

MCB Group results for the year ended 30 June 2022

PORT LOUIS, 28th September 2022: MCB Group Limited today announced its audited results for the year ended 30 June 2022.

HIGHLIGHTS

- Rise of 3.6% in net interest income
- Growth of 36.1% in net fee and commission income
- Increase of 56.6% in profit from dealing in foreign currencies
- Operating expenses grew by 10.4%
- Impairment charges declined by 27.0%; Gross NPL ratio stood at 3.7%
- Share of profit of associates up by Rs 427 million
- Y-o-y growth of 4.3% in deposits and of 17.9% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 9.6 bn

▲ **20.2%**

IMPAIRMENT CHARGES

Rs 3.5 bn

▼ **27.0%**

OPERATING INCOME

Rs 23.8 bn

▲ **6.4%**

ASSETS

Rs 728.1 bn

▲ **6.6%**

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

"Despite the impact of volatile market conditions, Group profits attributable to ordinary shareholders for the year ended 30 June 2022 grew by 20.2% to Rs 9,637 million, reflecting improved operating results across business clusters as well as lower impairment charges.

Operating income maintained its uptrend and grew by 6.4%, supported by the Group's diversification strategy and the pick-up in economic activity. Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on our international loan book amidst a shift in its mix toward the shorter tenor loans. Non-interest income rose by 11.8% to Rs 8,654 million in spite of fair value losses of Rs 518 million on equity investments compared to a gain of Rs 919 million in the previous year. This performance was driven by an increase of 36.1% in net fee and commission income, reflecting higher revenues across banking subsidiaries, notably from trade financing and payment activities, as well as a strong growth in profit arising from dealings in foreign currencies and the resumption of rental income at the level of MCB Real Assets following the reopening of the borders.

Sustained efforts to reinforce our human capital and technological capabilities led to operating expenses increasing by 10.4%, thus contributing to a rise in the cost-to-income ratio from 36.9% to 38.3%. On the other hand, in spite of an increase in specific provisions net of recoveries, net impairment charge of financial assets declined by 27.0% to Rs 3,481 million. As a result, cost of risk in relation to loans and advances declined by 53 basis points to reach 0.86%.

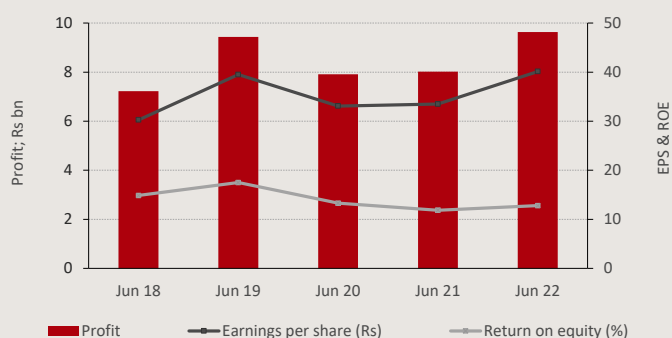
The share of profit of associates rose by 115% to Rs 799 million, mainly due to enhanced performance of Promotion and Development Ltd and our banking associates, BFCOI and Société Générale Moçambique.

The Group preserved its financial soundness in the face of the difficult operating context. Whilst the gross NPL ratio edged up slightly to 3.7%, the Group maintained healthy funding and liquidity positions alongside further strengthening its capital buffer, with the BIS and Tier 1 ratios improving to 18.1% and 16.8% respectively.

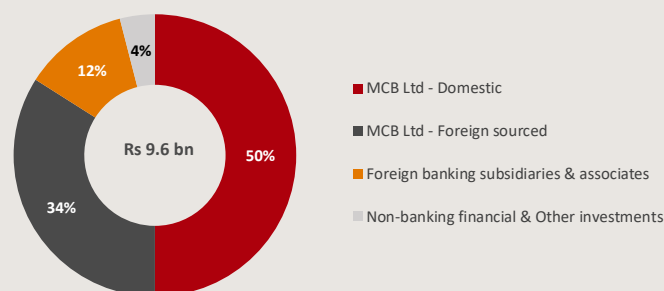
The operating environment remains highly uncertain, with the risk of a global recession having increased amidst simultaneous and aggressive interest rate hikes worldwide in response to heightened inflationary pressures resulting from the Ukraine war. Against this backdrop, the economic outlook for countries where we operate remains subject to notable downside risks, although the positive momentum observed on the back of the recovery in tourism is encouraging. Notwithstanding the challenging context and pressures on our cost base linked to the high inflation level, we expect a further improvement in results in FY 2022/23, supported by improving yields on the international markets and the diligent execution of our diversification strategy across markets and products. "

Financial performance

Profitability indicators



Contribution to Group profit



Group Management Statement

Profit or loss statement

Net interest income

Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on our international loan book amidst a shift in its mix toward the shorter tenor loans.

Non-interest income

Notwithstanding a net loss from equity financial instruments carried at fair value, amidst market volatility as compared to a significant gain in the previous year, non-interest income went up by 11.8% on the back of:

- A growth of 36.1% in net fee and commission income to Rs 6,070 million, reflecting higher revenues across banking subsidiaries, with notable growth being registered in respect of regional trade financing and payment activities at the level of MCB Ltd;
- A rise of 56.6% in profit arising from dealing in foreign currencies mainly due to the enhanced performance by MCB Ltd, in line with increased business volumes following the opening of the Mauritian borders, and a notable pick-up at the level of MCB Seychelles, which has been adversely impacted by large currency fluctuations in FY 2020/21;
- The resumption of rental income at the level of MCB Real Assets, following the reopening of the Mauritius borders in October 2021.

Operating expenses

Operating expenses increased by 10.4% mainly driven by:

- A rise of 7.7% in staff costs, which represented 54.4% of the cost base, on the back of sustained efforts to reinforce our human capital;
- A growth of 9.5% in depreciation and amortisation costs following continued investment in technology;
- An increase of 16.1% in other expenses, mainly due to the rise in software and IT related costs.

This, combined with a rise of 6.4% in operating income, resulted in the cost to income ratio increasing by 1.4 percentage points to 38.3%

Impairment

In spite of an increase in specific provisions net of recoveries, net impairment charge of financial assets declined by 27.0% to Rs 3,481 million. As a result, cost of risk in relation to loans and advances declined by 53 basis points to reach 0.86%.

Share of profit of associates

The share of profit of associates rose by Rs 427 million, due to enhanced performance of Promotion and Development Ltd and our banking associates.

Profit

The Group profits attributable to ordinary shareholders for the year ended 30 June 2022 grew by 20.2% to Rs 9,637 million, driven by enhanced performance of the banking cluster.

Financial position statement

Loans and advances

Gross loans of the Group registered a year-on-year growth of 17.9% in FY 2021/22, supported by a similar growth at the level of MCB Ltd. The latter performance was largely explained by the continued expansion in its foreign activities, with related credit to customers increasing by 39.1%, mainly linked to the Energy & Commodities business, while rupee depreciation also weighed in the balance. For its part, corporate notes increased by 32.4% to Rs 33.7 billion.

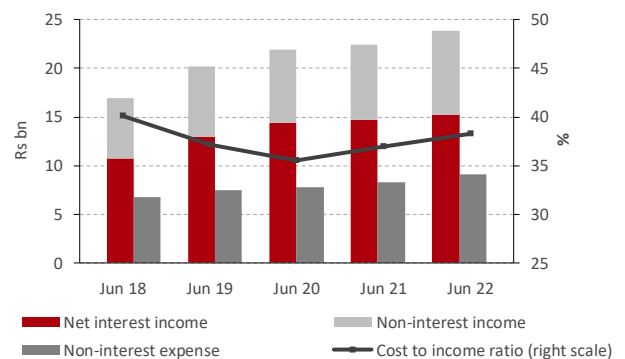
Funding and liquidity

Total deposits of the Group increased by 4.3% to Rs 525.7 billion as at 30 June 2022. At Bank level, total deposits increased by 3.6% to Rs 492.4 billion, driven by a rise in rupee-denominated deposit. 'Other borrowed funds' went up by 23.2% to stand at Rs 95.0 billion, as a result of the USD 1 billion syndicated term loan facility raised at MCB Ltd level to refinance existing obligations and support the growth of its international activities.

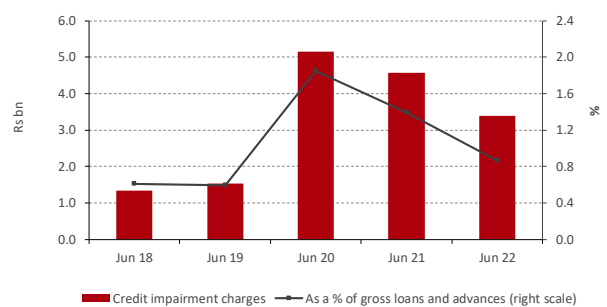
Capital position

Shareholders' funds increased by 6.9%, resulting from retained profits for the year and the issue of scrip shares in lieu of dividend. The Group maintained comfortable capitalisation levels with the BIS ratio standing at 18.1% as at June 2022, of which 16.8% in terms of Tier 1.

Income and expenditure evolution

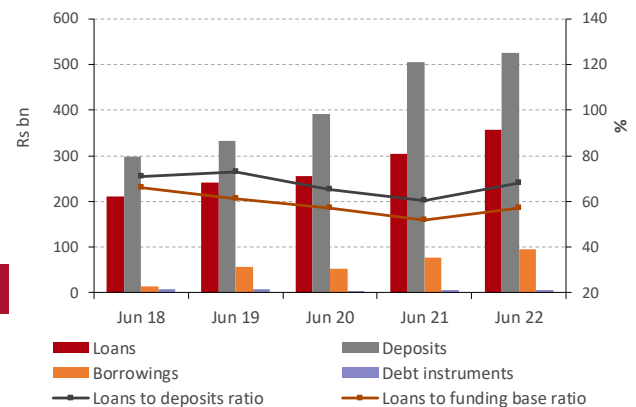


Credit impairment charges* and credit quality

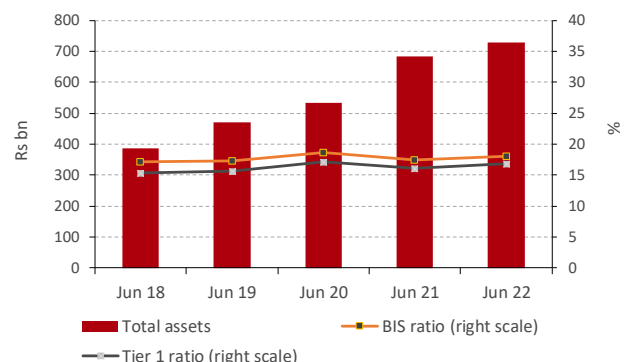


*Relate to loans & advances (including corporate notes)

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

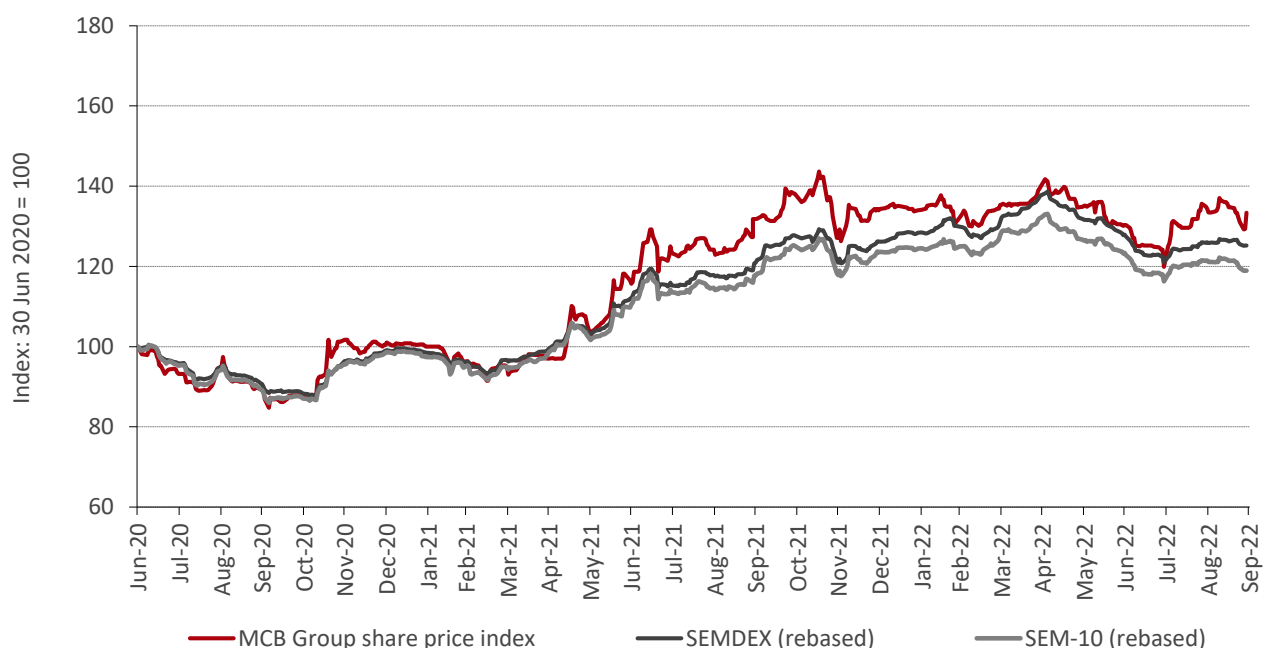
	Jun-22	Jun-21	Jun-20
Profitability			
Return on average total assets	1.4	1.3	1.6
Return on average equity	12.8	11.8	13.3
Return on average Tier 1 capital	12.9	11.9	13.4
Efficiency			
Cost-to-income	38.3	36.9	35.5
Asset quality			
Gross NPL/Gross loans and advances	3.7	3.6	4.2
Net NPL/Net loans and advances	2.4	2.3	2.9
Liquidity			
Liquid assets ¹ /Total assets	41.7	47.2	42.6
Loans to deposits	68.0	60.2	65.3
Loans to deposits and borrowings ²	57.1	51.7	57.0
Capital adequacy			
Shareholders equity to assets	10.7	10.7	11.8
BIS risk adjusted ratio ³	18.1	17.4	18.6
<i>o/w Tier 1</i> ³	16.8	16.1	17.2

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

² Borrowings include debt instruments

³ Based on Basel III

MCB Group share price performance



Consolidated summary statement of financial position as at 30 June 2022

	30-Jun-22	30-Jun-21
	Rs'M	Rs'M
ASSETS		
Cash and cash equivalents	73,294	108,706
Mandatory balances with Central Banks	27,896	25,301
Derivative financial instruments	477	1,083
Loans to and placements with banks	23,375	39,579
Loans and advances to customers	325,613	273,399
Investment securities	239,684	198,530
Investments in associates	12,356	12,525
Investment properties	4,799	5,032
Goodwill and other intangible assets	2,488	2,089
Property, plant and equipment	7,329	7,199
Deferred tax assets	2,181	1,519
Post employee benefit asset	-	1,218
Other assets	8,636	6,953
Total assets	728,128	683,133
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits from banks	6,979	18,069
Deposits from customers	518,677	485,903
Derivative financial instruments	536	1,454
Other borrowed funds	94,995	77,136
Debt securities	3,848	4,007
Subordinated liabilities	1,793	1,984
Preference shares	3,396	3,396
Current tax liabilities	1,295	1,097
Deferred tax liabilities	386	347
Post employee benefit liability	460	-
Other liabilities	14,721	13,944
Total liabilities	647,086	607,337
Shareholders' equity		
Stated capital	3,109	2,776
Retained earnings	61,612	57,746
Other components of equity	13,191	12,370
Equity attributable to the equity holders of the parent	77,912	72,892
Non-controlling interests	3,130	2,904
Total equity	81,042	75,796
Total equity and liabilities	728,128	683,133
CONTINGENT LIABILITIES (NET)	126,118	123,001

Consolidated summary statement of profit or loss for the year ended 30 June 2022

	30-Jun-22	30-Jun-21
	Rs'M	Rs'M
Interest income using the effective interest method	18,455	17,148
Interest expense	(3,264)	(2,483)
Net interest income	15,191	14,665
Fee and commission income	8,584	5,828
Fee and commission expense	(2,514)	(1,368)
Net fee and commission income	6,070	4,460
Profit arising from dealing in foreign currencies	2,130	1,360
Net (loss)/gain from equity financial instruments carried at fair value through profit or loss	(518)	919
Net gain from other financial instruments carried at fair value	160	223
Dividend income	113	104
Other operating income	699	673
	2,584	3,279
Operating income	23,845	22,404
Non-interest expense		
Salaries and human resource costs	(4,972)	(4,616)
Depreciation of property, plant and equipment	(855)	(839)
Amortisation of intangible assets	(525)	(421)
Other	(2,780)	(2,395)
	(9,132)	(8,271)
Operating profit before impairment	14,713	14,133
Net impairment of financial assets	(3,481)	(4,766)
Operating profit	11,232	9,367
Share of profit of associates	799	372
Profit before tax	12,031	9,739
Income tax expense	(2,070)	(1,500)
Profit for the year	9,961	8,239
Profit for the year attributable to:		
Ordinary equity holders of the parent	9,637	8,019
Preference shareholders	160	160
Non-controlling interests	164	60
	9,961	8,239
Earnings per share:		
Basic (Rs)	40.14	33.51
Diluted (Rs)	40.13	33.48
Basic weighted average number of shares (thousands)	240,064	239,330
Diluted weighted average number of shares (thousands)	240,119	239,518

Consolidated summary statement of comprehensive income for the year ended 30 June 2022

Profit for the year	9,961	8,239
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss	(1,360)	3,086
Items that may be reclassified subsequently to profit or loss	(34)	1,272
Other comprehensive (expense)/income for the year	(1,394)	4,358
Total comprehensive income for the year	8,567	12,597
Total comprehensive income attributable to :		
Ordinary equity holders of the parent	8,150	12,033
Preference shareholders	160	160
Non-controlling interests	257	404
	8,567	12,597

Consolidated summary statement of changes in equity for the year ended 30 June 2022

	Attributable to equity holders of the parent						Non-controlling Interests	Total Equity
	Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	Total		
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M		
At 1 July 2020	2,719	50,460	2,226	193	6,947	62,545	2,549	65,094
Profit for the year	-	8,179	-	-	-	8,179	60	8,239
Other comprehensive income for the year	-	2,108	544	1,362	-	4,014	344	4,358
Total comprehensive income for the year	-	10,287	544	1,362	-	12,193	404	12,597
Dividends to ordinary shareholders	-	(1,736)	-	-	-	(1,736)	(22)	(1,758)
Dividends to preference shareholders	-	(160)	-	-	-	(160)	-	(160)
Impact of disposal of subsidiary	-	-	-	-	-	-	(21)	(21)
Issue of shares following the exercise of Group Employee Share Options Scheme	57	-	-	-	-	57	-	57
Transactions with owners	57	(1,896)	-	-	-	(1,839)	(43)	(1,882)
Transfers/movements in reserves	-	(1,105)	(16)	-	1,114	(7)	(6)	(13)
At 30 June 2021	2,776	57,746	2,754	1,555	8,061	72,892	2,904	75,796
Profit for the year	-	9,797	-	-	-	9,797	164	9,961
Other comprehensive (expense)/income for the year	-	(1,506)	24	(5)	-	(1,487)	93	(1,394)
Total comprehensive income/(expense) for the year	-	8,291	24	(5)	-	8,310	257	8,567
Dividends to ordinary shareholders	-	(3,462)	-	-	-	(3,462)	(32)	(3,494)
Dividends to preference shareholders	-	(160)	-	-	-	(160)	-	(160)
Shares issued under the Scrip Dividend Scheme	247	-	-	-	-	247	-	247
Issue of shares following the exercise of Group Employee Share Options Scheme	86	-	-	-	-	86	-	86
Transactions with owners	333	(3,622)	-	-	-	(3,289)	(32)	(3,321)
Transfers/movements in reserves	-	(803)	(94)	-	896	(1)	1	-
At 30 June 2022	3,109	61,612	2,684	1,550	8,957	77,912	3,130	81,042

Consolidated summary statement of cash flows for the year ended 30 June 2022

	30-Jun-22	30-Jun-21
	Rs'M	Rs'M
Operating activities		
Net cash flows from trading activities	31,772	2,848
Net cash flows from other operating activities	(63,231)	35,533
Dividends received from associates	457	134
Dividends paid to ordinary shareholders	(3,765)	-
Dividends paid to preference shareholders	(160)	(160)
Dividends paid to non-controlling interests in subsidiaries	(32)	(22)
Income tax paid	(2,247)	(2,341)
Net cash flows from operating activities	(37,206)	35,992
Net cash flows from investing activities	(1,650)	(1,310)
Net cash flows from financing activities	(211)	1,809
(Decrease)/Increase in cash and cash equivalents	(39,067)	36,491
Net cash and cash equivalents as at 1 July	108,768	71,141
Effect of foreign exchange rate changes	1,073	1,136
Net cash and cash equivalents as at 30 June	70,774	108,768

Report of the Independent Auditor to the Board of Directors of MCB Group Limited (the “Group”) for the year ended 30 June 2022**Opinion**

The consolidated summary financial statements, which comprise the consolidated summary statement of financial position as at 30 June 2022, the consolidated summary statement of profit or loss, the consolidated summary statement of comprehensive income, the consolidated summary statement of changes in equity and the consolidated summary statement of cash flows for the year then ended and the related notes are extracted from audited consolidated and separate financial statements of MCB Group Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 30 June 2022.

In our opinion, the accompanying consolidated summary financial statements are consistent in all material respects, with the audited consolidated and separate financial statements of the Group and the Company which are prepared in accordance with International Financial Reporting Standards (IFRSs), and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Summary financial statements

The consolidated summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated summary financial statements and the auditor’s report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor’s report thereon.

The audited consolidated and separate financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements of MCB Group Limited in our report dated 28 September 2022. That report also includes the communication of key audit matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year.

Responsibilities of Directors for the Summary Financial Statements

The directors are responsible for the preparation of the consolidated summary financial statements, without reference to the detailed notes, extracted from the audited consolidated and separate financial statements of the Group and the Company for the year ended 30 June 2022. The audited consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Auditor’s Responsibility

Our responsibility is to express an opinion on whether the consolidated summary financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Use of this report

This report, including our opinion, has been prepared for and only for the Company’s shareholders in accordance with Section 12.14(i) of the Listing Rules of the Stock Exchange of Mauritius and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte
Chartered Accountants

28 September 2022

Vishal Agrawal, FCA
Licensed by FRC

Note 1

The accompanying consolidated summary financial statements, without reference to the detailed notes, are derived from the audited consolidated and separate financial statements of MCB Group Limited (the “Company”) for the year ended 30 June 2022. These audited financial statements, which have been prepared in accordance with International Financial Reporting Standards, Financial Reporting Act 2004 and in compliance with the Mauritian Companies Act 2001, are available at 9-15 Sir William Newton Street, Port Louis, Mauritius and can be viewed on our website: www.mcbgroup.com.

Note 2

The statement of direct and indirect interests of officers of the Company required under rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 is available upon request, free of charge, at the registered office of the Company.

This communiqué is issued pursuant to Listing Rule 12.14 and Securities Act 2005.

The Board of Directors of MCB Group Limited accepts full responsibility for the accuracy of the information contained in the communiqué.

These financial statements were approved by the Board of Directors and authorised for issue on the 28 September 2022.

(S) Pierre Guy NOEL

Director
Chief Executive

(S) Didier HAREL

Director
Chairperson-Board of Directors

(S) San T SINGARAVELLOO

Director
Chairperson-Audit Committee



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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