Group financial performance

Principle 3:
Promote a safe workplace free from any form of violence, bullying or harassment on any ground, be it of age, gender, race, religion or sexual orientation for both men and women.

From left to right:
Shameema - Taxi Driver
Nadia - Police Officer
Emilie - Director, Biscuit Factory
Joomawtee - Charge Nurse
Punardeep - Airline Pilot

Group financial performance

Overview of results

The Group achieved a resilient performance for the year under review in the context of the challenging economic and market conditions, with profit attributable to ordinary shareholders increasing slightly by 1.4% to stand at Rs 8,019 million.

Group financial highlights

Operating income grew by 2.0% with net interest income impacted by reduced margins and non-interest income coming under pressure as a result of unfavourable and volatile market conditions across markets

Cost to income ratio increased to 36.9%, in line with our capacity building initiatives both from a human resource and technology perspective

Relative drop in impairment charges on account of lower additional ECL; cost of risk declined from 1.84% to 1.39% while NPL ratio dropped from 4.2% to 3.9%

Share of profit of associates down by Rs 29 million, due to lower contribution from BFCOI

Healthy liquidity positions, with a loans to deposits ratio of 60.2% and loans to funding base ratio, when including borrowings, of 51.7%; USD LCR of 146% at the level of MCB Ltd

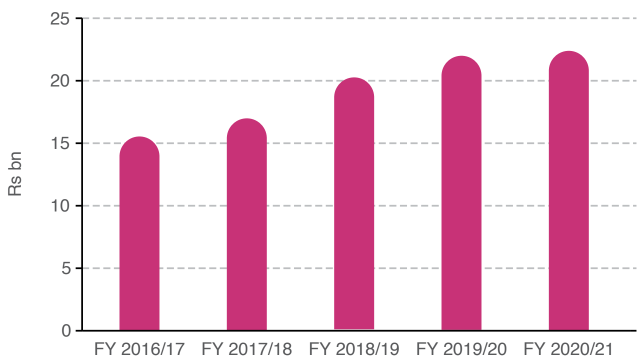
Comfortable capital position, with both the BIS and Tier 1 ratios maintaining a notable buffer above minimum requirements

Key figures	
Rs 8,019 million	**Profit attributable to ordinary shareholders**
Rs 22,404 million	Operating income
36.9%	Cost to income ratio
Rs 4,766 million	Impairment charges (incl. ECL)
Rs 9,739 million	Profit before tax
11.8%	ROE ratio
17.4%	BIS ratio

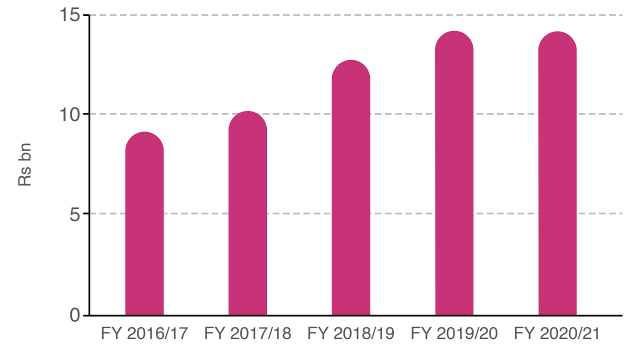
Outlook for FY 2021/22

The operating context is still subject to uncertainties, with the global economic recovery remaining uneven and fragile. Notwithstanding some encouraging trends in Seychelles and Maldives on the tourism front, the future evolution of long haul travel is yet to be firmly ascertained, while further adverse dynamics, especially amidst market volatilities and supply chain constraints, could continue to impact the domestic economy. However, progress made on the vaccination front and the opening of the borders should help economic recovery, with further support expected, should the country promptly exit the FATF and EU caution lists. On the basis of our strong fundamentals and continued execution of our diversification strategy, the Group is well equipped to reap the benefits of economic recovery, with prospects on the international front in particular being encouraging.

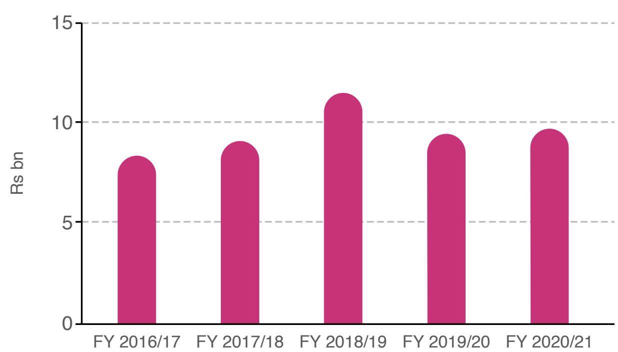
Operating income



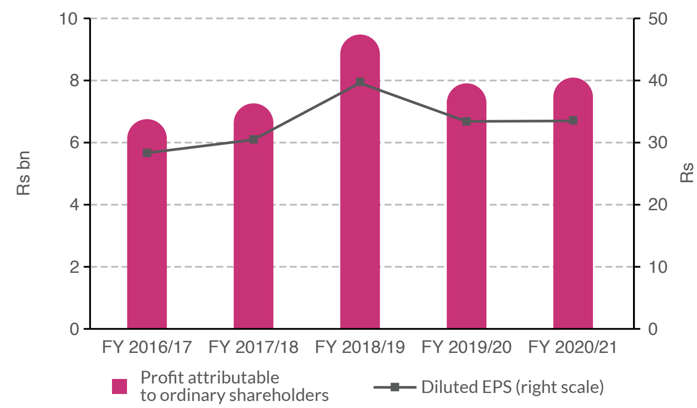
Operating profit before impairment



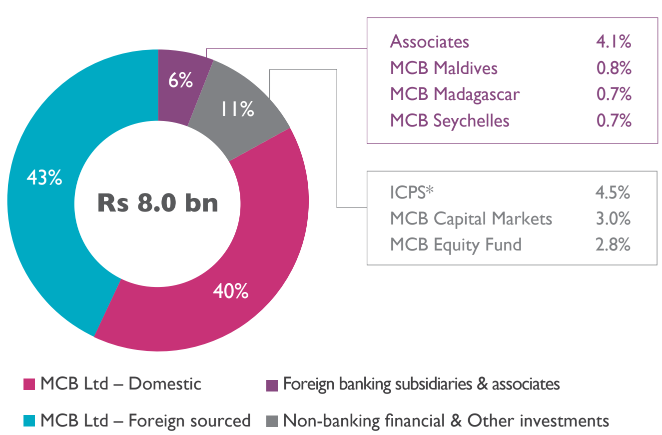
Profit before tax



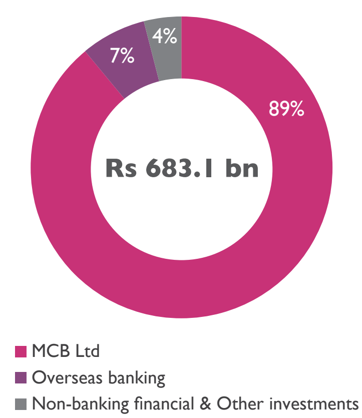
Profit attributable to ordinary shareholders



Contribution to Group profit



Asset breakdown by cluster



** Includes profit on disposal of our shares in ICPS Ltd of Rs 356 million*

Group financial performance

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 14,860 million	**FY 2019/20**	**FY 2020/21**
(+451 million)	3.4%	2.8%

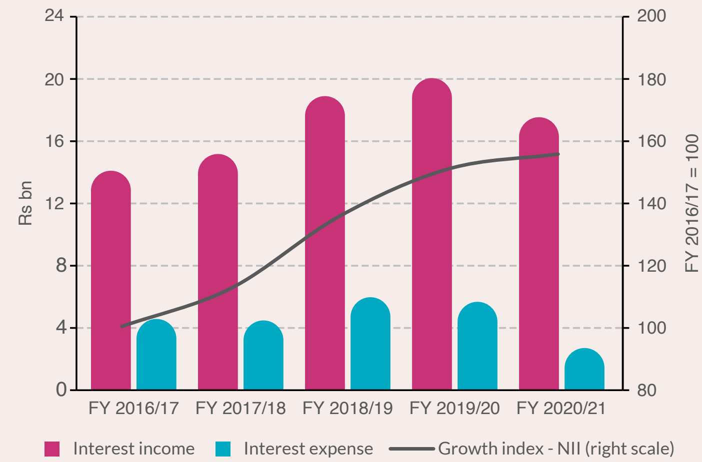
Net interest income rose by 3.1%, driven primarily by increased investment in Government securities as a result of the persisting excess liquidity situation prevailing in most of our markets. The Bank's international loan book also witnessed a significant growth, helped further by the weakness of the Mauritian Rupee. However, net interest income in foreign currency declined marginally due to the drop in LIBOR rates.

Non-interest income	As a % of operating income	
Rs 7,544 million	**FY 2019/20**	**FY 2020/21**
(-2 million)	34.4%	33.7%

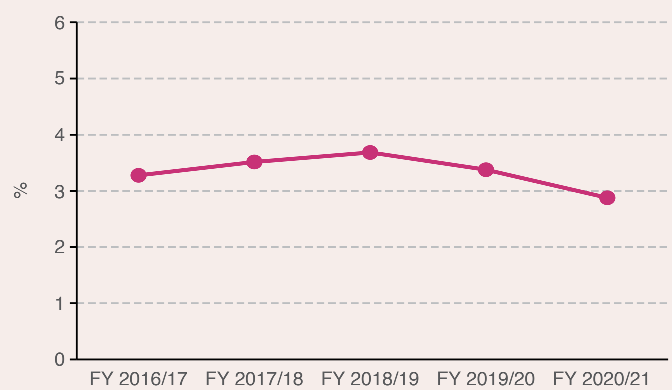
Non-interest income remained relatively flat, with the growth in net fee and commission income offset by a dampened performance in 'other income' as explained below:

- Net fee and commission income rose by 13.3% to stand at Rs 4,460 million, supported by higher revenues mainly from regional trade financing and wealth management activities.
- 'Other income' bore the brunt of the challenging context and declined by 14.5%. Lower volumes of trading in foreign exchange coupled with high volatility in money and foreign exchange markets, contributed to a drop of Rs 459 million in net gain from financial instruments. On the other hand, other operating income remained stable, the profit of Rs 356 million realised on the disposal of our shares in ICPS Ltd being largely offset by the absence of rental income at the level of COVIFRA, as a result of our borders being closed throughout the whole financial year.

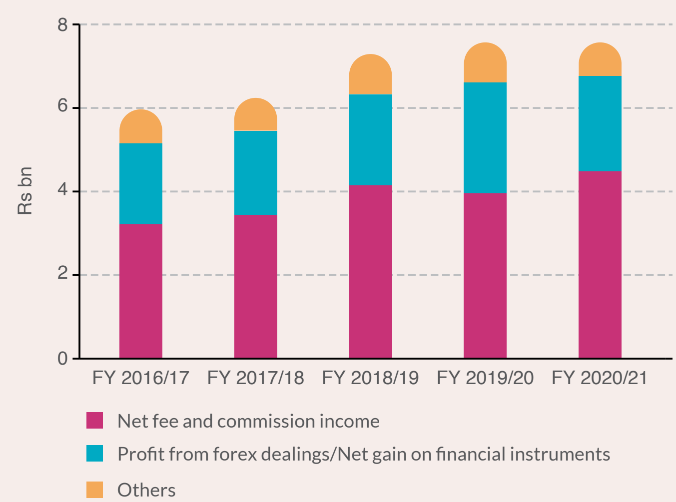
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 8,271 million (+479 million)	**FY 2019/20** 35.5%	**FY 2020/21** 36.9%

Operating expenses increased by 6.1% on account of:

- A rise of 3.1% in staff costs, which represented 55% of the cost base, on the back of continued investment in human capital;
- Continued investment in technology linked to the stepping up of the digitalisation efforts contributing to a growth of 10.6% in depreciation and amortisation costs and an increase of 9.9% in other expenses following higher software and IT related costs.

Given the growth of 2.0% in operating income, the cost to income ratio worsened by 1.4 percentage points to reach 36.9%.

Impairment charges	As a % of loans and advances	
Rs 4,766 million (-310 million)	**FY 2019/20** 1.84%	**FY 2020/21** 1.39%

Whilst specific provisions net of recoveries increased by Rs 287 million to Rs 1,999 million, additional ECL on the Group's performing asset portfolio decreased from Rs 3,364 million to Rs 2,767 million for the period under review, leading to impairment charges declining by 6.1% to reach Rs 4,766 million. As a result, the cost of risk in relation to loans and advances thus remained high, albeit dropping by 45 basis points to reach 1.39% as at June 2021. Excluding ECL provisions, cost of risk for the year decreased from 64 to 55 basis points.

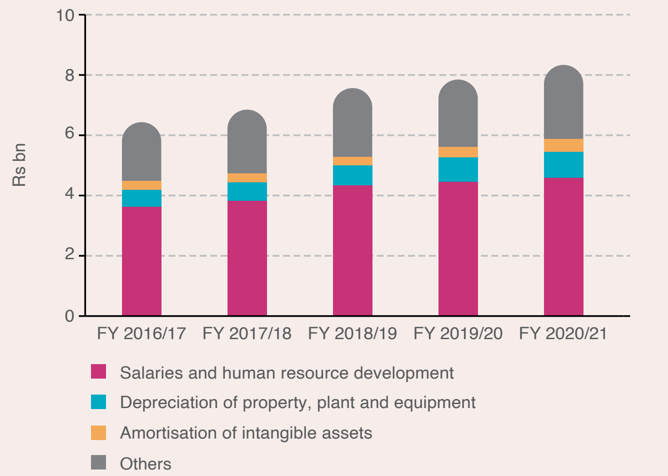
Share of profit of associates	As a % of profit for the year	
Rs 372 million (-29 million)	**FY 2019/20** 5.0%	**FY 2020/21** 4.5%

The share of profit of associates fell by Rs 29 million, principally due to lower contribution from BFCOI more than offsetting improved results at the level of Promotion and Development Ltd.

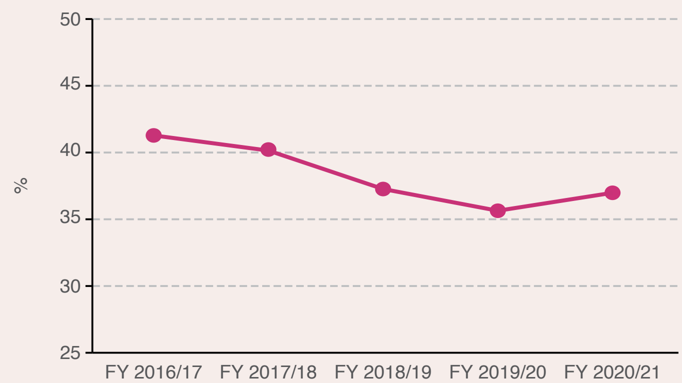
Tax expenses	Effective tax rate	
Rs 1,500 million (+6 million)	**FY 2019/20** 15.7%	**FY 2020/21** 15.4%

Tax expenses rose by 0.4%, with profit before tax rising by 2.6%, leading to our effective tax rate remaining broadly unchanged.

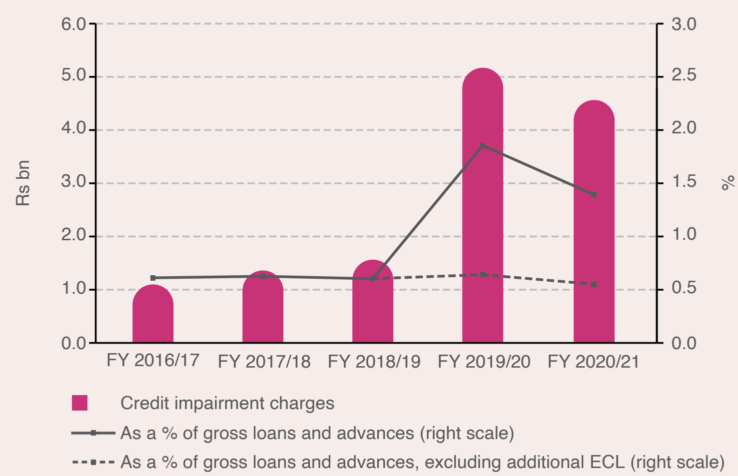
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges*



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

Group financial performance

Financial position statement analysis

Gross loans	Gross NPL ratio	
	FY 2019/20	FY 2020/21
Rs 303.3 billion (+48.3 billion)	4.2%	3.9%

Gross loans of the Group registered a year-on-year growth of 18.9% in FY 2020/21, supported by a broad-based increase across banking subsidiaries. Specifically, MCB Ltd posted a similar growth rate in gross loans over the period under review. This performance was driven by a significant expansion in the Bank's international loan book, linked to Energy & Commodities and Financial Institutions, while rupee depreciation also weighed in the balance. At the domestic level, the overall loan portfolio rose by 10.1% underpinned by an increase of 13.8% in the corporate segment in line with facilities provided to support operators amidst the current context. The retail segment exposures increased by only 1.7% with mortgages, however, increasing at a higher rate of 4.7%. For its part, corporate notes rose by 7.7% to Rs 25.5 billion. On the asset quality side, gross NPL ratio reached 3.9% as at June 2021 compared to 4.2% one year earlier, partly explained by the expansion in loans and advances while the net NPL ratio declined from 2.9% to 2.5% as at 30 June 2021.

Funding	Loans to funding base ratio	
	FY 2019/20	FY 2020/21
Rs 587.1 billion (+139.9 billion)	57.0%	51.7%

Total deposits of the Group increased by 29.0% to reach Rs 504.0 billion as at 30 June 2021, underpinned by growth across banking subsidiaries. In particular, MCB Ltd recorded a rise of 28.0% in its deposit base. While rupee-denominated deposits grew by 9.2%, foreign currency deposits of the Bank increased by 55.8%, reflecting our commercial initiatives as well as the impact of the rupee depreciation. For its part, 'other borrowed funds' went up by 47.1% to reach Rs 77.1 billion, in line with funding initiatives undertaken by MCB Ltd with a view to supporting its international business activities. In addition, the Group has implemented a Multi-Currency Note Programme in order to finance its growth opportunities, with a first issue of Notes amounting to Rs 2.0 billion made in June 2021, the proceeds of which were invested in the capital of the Bank to support its business expansion.

June 2021	Rs m	Y.o.y. growth (%)
Loans to customers	**288,238**	**14.3**
Agriculture and fishing	8,409	18.6
Manufacturing	16,680	(2.9)
of which EPZ	*2,830*	*(5.0)*
Tourism	32,638	29.1
Transport	9,652	11.5
Construction	19,777	5.8
Financial and business services	50,808	4.3
Traders	67,663	42.6
Personal and professional	46,050	2.7
of which credit cards	*830*	*5.1*
of which housing	*33,441*	*5.1*
Global Business Licence holders	19,770	2.5
Others	16,791	12.3
Loans to banks	**15,081**	**421.8**
Total	**303,319**	**18.9**

Note: Figures may not add up to totals due to rounding.

Loans and advances as at June 2021	Rs m	Y.o.y. growth (%)	Mix (%)
Retail customers	46,739	2.5	15.4
Credit cards	*872*	*5.1*	*0.3*
Mortgages	*33,441*	*5.1*	*11.0*
Other retail loans	*12,426*	*(3.9)*	*4.1*
Corporate customers	136,650	12.6	45.1
Entities outside Mauritius*	103,395	23.6	34.1
Government	1,454	(2.1)	0.5
Banks	15,081	421.8	5.0
Total loans	**303,319**	**18.9**	**100.0**
Corporate notes	25,479	7.7	-
Total loans and advances	**328,798**	**18.0**	**-**

** Relate to MCB Ltd*

Off balance sheet items as at 30 June 2021	Rs m	Y.o.y. growth (%)
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	127,108	94.1
Commitments	6,711	(8.3)
Others	18	(83.2)
Total	**133,837**	**83.6**

Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 322.5 billion	**FY 2019/20**	**FY 2020/21**
(+95.9 billion)	42.6%	47.2%

Liquid assets of the Group grew by 42.3% during the last financial year. This was characterised by: (i) an increase of 53.7% in cash and cash equivalents, including placements, mainly through balances with banks abroad and unrestricted balances with Central Banks (ii) a rise of 39.3% in investment securities (excluding shares and corporate notes) amidst high liquidity levels in several markets; and (iii) a growth of 13.9% in mandatory balances with Central Banks.

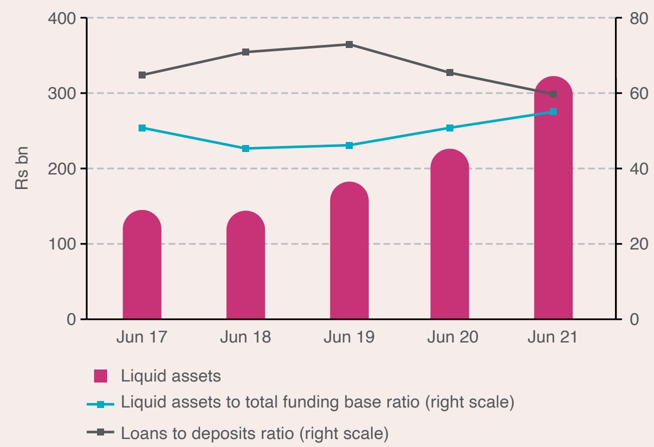
Overall, the above-mentioned liquid assets as a percentage of funding base stood at 54.9% as at 30 June 2021 (FY 2019/20: 50.7%). Banking subsidiaries generally maintained healthy liquidity positions with MCB Ltd displaying comfortable liquidity ratios in both rupee terms and foreign currencies.

Shareholders' funds	Return on equity	
Rs 72.9 billion	**FY 2019/20**	**FY 2020/21**
(+10.3 billion)	13.3%	11.8%

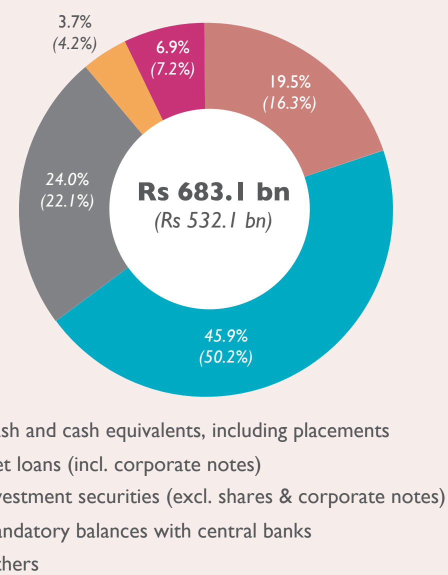
Shareholders' funds increased by 16.5% reflecting a growth of 14.4% (+Rs 7.3 billion) in retained earnings net of the interim dividend and a rise of Rs 3.0 billion in other reserves.

Notwithstanding the significant growth in risk-weighted assets, the Group maintained comfortable capitalisation levels with the BIS ratio standing at 17.4% as at June 2021, of which 16.1% in terms of Tier 1.

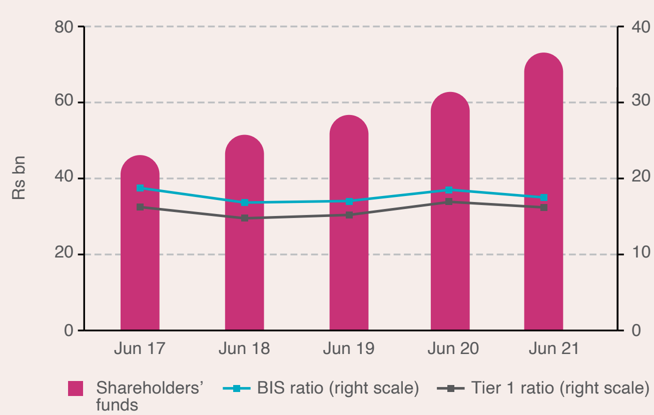
Liquidity position



Assets mix as at 30 June 2021
(Figures in brackets relate to 2020)



Shareholders' funds and capital adequacy



Note: Capital adequacy figures are based on Basel III

Group financial performance

Group financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun-21	Jun-20	Jun-19	Jun-18	Jun-17
Operating income	22,404	21,955	20,226	16,951	15,506
Operating profit before impairment	14,133	14,163	12,716	10,149	9,118
Operating profit	9,367	9,087	11,119	8,819	8,054
Profit before tax	9,739	9,488	11,523	9,126	8,392
Profit attributable to ordinary equity holders of the parent	8,019	7,912	9,434	7,221	6,702
Statement of financial position (Rs m)					
Total assets	683,133	532,114	471,418	386,370	345,210
Total loans (gross)	303,319	255,023	241,612	211,054	178,140
Investment securities	198,530	148,858	126,204	88,747	74,730
Total deposits	503,972	390,659	331,500	297,719	274,863
Subordinated liabilities	1,984	2,122	5,572	5,592	5,587
Other borrowed funds	77,136	52,444	56,886	14,373	5,968
Shareholders' funds	72,892	62,545	56,509	51,306	45,949
Performance ratios (%)					
Return on average total assets	1.3	1.6	2.2	2.0	2.0
Return on average equity	11.8	13.3	17.5	14.8	15.5
Loans to deposits ratio	60.2	65.3	72.9	70.9	64.8
Cost to income ratio	36.9	35.5	37.1	40.1	41.2
Capital adequacy ratios (%)					
BIS risk adjusted ratio	17.4	18.6	17.3	17.1	18.8
of which Tier 1	*16.1*	*17.2*	*15.7*	*15.3*	*16.6*
Asset quality					
Non-performing loans (Rs m)	12,575	11,723	10,559	9,734	10,882
Gross NPL ratio (%)	3.9	4.2	4.1	4.5	6.2

Note: Capital adequacy ratios are based on Basel III