MCB Group

One of Africa's most disciplined banking groups

MCB Group Ltd (MCBG) is the leading financial services group in Mauritius and a pan-African player. The group launched its Vision 2030 strategy in 2025, which sets out the goals and objectives for the next five years. MCBG has consistently delivered a high-teens return on equity (ROE), generating 16.4% in FY25. Consistent profitability, coupled with a sound capital base (a Tier-1 ratio of 19.6% at end-June 2025), allows MCBG to distribute an attractive dividend, currently yielding c 6%. MCBG's near-term prospects are complicated by headwinds from increasing taxes, a slowdown of its Nigerian business and increasing non-interest expenses. We expect these headwinds to cause earnings to stall in FY26 before growth recovers in FY27.

Year end	NII (MURm)	EPS (MUR)	DPS (MUR)	ROE (%)	P/E (x)	Yield (%)
6/24	24,239	63.65	23.00	16.6	6.8	5.3
6/25	27,052	70.13	25.50	16.4	6.2	5.9
6/26e	29,026	69.65	25.50	15.4	6.2	5.9
6/27e	31,562	75.99	27.36	15.9	5.7	6.3

Note: NII is net interest income. EPS is fully diluted as defined by the company.

Local and international bank, working together

The Mauritius banking sector is resilient and benefits from investor supportive regulatory oversight. Although the domestic loan book growth was strong in the COVID-19 era, we view the domestic market as providing stability rather than growth for MCBG over the forecast period. The international loan book expansion will support the bulk of MCBG's growth ambitions over the next three years. With a strong presence on the African continent, MCBG is well positioned to act as a gateway to cross-border African lending. We believe the company's international business can grow in excess of 10% per year through the forecast period, driving the group's operating income. We also forecast non-interest expense growth to slow from FY27, which will help drive operating margin expansion in the future.

Near-term growth affected by headwinds

In Q126 (to 30 September 2025), MCBG posted strong operating income growth of 9% y-o-y; however, the bottom-line performance was affected by the new tax measures announced in the last national budget. With MCBG's near-term prospects complicated by headwinds from increasing taxes, a slowdown of its Nigerian business and increasing non-interest expenses, we do not forecast material earnings growth until FY27.

Valuation: Further expansion potential

MCBG's shares have more than doubled over the past five years, but have recently been under pressure, as investors have questioned the implications of the Moody's outlook change from stable to negative for the Mauritian sovereign, increasing taxes on banks and MCBG's slowing Nigerian business. MCBG's shares currently trade at an FY27 P/E ratio of 5.7x, which we believe has room to expand.

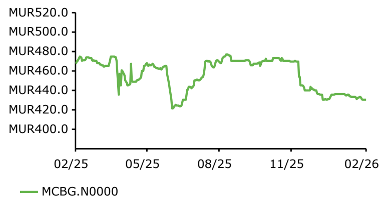
Initiation of coverage

Financials

11 February 2026

Price	**MUR432.00**
Market cap	**MUR114,018m**
Shares in issue	263.9m
Free float	93.0%
Code	MCBG.N0000
Primary exchange	MAU
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(0.7)	(5.3)	(2.9)
52-week high/low		MUR476.8	MUR405.9

Business description

MCB Group (MCBG) is an integrated financial services provider headquartered in Mauritius. MCBG operates one of the largest banks in Africa with about MUR1tn ($22bn) in assets. It provides financing to endeavours predominantly in Africa. Founded in 1838, it is one of the oldest banks in the world in terms of continuous operations.

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H126 results	February 2026

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Investment summary

MCBG is a diversified financial group and the leading bank in Mauritius, offering a full range of financial services via its domestic network and international offerings via its Pan-African corporate and investment bank (CIB). Crucially we view MCBG's dual model as a balanced engine: at home, a fully scaled retail/SME and corporate franchise with market shares of c 50% in deposits and c 40% in domestic credit; and internationally, a focused corporate and institutional platform in energy, commodities, power and infrastructure, and funds and financial institutions, supported by commercial hubs in Johannesburg, Nairobi, Lagos, Paris and Dubai. Execution is anchored by Vision 2030: lead in home markets; build a top-tier African CIB and private banking institution; and win in the workplace via technology and talent.

Financials: Consistently improving metrics

MCBG's dual domestic and international structure has delivered resilient and consistent earnings growth through a volatile cycle, underpinned by rising capital ratios and improving liquidity and asset quality. In FY25 (to 30 June 2025) the Group increased net profit by 13% to MUR18.1bn, with an ROE of 16.4%, a cost-to-income (CIR) ratio of 37.4%, a gross non-performing loan (NPL) ratio of 3.0% and a Tier 1 capital ratio of 19.6% – all consistent with a franchise that compounds value through cycles while investing for growth. Customer deposits grew 5% to MUR740bn and gross loans were broadly stable at MUR474bn after a strong FY24, leaving ample funding headroom during the forecast period. We broadly forecast headwinds in FY26 having a negative impact on MCBG's financials, before a normalisation of earnings growth and improving financial metrics takes hold in FY27 and FY28.

Sensitivities: Global markets, oil & gas, geopolitical risks and taxes

MCBG's risk profile remains dominated by three interacting forces: 1) domestic policy and tax changes in Mauritius, which alter through-the-cycle returns on the home franchise; 2) evolving trade flows in sub-Saharan energy and commodities markets, which affect income in the international book; and 3) the usual banking cycle sensitivities (rates, credit cost and liquidity), which can amplify or dampen the first two. Across these, the group's discipline on capital, liquidity and conduct risk has been reinforced in FY25, but near-term earnings volatility cannot be ruled out. With global central banks reducing interest rates, MCBG is facing an earnings headwind as downward repricing will squeeze net interest margin (NIM). MCBG's international lending is still highly exposed to oil & gas, with c 27% of the loan book focused on the area. We consider the three-year renewal of the African Growth and Opportunity Act (AGOA) as positive for trade flows between the US and Mauritius. There could be a longer-term opportunity for greater intra-African trade that bypasses a US dominated system, but this will take some time to develop. Increasing local taxes on MCBG will see its effective tax rate continue to rise to approximately 29% over the forecast period. Against this backdrop, our forecasts map a path of continued compounding EPS growth, moderated by tax headwinds and the reset in Nigerian oil-related flows (see Macro and industry context section). We think MCBG remains structurally advantaged by 1) the Mauritian International Finance Centre's (MIFC's) legal and regulatory ecosystems and 2) scarce specialist expertise in African cross-border banking, while near-term sensitivities centre on Mauritius's new tax regime and the evolving Nigerian fuels market. Across Africa, economic growth has picked up despite the challenging external environment. Improved macroeconomic management coupled with reforms led to sovereign rating upgrades in countries like Seychelles, Nigeria, Kenya and Ghana. Nonetheless, debt sustainability concerns and currency volatility continue to challenge macroeconomic stability in several jurisdictions.

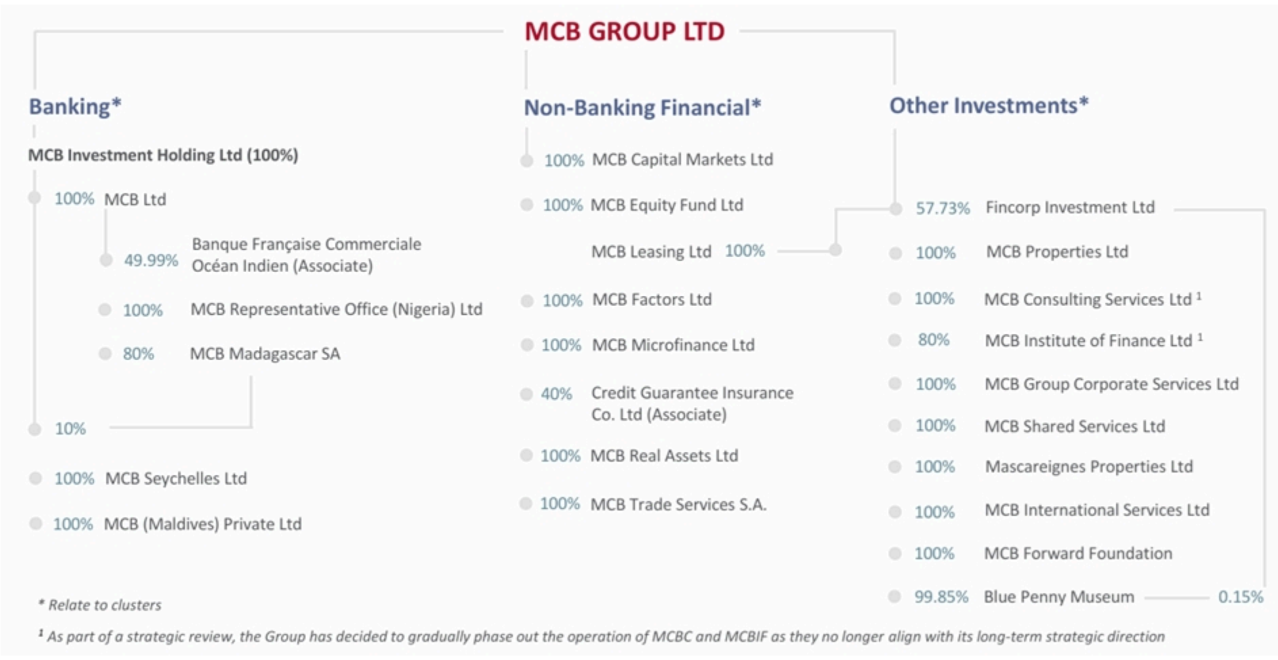
Valuation: Undemanding FY27 P/E ratio of 5.7x

MCBG's shares currently trade at an FY27 P/E ratio of 5.7x, which we believe does not fully capture its leading market position and international growth ambitions. We value MCBG's shares based on a historical P/E analysis, which yields a range of c 6.0–8.0x 12-month forward EPS and an average of c 7.0x, equating to a share price of MUR532, 23% above the current price.

Company description and strategy

MCBG is a reputable and prominent regional banking and financial services provider, offering a comprehensive range of tailored and innovative solutions through its local and foreign subsidiaries and associates. MCBG Limited acts as the ultimate holding company of the group, with its subsidiaries and associates operating under three distinct clusters namely, Banking, Non-Banking Financial and Other Investments. The shares of MCBG Limited are listed on the Official Market of the Stock Exchange of Mauritius. It has a large shareholder base of more than 24,000 investors. Below we show MCBG's current structure:

Exhibit 1: MCBG structure



Source: MCBG data

MCBG was established in 1838. Its current structure is the result of a corporate restructuring exercise in 2014. MCBG has a strong position as the leading bank in Mauritius and plays a key role in promoting the country's socio-economic development. MCBG initiated its expansion beyond Mauritius in the 1990s, and it is now present in 10 countries. It has dedicated subsidiaries in Madagascar, Seychelles and Maldives while also being present in Reunion Island, Mayotte and France through its associate Banque Française Commerciale Océan Indien. MCBG also has representative offices in Paris, Johannesburg, Nairobi and Lagos as well as an advisory office in Dubai, to be close to its global client base and have a better understanding of the economic and business landscape in certain important regions.

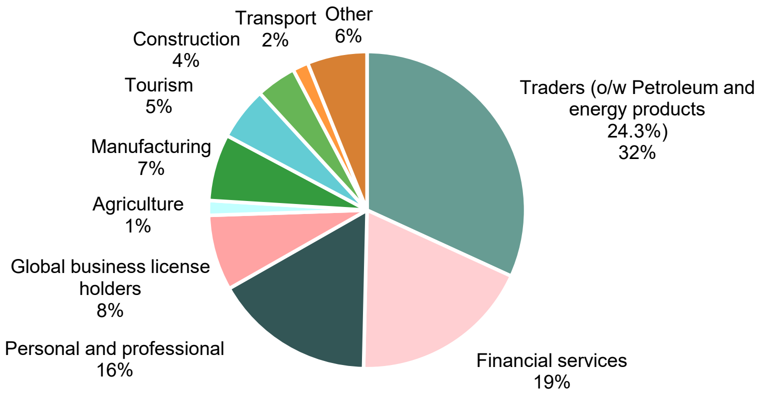
Utilising Mauritius as an international financial centre, MCBG has widened and deepened its international business activities. The group has enhanced its growth strategy across Africa by focusing on niche market segments where it has built expertise and experience over time. MCBG has reinforced its market positioning in the energy and commodities segment within Africa and has further developed its power and infrastructure franchise. The group has also made inroads in establishing itself as a core banking partner for private equity funds and large corporates and is focused on multinational corporations doing business across African and international corridors. MCBG has won a number of prominent awards including the African Bank of the Year 2024 by the Banker.

The group has continued to base its regional growth on strong partnerships and its wide network of correspondent banks, with enhanced collaboration to better serve its clients across the continent. Non-banking activities of the group include a comprehensive range of investment solutions like stockbroking, corporate finance advisory, investment management, registrar & transfer agent and private equity financing. It also offers non-bank credit services including leasing, factoring and micro-finance. MCBG is also involved in other business areas and undertakings, with a dedicated purpose to promote its corporate social responsibility and philanthropic agenda.

MCBG's loan book is well diversified in terms of sector exposure, but still has a meaningful concentration in oil & gas at 24%. The top 6 customers made up 12.3% of its total credit risk capital as of end-June 2025, which we view as a reasonable control of concentration risk. In Exhibit 2, we show the group's loan book by sector.

Looking ahead, the group's focus will be on executing the recently defined Vision 2030, which is 'To be the leading Banking Group in our Home markets, a top-tier African Corporate & Investment Bank and Private Banking institution, recognised for Excellence and Innovation'. Building on the momentum and progress achieved to date, the vision seeks to shape strategic choices, foster stronger alignment and drive purposeful action across the organisation.

Exhibit 2: MCBG's loan book is well diversified by sector



Source: MCBG data as at end-June 2025, Edison Investment Research

Two businesses, two currencies, one balance sheet discipline

We emphasise that MCBG's domestic (rupee) and international (predominantly US dollar) activities are managed as distinct pools with limited interchangeability given rupee liquidity constraints. It matters for capital, liquidity and transfer pricing, and contributes to the group's conservative asset-liability management (ALM) stance.

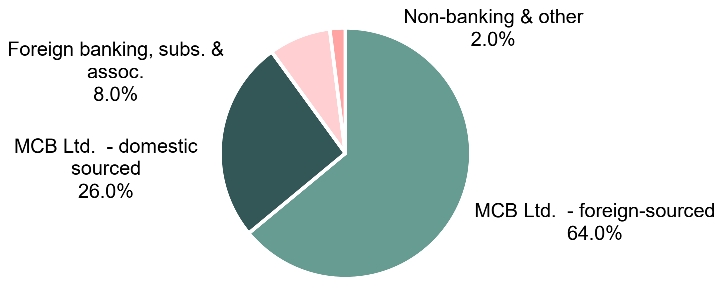
Domestic business

MCBG is the longest-standing and leading banking institution in Mauritius, holding a dominant local market share in domestic credit and deposits. Its domestic business is best understood through its key customer segments and the wide range of services it provides to the Mauritian economy. Firstly, its personal banking franchise caters to the day-to-day financial needs and aspirations of individual customers. This includes offerings like various accounts (current, savings, fixed deposit), a range of loans (housing, personal, educational, car), credit and debit cards, and digital banking services such as the MCB Juice app. MCBG has a c 40% share of the retail mortgage market in Mauritius, where ownership is approximately 85%. Given the high level of excess deposits in the market, competition caused pricing compression. Secondly, its small and medium enterprises (SMEs) franchise provides support throughout the business development cycle with tailored financial solutions and advice. Services include business accounts (with online opening options), working capital, term loans, invoice factoring and the JuicePro app for business finances. Thirdly, the corporate client franchise offers flexible and innovative financial solutions, as well as dedicated advice to local corporations, global business companies, funds, trusts and foundations. The bank has specialist knowledge in sectors such as energy, telecommunications, infrastructure, hospitality and agribusiness.

International business

MCBG offers a comprehensive suite of international business solutions as part of its strategy to be a prominent regional and global financial services player. The bank provides tailored banking and financial services to corporate and institutional clients, funds, trusts and foundations worldwide. MCBG has a strong regional presence with dedicated banking subsidiaries in Madagascar, Seychelles and Maldives, and is also present in Réunion, Mayotte and France through associates. It also maintains representative and advisory offices in major economic hubs like Paris, Johannesburg, Nairobi, Lagos and Dubai. This network is supported by an extensive system of correspondent banks globally, which helps facilitate cross-border transactions and trade between Africa, Asia and the world. The largest component of the international segment is MCBG's trade finance business. MCBG maintains direct relationships with oil traders (backed by large oil conglomerates such as Shell, Total etc), and lending to these intermediaries is generally structured so that exposures are asset-backed and self-liquidating, all of which reduces risk for MCBG. Less than 1% NPL are generated in this business despite it accounting for c 27% of gross loans. We discuss MCBG's sensitivity to the Nigerian economy later in the note. The second-largest component is the global and international corporate client book, focusing on global and African corporates, multinational companies, funds, trusts and foundations that are investing in or trading with the African continent.

Exhibit 3: Contribution to group profit



Source: MCBG annual report

Vision 2030 to allocate capital

The group's Vision 2030 is not a slogan as much as a capital allocation framework. At home, it implies continued investment in digital and data, product depth and service levels, targeting a higher share of wallet in retail and SME, and premiumisation in wealth. Abroad, it implies careful expansion of coverage and product in existing verticals, selective entry into adjacencies (for example, more power and infrastructure financing as energy transitions proceed in Eastern and Southern Africa) and a disciplined approach to funding and capital. The workplace agenda is visible in the operating model: process modernisation, platform unification, cyber resilience and talent development run in parallel, with line leadership increasingly measured against customer outcomes and risk discipline, not just volume growth. This is consistent with the bank's conservative culture and shows up in assets, liabilities and costs.

Exhibit 4: MCBG's Vision 2030 strategy

Source: MCBG annual report

Environmental, social and governance (ESG)

Guided by its purpose, ‘Success Beyond Numbers’, MCBG’s sustainability strategy, focuses on driving a positive economic, social and environmental impact by integrating sustainability into operations, promoting green financing (eg renewable energy, blue economy), improving gender diversity in leadership and ensuring robust governance to foster a low-carbon, resilient economy. The key pillars of MCBG's ESG strategy include:

1. Sustainable finance framework: Launched to align with international standards (ICMA Green/Social Bond Principles), the framework supports projects in renewable energy, energy efficiency, green buildings and biodiversity.
2. Environmental impact: Focuses on climate adaptation, reducing emissions and transitioning to a lower-carbon economy in Mauritius and Africa.
3. Social responsibility: Emphasises gender diversity in senior roles, community well-being and supporting local businesses.
4. Governance & risk management: Involves integrating environmental and social risk assessments into lending decisions and ensuring ethical conduct.

The strategy is aligned with the Mauritius government's National Determined Contributions (NDCs) for 2030, targeting clean energy and coal phase-out. MCBG has strengthened governance (eg the Cyber and Technology Risk Committee), maintained strong disclosure and expanded sustainable finance (eg climate-aligned credit lines), while the group retains an ‘A’ MSCI ESG rating. We regard ESG as supportive of funding diversification (eg the bank’s oversubscribed US $350m dual-tranche Asia-focused syndicated term loan).

Macro and industry context

Mauritius: A stable gateway to Africa

Mauritius remains a safe harbour for cross-border finance into Africa. The authorities have set a five-year strategy (2025–30) to strengthen the MIFC’s competitiveness – streamlining regulation, broadening products and deepening international connectivity – endorsed by the national cabinet in May 2025. This is a supportive medium-term signal for MCBG’s international franchise and wealth platform.

Monetary policy is steady. After cutting the key rate to 4.0% in September 2024, the Bank of Mauritius lifted it to 4.5% in February 2025 and kept it unchanged in May and August; headline inflation is projected at around 4% for 2025, inside the 2–5% target range. The central bank’s own commentary notes the recent rebuild of system liquidity weighing on money-market yields, which is consistent with our view that margin tailwinds will fade from here.

Fiscal/tax policy is the near-term swing factor. The 2025 Finance Act introduced a Fair Share Contribution (FSC, 5%) and an Additional FSC (2.5%, on domestic activities) for banks, removed the historical cap on the Banks’ Special Levy and curtailed foreign dividend exemptions. The measures apply for three years from 1 July 2025, with an overall 35% cap on tax burdens from specific levies on domestic chargeable income. We therefore model higher effective tax rates of c 29% into FY26–28.

Sub-Saharan Africa and Nigeria oil: A new equilibrium

Across MCBG’s African markets the macroeconomic picture is mixed: external balances are still tight in several economies, but the cyclical downswing is easing, with country-specific improvements in areas like Seychelles and Kenya. For MCBG’s CIB book, the most material near-term industry change is Nigeria’s downstream reset. The Dangote Refinery’s ramp-up and the government’s further policy steps to protect local refining (eg a 15% import duty on petrol and diesel announced on 30 October 2025) are gradually shifting flows, pricing and counterparty dynamics across the oil and products chains. We see a transition period of intermittent friction – FX access, crude feed allocations, logistics and domestic pricing – before a steadier state of higher on-shore refining utilisation and lower imports emerges. This tallies with the bank’s drop in funded exposures in commodity trade finance for oil and gas amid developments in Nigeria.

Net of these cross-currents, we regard MCBG’s risk-selection discipline, distribution capability and sector knowledge as the right tools for this transition; the resetting of Nigerian revenues in H225 arguably lowers forward volatility.

Financials

Over the last few years, MCBG's EPS has grown at a rate between 10% and 40% as the balance sheet has expanded in both its Mauritian and international books, albeit with different drivers. At home, growth has been anchored by abundant, low-beta rupee deposits and a deliberate redeployment of excess liquidity into higher-yielding sovereign and money-market paper, which lifted net interest income (NII) and supported a higher cost base; bank-level metrics reflect that discipline, with the CIR ratio at 37.4%, ROE at 16.4% and the gross NPL ratio has been easing since 2022 and reached 3.0% in FY25. Abroad, the engine has been corporate lending into trade, energy and infrastructure, where MCBG has compounded loan volumes at double-digit rates for several years and where foreign-sourced assets now represent the majority of the book (foreign currency loans represented c 60% of the portfolio at group level at end-FY25), while maintaining conservative liquidity and capital headroom. We expect international growth to remain robust over the next three years. As rates and funding mixes continue to evolve, the international franchise could see some margin moderation as term deposits rise and liquid assets take a larger share of the foreign currency portfolio, but overall we expect spreads to remain resilient (NIM of around 3.0–3.15% through FY28) and asset quality to be held firm, with coverage improving alongside a loan-to-deposit ratio below 70%, leaving capacity to grow. Importantly, the two businesses are largely ring-fenced by currency and liquidity realities: rupee liquidity is deep but not easily fungible into foreign currency, limiting cross-segment balance sheet transfers and reinforcing distinct ALM postures – domestic as a liquidity-rich, rate-sensitive book; international as a capital-disciplined, flow-driven lender into Africa-related corporates. Overall we forecast the domestic loan book to expand by c 7% per year, in line with nominal GDP growth in Mauritius, between FY26 and FY28, while the international loan book is forecast to grow at c 10% per year based on recent history and management guidance. We expect overall earnings to stall in FY26 before returning to growth in FY27 and FY28.

Exhibit 5: P&L (June year-end)

	2023	2024	2025	2026e	2027e	2028e
Profit and loss (MURm)						
Interest income	33,924	45,617	49,037	51,671	55,112	59,361
Interest expense	(14,134)	(21,378)	(21,985)	(22,645)	(23,550)	(24,963)
Net interest income	**19,790**	**24,239**	**27,052**	**29,026**	**31,562**	**34,397**
Fee and commission income	9,673	11,019	12,200	12,810	13,835	14,942
Fee and commission expense	(3,067)	(3,667)	(3,757)	(3,964)	(4,201)	(4,454)
Net fee and commission income	**6,606**	**7,352**	**8,443**	**8,846**	**9,633**	**10,488**
Net trading income	3,673	4,220	5,058	6,120	7,283	8,812
Other operating income	**1,723**	**1,082**	**1,607**	**1,344**	**1,479**	**1,626**
Operating income	**31,792**	**36,893**	**42,160**	**45,337**	**49,957**	**55,324**
Non-interest expense	**(11,257)**	**(13,470)**	**(15,747)**	**(17,999)**	**(19,418)**	**(20,405)**
Operating profit before impairment	**20,535**	**23,423**	**26,413**	**27,338**	**30,539**	**34,919**
Impairment charge	(3,644)	(3,684)	(3,505)	(2,807)	(2,807)	(3,507)
Operating profit	**16,891**	**19,739**	**22,908**	**24,530**	**27,731**	**31,412**
Share of profit of associates	867	582	34	500	500	500
Profit before tax	**17,758**	**20,321**	**22,942**	**25,030**	**28,231**	**31,912**
Income tax expense	(3,445)	(4,126)	(4,932)	(6,633)	(7,764)	(8,919)
Tax rate	*19%*	*20%*	*21%*	*27%*	*28%*	*28%*
Profit for the year	**14,313**	**16,195**	**18,010**	**18,397**	**20,468**	**22,992**
Profit for the year attributable to:						
Ordinary equity holders of the parent	14,133	16,045	18,065	18,247	20,318	22,842
Preference shareholders	0	0	0	0	0	0
Non-controlling interests	180	150	(55)	150	150	150
Earnings per share:						
Basic (Rs)	57.67	63.69	70.15	69.67	77.20	85.93
Diluted (Rs)	57.66	63.65	70.13	69.65	75.99	83.74
DPS (Rs)	20.25	23.00	25.50	25.50	27.36	30.15

Source: MCBG accounts, Edison Investment Research

Between FY22 and FY25, operating income grew between 15% and 30%, costs rose but remained well contained so that operating leverage stayed positive, and impairments remained low relative to revenue, delivering an ROE of 16.4% and a CIR ratio in the mid-30% range. The domestic book benefited from abundant low-beta deposits, disciplined repricing and sensible reinvestment of rupee liquidity, while the non-resident book saw a lower end-period run-rate in oil and gas trade finance as Nigeria's downstream transition gathered pace. Customer deposits rose by mid-single-digit rates, loans were broadly stable after a strong FY24 expansion and the loan-to-deposit ratio remained below 60%, leaving capacity to grow without materially altering the risk profile. Capital ratios ended FY25 well above internal minimum and regulatory floors, allowing the banking group to support growth, absorb policy tax headwinds and continue a measured dividend trajectory at the group level, as management guides to.

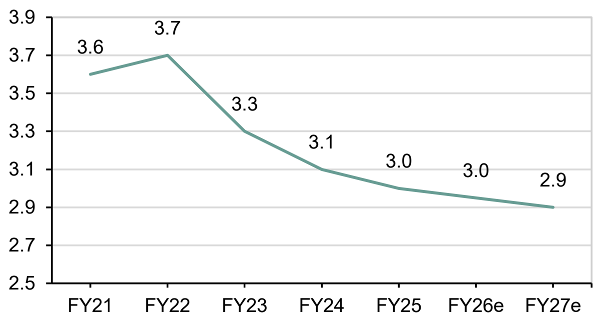
Exhibit 6: FY25 results highlights (MURbn, unless stated otherwise)

	FY25	FY24	y-o-y
Net interest income	27.1	24.2	11.6%
Net interest margin	3.09%	3.11%	(2bp)
Cost of risk	0.74%	0.78%	(4bp)
Net fee and commission income	12.2	11.3	17.1%
Pre-tax profit	22.9	20.3	12.9%
Net income	18.0	16.2	11.2%
ROE	16.4%	16.6%	(0.2pp)
CIR	37.4%	36.7%	0.7pp
Capital Adequacy Ratio	22.0%	20.5%	1.5pp
Net loans to deposit ratio	60.6%	65.6%	3.6pp
Net customer loans growth (y-o-y)	-2.0%	14.3%	(16.3pp)
Customer deposits growth (y-o-y)	7.9%	14.5%	(6.6pp)

Source: MCBG accounts

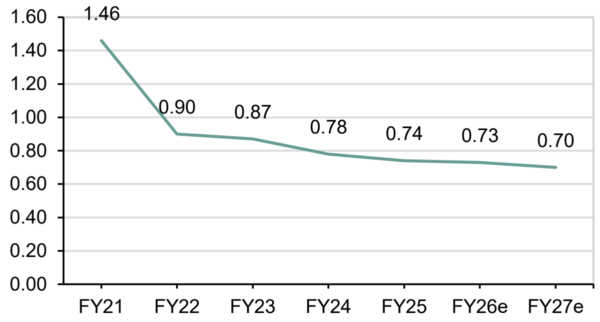
Credit quality remains benign. The gross NPL ratio declined from 3.7% in FY22 to 3.0% in FY25, and we forecast that decline to continue, albeit at a more moderate rate into the low-single digits; stage 2 balances are manageable and coverage ratios continue to improve in our forecasts, in line with recent history. We see a portfolio that has been consistently selection-driven rather than volume-driven, with early warning systems and covenant frameworks applied strictly in the international book and proactive collections in the domestic one. The cost of risk is likely to remain stable and we do not see any structural reason for a sharp reversion given the sector and counterparty mix, nor do we see a pipeline of large defaults.

Exhibit 7: Gross NPL ratio (%)



Source: MCBG data, Edison Investment Research

Exhibit 8: Cost of risk (%)

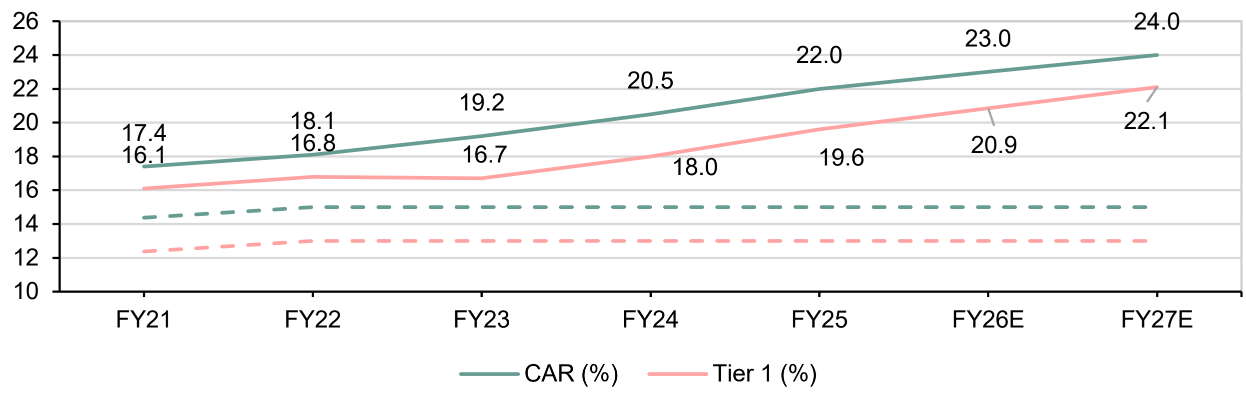


Source: MCBG data, Edison Investment Research

Funding, capital and liquidity: The quiet strengths

MCBG's funding advantage in the domestic market comes from a very granular deposit base that is loyal and transactional; abroad, it has an increasingly diversified set of foreign currency sources that price off high-grade benchmarks and anchor investor relationships. At group level, we note comfortable liquid assets as a share of total assets. Capital ratios remain strong, with the capital adequacy ratio (CAR) and Tier 1 ratio well above their respective regulatory requirements (see Exhibit 9). The banking group has room to keep investing in technology and people while supporting measured balance sheet growth and maintaining distributions consistent with management guidance. Our forecasts imply continued capital building albeit at a slower rate than previous years, but remaining substantially ahead of regulatory minimums (the dotted lines in Exhibit 9):

Exhibit 9: Capital ratios

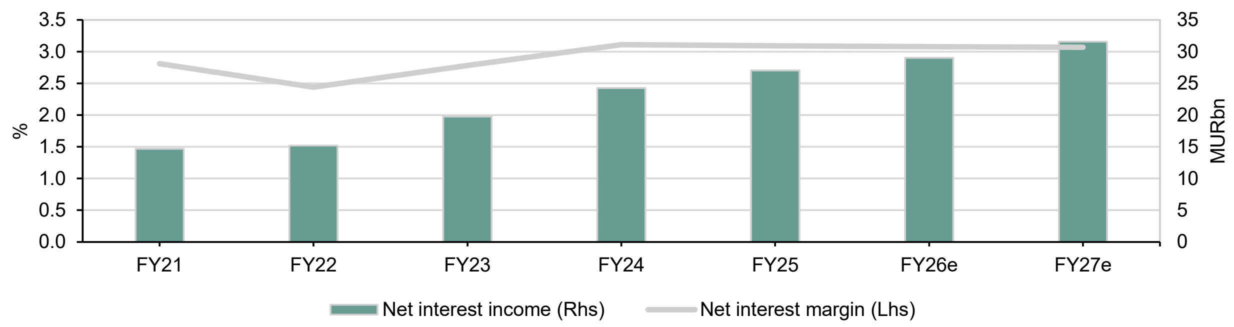


Source: MCBG data, Edison Investment Research. Note: Dashes show the regulatory minimum levels.

Profitability

Over the past five financial years, MCBG's net interest income story has been driven first by rate dynamics, then by balance sheet mix and most recently by normalisation of the Nigerian business. Coming out of the low-rate trough, NIM compressed as legacy pricing and abundant liquidity capped asset yields; it then climbed through FY23 and FY24 as US dollar benchmarks surged, and the bank deployed both rupee excess liquidity and a larger foreign currency book at materially higher rates. NII followed suit, accelerating sharply in those two years as margin expansion combined with growth in interest-earning assets. Into FY25 the picture flattened: domestic loan pricing grew more competitive, rupee liquidity rebuilt and US dollar benchmarks eased from their peaks, so the margin held roughly steady rather than continuing to widen, and NII growth moderated accordingly. Under the surface, the domestic engine continued to benefit from granular, low-beta deposits and careful reinvestment of rupee liquidity, while the international engine – more exposed to the rate cycle and to shifts in trade and energy flows – saw funded volumes and spreads settle at a lower run-rate as Nigeria's downstream transition progressed. Therefore, we forecast NIM to be relatively flat over the next years.

Exhibit 10: Net interest income and margin

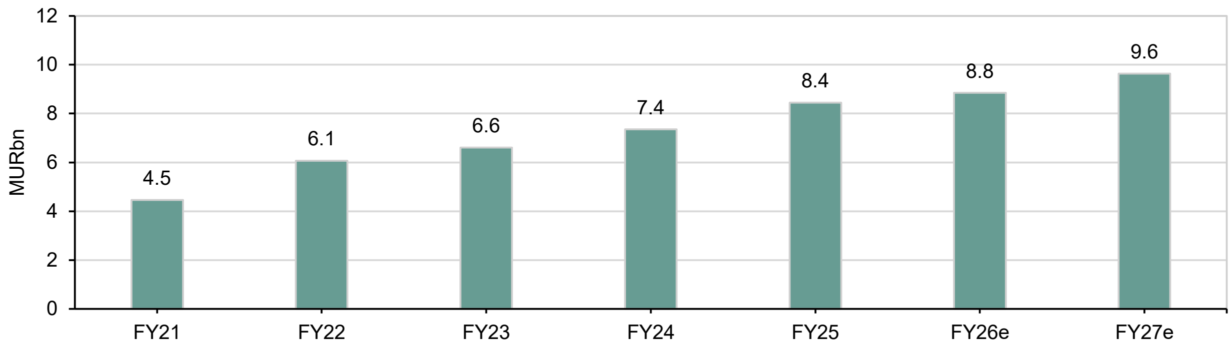


Source: Company data, Edison Investment Research

Forecasts

Fee and commission income has grown alongside the balance sheet but is increasingly the focus of investment, because it is capital light and less sensitive to the rate cycle. Payments provide a broad base (merchant acquiring, cards, mobile and online channels), while custody and securities services capture a growing pools of assets. On the international side, advisory and arrangement fees in structured finance, trade and infrastructure add high incremental returns. The banking group's stated intent to deepen non-interest revenue makes sense in a world where margins may normalise and tax lines may rise temporarily; we expect the mix to tilt modestly further towards fees through FY27.

Exhibit 11: Net fee and commission income



Source: Company data, Edison Investment Research

Sensitivities

MCBG's risk profile remains dominated by three interacting forces: 1) policy and tax changes in Mauritius, which alter through-the-cycle returns on the group; 2) evolving trade flows in sub-Saharan energy and commodities markets, which affect net interest and net fee income; and 3) the usual banking cycle sensitivities (rates, credit cost and liquidity), which can amplify or dampen the first two. Across these, the group's discipline on capital, liquidity and conduct risk has been reinforced in FY25, but near-term earnings volatility cannot be ruled out.

Mauritius's government has introduced temporary levies on banks

Following the landslide victory of the Alliance of Change on 10 November 2024 and subsequent revelations around public finances, the new administration moved quickly to tighten the budget stance and spread the burden across higher earners and the financial sector, including time-bound levies on banks. The Finance Act 2025 introduced a three-year FSC on chargeable income (with a separate additional FSC on domestic activities for banks) and removed several legacy reliefs, while lifting the cap on the Banks' Special Levy. These measures structurally lift the all-in tax take on the sector through FY28, compress after-tax ROE and reduce the value of foreign-sourced profits at the margin. The act also deepened compliance expectations (eg VAT registration for foreign digital service providers; FX-linked tax settlement for businesses with predominantly foreign-currency turnover), which could add some operating complexity. Management has already signalled the fiscal drag and related compliance lift, and our base case assumes that the levies are lifted in 2028. Still, should temporary levies be extended, the earnings impact would outlast our explicit forecast horizon.

Changes in the Nigerian oil trade

The commissioning ramp of the 650k barrels per day Dangote Refinery through 2024–25 has begun to rewire Atlantic Basin product flows: Nigeria has flipped from chronic import dependence toward rising exports of middle distillates and gasoline, with knock-on effects for regional arbitrage and trading margins. As domestic refining scales, import volumes into Nigeria should trend down; policy has also tilted to protect local refiners, including moves to curb under-priced imports, and, more recently, import duties on petrol and diesel to support self-sufficiency. For institutions exposed to the legacy import-finance ecosystem, this means a smaller, more competitive pool of trade opportunities tied to Nigeria itself, sharper pricing and a need to re-allocate relationship capital. MCBG has already diversified its structured trade franchise beyond Nigerian fuel imports – deeper into gas, and selectively into metals and minerals – while broadening origination across East and Southern Africa through its hubs.

Low liquidity of the Mauritian rupee

Because of the limited liquidity of the Mauritian rupee, MCBG prudently runs its franchise as two largely separated books: a domestic, rupee-denominated balance sheet and a foreign-currency book serving international clients. The separation is more than cosmetic; it reflects real constraints on moving liquidity across currencies and jurisdictions, as well as regulatory and prudential requirements that favour self-sufficiency within each pool. In practice, that means excess rupee deposits cannot simply be transformed into dollar funding for international lending, and foreign currency inflows are managed against their own structural asset base. The result is distinct ALM postures, pricing and transfer-pricing frameworks for each book, with capital and liquidity buffers calibrated to the intrinsic characteristics of rupee versus hard currency markets. This segmentation limits the scope for short-term balance sheet optimisation, but it also enforces discipline and reduces contagion risk between the two engines of the group.

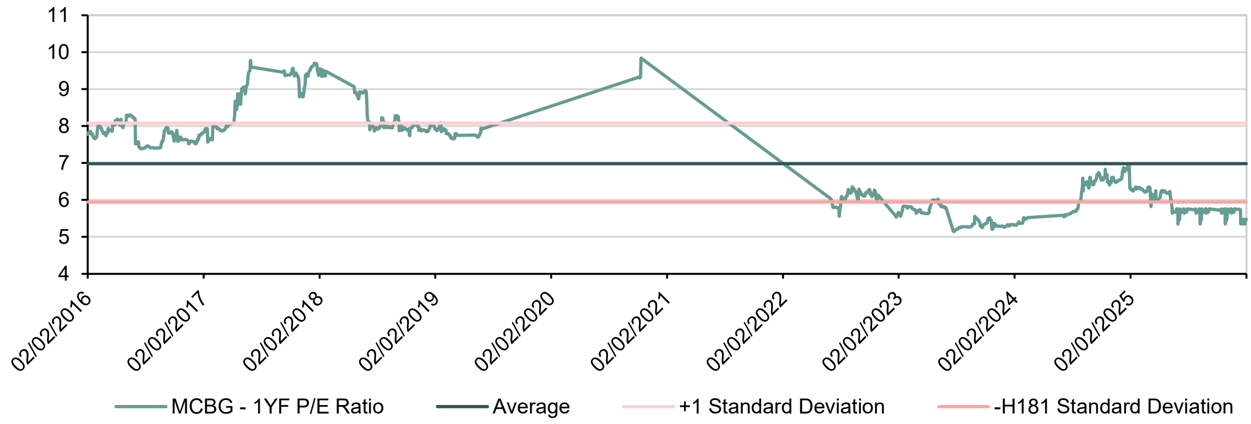
Mauritius's sovereign rating

At the beginning of 2025, Moody's affirmed the Government of Mauritius's long-term foreign and local currency issuer ratings at Baa3 and changed the outlook to negative from stable. The outlook change reflects uncertainty about Mauritius's ability to address its challenging fiscal situation, considering the significant and socially and politically difficult fiscal adjustments involved. As MCBG receives sovereign support on its credit rating, any negative changes will flow through to the company. Should a downgrade happen, there would be a negative impact on earnings due to the re-pricing from the sovereign downgrade.

Valuation

MCBG's shares trade at an FY26 P/E ratio of 5.6x, which we believe does not fully capture its leading market position and international growth ambitions. We value MCBG's shares based on a historical P/E analysis, which yields a 6.0–8.0x 12-month forward P/E and an average of c 7.0x, equating to a share price of MUR532, 23% above the current price.

Exhibit 12: MCBG historical P/E analysis



Source: LSEG Data & Analytics, Edison Investment Research

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