

MCB Group results for the year ended 30 June 2014

PORT LOUIS, 30 September 2014: MCB Group Limited today announced its audited results for the year ended 30 June 2014

HIGHLIGHTS

- Growth of 3% in net interest income to Rs 7.3 billion
- Net fee and commission income up by 9.8%
- Strong growth in 'Other income', supported by higher profit on exchange and gains on sale of securities
- Rise in operating expenses contained to 7.9%
- Increase of Rs 908 million in credit impairment charges
- Share of profit of associates more than doubled

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs 4,365.0 m

▲ **0.5%**

OPERATING INCOME

Rs 12,274.9 m

▲ **11.4%**

ASSETS

Rs 240.9 bn

▲ **11.2%**

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

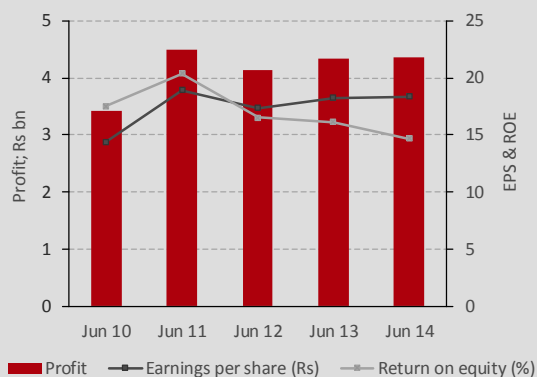
"The Group was in the last financial year confronted by difficult market conditions. Indeed, the challenging economic environment continued to exert a restraining impact on activities of the Group across markets. In particular, the persisting sluggishness of private investment in Mauritius further dampened demand for credit, while margins came under heightened pressure amidst the ongoing excess liquidity situation. Critically, Group results were greatly affected by the substantial increase in impairment charges. This was primarily attributable to the provisions that were constituted in relation to certain Indian exposures within the Global Business unit of MCB Ltd, which has taken the necessary steps to ring-fence these exposures and boost recovery efforts on these files with uncommonly high default rates.

Despite these unfavourable circumstances, the Group managed to post a resilient performance. Attributable profits for the year remained at similar levels to those realised in the previous year, standing at Rs 4,365 million. Whilst being boosted by profits on sale of securities, including a one-off gain of some Rs 400 million by MCB Ltd, this performance was supported by a more than two-fold increase in the share of income of associates following improved contribution of BFCOI and PAD Group. Furthermore, core earnings continued to grow on the back of sustained growth in net interest income and net fee income within the banking cluster as well as increased contribution from non-banking operations amidst ongoing business development initiatives. Reflecting the successful execution of our diversification strategy, the combined share of foreign-sourced earnings and non-banking activities in Group results stood at around the 50% mark. Besides, notwithstanding the deterioration in asset quality, the Group maintained generally healthy financial soundness metrics in terms of capitalisation as well as funding and liquidity.

Challenging times lie ahead considering the relatively slow-moving recovery patterns globally and market difficulties in some countries where the Group is involved. Notably, unless the national reform agenda is materially upgraded, economic growth in Mauritius is likely to be subdued for some time yet, with the trend in private investment being a key source of concern, while the high liquidity situation in the banking system remains to be conclusively addressed. Against this backdrop, the Group will maintain its market vigilance and remain attentive to regulatory developments. Backed by its new business configuration and governance structure, the Group will pursue its growth strategy with due focus on the extension of its regional involvement. On the whole, results are projected to improve in FY 2014/15, boosted by an upturn in the performance within the banking operations on the basis of higher revenues and lower impairment charges as well as continued growth in non-banking activities."

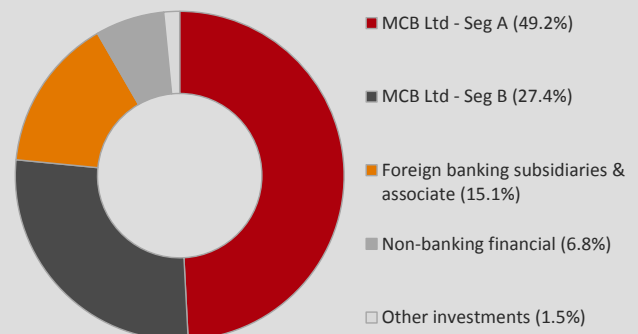
Financial performance

Profitability indicators



Note: Profit includes non-recurrent gains of Rs 250m in FY 11 and some Rs 400m in FY 14, while that for FY 10 was levelled down by a non-recurrent impairment charge of Rs 190m.

Contribution to Group profit



Group performance results

Income Statement

Net interest income

Against the backdrop of restrained growth in the loan book on the back of the difficult economic environment and pressures on margins amidst high liquidity, notably in Mauritius, net interest income rose by 3.0% to attain Rs 7,256 million in FY 2013/14, with strong growth in revenues from international activities being recorded.

Non-interest income

In line with reinforced market presence and diversification, net fee and commission income increased by 9.8% to reach Rs 2,888 million, underpinned by revenues from cards services and, in particular, enhanced portfolio management fees from the Bank's Private Banking segment. Besides, strong growth was posted in 'other income', boosted by gains on sale of securities, including a one-off gain of around Rs 400 million realised by MCB Ltd. For its part, profit on exchange grew by 12.1% with some foreign subsidiaries posting a notable upturn, while a growth of some 4% was registered by MCB Ltd.

Share of profit of associates

The share of income of associates more than doubled from Rs 257 million to Rs 540 million on account of improved contribution from both BFCOI and PAD Group.

Operating expenses

On the back of diligent cost management and enhanced operational efficiency, growth in operating costs was contained to 7.9%, with expenses reaching Rs 5,353 million, mainly led by capacity-building initiatives across the Group's entities and key undertakings linked to the restructuring exercise as well as higher marketing and product development costs.

Impairment

Allowance for credit impairment rose significantly to reach Rs 1,989 million. Whilst a certain deterioration was recorded in respect of some foreign subsidiaries, this evolution was primarily linked to certain impaired Indian corporate exposures in the Global Business unit of MCB Ltd. Moreover, impairment losses of Rs 50 million were incurred by MCB Equity Fund Ltd in relation to the closure of a local listed company.

Taxation

Income tax for the year increased by nearly 13% to Rs 970 million, largely explained by the rise in the special levy on the Segment A (i.e. locally-geared) business of MCB Ltd, which is now effectively taxed at 25%.

Financial Position Statement

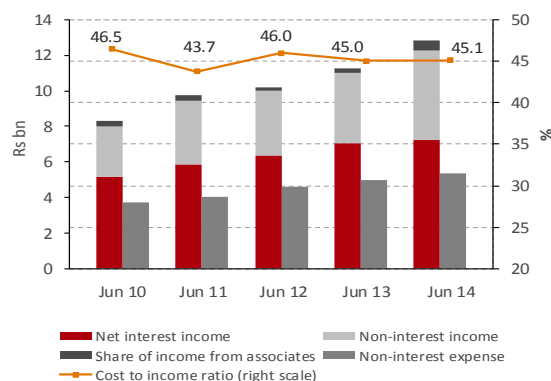
Loans and assets

Although an appreciable rise was registered at the level of foreign banking subsidiaries, total loans and advances of the Group increased by 3.8% to reach Rs 161.1 billion due to a restrained evolution at Bank level. On the other hand, a notable rise was registered in respect of liquid assets, as a result mainly of the Bank facing up to restrained demand for credit and prevalence of excess liquidity conditions. Overall, total assets increased by 11.2% to reach Rs 240.9 billion.

Funding

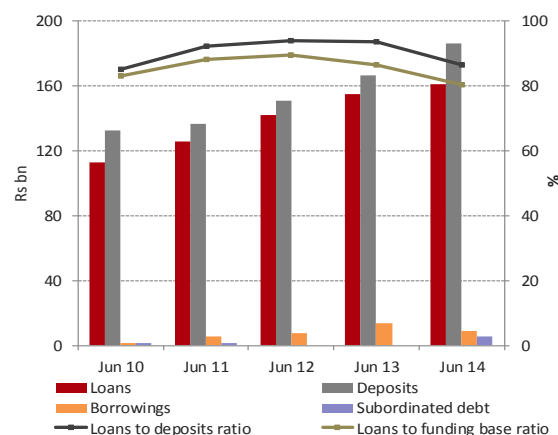
Total deposits of the Group went up by some 12% to reach Rs 186.1 billion as at 30 June 2014, mainly supported by funding mobilised at the level of MCB Ltd. Of note also, the latter stepped up its recourse to wholesale funding to finance its ambitious business development objectives, with Rs 4.5 billion raised through the issue of Floating Rate Subordinated Notes on the local bourse and a loan of USD 30 million obtained from the African Development Bank.

Income and expenditure evolution

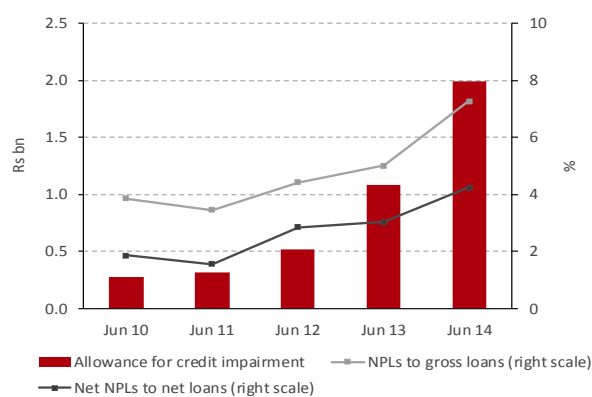


Note: Non interest income in FY 11 and FY 14 include non-recurrent gains, which, however, have been excluded in the computation of the cost to income ratio

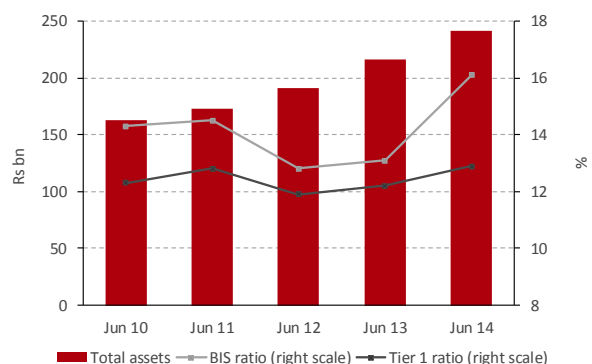
Loans and deposits



Provision and credit quality



Total assets and capital adequacy



Financial soundness indicators

Underpinned by its healthy business model and reflecting its ability to comfortably sustain its market development, the Group maintained adequate financial soundness metrics in terms of capitalisation as well as liquidity and funding. Whilst asset quality was adversely impacted by the default of the Bank's Global Business exposures, measures to further strengthen risk management should contribute to trigger a reversal in the trend moving forward.

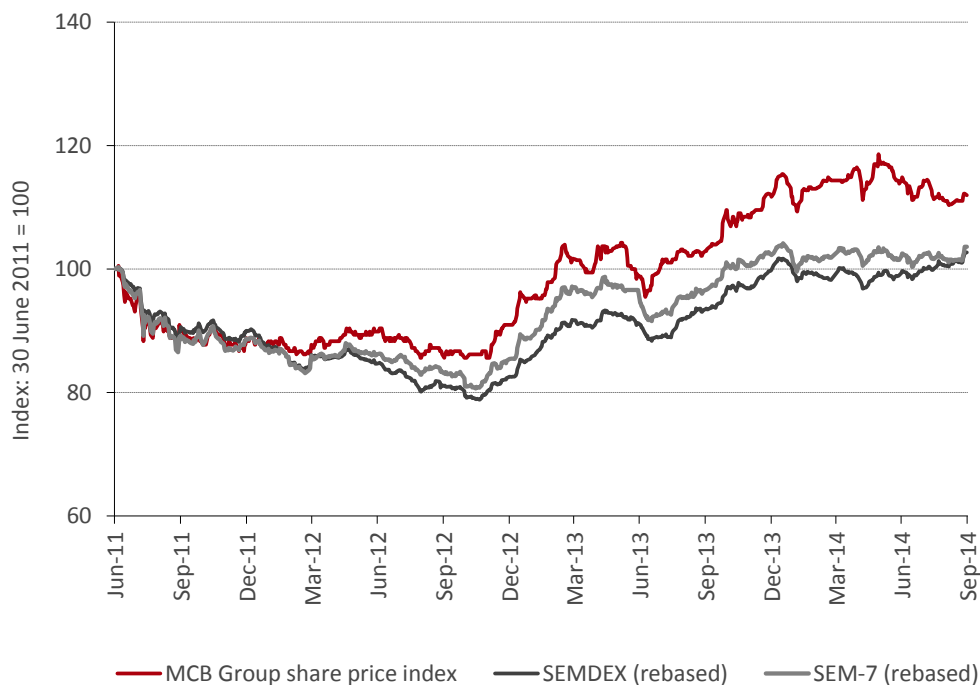
	Jun-12	Jun-13	Jun-14
Asset Quality			
Gross NPL/Gross loans	4.4	5.0	7.3
Net NPLs/Net loans	2.9	3.0	4.2
Efficiency			
Cost-to-income	46.0	45.0	45.1 ¹
Liquidity			
Liquid assets ² /Total assets	17.0	20.5	26.4
Loans to deposits	93.9	93.4	86.5
Profitability			
Return on average total assets	2.3	2.1	1.9
Return on average equity	16.5	16.1	14.7
Capital adequacy³			
BIS risk adjusted ratio	12.8	13.1	16.1
o/w Tier 1	11.9	12.2	12.9

¹ Excludes non-recurrent items

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

³ Figures for June 2012 and June 2013 have been restated

MCB Group share price performance



Note: MCB shares were suspended as from its last day of trading on 24 March 2014 and MCB Group shares started trading again on 3 April 2014



www.mcbgroup.com

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.

For more information, please contact the Strategic Information Cell - Strategy, Research & Development SBU on (230) 202-5134 / (230) 202-5558