GROUP MANAGEMENT STATEMENT

MCB Group results for the first quarter to 30 September 2018

PORT LOUIS, 13 November 2018: MCB Group Limited today announced its unaudited results for the first quarter of FY 2018/19.

HIGHLIGHTS

- Rise of 25.2% in net interest income
- Net fee and commission income up by 5.7%
- Growth of 12.5% in 'Other income'
- Increase of 11.0% in operating expenses
- Impairment charges higher by Rs 87 million
- Share of profit of associates up by Rs 52 million
- Y-o-y growth of 6.0% in deposits and of 24.2% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 2,130.9 m	Rs 4,668.7 m	Rs 407.0 bn
▲ 26.6%	▲ 19.2%	▲ 13.7%

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

''The strong growth in loan portfolio experienced during the latter half of the last financial year continued during the last quarter giving rise to a robust performance for the period to September 2018 with attributable profits of Rs 2,130.9 million, representing a growth of 26.6%.

Operating income went up by 19.2% to reach Rs 4,669 million, underpinned by enhanced performances across clusters. Net interest income rose by 25.2%, mainly reflecting the notable expansion in the international loan portfolio while an appreciable growth was also registered in income from domestic activities. Net fee and commission income increased by 5.7% despite a drop in wealth management fees, mainly supported by the growth in revenues from regional trade financing linked to the Energy & Commodities business as well as increased revenues from payment activities and MCB Capital Markets Ltd. 'Other income' recorded a growth of 12.5%, after factoring in the contribution from MCB Real Assets Ltd and a rise of 8.2% in profit on exchange and fair value gains on financial instruments.

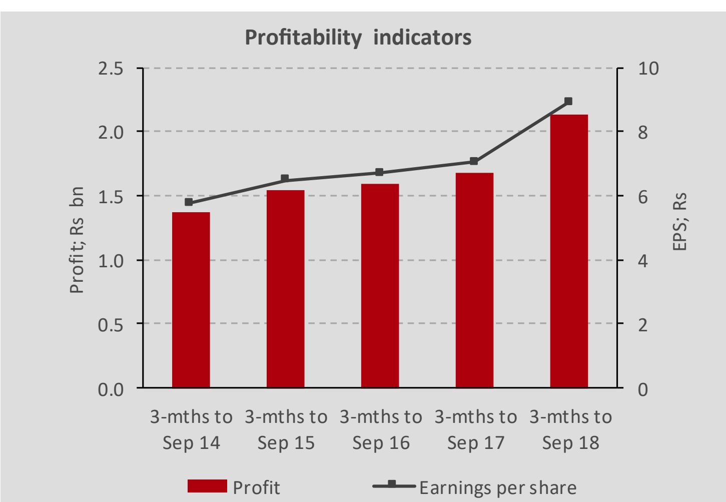
In line with major capacity-building initiatives under way, operating expenses were up by 11.0%. The cost to income ratio, however, dropped further to 39.8% as compared to 42.8% for the corresponding period of last year. Asset quality continued to improve with the gross NPL ratio declining further to 4.3% and the cost of risk remaining stable at 61 basis points of gross loans and advances on an annualised basis.

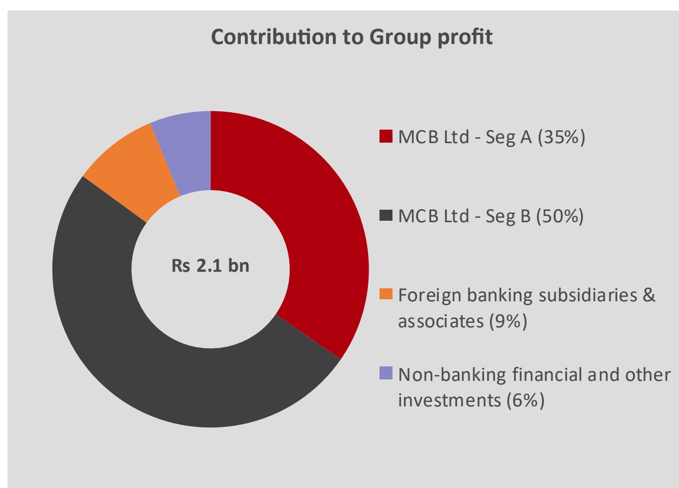
Our share of profit of associates grew by Rs 52 million, reflecting improved performances of PAD Group and our foreign banking associates.

The Group remained well-capitalised, with the adoption of IFRS 9 having, in line with expectations, an impact of Rs 588.1 million on retained earnings with respect to impairment of financial assets. As at 30 September 2018, the BIS ratio improved slightly to stand at 17.5%, of which 15.4% in the form of Tier 1 Capital.

The results for the next quarter to December 2018 are expected to continue to benefit from the growth momentum of our loan portfolio and prospects beyond remain encouraging in view of our existing business pipeline.''

Financial performance





Profit or loss statement

Net interest income

Net interest income grew by 25.2% to reach Rs 3,121 million, mainly driven by the significant rise in the international exposures of MCB Ltd as well as reflecting an upturn in domestic loans and advances and the positive trend in yields on T-bills.

Non-interest income

In spite of a drop in wealth management fees, net fee and commission income increased by 5.7% to stand at Rs 853 million underpinned by a significant growth in revenues from regional trade financing linked to the Energy & Commodities business as well as increased income from payment activities and MCB Capital Markets Ltd. 'Other income' grew by 12.5%, after factoring in the contribution from MCB Real Assets Ltd and a rise of 8.2% in profit on exchange and fair value gains on financial instruments.

Share of profit of associates

Share of profit of associates went up by Rs 52 million, on account of enhanced performances of PAD Group and our foreign banking associates.

Operating expenses

In line with major ongoing capacity building projects, operating expenses grew by 11.0% to reach Rs 1,860 million. However, in view of the growth in operating income, the cost to income ratio improved to 39.8% compared to 42.8% in September 2017.

Impairment

In line with the growth in loan portfolio, impairment charges rose by Rs 87 million to stand at Rs 360 million, representing 61 basis points of gross loans and advances on an annualised basis as at September 2018. Asset quality improved with the NPL ratios declining further to 4.3% and 2.8% in gross and net terms respectively.

Profit

Group profits rose by 26.6% to reach Rs 2,131 million for the three months ended September 2018. Alongside improved performances of some non-banking entities, this growth reflected the expansion in international activities of MCB Ltd which resulted in domestic banking activities accounting for only 35% of Group profits for the quarter under review.

Financial position statement

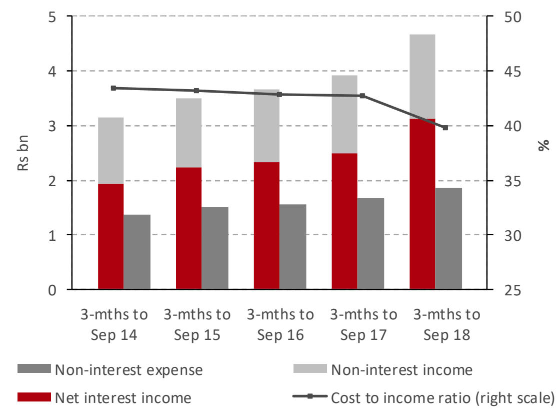
Loans and funding

Total gross loans for the Group recorded an increase of 24.2% to reach Rs 227.2 billion as at 30 September 2018, to a large extent reflecting a rise in international operations of MCB Ltd while an upturn was also observed in domestic loans and advances. For its part, total deposits rose by 6.0% to reach Rs 302.3 billion on account of the growth in both rupee denominated and foreign currency deposits. Moreover, 'Other borrowed funds' went up in line with the expansion in the overseas activities. As a result, the total loans to deposits ratio and the total loans to funding base ratio, when including borrowings, increased compared to the corresponding period last year to reach some 75% and 67%.

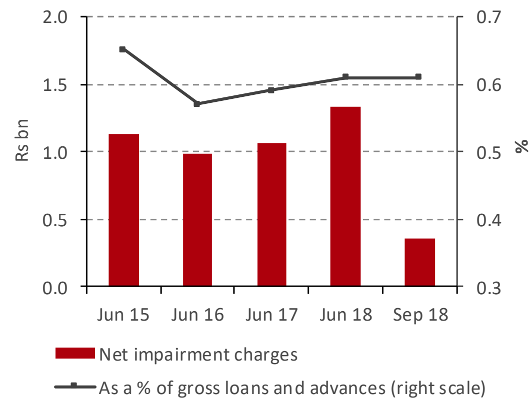
Capital position

The Group remained well-capitalised, with the adoption of IFRS 9 having, in line with expectations, an impact of Rs 588.1 million on retained earnings with respect to impairment of financial assets (as highlighted in the following table). As at 30 September 2018, the BIS ratio improved slightly to stand at 17.5%, of which 15.4% in the form of Tier 1 Capital.

Income and expenditure evolution

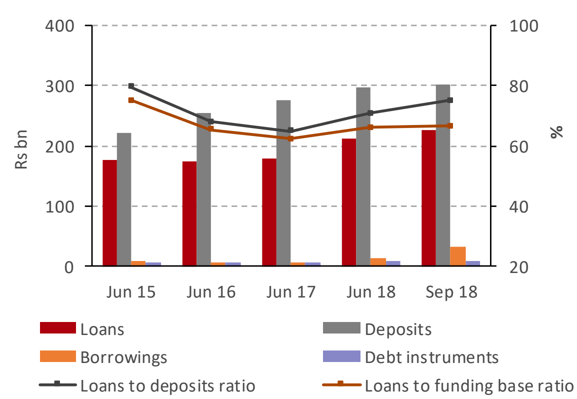


Net impairment charges and credit quality

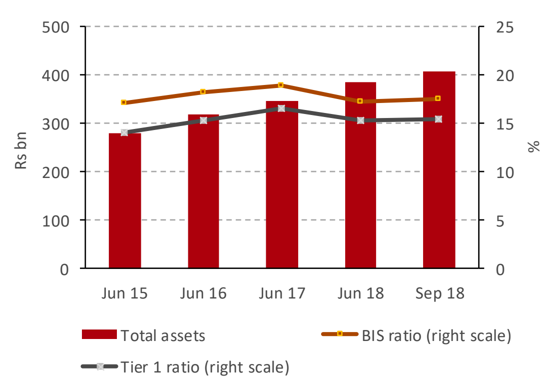


Note: Impairment charges for Sep 18 relate to three months while the ratio has been annualised.

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Impact of the adoption of IFRS 9 on impairment of financial assets

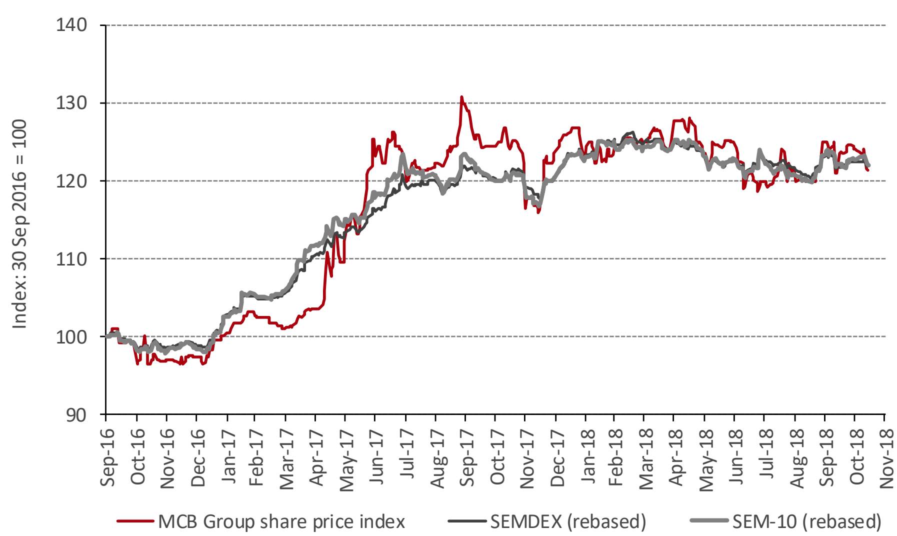
	Rs million
Portfolio provision as at 30 June 2018 deducted from financial assets and classified as Tier 2 Capital	1,359.6
General Banking Reserve as at 30 June 2018 (forming part of shareholders' equity but classified as Tier 2 Capital)	1,186.5
Expected Credit Losses as restated as at 1 July 2018	2,546.1
Impact of IFRS 9 on retained earnings	588.1
Other movements	(34.8)
Expected Credit Losses under IFRS 9 deducted from financial assets and classified as Tier 2 Capital as at 30 September 2018	3,099.4

Financial soundness indicators (%)

	Sep-18	Sep-17	Jun-18
Profitability			
Return on average total assets	2.1	1.9	2.0
Return on average equity	16.8	14.5	14.8
Return on average Tier 1 capital	17.3	15.2	15.5
Efficiency			
Cost-to-income	39.8	42.8	40.1
Asset quality			
Gross NPL/Gross loans and advances	4.3	5.7	4.5
Net NPL/Net loans and advances	2.8	4.0	3.1
Liquidity			
Liquid assets[1]/Total assets	37.5	41.3	37.0
Loans to deposits	75.2	64.1	70.9
Loans to deposits and borrowings[2]	66.6	61.7	66.0
Capital adequacy			
Shareholders equity to assets	12.4	13.1	13.3
BIS risk adjusted ratio[3]	17.5	18.6	17.3
o/w Tier 1 [3]	*15.4*	*16.2*	*15.3*

[1] In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills and Government securities
[2] Borrowings include debt instruments
[3] Based on Basel III

MCB Group share price performance



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