

## MCB Group results for the nine months to 31 March 2021

PORT LOUIS, 13 May 2021: MCB Group Limited today announced its unaudited results for the nine months ended 31 March 2021.

### HIGHLIGHTS

- Rise of 2.9% in net interest income
- Growth of 6.4% in net fee and commission income
- Increase of 13.4% in 'other income'
- Operating expenses up by 4.3%
- Impairment charges rose to Rs 3.4 billion; Gross NPL ratio declined to 3.4%
- Share of profit of associates down by Rs 122 million
- Y-o-y growth of 18.8% in deposits and of 17.9% in gross loans

### PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

**Rs 6.1 bn**  
▼ **0.4%**

### IMPAIRMENT CHARGES (incl. ECL)

**Rs 3.4 bn**  
▲ **21.8%**

### OPERATING INCOME

**Rs 16.8 bn**  
▲ **5.0%**

### ASSETS

**Rs 632.4 bn**  
▲ **21.5%**

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

"Group attributable profits for the nine months ended March 2021 reached Rs 6,066 million, similar to the level achieved last year, with domestic banking contributing 39% thereof. Profits increased significantly in the third quarter of the current financial year, up from Rs 827 million for the three months to March 2020 to Rs 2,282 million for the quarter to March 2021. This contributed to the reversal of the 28.1% contraction in profits recorded for the six months to December 2020. The outbreak of the Covid-19 pandemic at the beginning of 2020 significantly impacted the third quarter results of the last financial year with a higher level of Expected Credit Losses and fair value losses incurred on the Group's equity investments during that quarter.

Operating income grew by 5.0% for the nine months to March 2021 to Rs 16,768 million. Net interest income rose by 2.9% to Rs 11,033 million, driven by higher investment in Government securities amidst the high liquidity situation in Mauritius, whilst the impact of the expansion in the international loan book on our net interest income was negated by lower margins as a result of the drop in Libor rates. Notwithstanding lower revenues from MCB Capital Markets Ltd and from our foreign banking subsidiaries, net fees and commission income increased by 6.4%, with higher income from regional trade financing and wealth management activities at the level of MCB Ltd more than offsetting lower receipts from its Cards activities. 'Other income' increased by 13.4% to reach Rs 2,393 million in spite of MCB Real Assets Ltd not receiving any rental income, having benefited from a reversal of fair value losses on financial instruments accounted last year.

Growth in operating expenses stood at 4.3%, resulting in a slight drop in the cost to income ratio to 37.1%. Impairment charges recorded a growth of 21.8% to Rs 3,430 million, representing an annualised cost of risk of 137 basis points of gross loans and advances, down from 184 basis points as at June 2020. Gross and net NPL ratios declined further to 3.4% and 1.9% respectively as at March 2021 driven by the growth of our loans and advances portfolio.

The share of profit of associates dropped by Rs 122 million principally due to lower contribution from BFCOI.

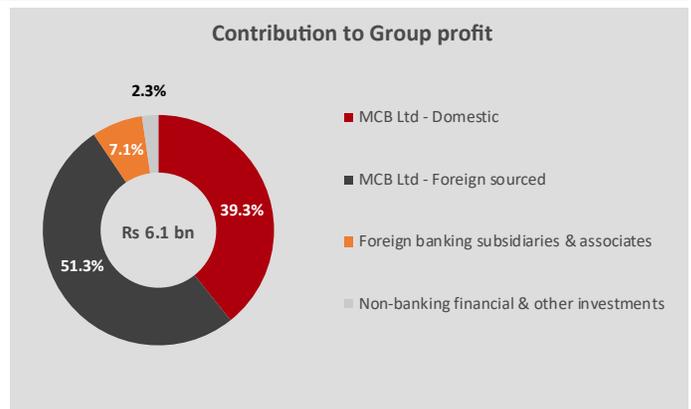
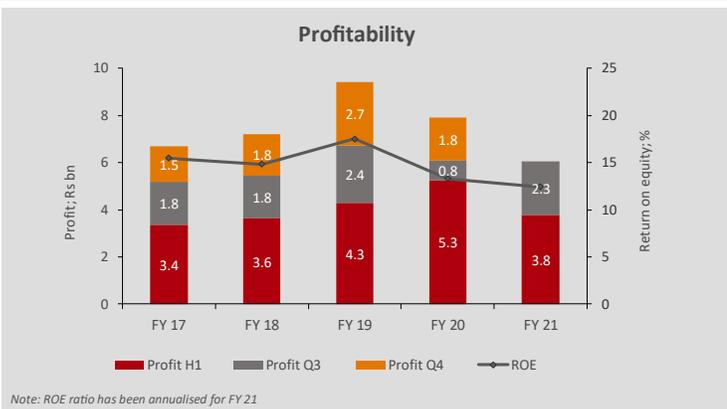
Shareholders' funds grew by 10.7% to Rs 67.8 billion, on the back of a rise of Rs 7.2 billion in retained earnings, contributing to a capital adequacy ratio of 17.0%, of which 15.8% in the form of Tier 1 ratio. The Group also continues to display healthy liquidity positions, with a loans to deposits ratio of 65.7% and a loans to funding base ratio of 56.2%. At the level of MCB Ltd, the Liquidity Coverage Ratio in US dollar remained comfortably above the minimum regulatory requirement.

Looking ahead, we expect our international operations to continue to be resilient and well positioned to benefit from the improved global economic outlook amidst progress of the vaccination rollout and gradual removal of lockdown restrictions in key markets. The operating context locally is, however, likely to remain challenging with the impact of the recent lockdown expected to be moderate. The pace of the recovery will critically hinge on the easing of travel and border restrictions, which remains dependent on the speed of implementation of the vaccination programme.

No dividends having been declared for the financial year ended June 2020, the current interim dividend of Rs 7.25 per share has been determined taking into consideration both the actual profits of the financial year 2019/20 and forecast for financial year 2020/21. Overall payout was, however, reduced in view of the ongoing pandemic.

As part of the implementation of a Rs 10 billion Multi-Currency Note Programme, the Board approved a first issue of Notes of Rs 2 billion, the proceeds of which to be used to invest in the capital of MCB Ltd with a view to supporting the latter's international expansion."

## Financial performance



## Profit or loss statement

### Net interest income

Net interest income rose by 2.9% to Rs 11,033 million, driven by higher investment in Government securities amidst the high liquidity situation in Mauritius, whilst the impact of the expansion in the international loan book on our net interest income was negated by lower margins as a result of the drop in Libor rates.

### Non-interest income

Notwithstanding lower revenues from MCB Capital Markets Ltd and from our foreign banking subsidiaries, net fees and commission income increased by 6.4%, with higher income from regional trade financing and wealth management activities at the level of MCB Ltd more than offsetting lower receipts from its Cards activities. 'Other income' went up by 13.4% to reach Rs 2,393 million in spite of MCB Real Assets Ltd not receiving any rental income. This performance is mainly explained by the fair value losses incurred on the Group's equity investments in the third quarter of the last financial year amidst the outbreak of the Covid-19 pandemic.

### Operating expenses

Growth in operating expenses was contained at 4.3%, resulting in a fall in the cost to income ratio to 37.1% compared to 37.4% for the corresponding period of the previous year.

### Impairment

Impairment charges recorded a growth of 21.8% to reach Rs 3,430 million, representing an annualised cost of risk of 137 basis points of gross loans and advances, of which 52 basis points related to specific provisions net of recoveries. For their part, gross and net NPL ratios declined further to 3.4% and 1.9% respectively as at March 2021 driven by the growth of our loans and advances portfolio.

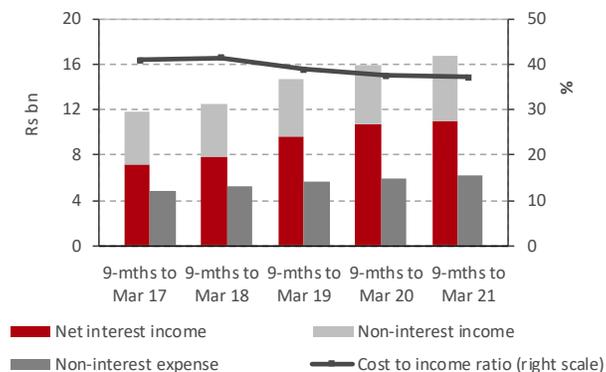
### Share of profit of associates

The share of profit of associates dropped by Rs 122 million principally due to lower contribution from BFCOI.

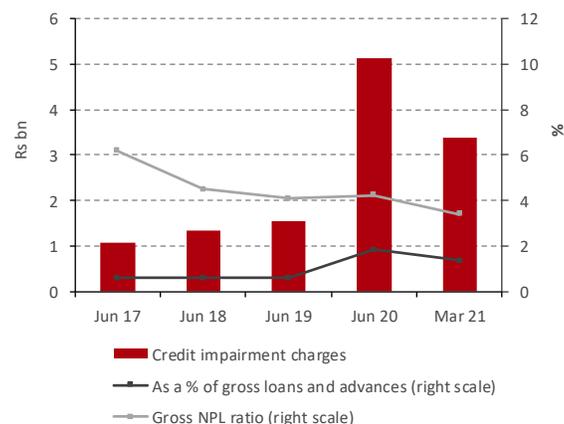
### Profit

Profit attributable to ordinary shareholders for the nine months ended March 2021 reached Rs 6,066 million, similar to the level achieved last year, with a return to growth in profits of MCB Ltd being weighed down by the dampened performances at the level of the foreign banking cluster and non-banking segment.

## Income and expenditure evolution

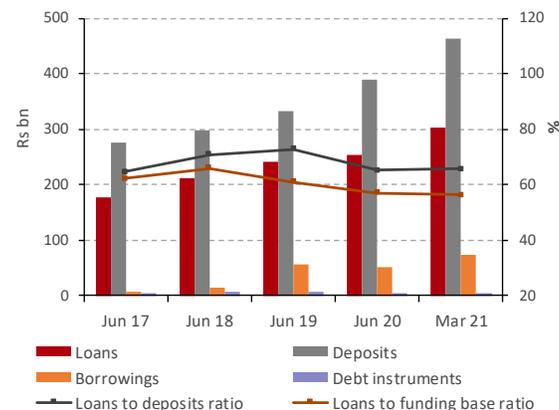


## Impairment charges\* and credit quality

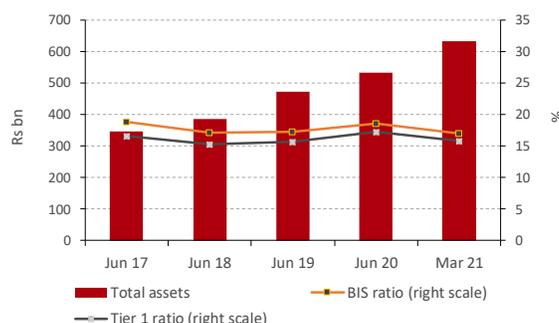


\*Relate to loans & advances (including corporate notes)  
Note: Impairment charges for Mar 21 relate to nine months while the ratio has been annualised

## Loans and funding base



## Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

## Financial position statement

### Loans and advances

Gross loans of the Group registered a year-on-year growth of 17.9% to reach Rs 304.1 billion as at 31 March 2021. This performance was essentially driven by a rise of 19.7% in gross loans at the level of MCB Ltd, mainly supported by a significant expansion in its international loan book, linked to Energy & Commodities and structured project financing activities.

### Funding and liquidity

Total deposits of the Group increased by 18.8% to reach Rs 462.5 billion as at 31 March 2021, underpinned by a rise in both foreign currency deposits and rupee deposits. 'Other borrowed funds' went up by 67.6% to reach Rs 74.4 billion with a view to supporting the expansion of the Group's international business activities. As a result, the total loans to deposits ratio stood at 65.7% while the total loans to funding base ratio, when including borrowings, reached 56.2%. The Bank continued to maintain its US dollar Liquidity Coverage Ratio comfortably above the regulatory norm.

### Capital position

Shareholders' funds went up by 10.7% on the back of a rise in retained earnings of Rs 7.2 billion for the period under review, with the Group's Tier 1 capital increasing to some Rs 68 billion. As a result, Tier 1 ratio and BIS ratio stood at 15.8% and 17.0% respectively.

## Financial soundness indicators (%)

	Mar-21	Jun-20	Mar-20
<b>Profitability</b>			
Return on average total assets <sup>1</sup>	1.4	1.6	1.6
Return on average equity <sup>1</sup>	12.4	13.3	13.8
Return on average Tier 1 capital <sup>1</sup>	12.3	13.4	13.8
<b>Efficiency</b>			
Cost-to-income	37.1	35.5	37.4
<b>Asset quality</b>			
Gross NPL/Gross loans and advances	3.4	4.2	4.0
Net NPL/Net loans and advances	1.9	2.9	2.6
<b>Liquidity</b>			
Liquid assets <sup>2</sup> /Total assets	43.9	42.6	41.4
Loans to deposits	65.7	65.3	66.2
Loans to deposits and borrowings <sup>3</sup>	56.2	57.0	58.9
<b>Capital adequacy</b>			
Shareholders equity to assets	10.7	11.8	11.8
BIS risk adjusted ratio <sup>4</sup>	17.0	18.6	17.3
o/w Tier 1 <sup>4</sup>	15.8	17.2	16.0

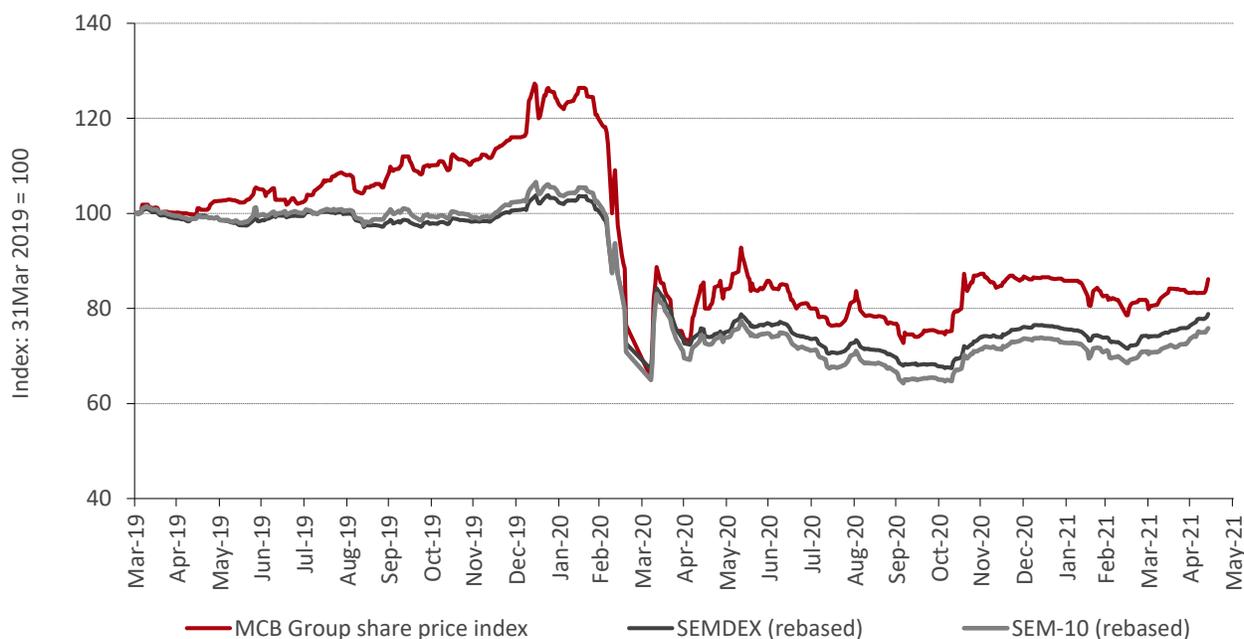
<sup>1</sup> Annualised rate for March

<sup>2</sup> In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds

<sup>3</sup> Borrowings include debt instruments

<sup>4</sup> Based on Basel III

## MCB Group share price performance



Note: The Stock Exchange of Mauritius was closed for trading as from 20 March 2020 until 6 April 2020



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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.