

MCB Group results for the first quarter to 30 September 2017

PORT LOUIS, 14 November 2017: MCB Group Limited today announced its unaudited results for the first quarter of FY 2017/18.

HIGHLIGHTS

- Rise of 5.7% in net interest income
- Growth of 6.4% in net fee and commission income
- Profit on exchange and net gain on financial instruments carried at fair value up by 13.1%
- Increase of 7.0% in operating expenses
- Impairment charges higher by Rs 68 million
- Share of profit of associates lower by Rs 70 million

PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

Rs 1,683.1 m

▲ **5.4%**

OPERATING
INCOME

Rs 3,918.0 m

▲ **7.3%**

ASSETS

Rs 357.8 bn

▲ **9.6%**

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

“The Group posted a satisfactory performance with business growth being supported by our diversification strategies. Attributable profits went up by 5.4% to reach Rs 1,683 million for the quarter ended September 2017.

This performance was underpinned by the continued growth in operating income, up by 7.3%. Net interest income rose by 5.7% mainly due to increased income from overseas activities of MCB Ltd and higher investment in Government securities amidst the persisting excess liquidity situation. Net fee and commission income grew by 6.4% on the back of increased revenues both at banking and non-banking levels. In addition, ‘Other income’ recorded a growth of 15.8%, largely supported by a rise of 13.1% in profit on exchange and net gain on financial instruments carried at fair value.

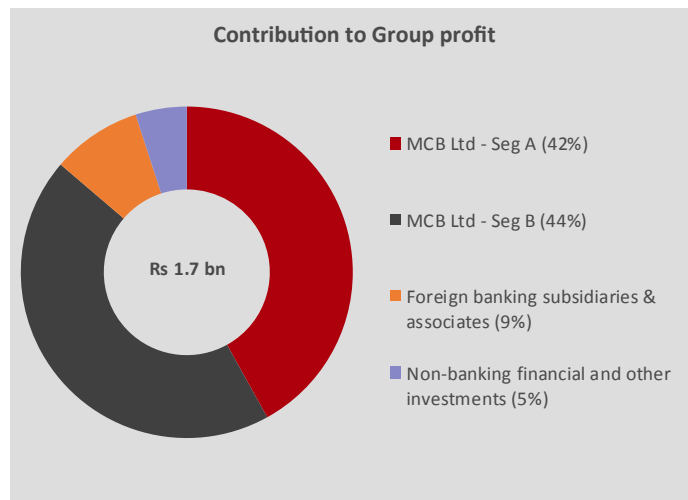
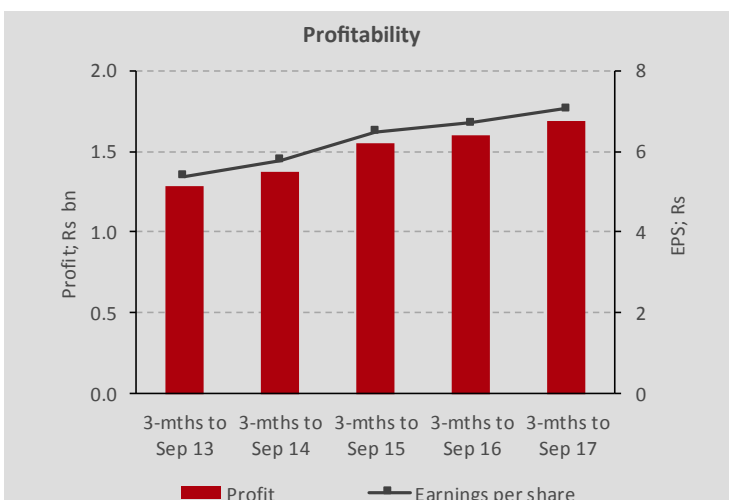
Operating expenses were up by 7.0% reflecting capacity building initiatives implemented throughout the Group. Net impairment charges rose by Rs 68 million compared to the corresponding period of last year, representing 59 basis points of gross loans and advances on an annualised basis with the gross NPL ratio declining to 5.7%.

Our share of profit of associates declined by Rs 70 million, reflecting reduced contribution from PAD Group and our foreign banking associates.

Shareholders’ funds of the Group reached Rs 46.8 billion, resulting in an increase of our capital adequacy ratio to 18.6%, of which 16.2% in the form of Tier 1.

Whilst the economic environment is expected to improve globally, our operating context is likely to remain challenging. Locally, the high liquidity conditions should continue to weigh down on our operations despite the recent drop in the Repo Rate and the anticipated pick up in investment in infrastructure projects while, regionally, our business pipeline remains encouraging.”

Financial performance



Profit or Loss Statement

Net interest income

Net interest income rose by 5.7% to reach Rs 2,465 million, following increased earnings from international exposures of the Bank and higher investment in Government securities, the latter reflecting dampened demand for bank credit and the excess liquidity situation domestically.

Non-interest income

Net fee and commission income increased by 6.4% to reach Rs 836 million, supported by higher loan disbursements in foreign currency by MCB Ltd and corporate finance activities of MCB Capital Markets Ltd. Besides, 'Other income' recorded a growth of 15.8%, driven by an increase of 13.1% in profit on exchange and net gain on financial instruments carried at fair value.

Share of profit of associates

Share of profit of associates fell by Rs 70 million, on account of reduced contributions at the level of PAD Group and from our foreign banking associates over the period under review.

Operating expenses

Operating expenses rose by 7.0% to reach Rs 1,675 million in line with continued investment in capacity building, leading to a cost to income ratio of 42.8% for the quarter ended September 2017.

Impairment

Impairment charges grew by Rs 68 million to reach Rs 274 million, representing around 59 basis points of gross loans and advances on an annualised basis as at September 2017. Asset quality improved with the NPL ratios dropping to 5.7% and 4.0% in gross and net terms respectively.

Profit

Group profits rose by 5.4% to reach Rs 1,683 million for the three months ended September 2017. This performance was mainly supported by the international activities of MCB Ltd and enhanced contribution from some non-banking entities, which led to foreign sourced earnings and non-banking activities accounting for around 58% of Group results.

Financial Position Statement

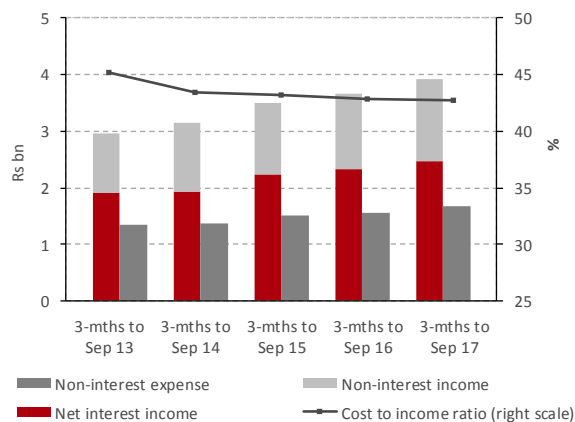
Loans and funding

Gross loans of the Group went up by 4.6% to reach Rs 183.0 billion as at September 2017, on the back of an expansion in the foreign loan book of MCB Ltd and a sustained rise in housing loans. Total deposits rose by 8.7% to stand at Rs 285.2 billion, mainly explained by the continued growth in rupee denominated deposits. As a result, total loans represented some 64% of deposits and around 62% of the total funding base, when including borrowings and subordinated debt.

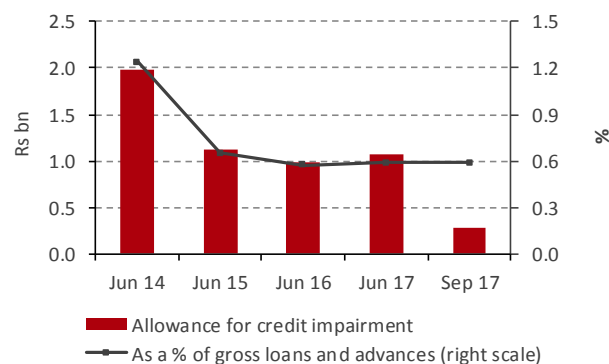
Capital position

Shareholders' funds of the Group increased by 13.2% to reach Rs 46.8 billion. Overall, comfortable capitalisation levels were maintained, as gauged by the overall capital adequacy ratio and Tier 1 ratio standing at 18.6% and 16.2% respectively.

Income and expenditure evolution

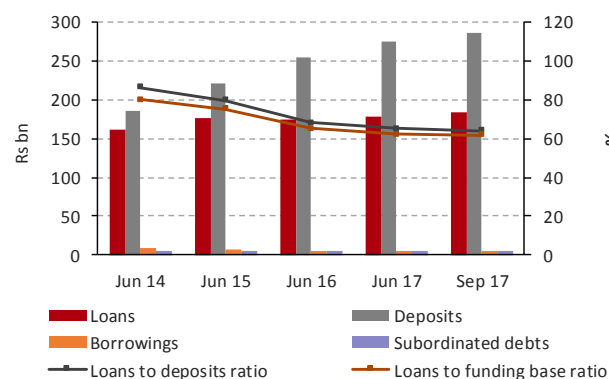


Allowance for credit impairment and credit quality

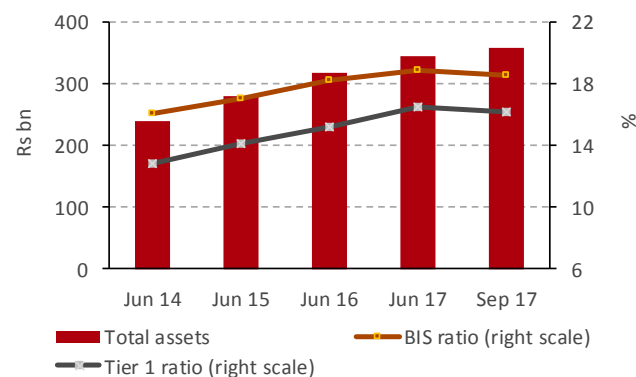


Note: Impairment charges for Sep 17 relate to three months while the ratio has been annualised.

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Sep-16	Jun-17	Sep-17
Profitability			
Return on average total assets ¹	2.0	2.0	1.9
Return on average equity ¹	15.6	15.5	14.5
Return on average Tier 1 capital ¹	16.4	16.2	15.2
Efficiency			
Cost-to-income	42.9	41.2	42.8
Asset quality			
Gross NPL/Gross loans and advances	6.1	6.1	5.7
Net NPL/Net loans and advances	3.9	4.6	4.0
Liquidity			
Liquid assets ² /Total assets	40.1	41.6	41.3
Loans to deposits	66.6	65.0	64.1
Loans to deposits and borrowings ³	64.0	62.4	61.7
Capital adequacy			
Shareholders equity to assets	12.7	13.3	13.1
BIS risk adjusted ratio ⁴	18.2	18.9	18.6
o/w Tier 1 ⁴	15.4	16.5	16.2

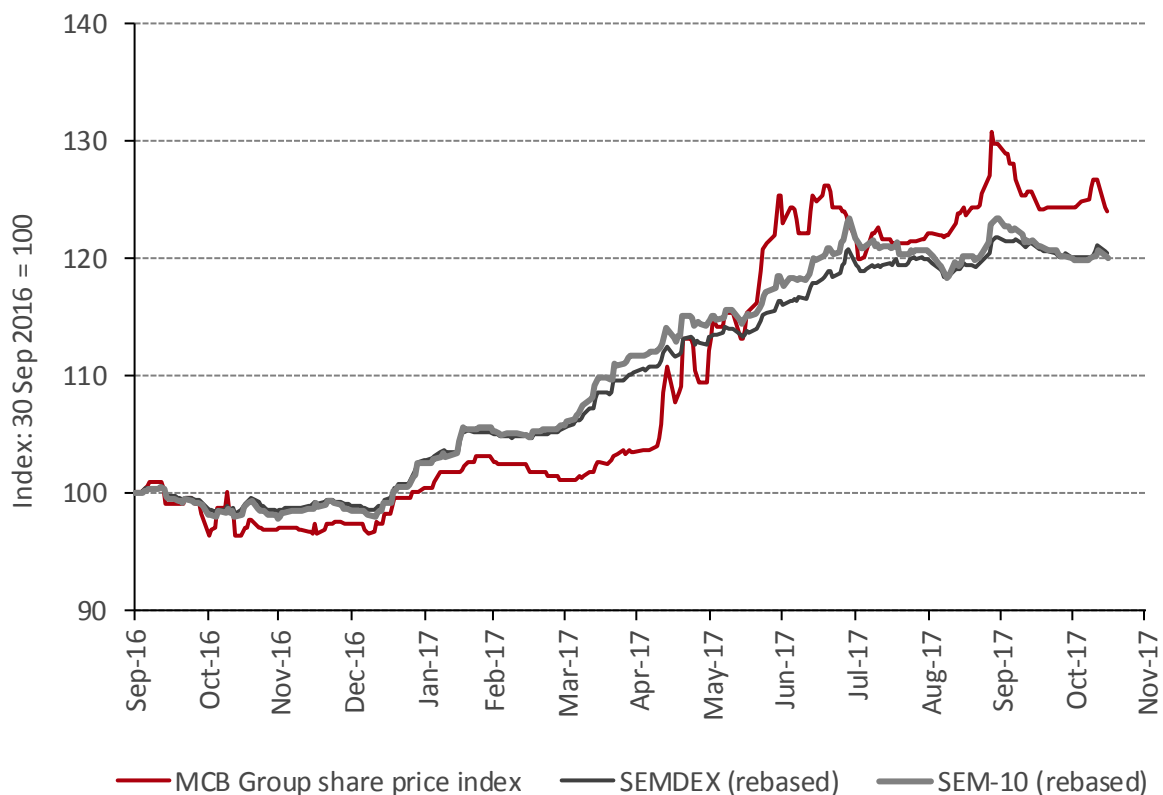
¹ Annualised rate for September figures

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

³ Borrowings include subordinated debts

⁴ Based on Basel III

MCB Group share price performance





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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 Investor Relations Unit on (230) 202-5134 / (230) 202-5558 or investor.relations@mcbgroup.com