

MCB Group results for the nine months ended March 2023

PORT LOUIS, Friday 12 May 2023: MCB Group Limited today announced its unaudited results for the nine months ended March 2023.

HIGHLIGHTS

- Rise of 28.5% in net interest income
- Growth of 12.5% in net fee and commission income
- 'Other income' up by 55.8%
- Increase of 19.5% in operating expenses
- Impairment charges down by Rs 375 million; Gross NPL ratio stable at 3.6%
- Share of profit of associates up by Rs 36 million
- Y-o-y growth of 12.9% in deposits and of 7.2% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 10.8 bn

▲ **49.2%**

IMPAIRMENT CHARGES

Rs 2.5 bn

▼ **13.1%**

OPERATING INCOME

Rs 23.1 bn

▲ **28.2%**

ASSETS

Rs 814.0 bn

▲ **12.9%**

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

"The Group delivered a strong financial performance for the nine months ended 31 March 2023 with 'Group profits attributable to ordinary shareholders' growing by 49.2% to Rs 10,777 million, on the back of the continued robust contribution of our international activities, with the share of foreign-sourced income, now standing at some 66% of Group profits.

Operating income increased by 28.2% to Rs 23,055 million with an improved performance across business segments, in line with our diversification strategy. Net interest income recorded a solid growth of 28.5% 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 our foreign loan book and investment securities portfolio. Conversely, interest margins on the MUR investment securities dropped following the successive increases in the cost of our deposits during the period. Net fee and commission income grew by 12.5% to Rs 4,963 million, supported by the continued growth in regional trade financing and payment activities in the banking cluster. 'Other income' went up by 55.8% mainly due to higher profits arising from dealing in foreign currencies and fair value gains on equity financial instruments.

The Group continued to invest significantly in human capital and technology, which, coupled with the impact of higher inflation, led to an increase in operating expenses of 19.5% to Rs 8,203 million. However, given the strong growth in income, the cost-to-income ratio dropped to 35.6% compared to 38.2% for the corresponding period last year. Impairment charges fell by 13.1% to Rs 2,486 million, representing an annualised cost of risk of 78 basis points on gross loans and advances. Gross NPL ratio remained relatively stable at 3.6%.

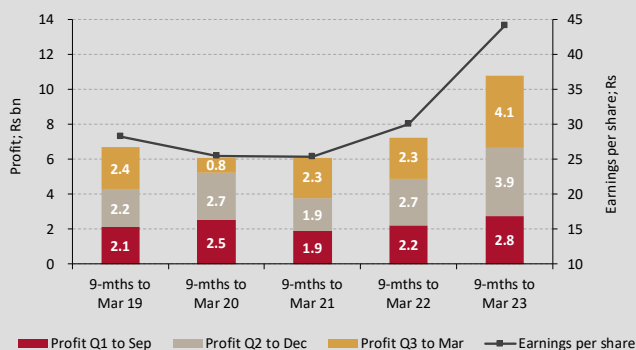
The share of profit of associates rose by Rs 36 million due to improved results at the level of BFCOI and Société Générale Moçambique.

The Group continues to be well capitalised backed by its robust performance and the recent issuance of a Basel III compliant Tier 2 capital instrument of USD 147 million, with its capital adequacy ratio standing at 20.0%, of which 17.4% in the form of Tier 1. Additionally, the Group has maintained a healthy level of liquidity positions, with a total loans to deposits ratio of 62.2% and a total loans to funding base ratio of 53.1%, when including borrowings. At Bank level, the US dollar Liquidity Coverage Ratio remained well above the regulatory norm.

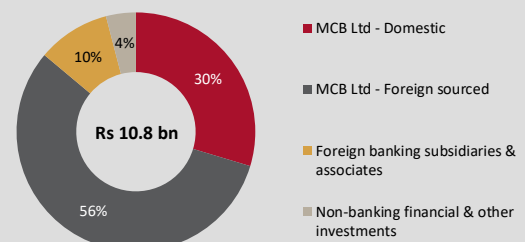
The growth momentum on the global scene has been disrupted by the impact of persistently high inflation rates, as well as the recent turmoil in the banking sector, arising from the aggressive monetary policy stance implemented by central banks worldwide. Thus, whilst continuing its recovery, the Mauritian economy will still be subject to a highly uncertain external context. The latter is also exacerbating inherent challenges in key regional economies, although prospects for the medium-term remain promising. Against this backdrop, the Group will closely monitor developments in its operating environment and will pursue its international diversification strategy in a prudent manner by capitalising on inroads made in niche segments. We remain focused on reinforcing our growth enablers and, in this respect, the Bank recently closed its first USD 300 million senior unsecured notes issuance under its USD 3 billion Global Medium-Term Note Programme listed on the International Securities Market of the London Stock Exchange.

Financial performance

Profitability indicators



Contribution to Group profit



Profit or loss statement

Net interest income

Net interest income recorded a solid growth of 28.5% 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 our foreign loan book and investment securities portfolio. Conversely, interest margins on the MUR investment securities dropped following the successive increases in the cost of our deposits during the period.

Non-interest income

Net fee and commission income grew by 12.5% to Rs 4,963 million, supported by the continued growth in regional trade financing and payment activities in the banking cluster. 'Other income' went up by 55.8% mainly due to higher profits arising from dealing in foreign currencies and fair value gains on equity financial instruments as well as an enhanced performance of MCB Real Assets Ltd.

Operating expenses

The Group continued to invest significantly in human capital and technology, which, coupled with the impact of higher inflation, led to an increase in operating expenses of 19.5% to Rs 8,203 million. However, given the strong growth in income, the cost-to-income ratio dropped to 35.6% compared to 38.2% for the corresponding period last year.

Impairment

Impairment charges fell by 13.1% to Rs 2,486 million, representing an annualised cost of risk of 78 basis points on gross loans and advances. Gross NPL ratio remained relatively stable at 3.6%.

Share of profit of associates

The share of profit of associates rose by Rs 36 million due to improved results at the level of BFCOI and Société Générale Moçambique.

Profit

Group profits attributable to ordinary shareholders for the nine months ended to 31 March 2023 increased by 49.2% to Rs 10,777 million. Contribution from foreign-sourced income stood at 66% of Group profits.

Financial position statement

Loans and advances

Gross loans of the Group recorded a year-on-year growth of 7.2% to Rs 372 billion as at 31 March 2023, driven by an expansion in our foreign loan portfolio linked to trade finance and global & international activities.

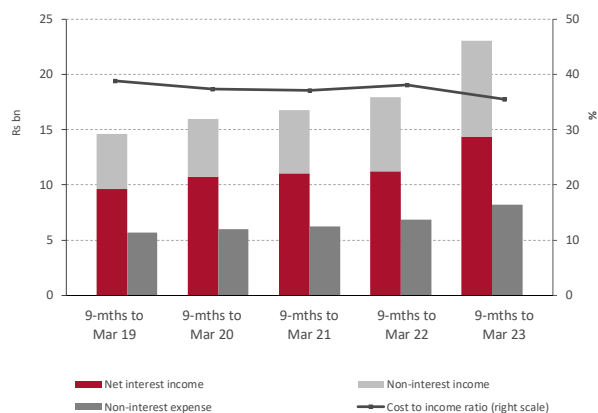
Funding and liquidity

Total deposits of the Group increased by 12.9% to Rs 597.4 billion as at 31 March 2023, mainly supported by an increase in foreign currency deposits. As a result, the total loans to deposit ratio stood at 62.2% while the total loans to funding base ratio, when including borrowings, reached 53.1%, reflecting adequate liquidity position. For its part, 'Cash and cash equivalents' grew by 63.5% to Rs 132.3 billion mainly on account of the deployment of our MUR excess liquidity in the 7-Day BoM instruments.

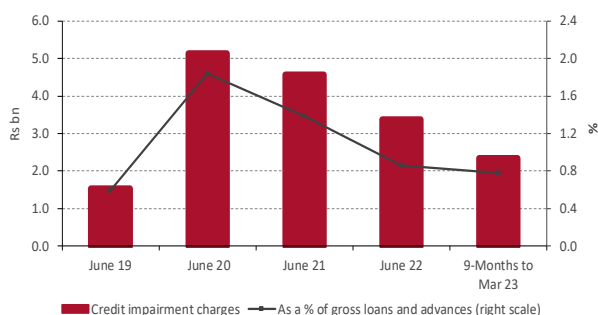
Capital position

The Group continues to be well capitalised backed by its strong performance and the recent issuance of a Basel III compliant Tier 2 capital instrument of USD 147 million, with its capital adequacy ratio standing at 20.0%, of which 17.4% in the form of Tier 1.

Income and expenditure evolution



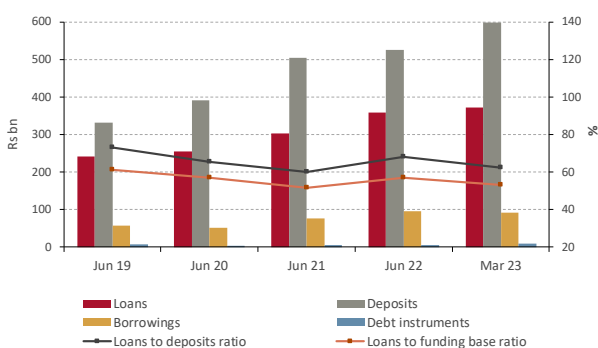
Credit impairment charges* and credit quality



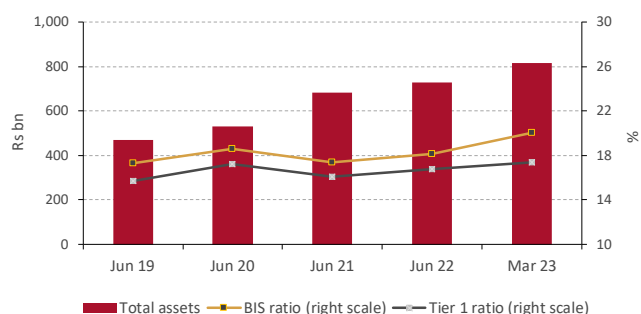
*Relate to loans & advances (including corporate notes)

Note: Impairment charges for Mar 23 relate to nine 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 (%)

	Mar 23	June 22	Mar 22
Profitability			
Return on average total assets ¹	1.9	1.4	1.4
Return on average equity ¹	17.3	12.8	12.7
Return on average Tier 1 capital ¹	17.6	12.9	13.0
Efficiency			
Cost-to-income	35.6	38.3	38.2
Asset quality			
Gross NPL/Gross loans and advances	3.6	3.7	3.9
Net NPL/Net loans and advances	1.8	2.4	2.6
Liquidity			
Liquid assets ² /Total assets	46.7	41.7	43.3
Loans to deposits	62.2	68.0	65.6
Loans to deposits and borrowings ³	53.1	57.1	55.7
Capital adequacy			
Shareholders equity to assets	10.9	10.7	10.9
BIS risk adjusted ratio ⁴	20.0	18.1	18.3
o/w Tier 1 ⁴	17.4	16.8	17.0

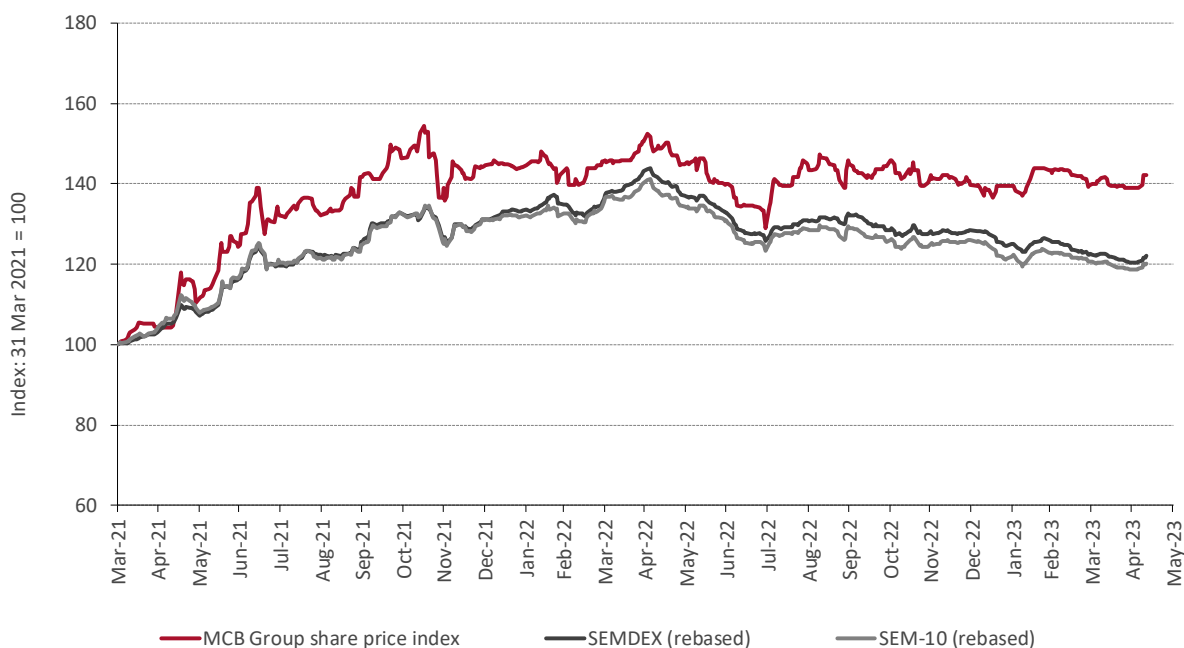
¹ Annualised rate for March 2023

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





www.mcbgroup.com

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.