MCB Group results for the nine months to 31 March 2018

PORT LOUIS, 15 May 2018: MCB Group Limited today announced its unaudited results for the nine months ended 31 March 2018.

HIGHLIGHTS

- Increase of 8.8% in net interest income
- Growth of 7.0% in net fee and commission income
- 'Other income' down by 1.1%
- Rise of 8.0% in operating expenses
- Impairment charges higher by Rs 194 million
- Deposits up by 7.8% and net customer loans by 10.1%

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 5,447.8 m	Rs 12,536.5 m	Rs 375.5 bn
▲ 5.0%	▲ 6.6%	▲ 9.3%

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

"Group profits for the nine months to 31 March 2018 increased by 5.0% to reach Rs 5,447.8 million, with earnings from foreign sources and non-banking operations contributing 56% thereof.

Operating income rose by 6.6% to reach Rs 12,536.5 million. This performance was driven by an increase of 8.8% in net interest income, reflecting a strong growth in the overseas activities of MCB Ltd and, to a lesser extent, higher investments in Government securities amidst a still high liquidity situation in Mauritius. Net interest margin as a percentage of average earnings assets increased during this financial year after several years of contraction. Net fee and commission income went up by 7%, underpinned mainly by higher revenues from lending, regional trade financing and payment activities in the banking cluster as well as continued growth within the non-banking segment. 'Other income' fell by 1.1% for the period under review despite profit on exchange increasing by 1.4%.

Operating expenses grew by 8.0% in line with the ongoing capacity-building projects currently in progress across the Group. This contributed to a rise in the cost to income ratio which stood at 41.3% as compared to 40.8% for the corresponding period in the previous year.

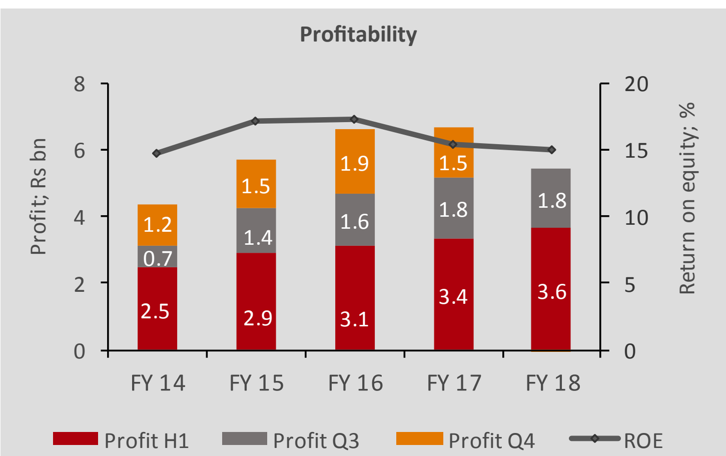
Net impairment charges rose by Rs 194 million to Rs 1.0 billion, representing an annualised rate of 65 basis points of gross loans and advances, of which 7 basis points relate to portfolio provisions built-up during the period as a result of the increase in the loans and advances portfolio. The gross non-performing loan ratio stood at 4.9%.

In spite of an improved performance from BFCOI, our share of profit of associates remained flat, principally reflecting losses incurred at the level of PAD Group.

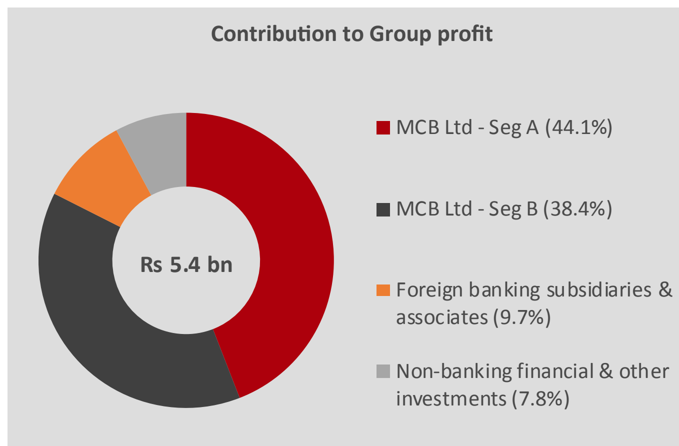
Shareholders' funds increased to Rs 50.7 billion, contributing to a capital adequacy ratio of 17.8%, of which 15.7% in the form of Tier 1 ratio.

On current trends, Group results for the financial year ending 30 June 2018 are expected to improve compared to last year. Prospects beyond are encouraging in view of our business pipeline and signs of strengthening economic activity at the global, regional and domestic levels."

Financial performance



Note: ROE ratio has been annualised for FY 18



Profit or loss statement

Net interest income

Net interest income rose by 8.8% to reach Rs 7,816.4 million notably linked to a significant expansion in the international loan book of MCB Ltd and increased receipts from investments in Government securities within the context of high liquidity in Mauritius.

Non-interest income

Net fee and commission increased by 7.0% to reach Rs 2,612.3 million. This was driven by higher revenues from payment, lending and regional trade financing activities of MCB Ltd, more specifically in the Energy & Commodities business as well as a heightened performance recorded by MCB Capital Markets Ltd. Notwithstanding a slight rise of 1.4% in profit on exchange, 'other income' fell by 1.1% for the period under review.

Share of profit of associates

In spite of higher contribution from BFCOI, the share of profit of associates remained flat at Rs 300.9 million, principally reflecting losses incurred at the level of PAD Group.

Operating expenses

Operating expenses grew by 8.0% to stand at Rs 5,183.6 million in line with ongoing capacity building initiatives across the Group, resulting in a cost to income ratio of 41.3% for the nine months ended March 2018.

Impairment

Impairment charges rose by Rs 194 million to reach Rs 1,005.5 million, representing an annualised rate of 65 basis points of gross loans and advances, of which 7 basis points relate to portfolio provisions built-up during the period as a result of the increase in the loans and advances portfolio. The NPL ratios stood at 4.9% and 3.3% in gross and net terms respectively.

Profit

Group profits for the nine months ended March 2018 grew by 5.0% to reach Rs 5,447.8 million mainly supported by the overseas activities of MCB Ltd. Reflecting the diversification strategy of the Group, the combined share of foreign-sourced income and non-banking operations stood at 56% of results.

Financial position statement

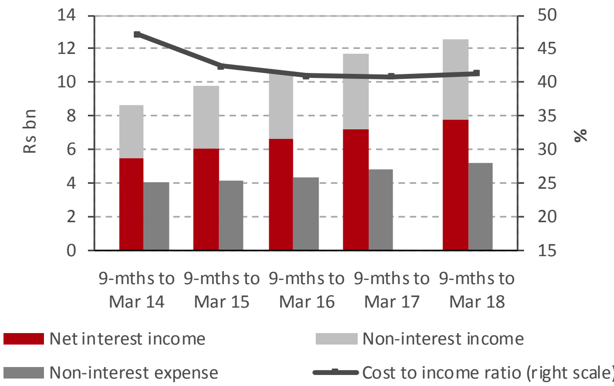
Loans and funding

After a long period of subdued performance, net customer loans of the Group encouragingly increased by 10.1% to reach Rs 186.9 billion as at March 2018, fuelled by a rise in the foreign currency exposures of MCB Ltd and a pick-up in the domestic loan book. For its part, total deposits rose by 7.8% to reach Rs 295.0 billion mostly explained by the growth in rupee deposits. As a result, the total loans to deposits ratio and total loans to funding base, when including borrowings, improved to 68% and 64% respectively.

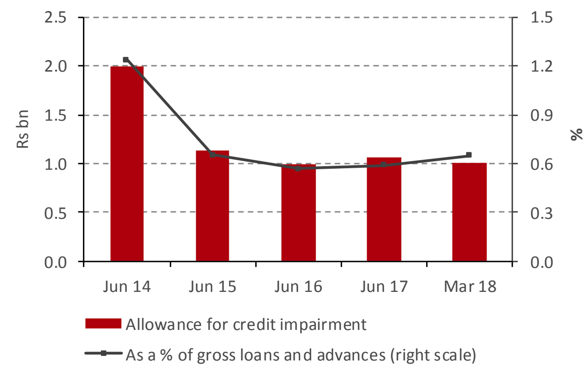
Capital position

Shareholders' funds of the Group increased by 12.8% to reach Rs 50.7 billion. Overall, comfortable capitalisation levels were maintained, as gauged by the BIS and Tier 1 ratio standing at 17.8% and 15.7% respectively.

Income and expenditure evolution

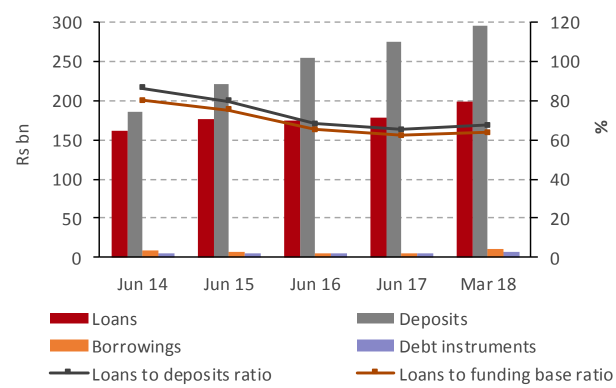


Allowance for credit impairment and credit quality

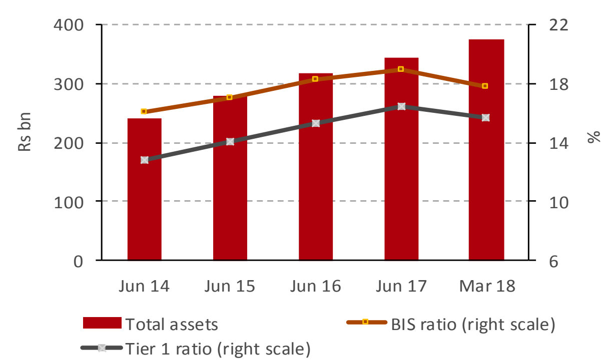


Note: Impairment charges for Mar 18 relate to nine months while the ratio has been annualised.

Loans and funding base



Total assets and capital adequacy



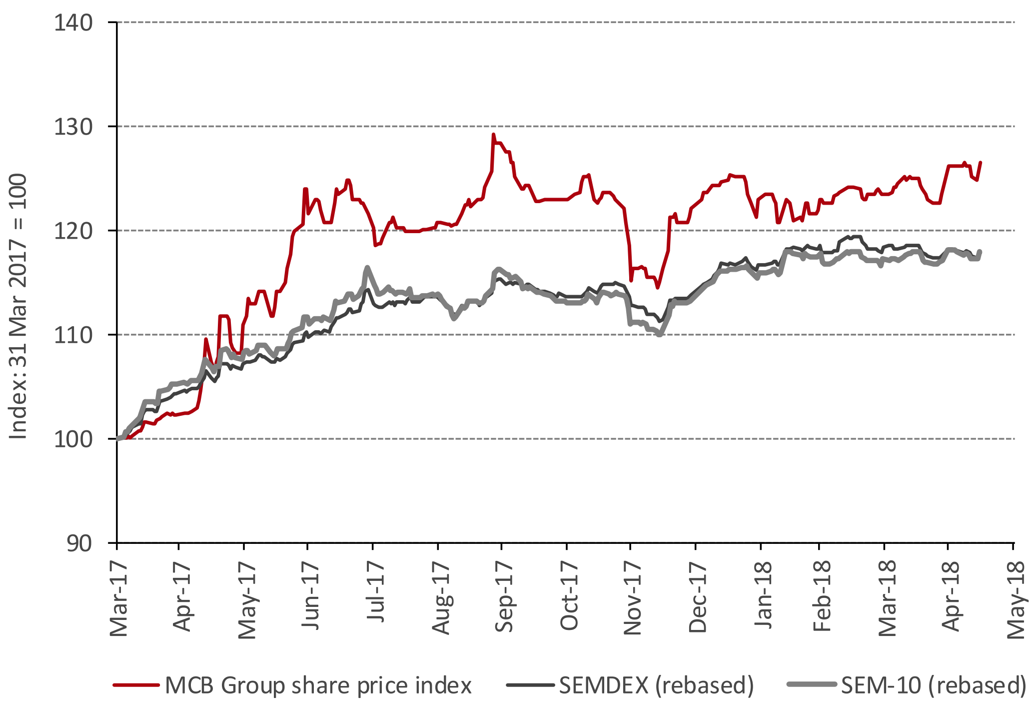
Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

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

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

MCB Group share price performance



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