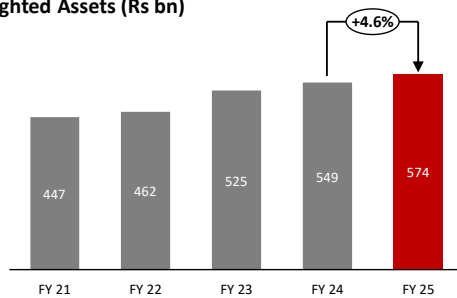
Capital Adequacy Ratio (%)



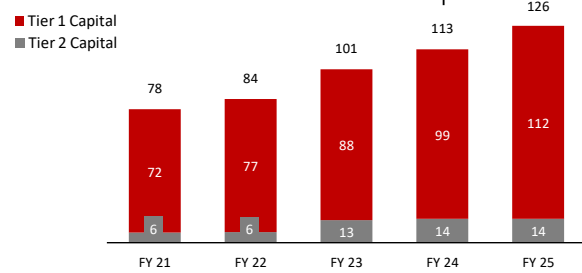
Return on Equity (%)



Risk-Weighted Assets (Rs bn)



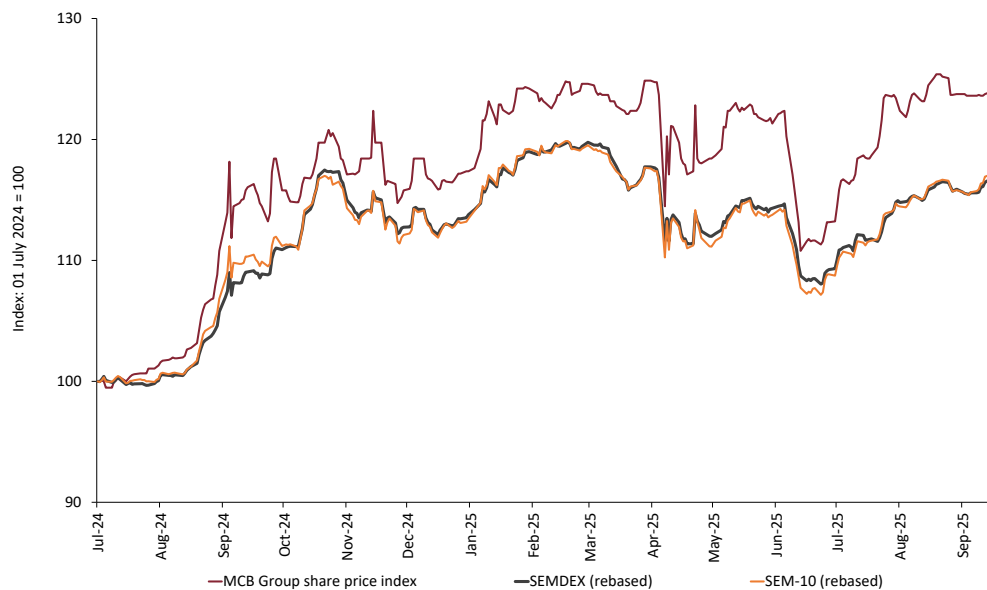
Total Capital (Rs bn)



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Coming to capital adequacy. On a local regulatory basis, you can see that our capital adequacy ratio sitting at 22%, and that the Tier one ratio is at 19.6%, both increasing from last year. Return on equity for this year is 16.4%, compared to 16.6% last year.

Our risk weighted assets are marginally up, and obviously, our capital base has increased as a result of the profits that we've generated in the year minus the dividends that we've paid. So, a notable increase of our capital base by 12.1%.



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And the final chart shows you how our share price has moved during the course of the year.

With this, I complete the presentation, and we open the floor to you for any questions you may ask, or any clarifications you may ask on the figures. Thank you very much.

Jean Michel Ng Tseung

Thank you, Dipak. In fact, I forgot to mention earlier on that our colleague, Thierry Hebraud, chief executive of the bank, is currently on a professional mission in Europe, so he couldn't join us today. And so we are very happy now to take questions that you may have. Thank you.

Operator

Thank you, sir. Just a reminder, participants on the webcast who wish to ask a question may do so by clicking the connect with HD audio button, which appears below the presentation, and follow the instructions. Once connected, please press the join the question queue button to register your intent to ask a question. You will hear a confirmation tone that you have joined the question queue.

You may click the withdraw from question queue button to remove yourself from the question queue. Participants on the conference, please press star and then one to ask a question. You will hear a confirmation tone that you have joined the queue. You may press star and then two to remove yourself from the question queue. The first question that we have comes from Timothy Wambu of Absa. Please go ahead.

Timothy Wambu

Thank you. And good afternoon. Thank you, Jean Michel, Dipak and Kersley. Just a couple of questions for my end. The first question is, just run through, again, the contraction in loans. I think you attributed it to 500 million, I believe you say the restructuring in the Nigerian oil sector. Maybe just clarify if that's what you attributed the loan contraction to.

My second question is, when I look at the financials that was sent out, there was a contraction in your investment securities in the fourth quarter. Yet when I look at the presentation, we're looking at liquid assets. It doesn't reflect as much. So maybe just help us understand the contraction in the quarter in your investment securities. And maybe just explain the rationale in increasing your cash and cash equivalents in that period so significantly.

My third question is, give us predicted effective tax rate, given the temporary tax hikes that are in place until, I believe, 2028. And if I can just ask the last question, that will be, given that there's a new government in Mauritius, and there seems to be an emphasis on fiscal consolidation. Just give us your thoughts, your views on the direction of interest rates here in Mauritius. Thank you.

Jean Michel Ng Tseung

I'll take them. So, in terms of the first question about the contraction in foreign currency loans, indeed, as Dipak mentioned, in Nigeria we have been pretty active for a number of years in the DSDP transactions in the commodity trade finance space. DSDP meaning direct sale direct purchase. And as we have explained previously, Nigeria has for many years been an exporter of crude oil and an importer of refined products.

And we very fortunately, have been able to be very much involved in both flows, both on the outward and on the inward flows, until the coming into operation of the Dangote Refinery which is now supplying a very large part of the refined products in Nigeria and in the neighbouring countries.

So as a result of this restructuring in the oil sector in Nigeria, we have lost all these DSDP business, and that accounts for about \$500 million of exposure. And not talking about volume. We've lost about \$500 million of exposure year-on-year. And we have been able to replace that. We have been able to replace that volume during the year, except that you will see that we have increased our non-fund exposure and not the fund-based exposure.

It is true also to say that the DSDP transactions were more profitable, better ring fenced, as opposed to the new businesses that we have been doing with other counterparties in other countries, but we are no doubt more diversified now. But bear in mind that the new businesses that we have been able to underwrite come up with less margin than what we were doing in Nigeria.

The contraction in government securities, which is in rupee, is due to the fact that the Bank of Mauritius has been less active in mopping up the excess liquidity. I believe that it is costing the Bank of Mauritius a lot of money in the absorption of that excess liquidity in Mauritius. It's got a cost. And therefore, as a result of that, we have seen a drop in investment securities.

In this particular case, year-on-year it is an increase in investment security.

Kersley Gaspard

Over the quarter there has been a decrease in rupee investment securities.

Jean Michel Ng Tseung

Over the quarter. Okay, thank you, Kersley. Over the quarter, there has been a drop, because the Bank of Mauritius has been less active in the issuance of these government securities. And therefore, less investment in government securities means more cash and cash equivalents that are kept at the central bank with an interest rate of 3%.

So that is also impacting the net interest income of the banking sector in Mauritius, because instead of earning a higher yield on these investment securities, the excess idle liquidity is placed at the Bank of Mauritius at 3% per annum.

The effective tax rate was 21% in 2025. We expect that to go up to 29% in 2026. So that's going to be a very significant increase of some 8% over the year through fair share contribution of 5%, that's applicable to all corporates, plus an additional 2.5% that banks will have to pay on their segment A (resident) profits. Plus a few other things that they have been doing on the VAT reverse charge and other stuff. So that, unfortunately, is going to be a significant charge that we will be incurring next year in 2026.

Finally, yes, government is very much on the strategy of reducing debt. I think I mentioned that last time, the election, has been, unfortunately, an event that has created a lot of government expenditure.

Even if you look at our numbers, salaries have gone up quite significantly as a result of changes in the minimum salary and salary relativity adjustments in Mauritius. And so all of that has given rise to an increase in government debt. Published in June 2024, somewhere around 77%. Going up to 89%, or nearly 90% in June 2025.

So government is extremely serious about reducing this. They have taken a lot of measures, not just in terms of taxes, but even in terms of pension as well. The increase in retirement age that affects the eligibility for the basic retirement pension has created quite a lot of reaction from the public. So, the government is really serious managing debt back to somewhere around 75% at the end of their mandate in 2030.

It's difficult to say what will interest rate be doing. But what we have seen in the last few months is that, let alone that they are not issuing enough government securities to absorb the excess liquidity, we've actually seen a drop in yields as well in the last few months. If you want any more clarifications, I'm happy to take them on board.

Timothy Wambu

Thank you, Jean Michel, I think that was very clear. But maybe just on the Nigeria DSDP. Is the actual term that you've

restructured or you've foregone business? I think I just want the exact term that you'll use for that.

Jean Michel Ng Tseung

No, we've forgone. We don't do any DSDP. But we work with Dangote. We work with them for the export of some refined products to the neighbouring countries. We have onboarded other CTF clients outside of Nigeria. So, as we speak, we have been able to catch up this shortfall in volume from the DSDP.

And as we mentioned, we have a low market share overall. So, for us, it's not too difficult to replace that. But in this particular case, it was something that was already well established. But if we wanted to grow our CTF business further, we can. But remember that we have some risk appetite limits, which means that, yes, we have replaced what we have lost, but we're not necessarily looking at increasing exposures more on the oil business.

You will recall that I mentioned gas. We have been able to increase a little bit our share of exposure on gas. But more importantly, we believe that we will be more active on the minerals in the years to come. To keep on growing the CTF business in our books.

Timothy Wambu

Thank you very much.

Operator

Thank you. The next question we have comes from Kato Mukuru of Emerging and Frontier Capital, LLP. Please go ahead.

Kato Mukuru

Can you hear me?

Jean Michel Ng Tseung

Yes.

Kato Mukuru

Thanks, guys, for a great presentation. Really enjoying the presentation with split up between FC and local currency. I think the presentation is really good. First question for me, really, is the governor or the former governor. Is he still also head of the FCA? And how did this whole personality differences within the central bank impact on the group, if at all, in any way? And what's the solution? Has there been a replacement of him? And what do you think the real underlying problem was there? I guess that's my first question.

The second question I have for you is, I would really appreciate a little guidance in terms of what you are thinking with regards to the gross loan growth in the coming year, also on margins. The associated income is almost impossible for me to

get an idea of what happens next to that in 2026, as you would imagine. So any guidance on that would also be very much appreciated.

And then on the costs, I get a bit worried when you say the cost income ratio is going up to 40. Is that on the cost side, or is that because revenues, you're expecting revenues to weaken? If it's on the cost side, what's really driving this? And lastly, any type of direction on the dividend for FY 26 would also be very, very helpful. Sorry, I'm just thinking about how to look at 2026, really. Thank you.

Jean Michel Ng Tseung

Can you repeat the second question, please?

Kato Mukuru

The second question was on guidance. I was trying to get a sense of what you expect with regards to gross loan growth. You can split it up between local currency and foreign or just in total. What you are expecting.

Jean Michel Ng Tseung

All right. In relation to the first question, what happened with the former governor was widely broadcast in the press. The Prime Minister said that it had nothing to do with the competence of the governor. But more to do with perceptions about his son and things like that. So, this is what actually happened to the governor, which was explained by the Prime Minister.

But it had nothing to do with the governor's competence and his professionalism in managing the Bank of Mauritius. It was, unfortunately, related to alleged business interests of his son. And that made it quite difficult for the governor to continue in this position.

So, the beginning of this week, we have a new governor who has joined the Bank of Mauritius. Her name is Mrs Thakoor. She is a bright, professional, great academic qualification, with a PhD and a Master's from Oxford University. She worked at the IMF for the last 16 years. I don't remember the exact number of years. She was very much at the other side of the table from where she is at the moment, during her tenure at the IMF.

She has various very interesting competencies, when you look at her profile, that will be very relevant for the country and for her role at the Bank of Mauritius. I think her expertise is in areas like public debt, bank liquidity, fintech, and all the new technologies that are coming out. So, I think she has got a very good profile. And she has intervened a couple of times in the press. The feedback is pretty positive as we speak. So that's the first question.

Kato Mukuru

Is the former governor, though, still head of FCA, or not anymore, as well?

Jean Michel Ng Tseung

FSC. He's not. He has resigned as the chairperson of the FSC.

Kato Mukuru

Thank you.

Jean Michel Ng Tseung

In terms of guidance. Well, first of all, you would have noticed that we have made some headway progress in terms of disbursement of new loans and advances in Mauritius, both on the retail side and on the corporate side. We have adjusted our stance to be more competitive. We had lost a little bit of market share in the last 18 months, and we reacted to this, and we have been able to be more competitive and regain market share. And we expect this trend to continue to happen in 2026. That's on the Mauritius side.

On the international side, we expect growth. This is where we have been focusing our attention during the last few years, and that will continue. We have a pretty interesting pipeline already in various segments like Power and Infrastructure, in our Global and International Corporates and also in in the Structured Debt space. We have an interesting pipeline which gives us comfort that our foreign currency loan book will have a reasonable growth in 2026.

As regards the share of profit from our associates. As Dipak mentioned, we have an associate through our subsidiary, Fincorp, called Promotion and Development Ltd. It is, indeed, a little bit difficult to understand the significant drop by Rs 541 million. In fact, two things worth mentioning. The first one is, I'll start with Medine. Medine is an associate of Promotion and Development Ltd.

And unfortunately, in 2024 and 2025, it took an awfully long time for the authorities to issue the land parcelling permits that would have allowed Medine to start selling and transferring title deeds to the acquirers of plots of land. All the land parcelling projects had been already sold out, totally sold out.

But they couldn't recognise any revenue by virtue of the fact that the final permits took an awfully long period of time. And it was only sometime in August that they managed to get the permits. So we will see a total reverse of the situation of Medine next year. So that is pretty good news.

At the Caudan, Caudan is a waterfront in Mauritius that exists since 1996. And when there was that Cyclone Belal in 2024, it was, unfortunately, quite a little bit after the cyclone that the engineers had communicated to the management of Caudan and Promotion and Development Ltd, that there are significant amount of works that need to be done to bring the quays of Caudan to a level that can extend the life of the quays for the next 50 years.

In fact, I think this is an example of climate change. The impact of climate change on assets like this one, where for a number of years, the rise in sea level has been impacting the quays without us or the management of Caudan being aware of that until there was this cyclone in 2024 which prompted the engineers to really go and deep dive into the engineering situation

of the quays. And it's only then that they found out that they had to spend something like Rs 800 million to bring it back or to extend its life for another 50 years.

The Rs 800 million that will have to be spent will not bring any economic value to the Caudan real estate. And quite naturally, in accordance with the accounting standards, we unfortunately have had to impair or reduce the fair value of Caudan, which is treated and accounted for as an investment property.

In terms of cost, we are conscious that the costs have been going up. We are looking into this as a management team. It is true to say that in 2024 and 2025, we have unfortunately had to bear the consequences of significant increases in salaries across the board, even if this was somewhat a political decision, I suppose, before the election in the end of 2024. So that has had an impact across the board. Even if it concerned low salaries. But once you increase the low salaries, it actually impacts the entire chain.

And also, I think it's worth mentioning that we have had some recruitments. We had seen a very significant growth in our operations for the last seven, eight years. The growth of our operations was not necessarily accompanied by a corresponding increase in our headcount. We had increased our headcount, but not enough to cater for the significant increase in volumes that we have seen over the last few years.

So we decided in 2024 to provide the possibility for some of our SBUs to catch up in terms of headcount. And this is what actually happened in 2024 and 2025. And some of the recruitments will be completed in 2025 and 2026. Some of the recruitments that was planned in 2024 and 2025 will go into 2025 and 2026.

And also, it is also correct to say that in terms of technology expenses, two things. The first one is that we have been going more and more in the cloud. This is a long-term thing. But cloud, at the end of the day, is quite a bit more expensive than the hosting of our platforms in Mauritius. Also, software licence costs have gone up. If we have, for example, 500,000 mobile banking users a couple of years ago, which has gone up to 650,000 users this year, the additional 150,000 comes up with a cost, because you need to add more licensing costs because of the additional users.

So that's one. And cybersecurity as well has been a significant factor increasing our cost. We are not the only bank seeing this, and we are investing significantly in ensuring that our systems are robust against cyberattacks. And unfortunately, as a result, these measures and their accompanying costs are reflected in our performance. But this is the cost of doing business. I mean, we can't do much about this.

Finally, in terms of dividends, I think even if we see a pretty good capital adequacy ratio, I would say two things. The first one is that our dividend policy of 35% of profits has been a policy that has served us very well for many, many, many years. It's not because at the moment, we have a fairly high capital adequacy ratio that we will change it. This 35% of dividend policy actually enables us to grow our business organically by some 12% to 13% per annum. And that's one point I wanted to make.

The second point I wanted to make is that in the current context, and we should not just look at the shorter term, let's look at the longer term. The situation in Mauritius with a negative outlook from Moody's, on the one hand. And on the other hand, the fact that Moody's uses a different methodology from that of Basel and also uses different risk weights for the calculation of the capital adequacy ratio. They actually apply a 50% risk weight on all the Mauritian government securities, and including Bank of Mauritius securities. When, in fact, Basel applies a 0% risk weight.

I think even Moody's recognised that this could evolve over time, because they do realise that it's pretty costly in terms of capital to apply a 50% risk weight on these investments. But by applying this risk weight of 50%, Moody's works out a capital adequacy ratio of 16%.

So in the context that we know at the moment, it is preferable that we have a capital adequacy ratio that is robust until we see clearer days going forward. I don't know if Moody's will eventually also change its methodology. So, for the time being, we believe it is prudent to have a strong, robust capital adequacy ratio, and therefore, we will not, at this point in time, look at increasing the dividend payout ratio of the group. Yes, you mentioned something.

Dipak Chummun

Just to add to what Jean Michel said. We also want to retain earnings for our own future growth. We've developed our vision 2030 over the last few months, then started rolling it out, communicating and structuring our businesses to deliver on this very vision. And we're going to need sufficient capital to be able to continue to grow. There are investments coming, and our asset book is bound to increase, given what we want to do. And we've got to cater for that.

So the sufficient buffer in capital adequacy is to cater, A, for growth, and, B, to retain significant buffer for us to maintain our rating at par with the sovereign rating.

Kato Mukuru

Just on the loan book, just if I could ask, is double digit loan growth possible in FY 26, plus 10%? Is that still a possibility or not? Thank you.

Jean Michel Ng Tseung

I think it is, it is. Both locally in Mauritius and our international business as well. You see, the business is doing well. It's growing. The credit quality is getting better and better. We have some potential recoveries in the pipeline. So we are quite pleased with the quality of our book and with the direction of travel of the business.

But unfortunately, there are certain market-related events that will be impacting our results next year. Like taxes, as you mentioned. The drop in interest rates in foreign currency will impact our results.

And if the current trend continues, even when you look at the excess liquidity that we have in rupees. The net interest income that we generate on that portfolio could be impacted during financial year 2026 if the Bank of Mauritius maintains

its stance of low yields on investment securities.

Kato Mukuru

Perfect. Thank you so much.

Operator

Thank you, sir. Ladies and gentlemen, just a final reminder, if you would like to ask a question, please press star and then one now. If you are on the webcast, please click on the button saying, connect with HD audio, and follow the instructions. We'll pause a moment to see if we have any further questions. At this stage, there are no further questions. Would you like to make any closing comments, sir?

Jean Michel Ng Tseung

Yes. Once again, thank you very much for attending this earnings call. Once, it took us four and a half months this time around to reconnect. The next earnings call will be a lot faster. It will take place in November. So that's in a month and a half. So, we look forward to meet you again in in six weeks' time. And we will be having more clarity about how 2026 is panning out insofar as the first quarter results are concerned. So, thank you very much, once again, to all of you, and see you soon. Bye-bye.

Operator

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