MCB Group results for the first semester to 31 December 2021

PORT LOUIS, 11th February 2022: MCB Group Limited today announced its unaudited results for the first semester of FY 2021/22.

HIGHLIGHTS

- Rise of 4.1% in net interest income
- Growth of 39.9% in net fee and commission income
- 'Other income' remained relatively flat
- Operating expenses up by 11.7%
- Impairment charges declined by Rs 453 million; Gross NPL ratio stood at 3.8%
- Share of profit of associates up by Rs 295 million
- Y-o-y growth of 19.1% in deposits and of 16.3% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 4.9 bn

▲ 29.5%

OPERATING INCOME

Rs 12.0 bn

▲ 10.3%

IMPAIRMENT CHARGES (incl. ECL)

Rs 1.9 bn

▼ 19.2%

ASSETS

Rs 705.4 bn

▲ 22.2%

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

"Group profits attributable to ordinary shareholders for the half year to 31 December 2021 stood at Rs 4,900 million, representing an increase of 29.5% compared to the corresponding period last year. This performance was driven by an improvement in our core earnings and a drop in net impairment charges.

Operating income grew by 10.3% to Rs 12,029 million. Net interest income increased by only 4.1% despite the significant expansion in the Group's interest bearing assets. This reflects the lower yields recorded in the deployment of our excess liquidity domestically as well as lower interest margins generated on our loan portfolio, whose expansion was geared principally towards short term advances and commodity trade finance loans. Net fee and commission income rose by 39.9%, boosted by higher revenues from trade financing and payment activities. 'Other Income' declined slightly due to market volatility.

In line with continuing investment to strengthen our technological capabilities, operating expenses were up by 11.7% to Rs 4,532 million, leading to an increase in our cost to income ratio to 37.7% compared to 37.2% for the corresponding period in the previous year.

Net impairment charges fell by 19.2% to Rs 1,904 million, representing an annualised cost of risk of 103 basis points of gross loans and advances. The gross Non-Performing Loan ratio increased to 3.8%, compared to 3.6% in June 2021.

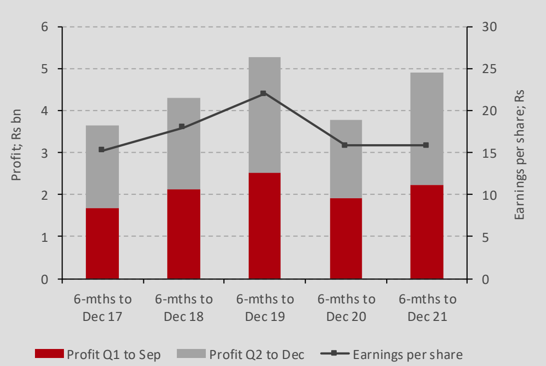
Our share of profit of associates grew by Rs 295 million on the back of the higher contributions from BFCOI and PAD Group.

Our capitalisation level remains comfortable with shareholders' funds increasing to Rs 75.9 billion, contributing to a capital adequacy ratio of 17.9%, of which 16.5% in the form of Tier 1.

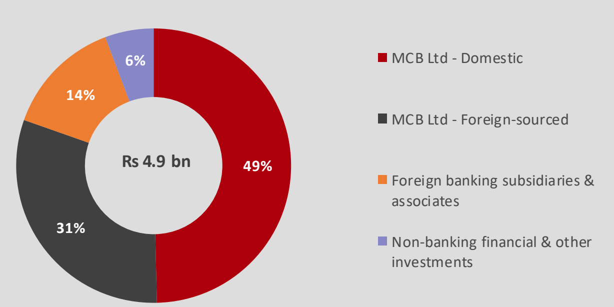
The operating context is still uncertain, as evidenced by the recent downgrade in the global growth prospects by the IMF, prompted by the emergence of the Omicron variant and the persisting supply chain disruptions, which are contributing to heightened inflationary pressures. The environment is thus likely to remain challenging for the local economy, with the pace and strength of its recovery being subject to the evolution of the global macro-economic parameters, the upturn in the tourism industry and the ramifications of rising inflation. Against this backdrop, the Group will anchor its growth performance on its diversification strategy while continuing to play an active role in helping the local economic rebound.

Financial performance

Profitability indicators



Contribution to Group profit



Group Management Statement

Profit or loss statement

Net interest income

Net interest income increased by only 4.1% despite the significant expansion in the Group's interest bearing assets. This reflects the lower yields recorded in the deployment of our excess liquidity domestically as well as lower interest margins generated on our loan portfolio, whose expansion was geared principally towards short term advances and commodity trade finance loans.

Non-interest income

Net fee and commission income rose by 39.9%, boosted by higher revenues from trade financing and payment activities. Despite the resumption of rental payments by Club Med following the re-opening of the borders, 'Other Income' declined slightly due to market volatility, giving rise to fair value losses on equity instruments.

Operating expenses

Reflecting continued investment to strengthen our technological capabilities, operating expenses were up by 11.7% to Rs 4,532 million, leading to an increase in our cost to income ratio to 37.7% compared to 37.2% for the corresponding period in the previous year.

Impairment

Net impairment charges fell by 19.2% to Rs 1,904 million, representing an annualised cost of risk of 103 basis points of gross loans and advances. The gross Non-Performing Loan ratio increased to 3.8%, compared to 3.6% in June 2021.

Share of profit of associates

Our share of profit of associates grew by Rs 295 million on the back of the higher contributions from BFCOI and Promotion and Development Group.

Profit

Group profits attributable to ordinary shareholders for the half year to 31 December 2021 increased by 29.5% to Rs 4,900 million, reflecting improved performances registered in the banking and non-banking clusters.

Financial position statement

Loans and advances

Gross loans of the Group registered a year-on-year growth of 16.3% to reach Rs 325.2 billion as at 31 December 2021, with an increase recorded across all banking subsidiaries. Specifically, gross loans at the level of MCB Ltd grew by 14.7%, driven by a significant rise in its foreign exposures, notably linked to its energy & commodities business activities.

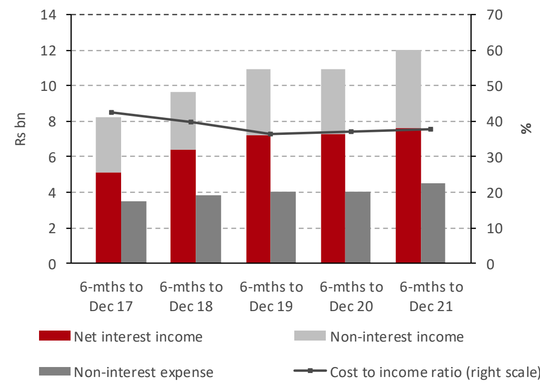
Funding and liquidity

Total deposits of the Group increased by 19.1% to reach Rs 508.6 billion as at 31 December 2021, supported by a rise in both rupee and foreign currency deposits. 'Other borrowed funds' went up by 65.0% to reach Rs 95.5 billion, following the full draw down during this quarter of the USD 1 billion syndicated term loan facilities to support our international activities. As a result, the total loans to deposits ratio stood at 63.9% while the total loans to funding base ratio, when including borrowings, reached 53.3%, reflecting adequate liquidity position.

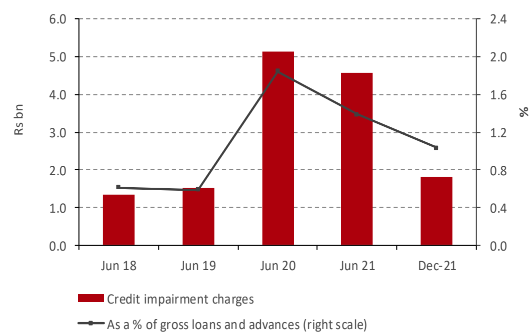
Capital position

Shareholders' funds grew by 14.3%, supported by the rise in retained earnings, which contributed to an increase in the Group's Tier 1 capital to some Rs 74 billion. Overall, BIS ratio and Tier 1 ratio stood at 17.9% and 16.5% respectively, thus remaining comfortably above the minimum regulatory requirements.

Income and expenditure evolution



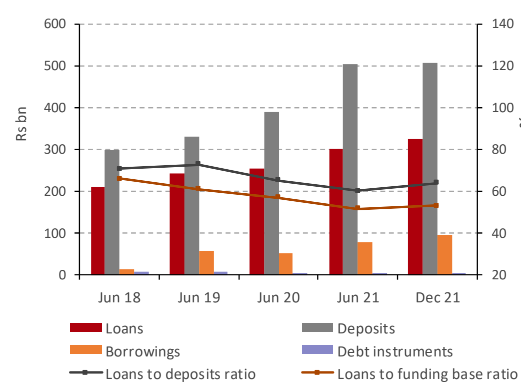
Credit impairment charges* and credit quality



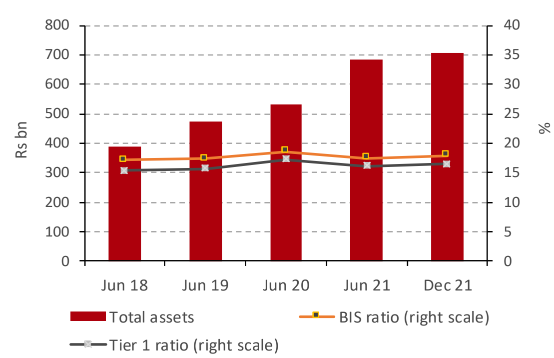
**Relate to loans & advances (including corporate notes)*

Note: Impairment charges for Dec 21 relate to six months while the ratio has been annualised

Loans and funding base



Total assets and capital adequacy



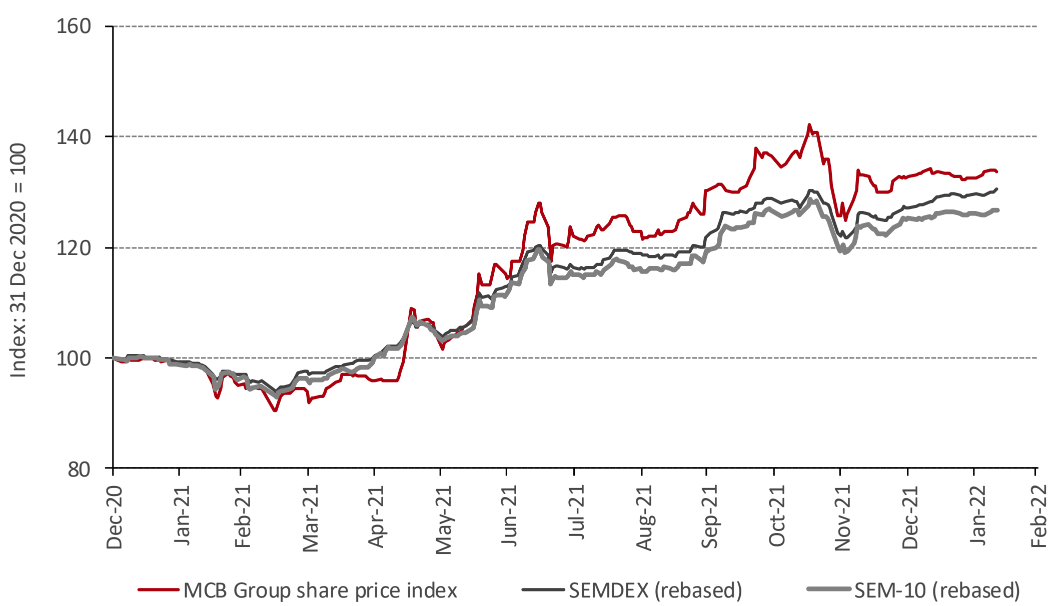
Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Dec-21	Jun-21	Dec-20
Profitability			
Return on average total assets[1]	1.4	1.3	1.4
Return on average equity[1]	13.2	11.8	11.7
Return on average Tier 1 capital[1]	13.4	11.9	11.6
Efficiency			
Cost-to-income	37.7	36.9	37.2
Asset quality			
Gross NPL/Gross loans and advances	3.8	3.6	3.7
Net NPL/Net loans and advances	2.1	2.3	2.3
Liquidity			
Liquid assets[2]/Total assets	45.8	47.2	43.0
Loans to deposits	63.9	60.2	65.4
Loans to deposits and borrowings[3]	53.3	51.7	57.2
Capital adequacy			
Shareholders equity to assets	10.8	10.7	11.5
BIS risk adjusted ratio[4]	17.9	17.4	17.6
o/w Tier 1[4]	16.5	*16.1*	*16.2*

[1] Annualised rate for December
[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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