



***Africa Investors' Conference 2018***

***London (June 2018)***

➤ **Overview of MCB Group**

➤ **Strategic orientations**

➤ **Outlook & Performance**

➤ **Appendix**

## Overview of MCB Group

*Established some 180 years ago...*

- **MCB Group** is an integrated banking and financial services player
- While being the leading player locally, the Group has diversified its activities, notably in the region
- MCB Group Ltd has the largest market capitalisation at the local stock exchange, with a share of some 24% based on SEMDEX



## Our operations

Total assets

~ USD 11 billion

Customers

> 1 million

Employees

~ 3,400

Branches

52



## Our stock profile

Market capitalisation

~ USD 2 billion

Shareholder base

> 19,000 investors



## Our investment-grade ratings (MCB Ltd)

Agency	Long term/Short term	Outlook
Moody's	Baa3/P-3	Stable
Fitch Ratings	BBB-/F3	Stable



## World

**669<sup>th</sup>**

Among the  
Top 1000 Banks  
(in terms of  
Tier 1 Capital)

**The Banker Top 1000 World Banks**  
(July 2017)

### Financial soundness

Return on assets: **59<sup>th</sup>**

Return on capital: **133<sup>rd</sup>**

Capital assets ratio: **141<sup>st</sup>**

## Mauritius

- **Bank of the Year for Mauritius** (*The Banker Bank of the Year Awards 2017*)
- **Best Bank in Mauritius** (*Euromoney Awards for Excellence Survey 2017*)
- **Best Private Bank in Mauritius** (*PWM/The Banker 2017*)
- **Performance Excellence Award** attributed by Citibank and J.P.Morgan for MCB's straight-through processing rate for payments and transfers (2017)
- **Best Distributor Award** attributed to MCB Capital Markets Ltd (*Structured Retail Products – Euromoney Global, November 2016*)
- **Best Risk Management Disclosures** (*PwC Corporate Reporting Awards 2018*)

## Africa

**17<sup>th</sup>** in Africa and **1<sup>st</sup>** in East Africa  
in terms of Tier 1 Capital  
(*The Banker Top 1000 World Banks, July 2017*)

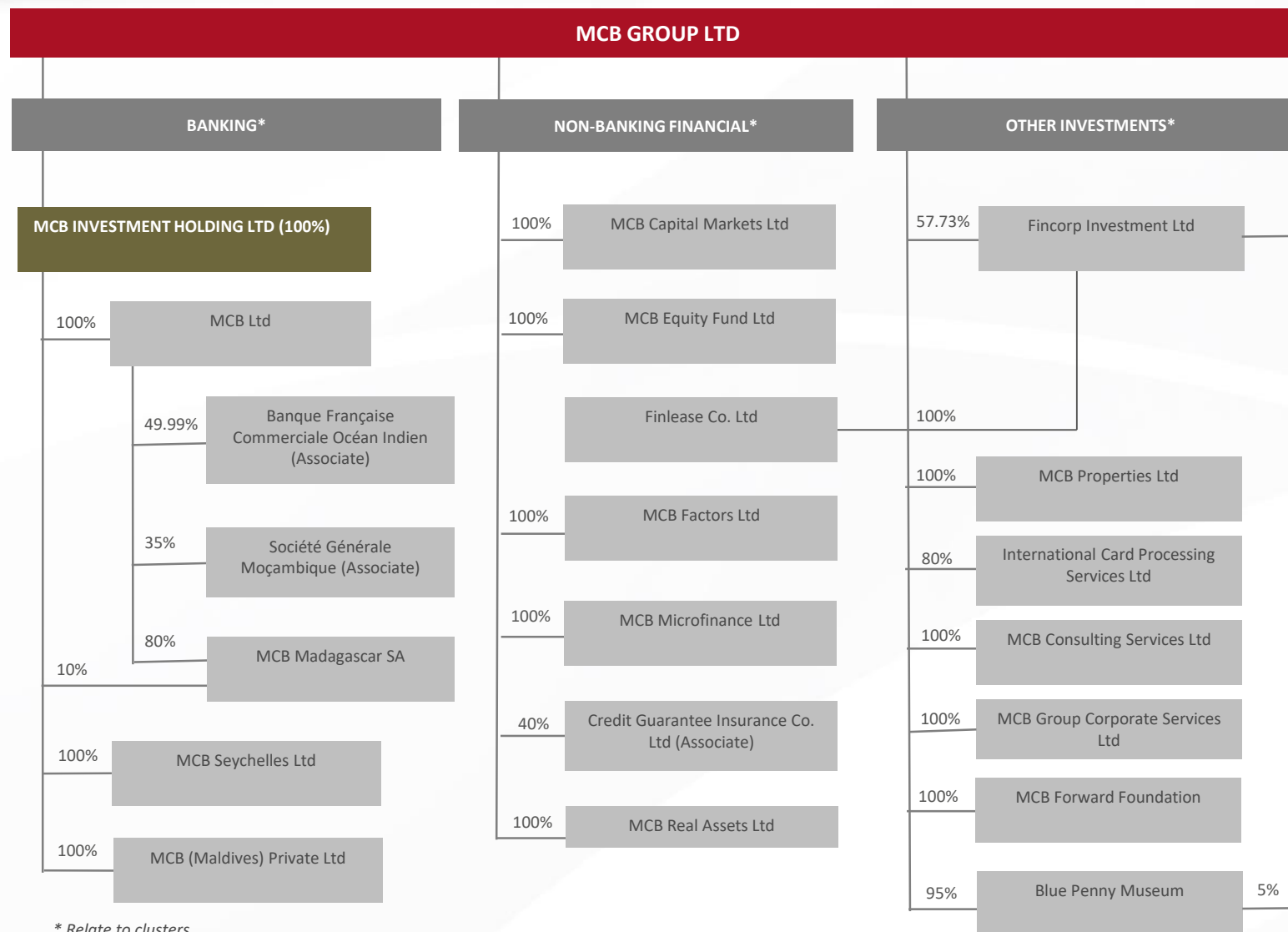
**83<sup>rd</sup>** in Africa in terms of market capitalisation  
(*African Business Top 250 Companies, June 2017*)

**40<sup>th</sup>** in Africa in terms of assets  
(*Jeune Afrique Top 200 Banks, The Africa Report 2017*)

**Best Regional Bank in Southern Africa**  
(*African Banker Awards 2017*)

**Leading regional bank** in terms of  
operating income and profitability  
(*L'Eco Austral, Top 500 Regional,  
Edition 2017*)

**Best Banking and  
Financial Services  
Award 2017** attributed  
to MCB Seychelles Ltd



## Strategic orientations



**Sharpen our domestic position**

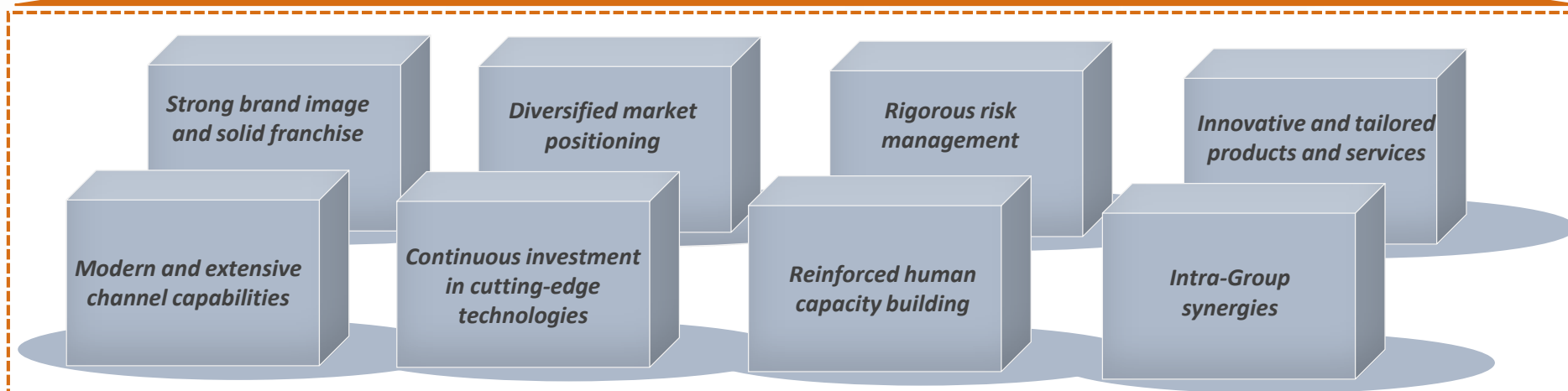


**Expand our non-bank activities**



**Grow our international footprint**

## Key enablers





## Key strategic focus areas

- Enrichment of value proposition to market segments & deepening of customer relationships and services
- Widening the use of digital technology for simplified customer experiences
- Underpinning the development of small and medium enterprises alongside contributing to the take-off of upcoming segments

## Recent developments

- Pursuit of our retail business expansion; extended mortgage involvement; adapted solutions offered across individual segments
- Sustained support provided to SMEs and larger corporate clients, including dedicated assistance in their restructuring endeavours
- Broadened involvement in respect of the provision of the second edition of preferential credit facilities named 'Green loans'
- Bolstering of our private banking and wealth management proposition, backed by capacity-building initiatives and enriched value proposition
- Extension and modernisation of channel capabilities (eg. new version of 'Juice' mobile banking service; contactless payments)

## Our positioning

Domestic loans and deposits

Market share: > 40%

Cards in circulation

Market share: > 55%

39  
branches/  
kiosks

Comprehensive  
distribution channels

> 170,000  
registrations  
for 'Juice'

> 7,100  
POS  
Terminals

176 ATMs  
39% of  
national park

> 180,000  
IB customers;  
market share  
> 40%



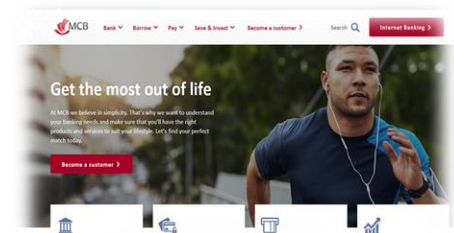
'Juice' mobile application enabled with broadened functionalities and an enhanced interface since Jan 2018



Launch of 'Conciergerie' service by MCB Private Banking since Dec 2017, providing assistance and information 24/7 to its clients



Launch of 'Touch and Pay' service for small transactions



Launch of our fully redesigned mcb.mu homepage as well as the Personal and Private Banking sections of website in May 2017

## Key strategic focus areas

- Widening our market involvement
- Enriching and adapting our value proposition across segments
- Leveraging brand franchise, referrals and distribution capacity

## Recent developments

- Reinforced positioning of MCB Capital Markets Ltd in Mauritius and in the region
  - ✓ Diversified product offerings
  - ✓ Established itself as a leading transaction advisor and arranger in respect of corporate finance on the domestic scene
  - ✓ Continued build-up of assets under management
- Extension of activities of MCB Microfinance to Rodrigues
- Successful exit from investments by MCB Equity Fund Ltd

## Our positioning



MCB Capital Markets Ltd advised MCB Group on the acquisition of Club Med's 84.4% shareholding in Covifra, with the transaction completed in Oct 2017



Opening of an office of MCB Microfinance in Rodrigues in Mar 2017

## Key strategic focus areas

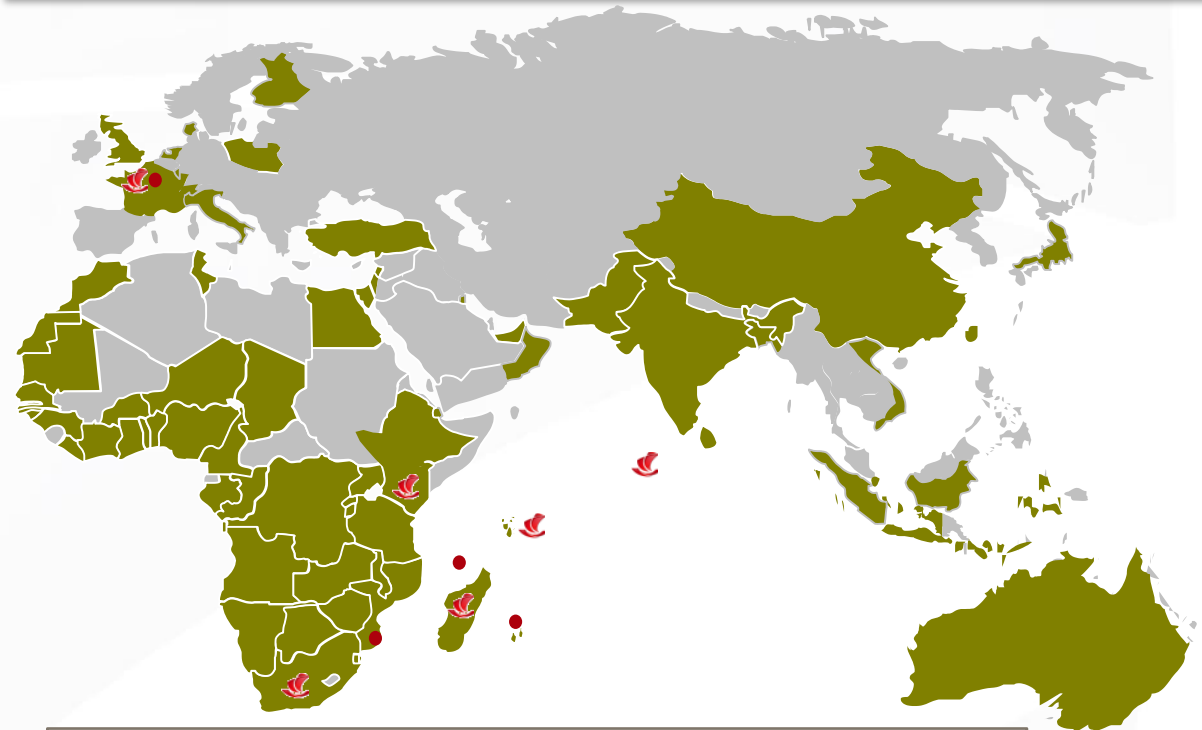
- Energy & Commodities
- International Project finance
- Asset & Wealth Management
- Bank of Banks strategy
  - Platform for providing trade finance services including LC re-issuance and confirmation
  - Dedicated subsidiaries for cards and consulting outsourcing services
  - Payment services for banking counterparts (SWIFT)
- Enrichment of our value proposition in foreign banking subsidiaries

## Recent developments

- Widening market coverage of Energy and Commodities business, with inroads notably made in upstream oil and gas business in Africa
- Our involvement in international project finance being marked by increased coverage in East Africa and portfolio diversification across key sectors
- Further business expansion of the Group's foreign banking subsidiaries
- Strengthened partnerships and ongoing operational assistance provided to banks and financial institutions in Africa, notably by MCB Consulting Ltd
- Further progress made in our attempt to expand private banking into Africa
- Increased on-the-field visibility and due focus laid on meaningful business relationship management with selected market players

## Our positioning

Presence	Correspondent banks	'Bank of Banks' initiative
9 countries outside Mauritius	~ 1,300 including ~ 230 in Africa	~ 116 clients serviced in FY 2016/17



Overseas subsidiaries/  
Rep. Offices

• MCB associates

■ Countries in which  
MCB is involved

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Launch of Digital Transformation Programme

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Unfolding of HR Transformation Project

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Development of a Corporate Sustainability Strategy

## Outlook & Performance

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## The economic context

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## Medium Term Macroeconomic Framework

Selected indicators	Units	2017/18	2018/19	2019/20	2020/21
Estimates as per National Budget					
<b>Output and Prices</b>					
GDPmp	Rs bn	476.3	512.2	552.6	597.5
Real GDP Growth Rate - Current market prices	%	3.9	4.1	4.3	4.5
Inflation Rate	%	4.3	3.5	3.5	3.5
Investment Rate	% of GDP	17.6	18.4	18.9	19.1
<b>Public Finance</b>					
Budget Balance	% of GDP	-3.2	-3.2	-3.0	-2.0
Primary Balance	% of GDP	-0.8	-0.6	-0.3	0.8
<b>Public Debt</b>					
Public Sector Gross Debt	% of GDP	63.4	63.1	62.8	60.0
<b>External Sector</b>					
Current Account Deficit	% of GDP	-5.5	-4.8	-8.5	-7.3
Gross Official International Reserves	Rs bn	222.0	240.0	254.0	265.8

- Total public sector investment over the period 2018/19-2020/21 estimated at around Rs 120 billion (Rs 52.6 billion planned for FY 2018/19)

## Pathways for pursuing our transformative journey

- ✓ Develop a comprehensive approach to equip youth with skills to integrate the labour market
- ✓ Create opportunities for private investment by accelerating the move to digitalisation
- ✓ Foster a new wave of import substitution industry and revive export-led production
- ✓ Build the strategic and modern infrastructure needed to achieve high income status
- ✓ Invest in the protection and enhancement of the environment
- ✓ Lift the standard and quality of life of the population
- ✓ Foster the creation of an inclusive and caring society

## Key areas warranting attention

- ✓ Potentially distortionary outcomes of some policy measures
  - Specific fiscal regime for banks
- ✓ Operationalisation of announced budgetary measures
- ✓ Ensuring sound, sustainable and credible debt Management

## Deemed Foreign Tax Credit regime

- The Deemed Foreign Tax Credit regime available to banks **will be abolished as from 1st July 2019**
  - In its place, **a new regime specific for banks will be introduced which will make no distinction between Segment A and Segment B income**
- The tax rates will be as follows:
    - chargeable income up to Rs 1.5 billion will be taxed at 5%; and
    - chargeable income above Rs 1.5 billion will be taxed at 15%
    - In addition, an incentive system will be introduced for banks having chargeable income exceeding Rs 1.5 billion. Under this system, any chargeable income in excess of the chargeable income for a set base year will be taxed at a reduced tax rate of 5% if pre-defined conditions are satisfied.

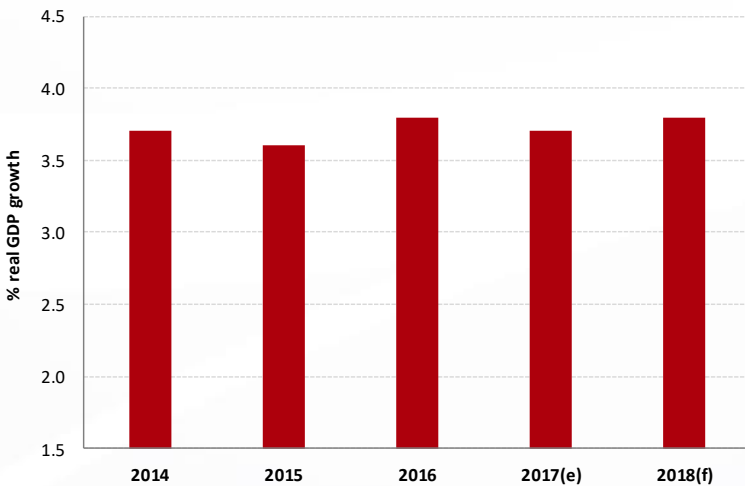
## Special Levy on Banks

- The Special Levy on Banks is currently:
    - 10% of chargeable income for Segment A banking business; and
    - 3.4% on book profit and 1% on operating income for Segment B banking business
  - **The current formula which is scheduled to end by June 2018 will be maintained up to June 2019**
- The Special levy under the Income Tax Act will be removed with effect from 1st July 2019. A Special levy will be introduced under the Value Added Tax Act and will be charged on the net operating income derived by banks from its domestic operations

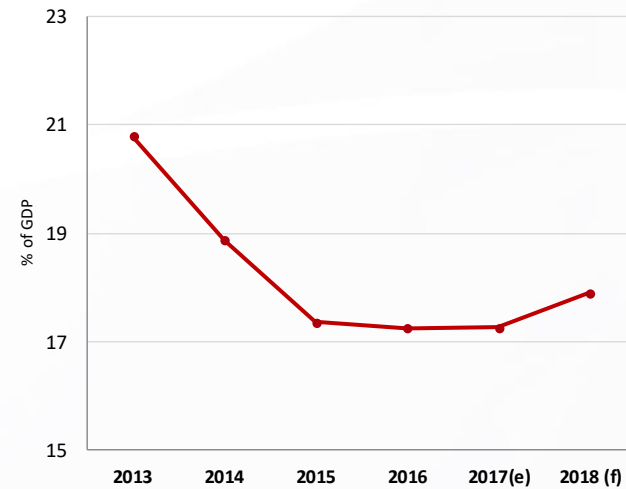




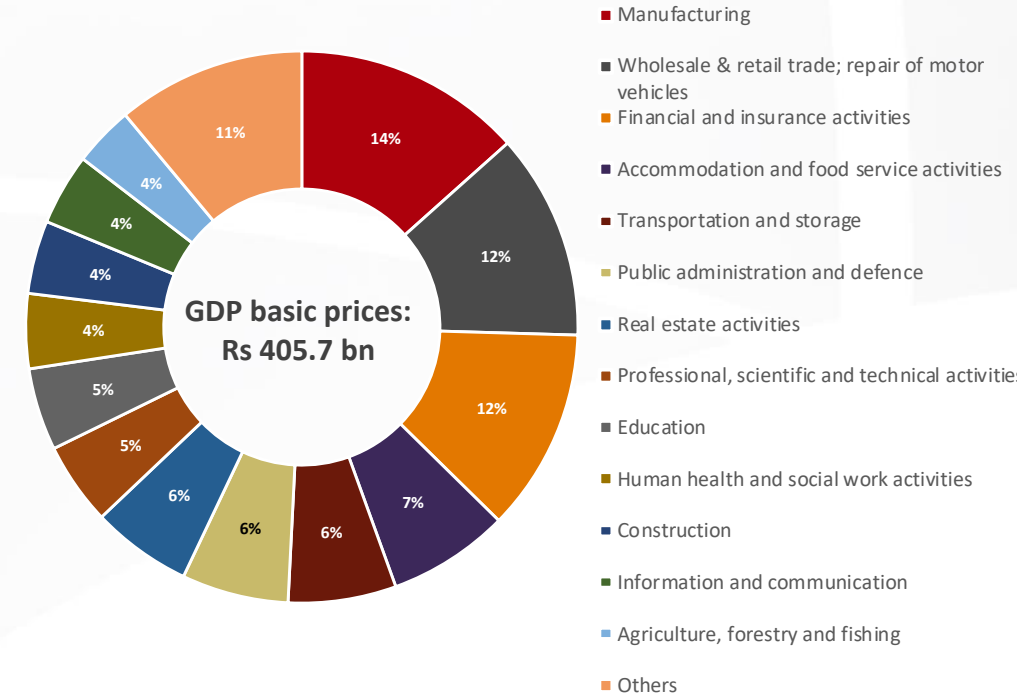
## Economic growth



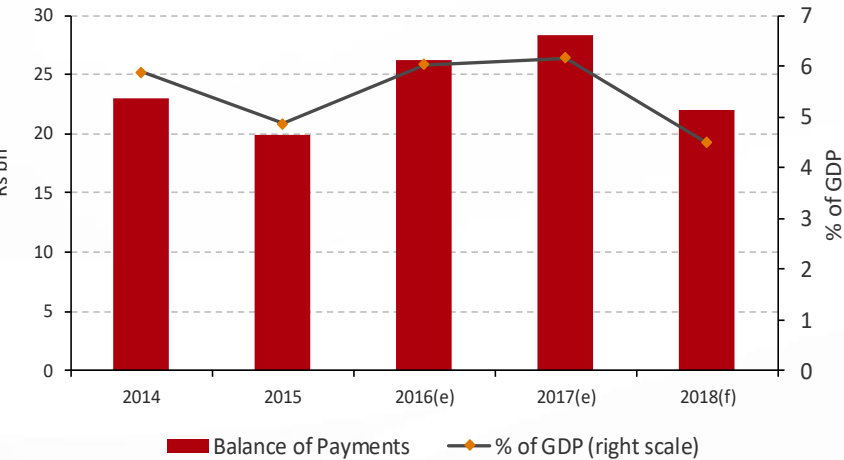
## National investment



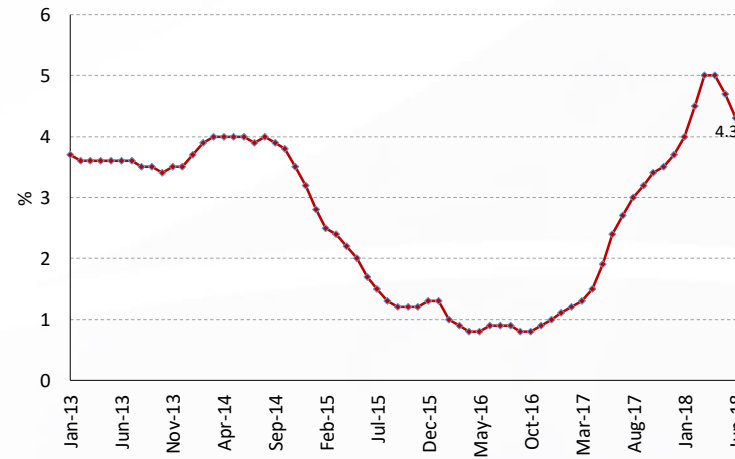
## Distribution of GDP, 2017



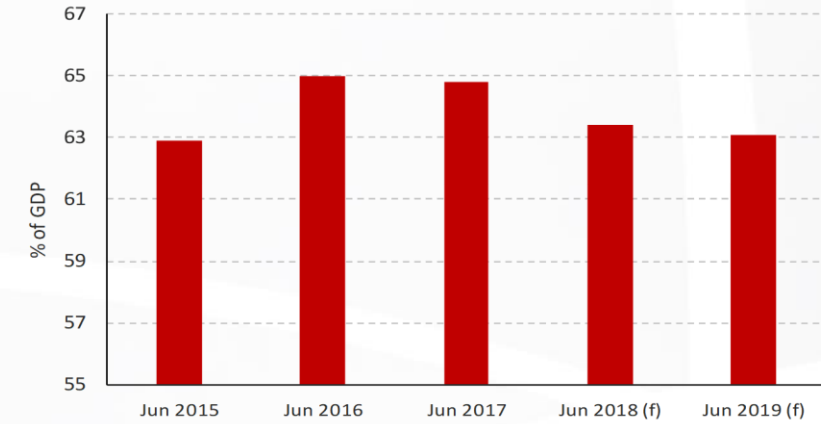
## Balance of Payments Surplus



## Headline Inflation



## Public sector debt



## Effective exchange rate (MER12) \*



## Evolution of rupee vis-à-vis main currencies\*



## Evolution of EURUSD



## Underlying enablers for economic progress

- ⇒ Political and social stability
- ⇒ Dynamic and bilingual workforce
- ⇒ Open and market-based economy
- ⇒ Judicious economic diversification strategy
- ⇒ Institutional and regulatory support
- ⇒ Reliable infrastructure set-up
- ⇒ Relatively low tax system
- ⇒ Investment grade (Moody's: Baa1)
- ⇒ White-listed by OECD
- ⇒ Government-Private sector partnership



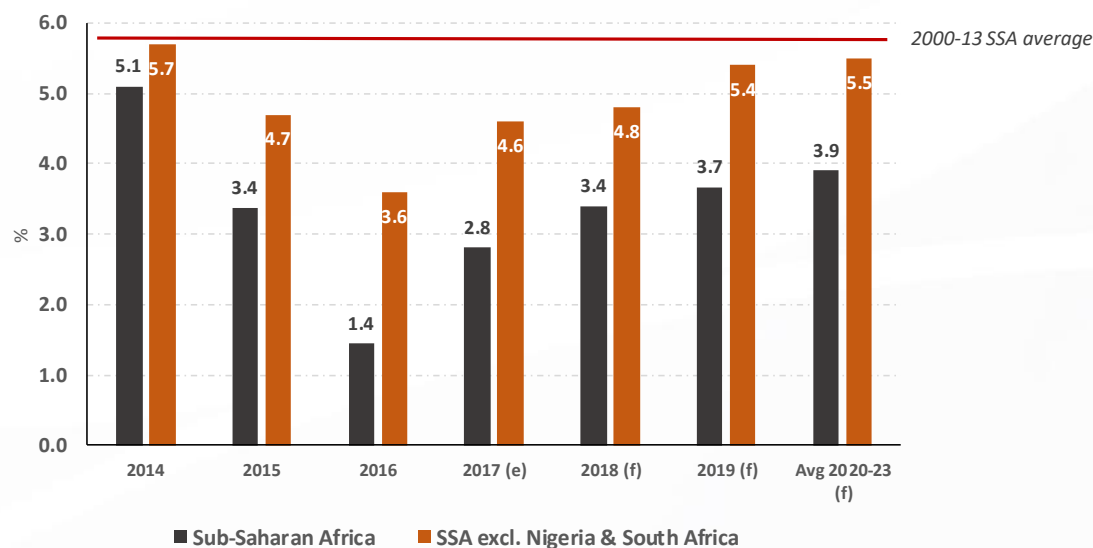
## Gearing up and enhancement of international involvement

- ⇒ Openness to foreign capital and talents
- ⇒ Network of bilateral agreements
- ⇒ Close historical ties with countries on the competitive edge of technology

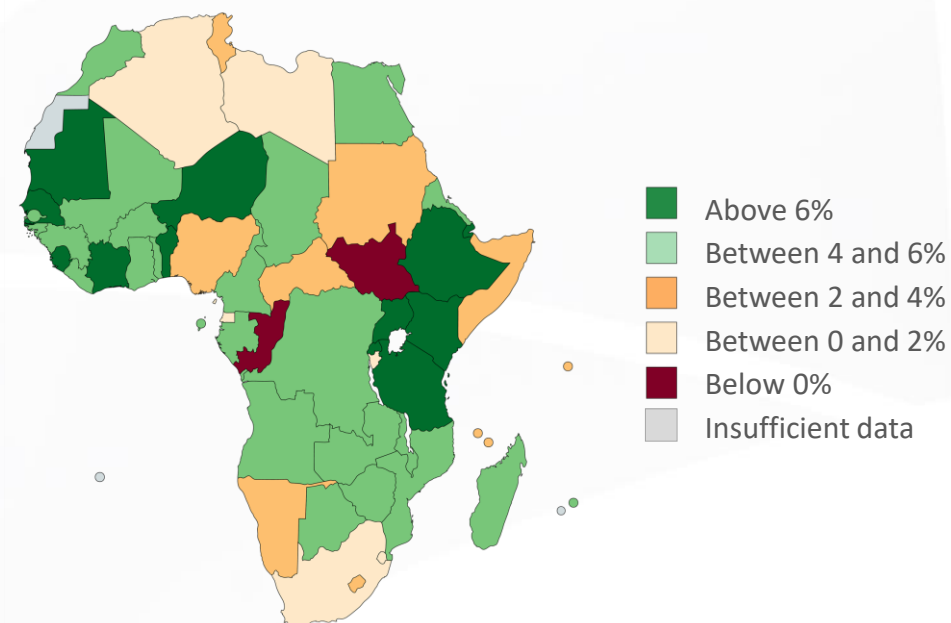


Indicator	Global Rank	Regional rank
World Bank Doing Business Survey (2018)	25 <sup>th</sup> out of 190	1 <sup>st</sup>
Global Competitiveness Index (2017-2018)	45 <sup>th</sup> out of 137	1 <sup>st</sup>
Corruption Perceptions Index (2017)	54 <sup>th</sup> out of 180	6 <sup>th</sup>
Forbes Survey of Best Countries for Business (2018)	41 <sup>st</sup> out of 153	1 <sup>st</sup>
Human Capital Index (2017)	74 <sup>th</sup> out of 130	4 <sup>th</sup>
Index of Economic Freedom (2018)	21 <sup>st</sup> out of 180	1 <sup>st</sup>
Global Innovation Index (2017)	64 <sup>th</sup> out of 127	2 <sup>nd</sup>
Travel & Tourism Competitiveness Index (2017)	55 <sup>th</sup> out of 136	2 <sup>nd</sup>
Networked Readiness Index (2016)	49 <sup>th</sup> out of 139	1 <sup>st</sup>

Evolution of real GDP growth



Average real GDP growth rates for 2020-2023

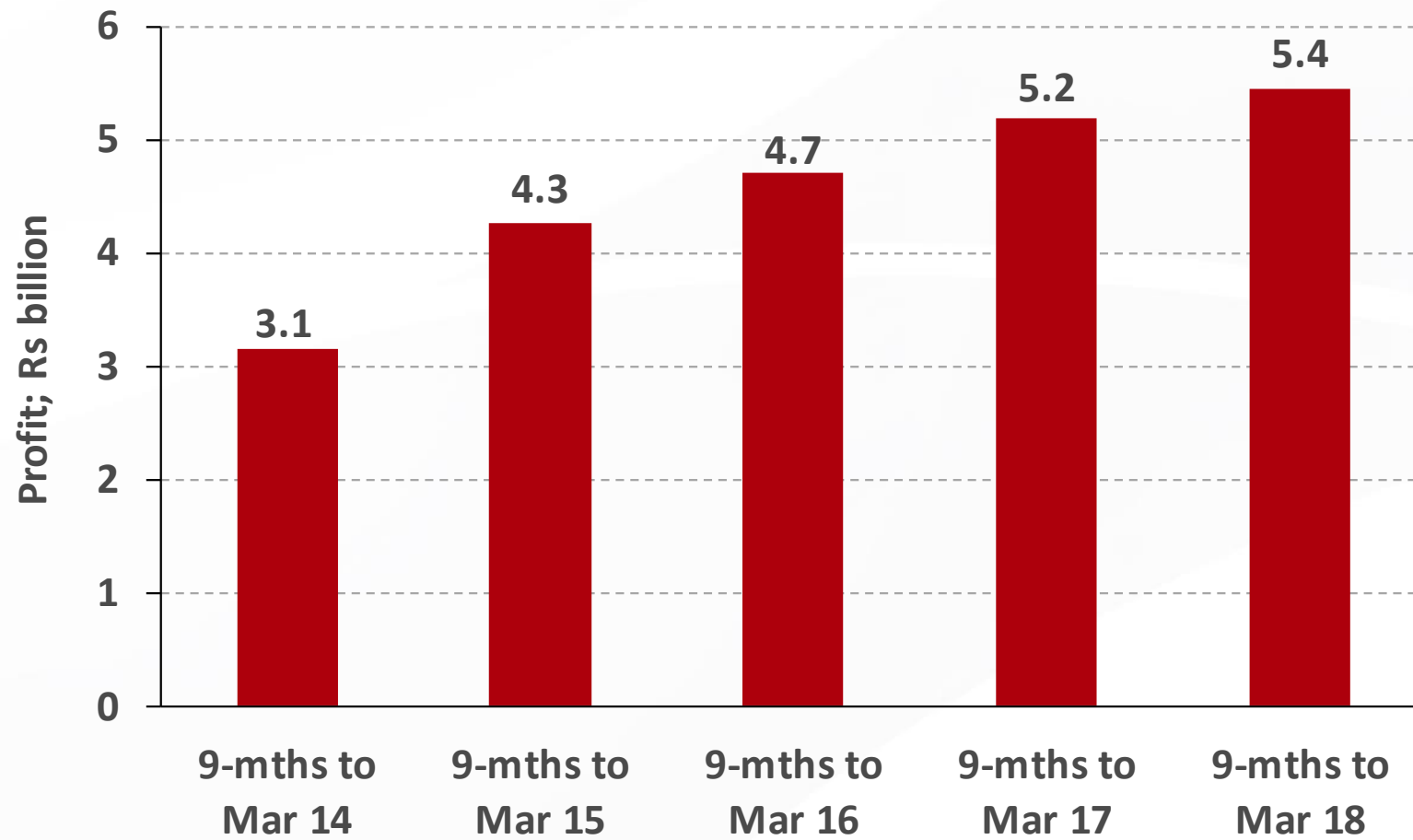


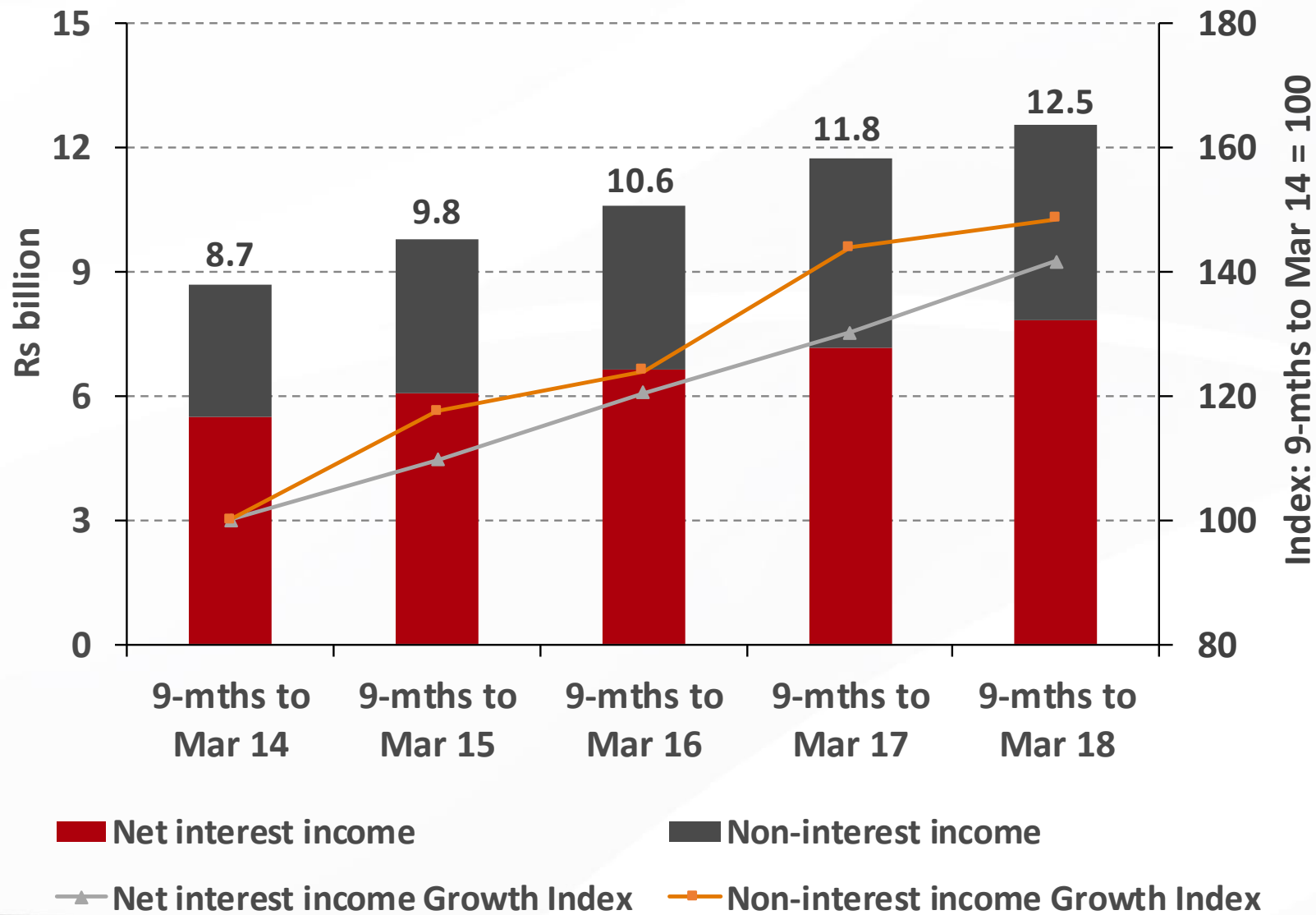
- Growth in the region is anticipated to improve, aided notably by stronger global growth, higher commodity prices and improved market access. Nonetheless, GDP growth is expected to plateau below the 4% mark over the medium term, given difficulties faced by larger economies to boost private investment and mounting debt levels.
- That being said, the African continent is engaged into a favourable socio-economic transformation process on the basis of various factors and dynamics. In fact, on excluding Nigeria and South Africa, the real GDP growth of sub-Saharan Africa is likely to stand at relatively appreciable rates

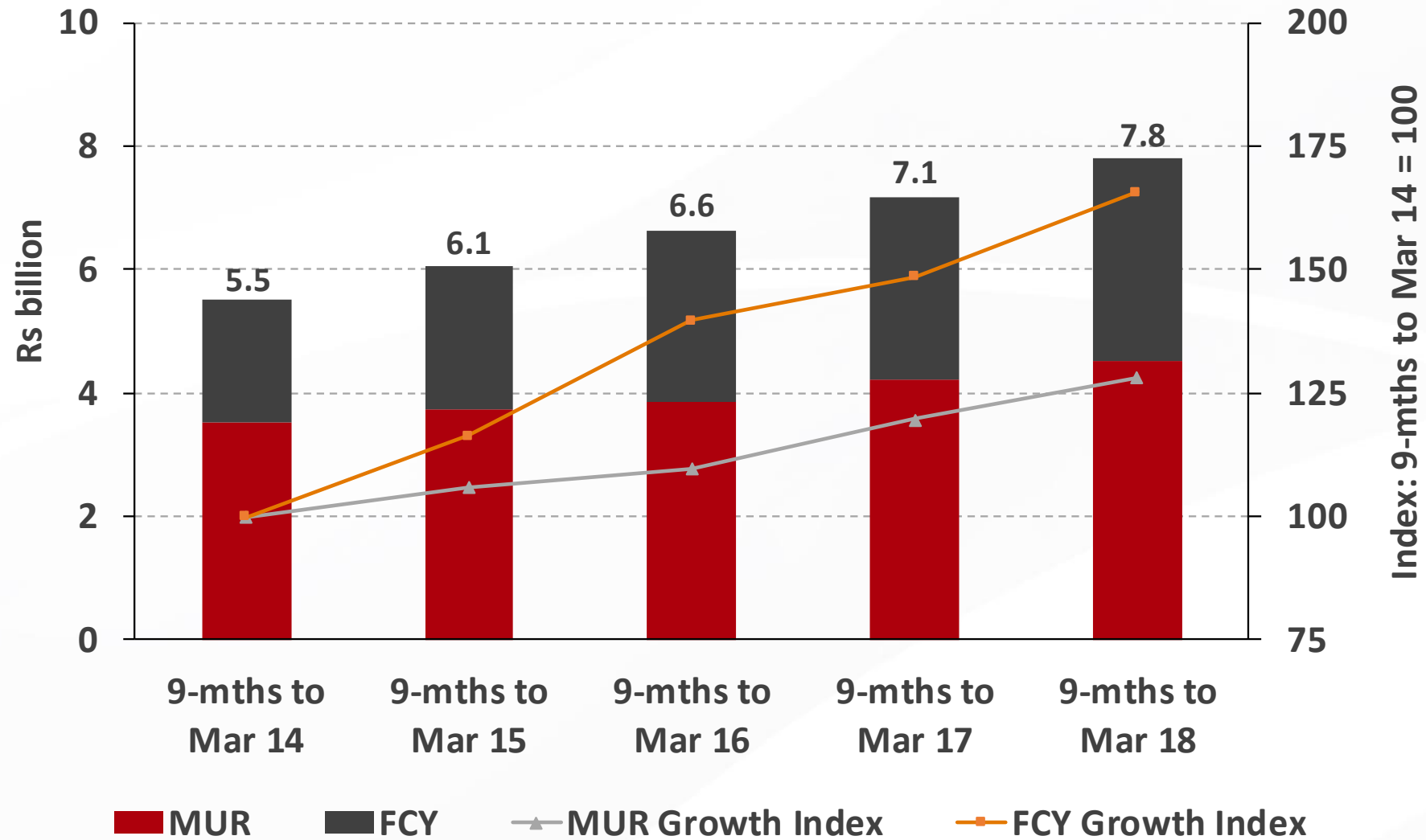
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## **Financial performance and soundness**

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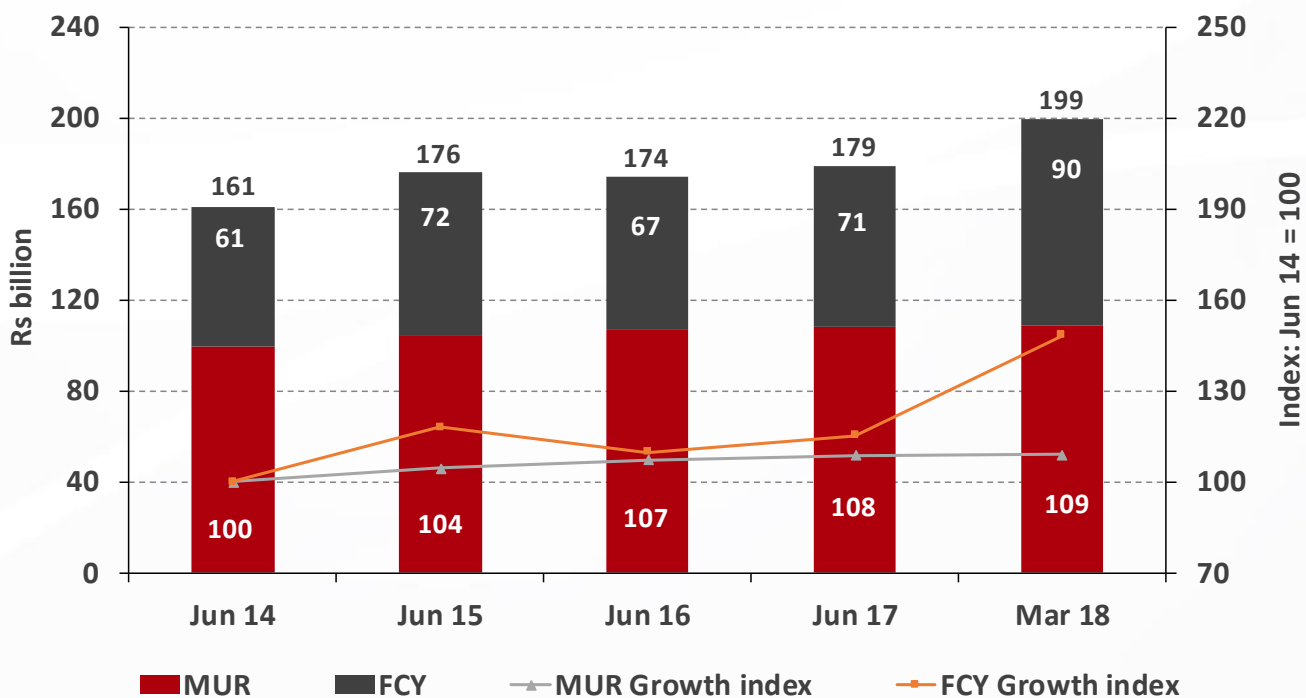




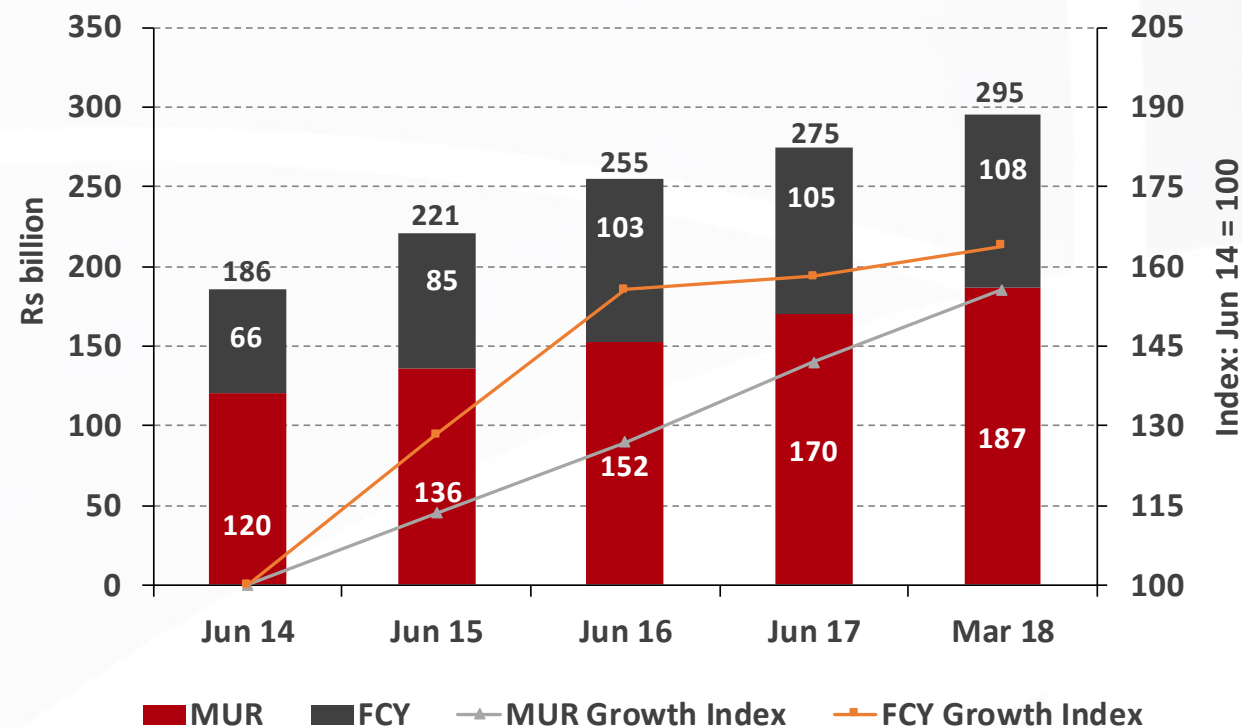


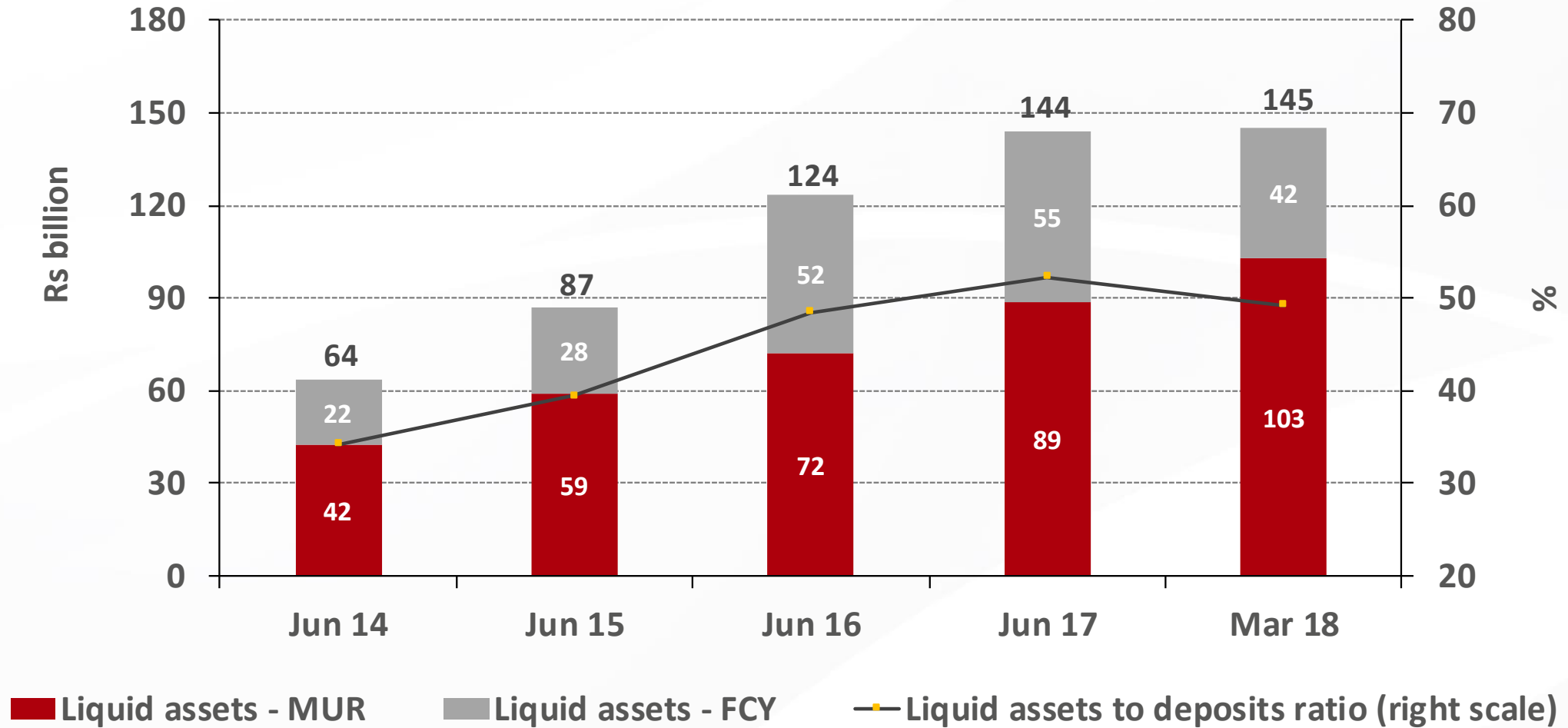


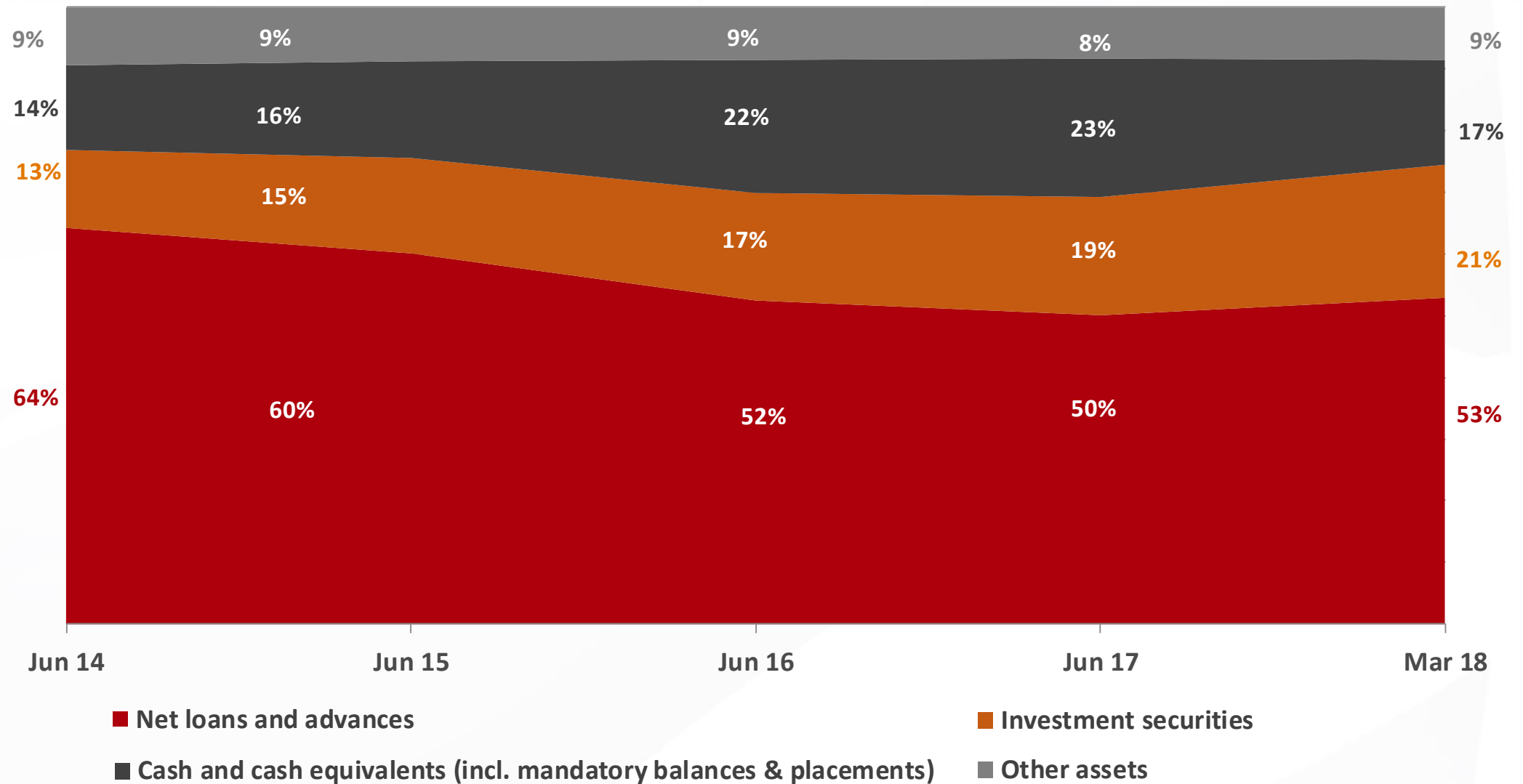
## Gross loans

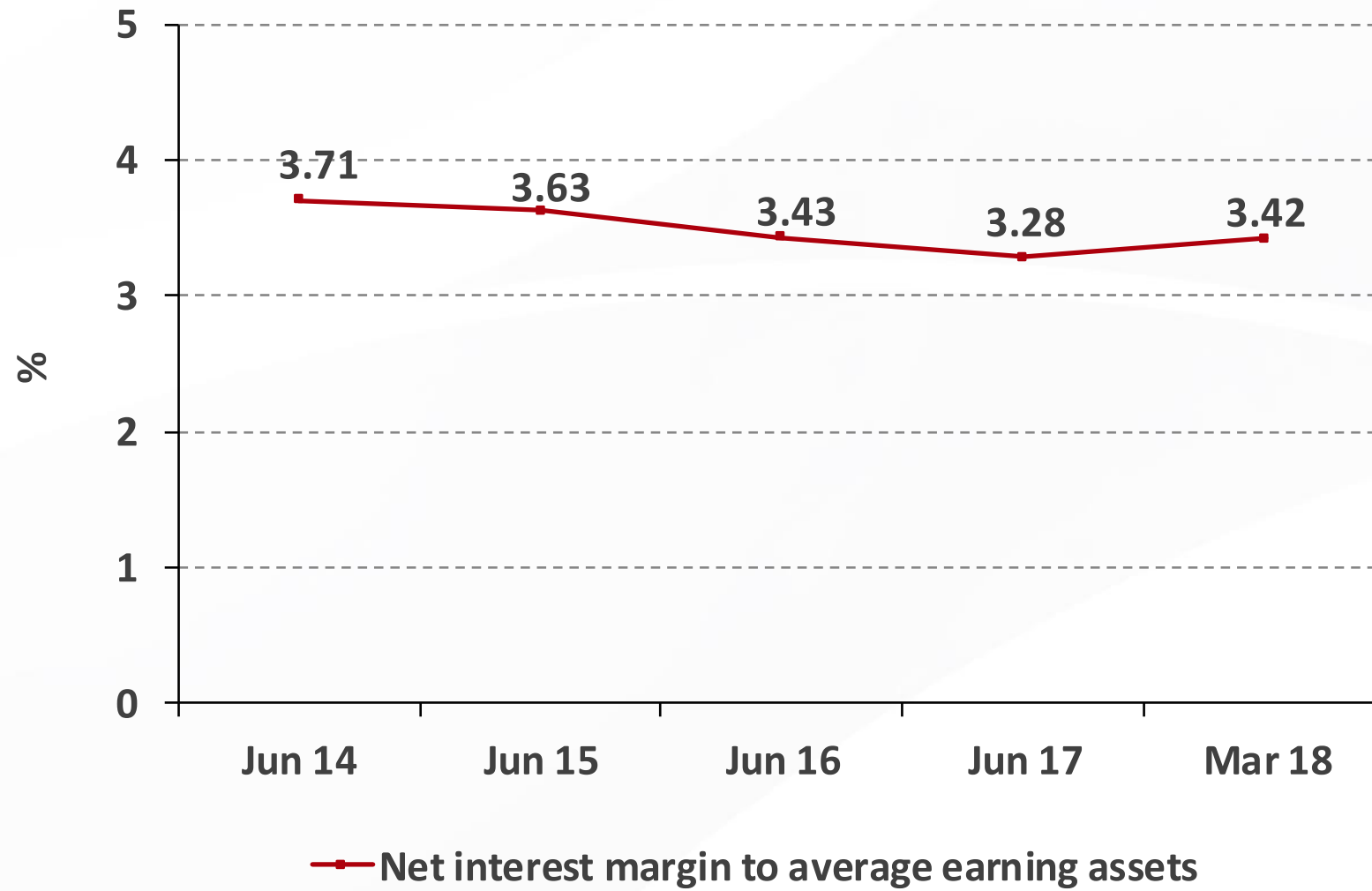


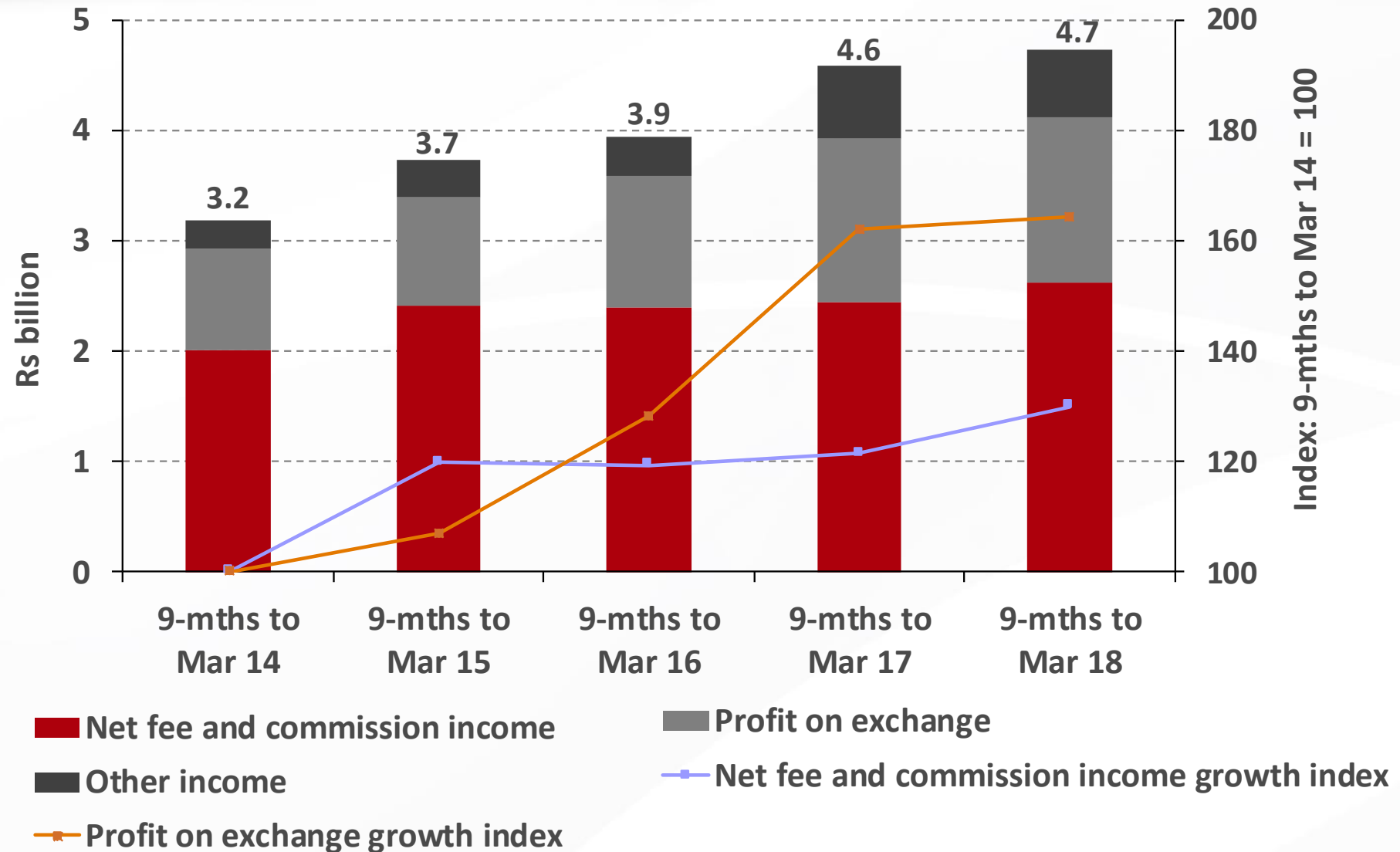
## Deposits

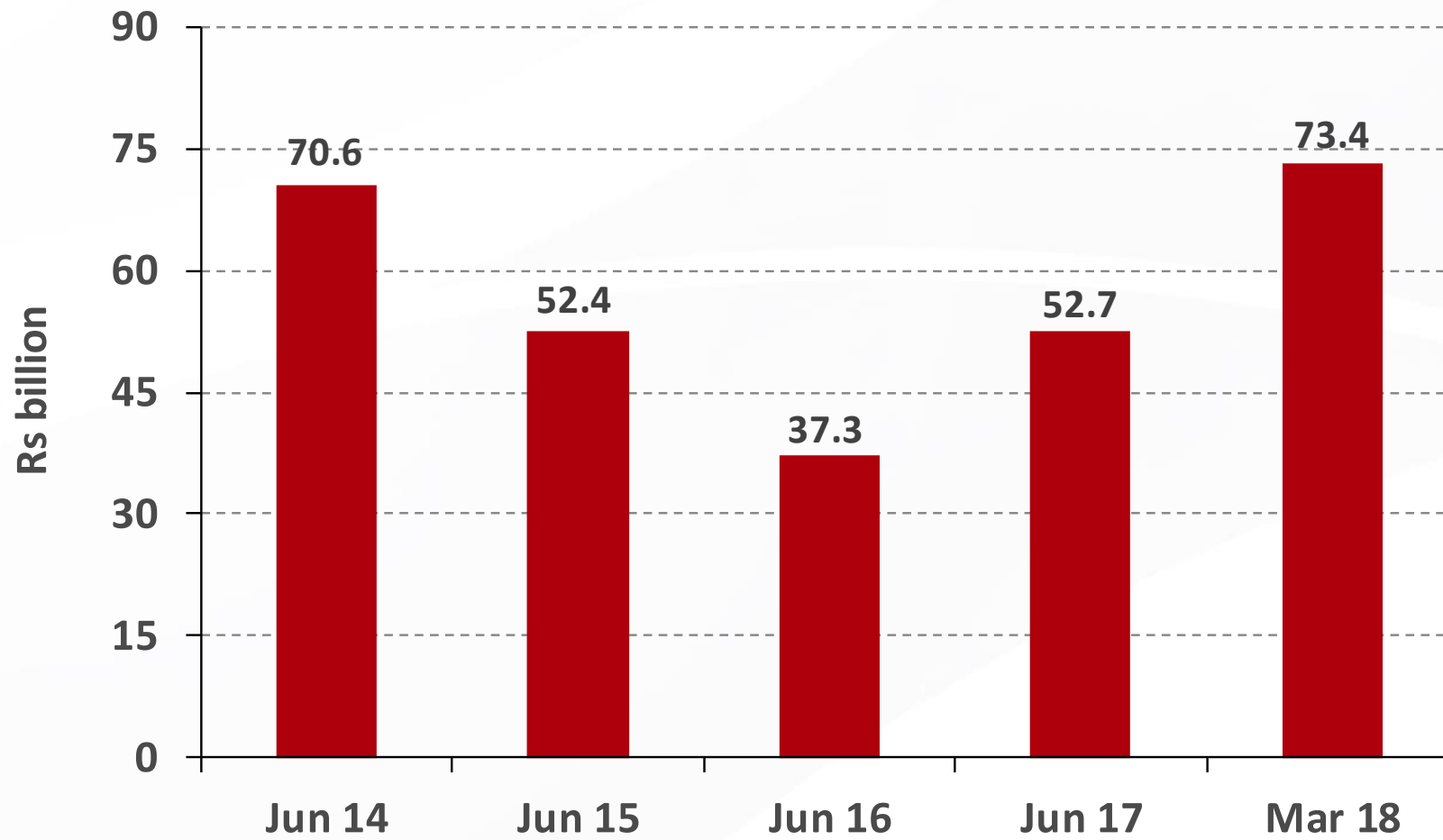




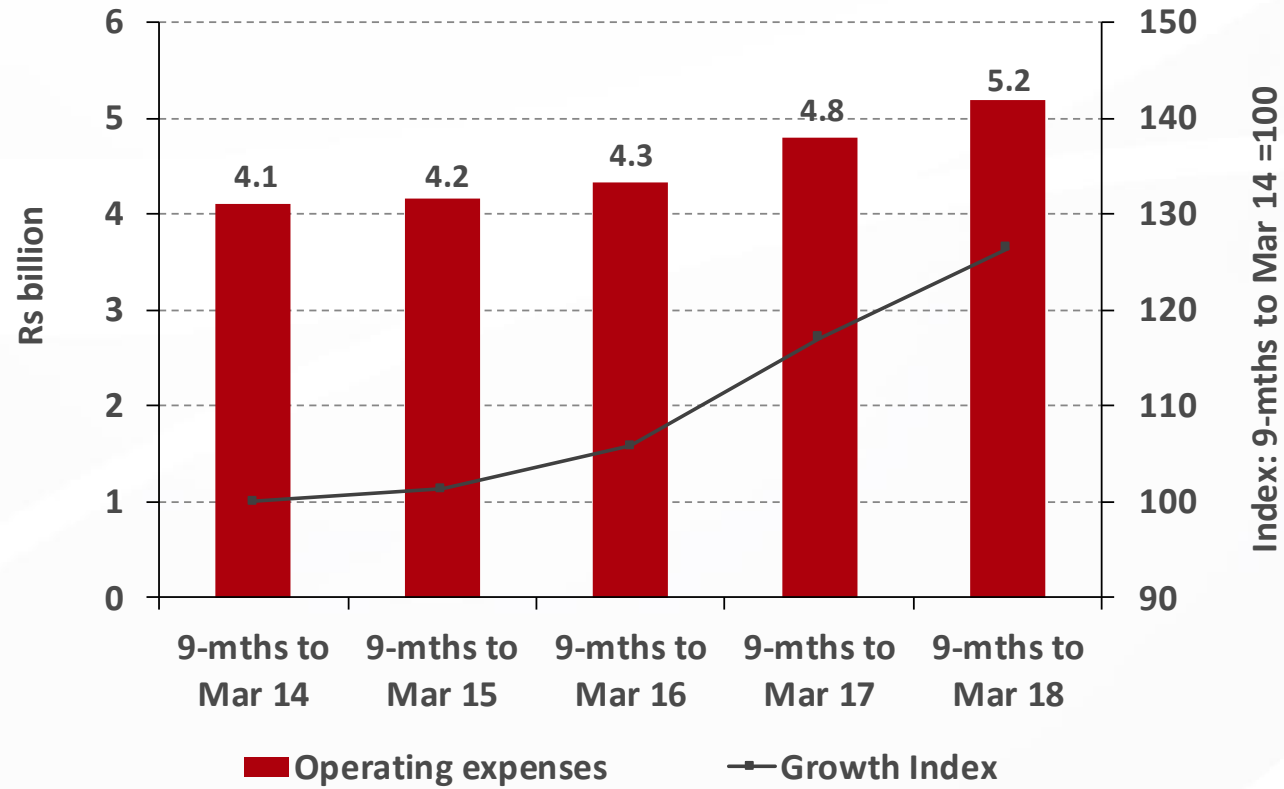




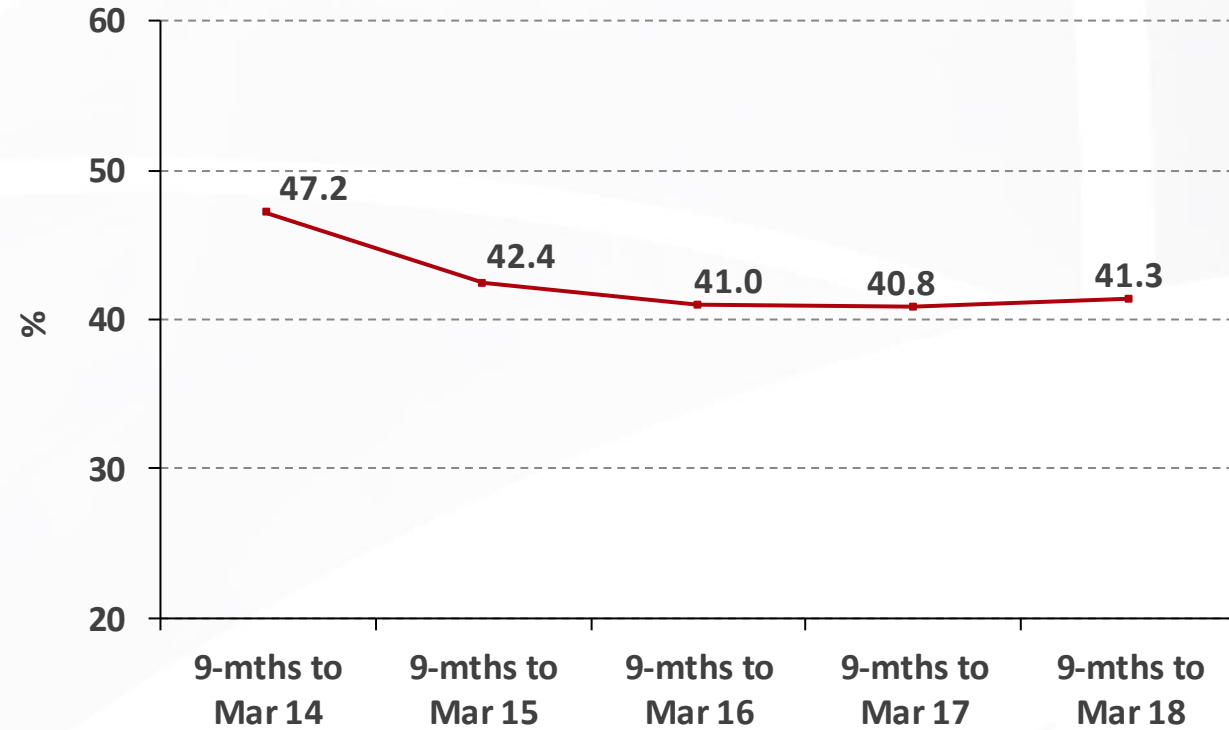




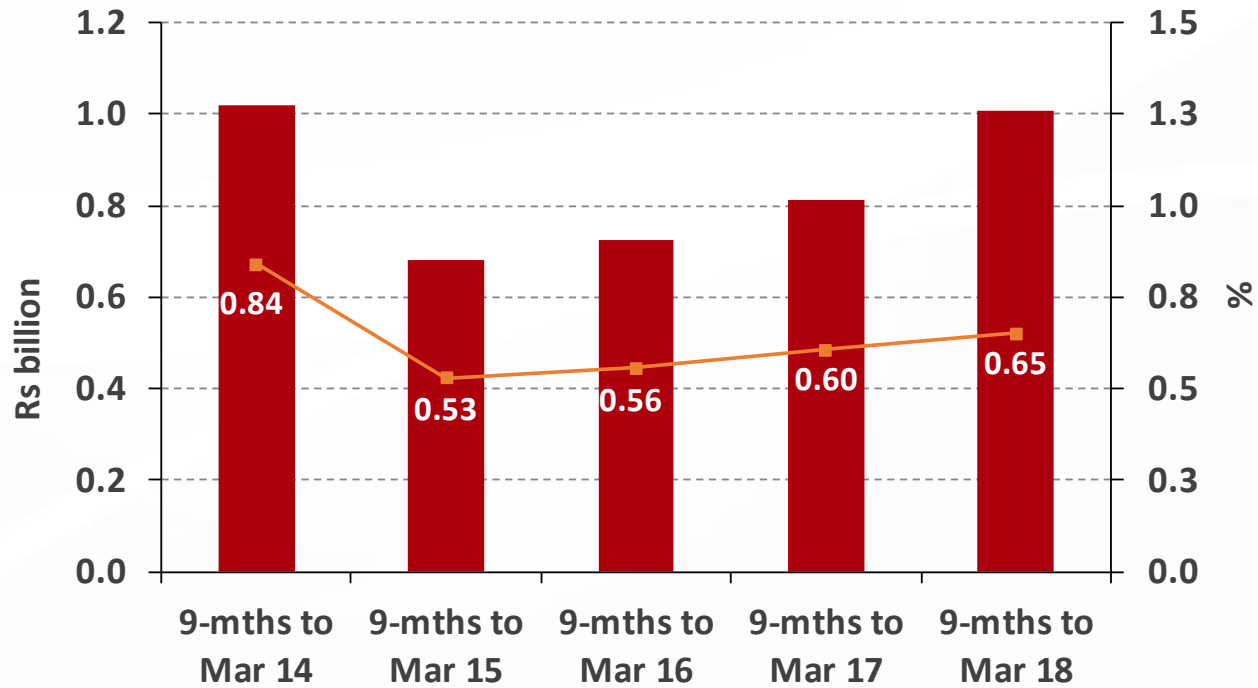
## Operating expenses



## Cost to income ratio



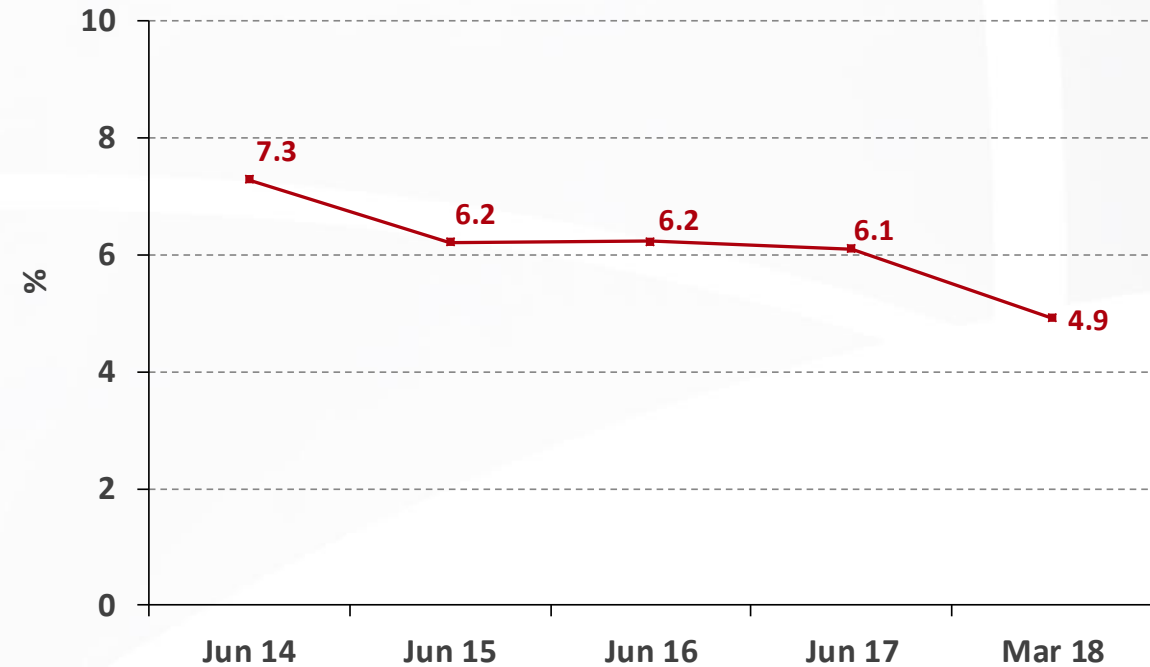
## Credit impairment charges



■ Net impairment charges    — As a % of gross loans and advances (right scale)

*Note: The ratios have been annualised.*

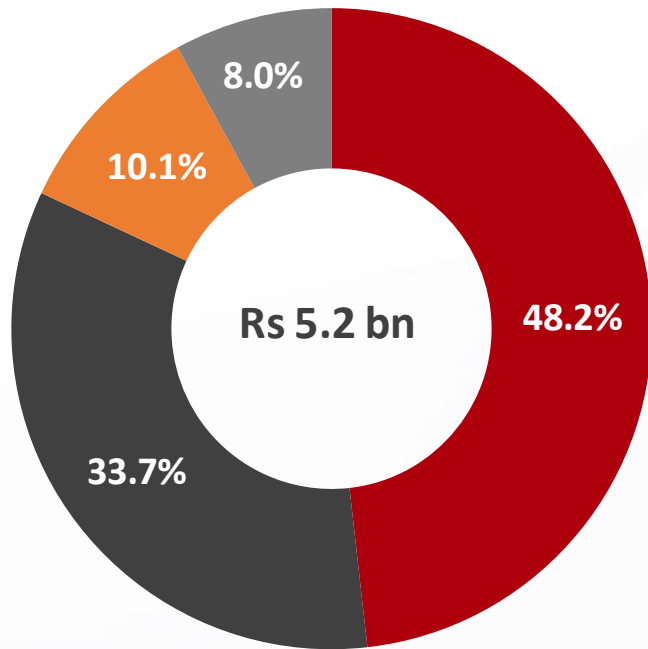
## Gross NPL ratio



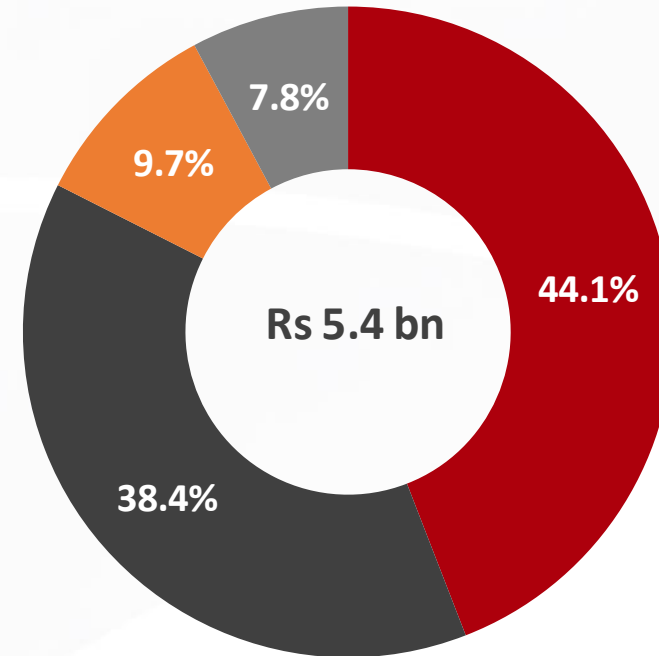
— Gross NPLs to gross loans and advances



Mar 17



Mar 18

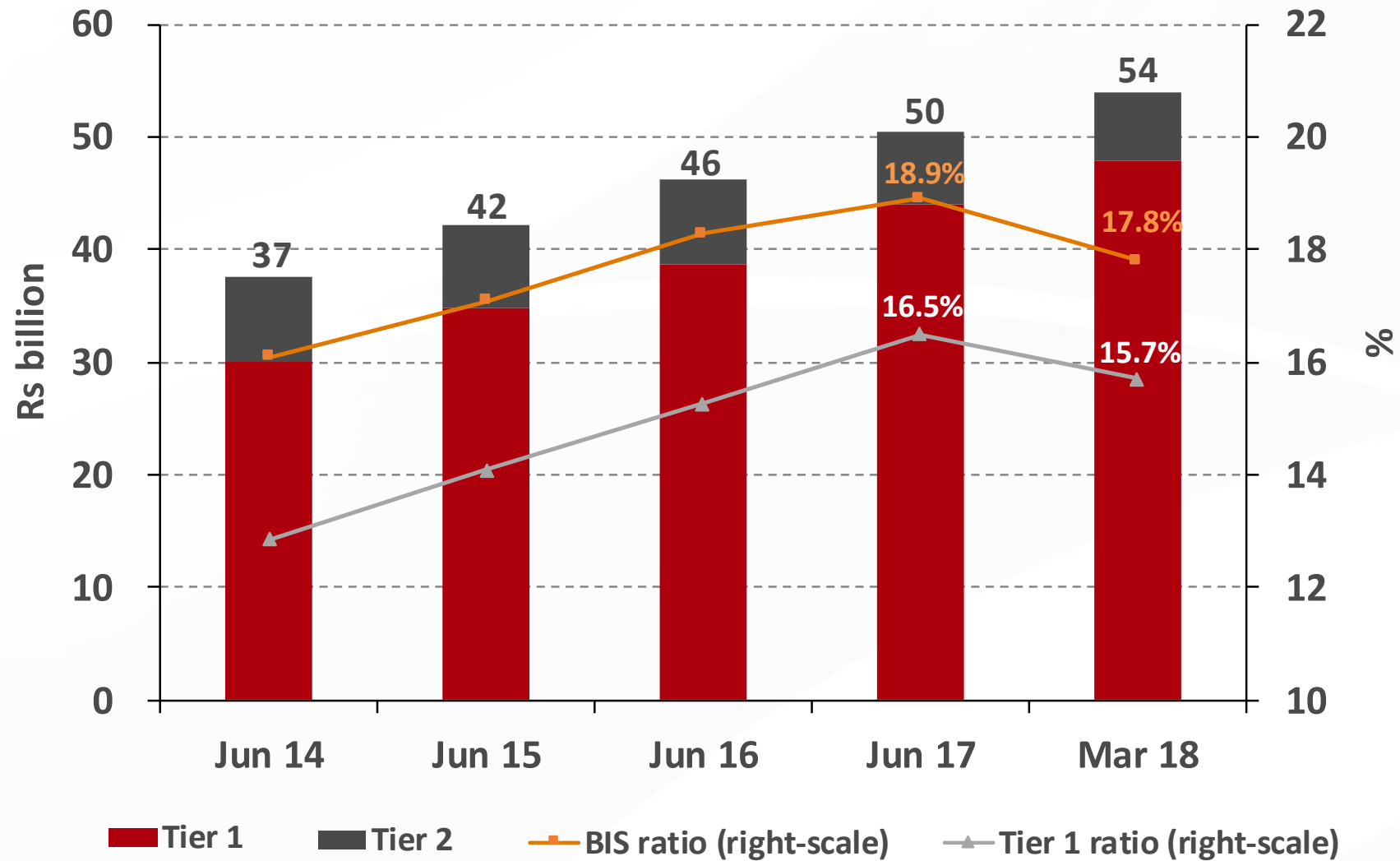


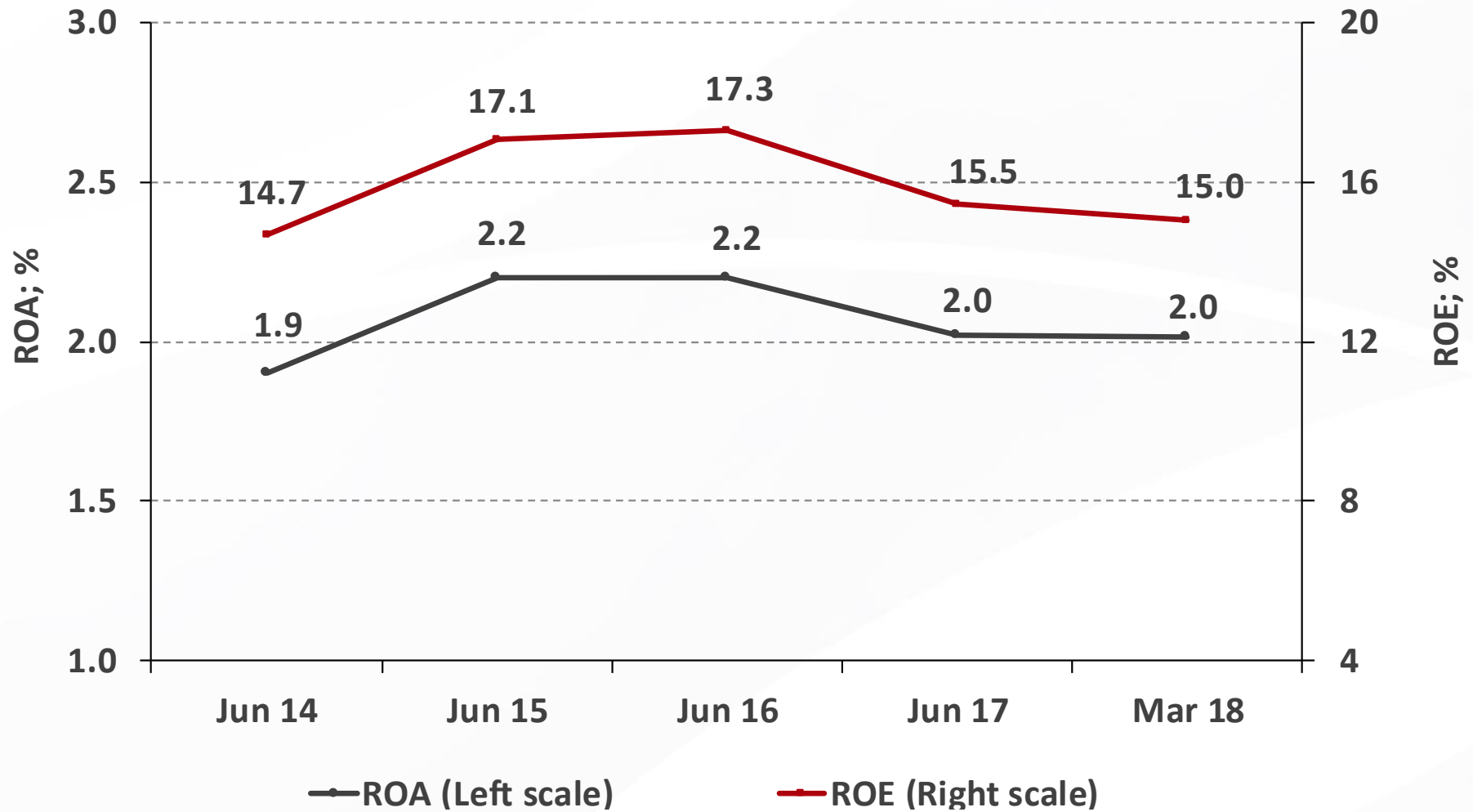
■ MCB Ltd - Segment A

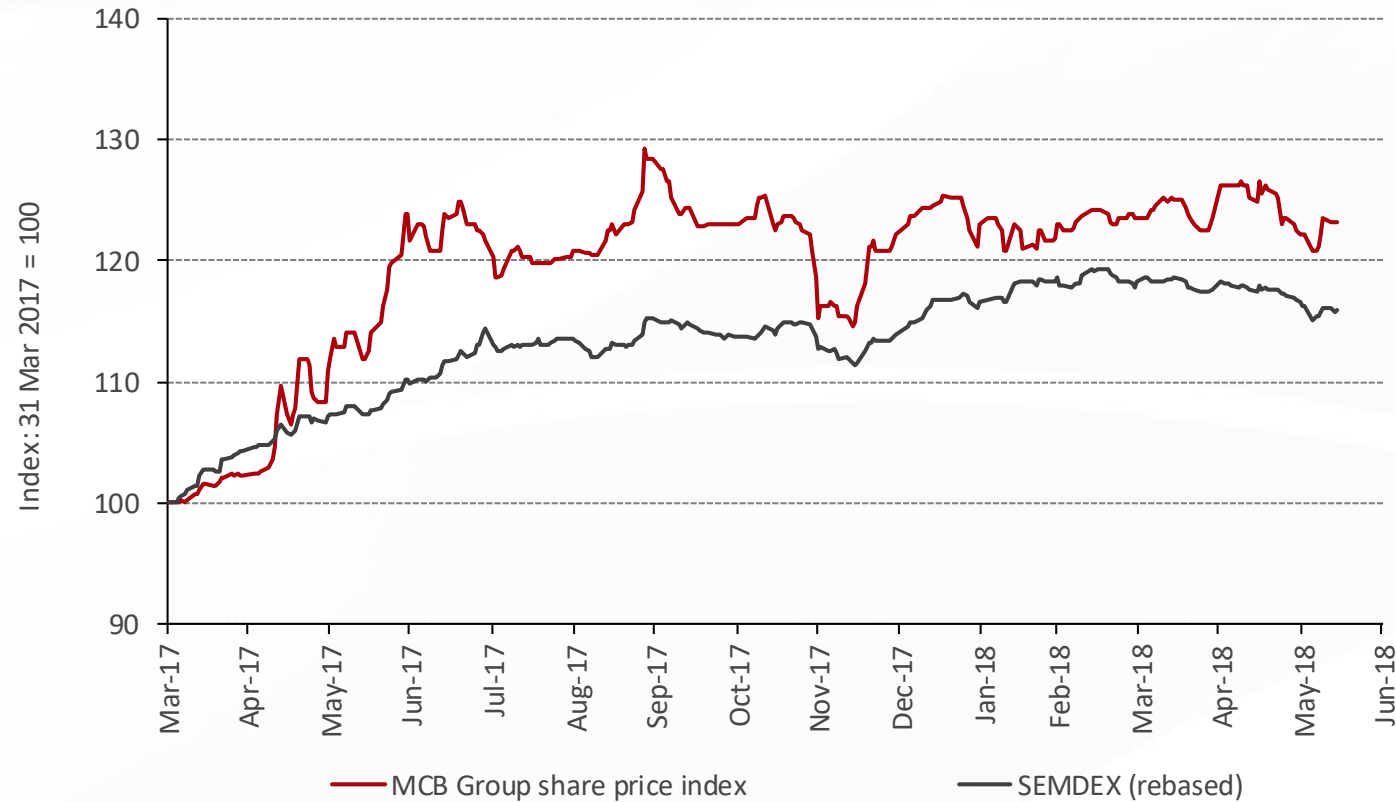
■ Foreign banking subsidiaries & associates

■ MCB Ltd - Segment B

■ Non-banking financial & other investments







## Salient features

As at May 2018

**16%**

Foreign shareholding

**> 40%**

Market share for value traded

MCB Group Ltd is a constituent of the Stock Exchange of Mauritius Sustainability Index (SEMSI)\* since its launch in Sep. 2015



## Investor Relations Unit

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Website: [www.mcbgroup.com](http://www.mcbgroup.com)

## Appendix

Income statement	Year ended to:					9 mths ended to:	
	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	31-Mar-17	31-Mar-18
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m
Net interest income	7,047	7,256	8,154	8,890	9,411	7,181	7,816
Non-interest income	3,976	5,019	5,060	5,514	6,095	4,574	4,720
Non-interest expense	4,903	5,290	5,526	5,776	6,388	4,798	5,184
Operating profit before provisions	6,121	6,985	7,689	8,629	9,118	6,957	7,353
Net impairment charges	1,081	1,989	1,127	1,022	1,064	812	1,006
Share of profit of associates	257	540	375	735	338	301	301
Income tax expense	918	1,033	1,129	1,537	1,644	1,213	1,181
Profit attributable to ordinary equity holders	4,345	4,365	5,722	6,626	6,702	5,190	5,448

Balance sheet	As at					As at
	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	31-Mar-18
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m
Total assets	216,528	240,886	280,013	317,705	345,677	375,457
Cash & cash equivalents*	16,305	20,442	29,601	52,855	60,321	44,898
Investment securities	22,447	35,435	50,689	62,735	74,730	94,664
Net loans	150,604	154,471	168,222	166,697	172,331	192,320
Total deposits	166,113	186,088	221,140	255,262	274,863	294,962
Equity	28,506	30,968	35,933	40,730	45,949	50,650

\*Includes placements



	Mar-17	Jun-17	Mar-18
<b>Profitability</b>			
Return of average total assets <sup>1</sup>	2.1	2.0	2.0
Return on average equity <sup>1</sup>	16.2	15.5	15.0
Return on average Tier 1 capital <sup>1</sup>	17.1	16.2	15.8
<b>Efficiency</b>			
Cost-to-income	40.8	41.2	41.3
<b>Asset quality</b>			
Gross NPL/Gross loans and advances	5.8	6.1	4.9
Net NPL/Net loans and advances	4.3	4.6	3.3
<b>Liquidity</b>			
Liquid assets <sup>2</sup> /Total assets	41.4	41.6	38.6
Loans to deposits	65.4	65.0	67.5
Loans to deposits and borrowings <sup>3</sup>	62.3	62.4	63.6
<b>Capital adequacy</b>			
Shareholder equity to assets	13.1	13.3	13.5
BIS risk adjusted ratio <sup>4</sup>	18.5	18.9	17.8
o/w Tier 1 <sup>4</sup>	16.1	16.5	15.7

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

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

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

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

