

Group financial performance





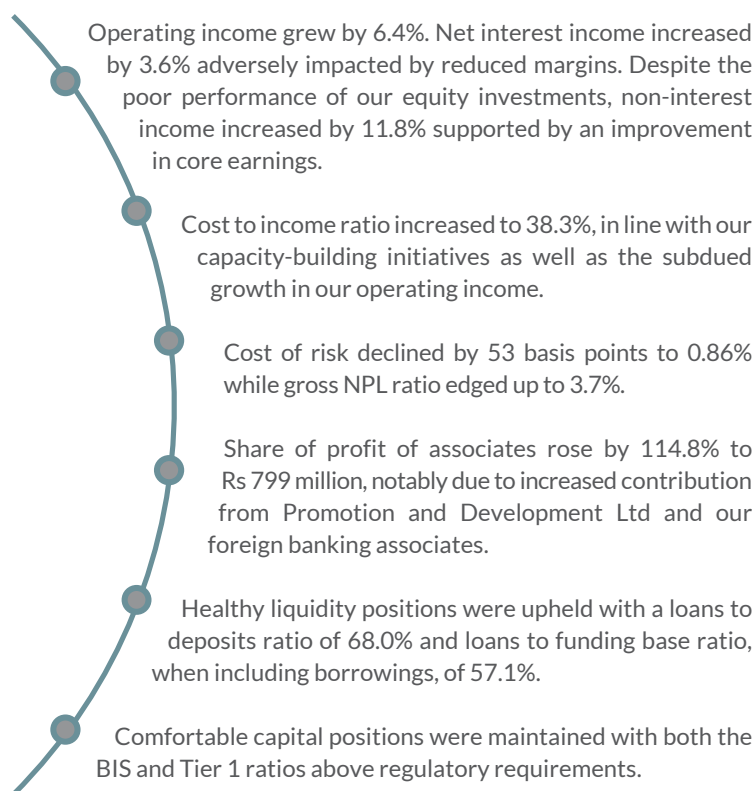
MARIANNA
Meet the artist

Group financial performance

Overview of results

The 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.

Group financial highlights



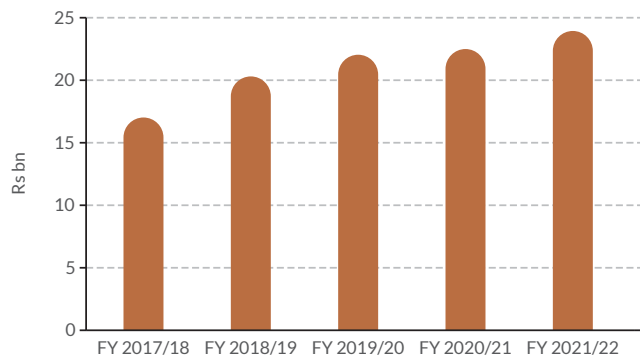
Key figures	
Rs 9,637 million <i>(Rs 8,019 million)</i>	Profit attributable to ordinary shareholders
Rs 23,845 million <i>(Rs 22,404 million)</i>	Operating income
38.3% <i>(36.9%)</i>	Cost to income ratio
Rs 3,481 million <i>(Rs 4,766 million)</i>	Impairment charges
Rs 12,031 million <i>(Rs 9,739 million)</i>	Profit before tax
12.8% <i>(11.8%)</i>	ROE ratio
18.1% <i>(17.4%)</i>	BIS ratio

Note: Figures in brackets relate to FY 2020/21

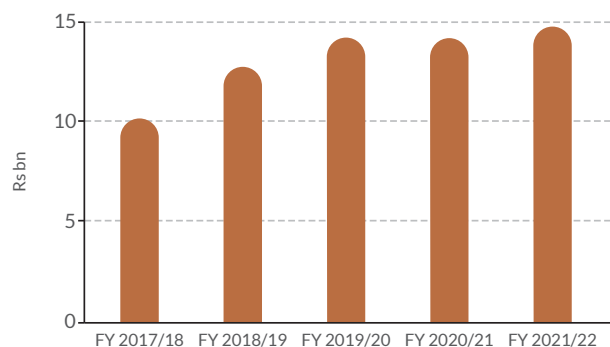
Outlook for FY 2022/23

The operating environment remains volatile and 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.

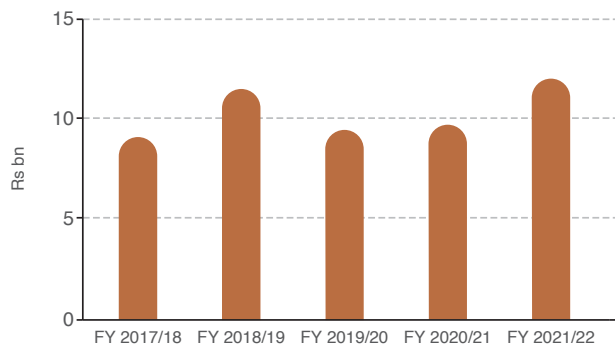
Operating income



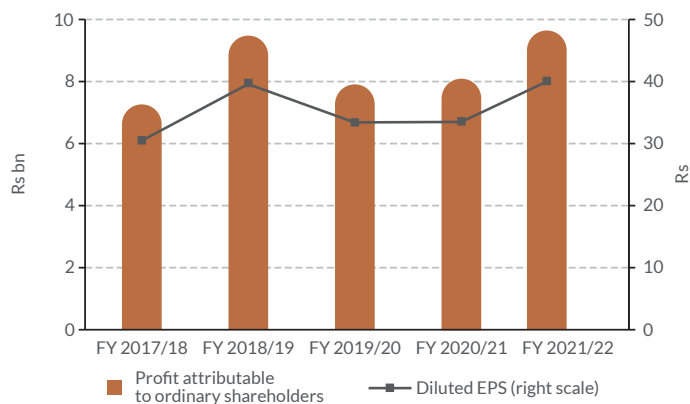
Operating profit before provisions



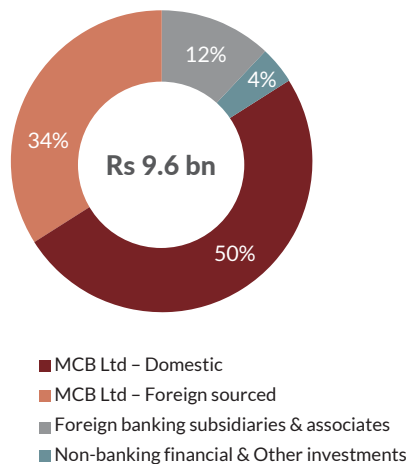
Profit before tax



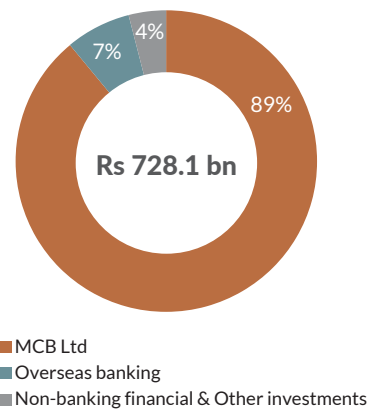
Profit attributable to ordinary shareholders



Contribution to Group profit



Assets-breakdown by cluster



Group financial performance

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 15,191 million (+526 million)	FY 2020/21	FY 2021/22
	2.8%	2.5%

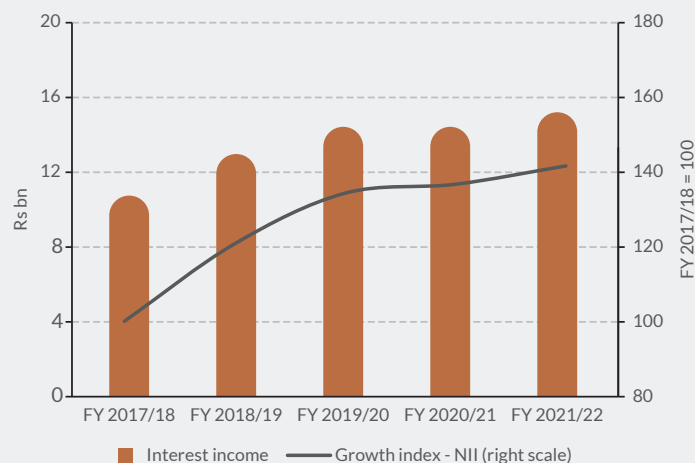
Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on our international loan book amidst a shift in its mix toward the shorter tenor loans.

Non-interest income	As a % of operating income	
Rs 8,654 million (+915 million)	FY 2020/21	FY 2021/22
	34.5%	36.3%

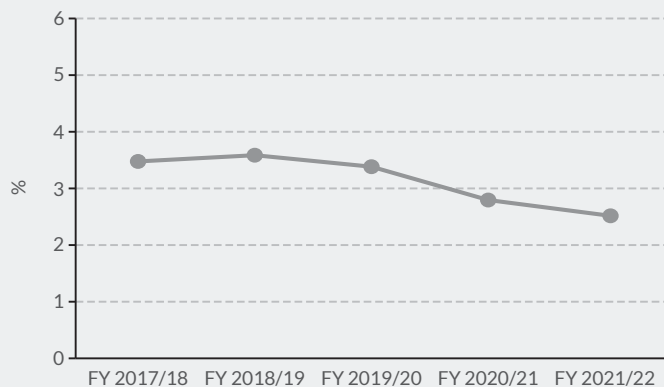
Notwithstanding a net loss from equity financial instruments carried at fair value, amidst market volatility as compared to a significant gain in the previous year, non-interest income went up by 11.8% on the back of:

- 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 had 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.

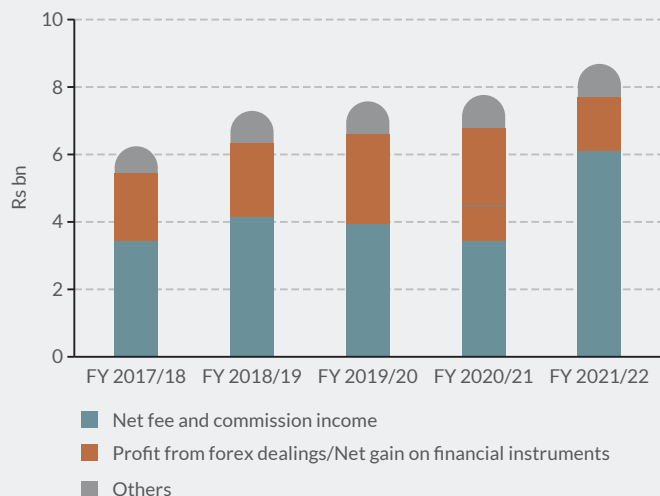
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 9,132 million (+861 million)	FY 2020/21	FY 2021/22
	36.9%	38.3%

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 charges	As a % of loans and advances	
Rs 3,481 million (-1,285 million)	FY 2020/21	FY 2021/22
	1.39%	0.86%

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%.

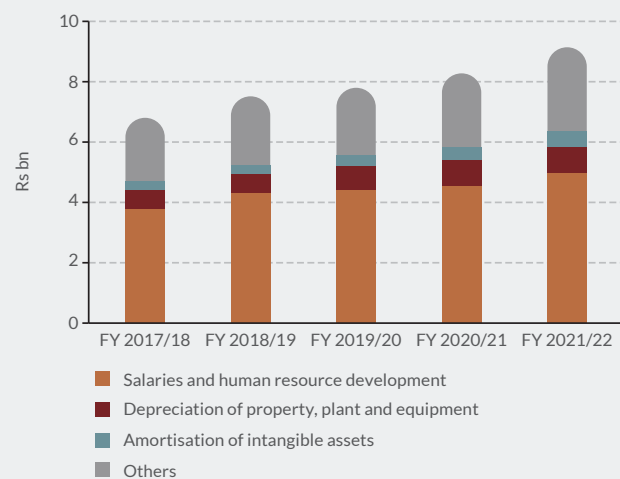
Share of profit of associates	As a % of profit for the year	
Rs 799 million (+427 million)	FY 2020/21	FY 2021/22
	4.5%	8.0%

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

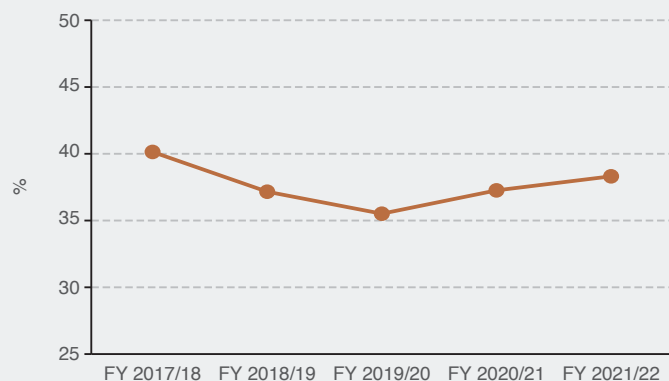
Tax expenses	Effective tax rate	
Rs 2,070 million (+570 million)	FY 2020/21	FY 2021/22
	15.4%	17.2%

Whilst profit before tax rose by 23.5%, tax expenses increased by 38.0%, notably reflecting a higher proportion of earnings from foreign subsidiaries, which bear a relatively higher effective tax rates.

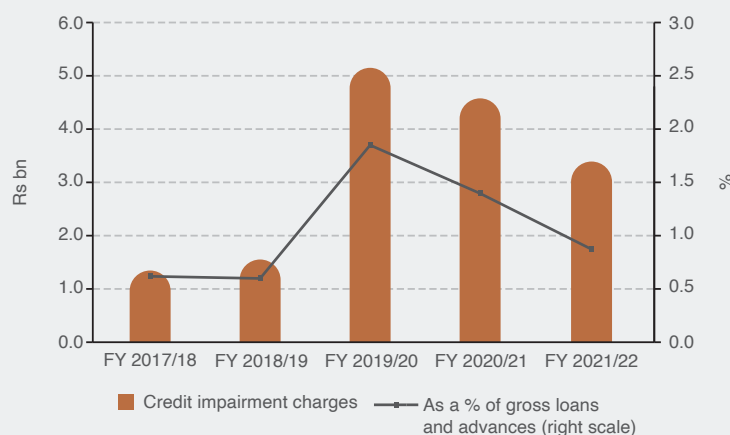
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges



Note: Cost of risk pertains to loans and advances

Group financial performance

Financial position statement analysis

Gross loans	Gross NPL	
Rs 357.7 billion	As at 30 Jun 21	As at 30 Jun 22
(+54.4 billion)	3.6%	3.7%

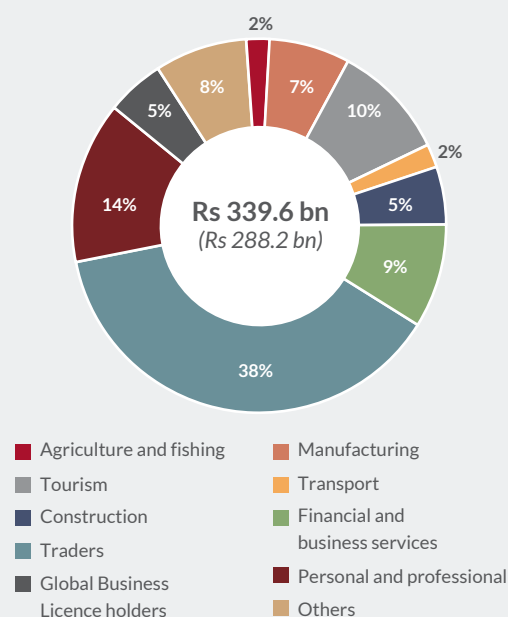
Gross loans of the Group registered a year-on-year growth of 17.9% in FY 2021/22, supported by a similar growth at the level of MCB Ltd. The latter performance was largely explained by the continued expansion in its foreign activities, with related credit to customers increasing by 39.1%, mainly linked to the Energy & Commodities business, while rupee depreciation also weighed in the balance. On the other hand, the loan portfolio at the domestic level remained relatively flat, to some extent, due to the recourse by some operators in the corporate segment to other financial instruments. Indeed, exposures of the Group through corporate notes increased by some 32.4% to Rs 33.7 billion. For its part, lending to individuals increased by only 4.1%, mainly underpinned by growth in mortgages. As regards asset quality, non-performing loan ratio in gross and net terms stood at 3.7% and 2.4% respectively as at June 2022.

Funding base	Loans to funding base ratio	
Rs 626.3 billion	As at 30 Jun 21	As at 30 Jun 22
(+39 billion)	51.7%	57.1%

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.

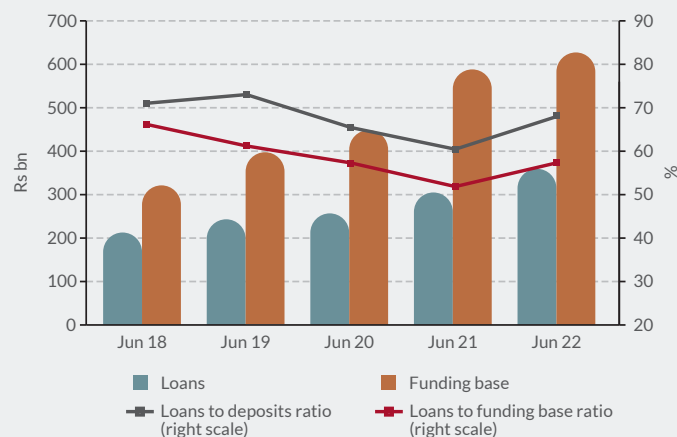
June 2022	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	339,564	17.8
Loans to banks	18,121	20.2
Gross loans	357,685	17.9
Corporate notes	33,722	32.4
Total loans and advances	391,407	19.0

Sectorwise distribution of loans to customers



Note: Figures in brackets relate to FY 2020/21

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
	As at 30 Jun 21	As at 30 Jun 22
Rs 303.9 billion (-18.6 billion)	47.2%	41.7%

Whilst a rise of Rs 33.2 billion in investment securities was offset by a decrease in cash and cash equivalents, total liquid assets during the last financial year dropped by 5.8%, mainly explained by a decline in placements with banks abroad, in line with the growth in the foreign loan book.

Overall, the liquid assets as a percentage of funding base stood at 48.5% as at 30 June 2022 (FY 2020/21: 54.9%).

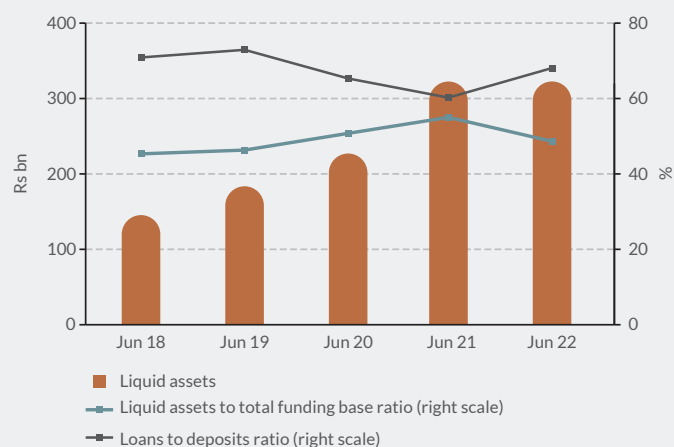
Shareholders' funds	Return on equity	
	As at 30 Jun 21	As at 30 Jun 22
Rs 77.9 billion (+5.0 billion)	11.8%	12.8%

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.

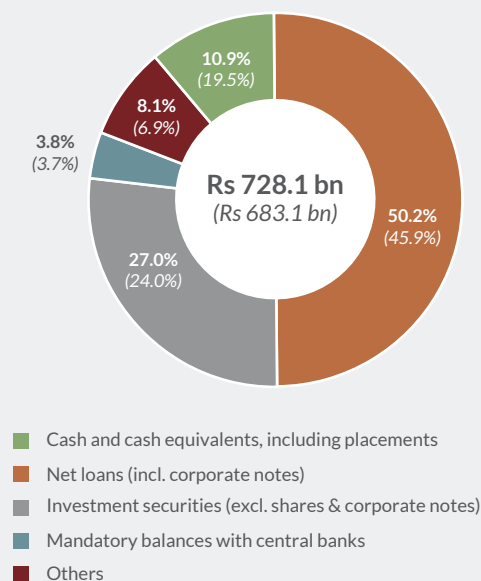
Dividend

A final dividend of Rs 8.00 was declared in September to be payable in December 2022 after an interim of Rs 5.90 paid in July 2022, bringing the total dividend per share to Rs 13.90.

Liquidity position

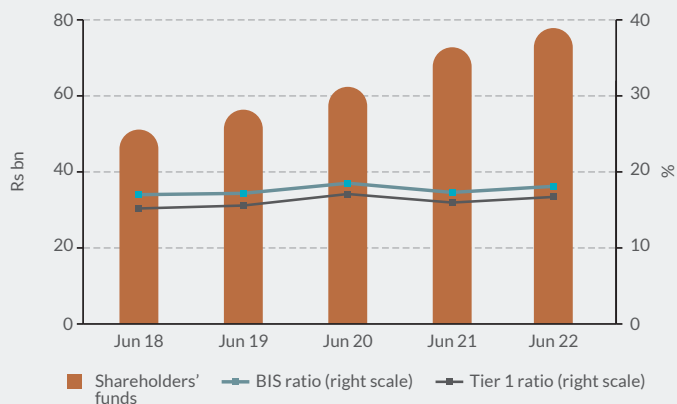


Asset mix as at 30 June 2022



Note: Figures in brackets relate to FY 2020/21

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-22	Jun-21	Jun-20	Jun-19	Jun-18
Operating income	23,845	22,404	21,955	20,226	16,951
Operating profit before impairment	14,713	14,133	14,163	12,716	10,149
Operating profit	11,232	9,367	9,087	11,119	8,819
Profit before tax	12,031	9,739	9,488	11,523	9,126
Profit attributable to ordinary equity holders of the parent	9,637	8,019	7,912	9,434	7,221

Statement of financial position (Rs m)	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Total assets	728,128	683,133	532,114	471,418	386,370
Total loans (gross)	357,165	303,319	255,023	241,612	211,054
Investment securities	239,684	198,530	148,858	126,204	88,747
Total deposits	525,656	503,972	390,659	331,500	297,719
Subordinated liabilities	1,793	1,984	2,122	5,572	5,592
Other borrowed funds	94,995	77,136	52,444	56,886	14,373
Shareholders' funds	77,912	72,892	62,545	56,509	51,306

Performance ratios (%)	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Return on average total assets	1.4	1.3	1.6	2.2	2.0
Return on average equity	12.8	11.8	13.3	17.5	14.8
Loans to deposits ratio	68.0	60.2	65.3	72.9	70.9
Cost to income ratio	38.3	36.9	35.5	37.1	40.1

Capital adequacy ratios (%)	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
BIS risk adjusted ratio	18.2	17.4	18.6	17.3	17.1
of which Tier 1	16.8	16.1	17.2	15.7	15.3

Asset quality	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Non-performing loans (Rs m)	14,324	11,878	11,723	10,559	9,734
Gross NPL ratio (%)	3.7	3.6	4.2	4.1	4.5
Cost of risk (%)	0.86	1.39	1.84	0.59	0.61

Notes:

(i) Capital adequacy ratios are based on Basel III

(ii) Cost of risk pertains to loans and advances