

MCB Group results for the year ended 30 June 2016

PORT LOUIS, 29 September 2016: MCB Group Limited today announced its audited results for the year ended 30 June 2016.

HIGHLIGHTS

- Growth of 9.0% in net interest income
- Net fee and commission income down by 5.1%
- Rise of 25.8% in profit on exchange
- Increase of 4.8% in operating expenses
- Net credit impairment charges fell by 12.3%
- Share of profit of associates rose by Rs 360 million

PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

Rs 6,625.5 m

▲ **15.8%**

OPERATING
INCOME

Rs 14,417.8 m

▲ **9.1%**

ASSETS

Rs 317.7 bn

▲ **13.5%**

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

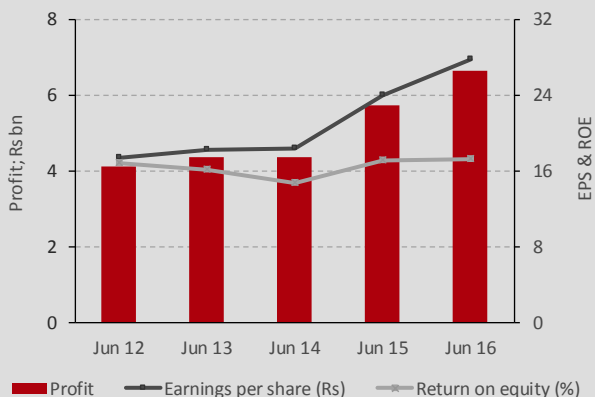
“The Group delivered a very satisfactory performance in spite of the challenging operating environment with profits attributable to equity holders increasing by 15.8% to Rs 6,626 million and earnings per share rising from Rs 24.04 to Rs 27.82. Notwithstanding a drop in net fee and commission income essentially due to the impact of low oil prices on regional trade financing, operating income increased by 9.1%. Net interest income went up by 9.0% despite a slightly lower loan portfolio while revenue growth was also driven by a strong rise in profit on exchange and the successful exit from an equity investment. With growth in operating expenses being contained at 4.8%, the cost to income ratio moved to our long-term target of 40% and, after factoring in a reduction in net impairment charges, this contributed to operating profit going up by more than 16%. Our performance was further enhanced by a near doubling of our share of profit of our associates BFCOI and PAD Group.

Enhanced financial performance in a context of limited growth in risk weighted assets resulted in further improvements to our capital adequacy ratio which reached 18.3% at year end, of which 15.3% by way of Tier 1 ratio. Robust funding and liquidity positions continued to characterise the Group while asset quality was maintained at similar levels as last year.

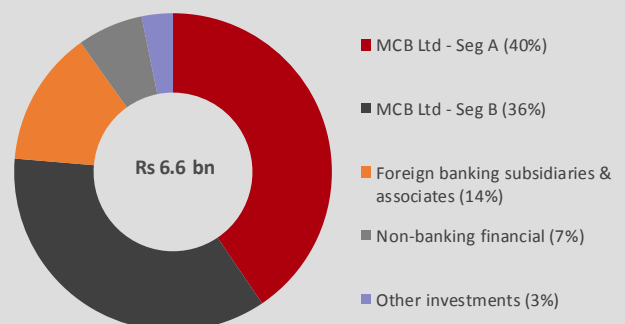
The operating environment is likely to remain difficult amidst global uncertainties with our markets continuing to suffer from excess liquidity, in both local and foreign currencies, which is exercising pressures on average assets yield. Whilst the retail segment is anticipated to sustain its growth momentum, further expansion of credit will be largely dependent on regional economic performance and on the implementation of public and private sector projects in the wake of recent budgetary measures. Against this background, we expect moderate growth in operating profits for the coming year.”

Financial performance

Profitability indicators



Contribution to Group profit



Profit or Loss Statement

Net interest income

Despite being restrained by a marginal decline in the loan portfolio, net interest income rose by 9.0% to reach Rs 8,890 million in FY 2015/16. This performance was mainly driven by increased income from Government securities following higher investments therein across most banking subsidiaries.

Non-interest income

Net fee and commission income dropped by 5.1% primarily due to low oil prices impacting regional trade financing. On the other hand, cards-related fees continued to grow and contribution by MCB Capital Markets Ltd increased on the back of new investment products launched and higher assets under management. 'Other income' registered a robust performance owing to a growth of 25.8% in profit arising from dealing in foreign currencies, the successful exit from an equity investment by MCB Equity Fund Ltd and enhanced revenue from other non-bank entities.

Share of profit of associates

Share of profit of associates nearly doubled to attain Rs 735 million on account of improved contribution from both BFCOI and PAD Group, the latter benefiting from non-recurrent gains on disposal of shares as well as higher contributions from its own associates.

Operating expenses

Staff cost, which is a major component of the cost base, increased by 7.3% reflecting continued investment to build up human capital. Conversely, amortisation charges declined slightly due to timing effect with regard to the implementation of capital investment at the level of MCB Ltd. This contributed to a contained growth of 4.8% in non-interest expense for MCB Group which reached Rs 5,789 million for the year under review.

Impairment

On the back of a fall in impairment charges at the level of foreign banking subsidiaries, net impairment charges for MCB Group fell by 12.3% to stand at Rs 988 million, thus representing 0.57% of the loan portfolio for the year ending June 2016. The NPL for MCB Group was maintained at 6.2% of gross loans while the corresponding ratio in net terms stood at 4.0%.

Profit

Group profits grew by 15.8% to reach Rs 6,626 million for the full year ending June 2016. Results of the banking cluster grew by some 11% during the year but, due to the excellent performance of the non-banking activities, its contribution to Group profits dropped from 94% to 90%. The share of Segment A (domestically-sourced) income increased by one percentage point to reach 40% while the strong performance at the level of our foreign subsidiaries and associates boosted their contribution from 11% to 14%.

Financial Position Statement

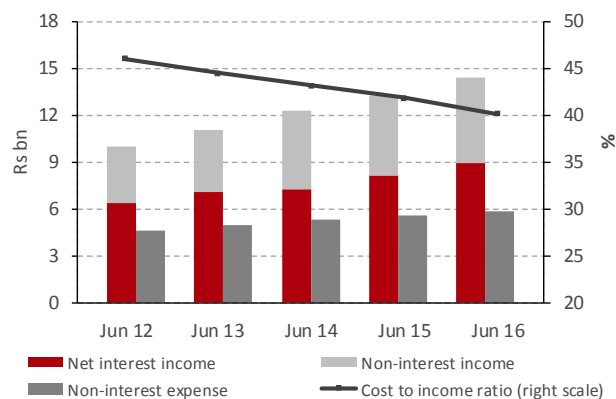
Loans and funding

Reflecting the soft economic climate, gross loans of the Group registered a contraction of 1.3% to stand at Rs 173.8 billion as at 30 June 2016 on account of a dampened performance at MCB Ltd level, linked notably to the fall in regional short term trade financing. On the other hand, total deposits of the Group went up by some 15.4% to reach Rs 255.3 billion as at 30 June 2016, driven by a strong growth achieved at the level of MCB Ltd in terms of both foreign currency deposits and rupee-denominated deposits.

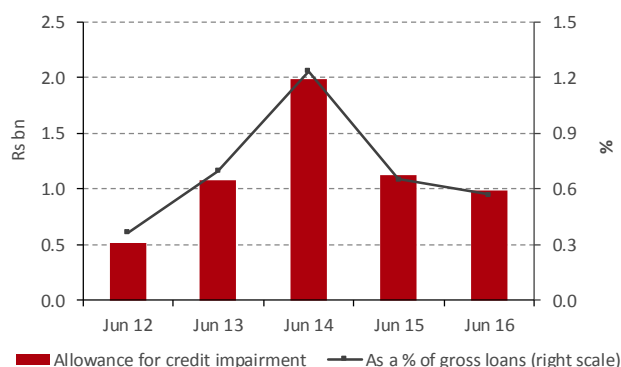
Capital position

Shareholders' funds of the Group reached Rs 40.7 billion following an increase of Rs 4.8 billion, of which 3.4 billion was in the form of retained earnings for the year. Overall, comfortable capitalisation levels were maintained, with the BIS ratio and Tier 1 ratio standing at 18.3% and 15.3% respectively.

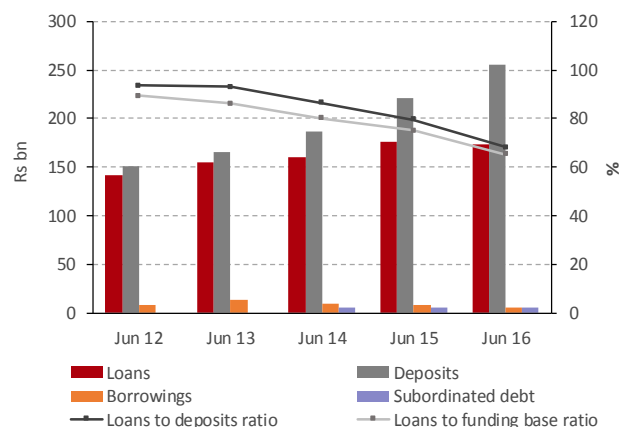
Income and expenditure evolution



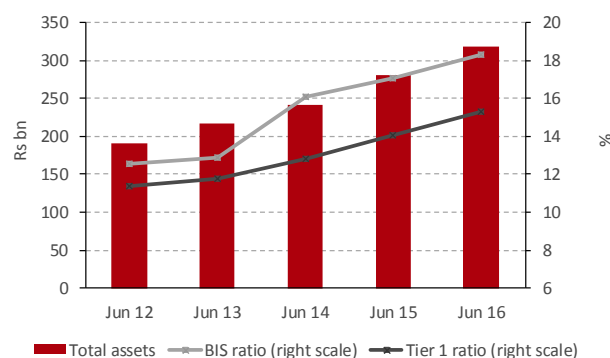
Allowance for credit impairment and credit quality



Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios for June 2014, June 2015 & June 2016 are based on Basel III; figures prior to Jun 16 have been restated

Financial soundness indicators (%)

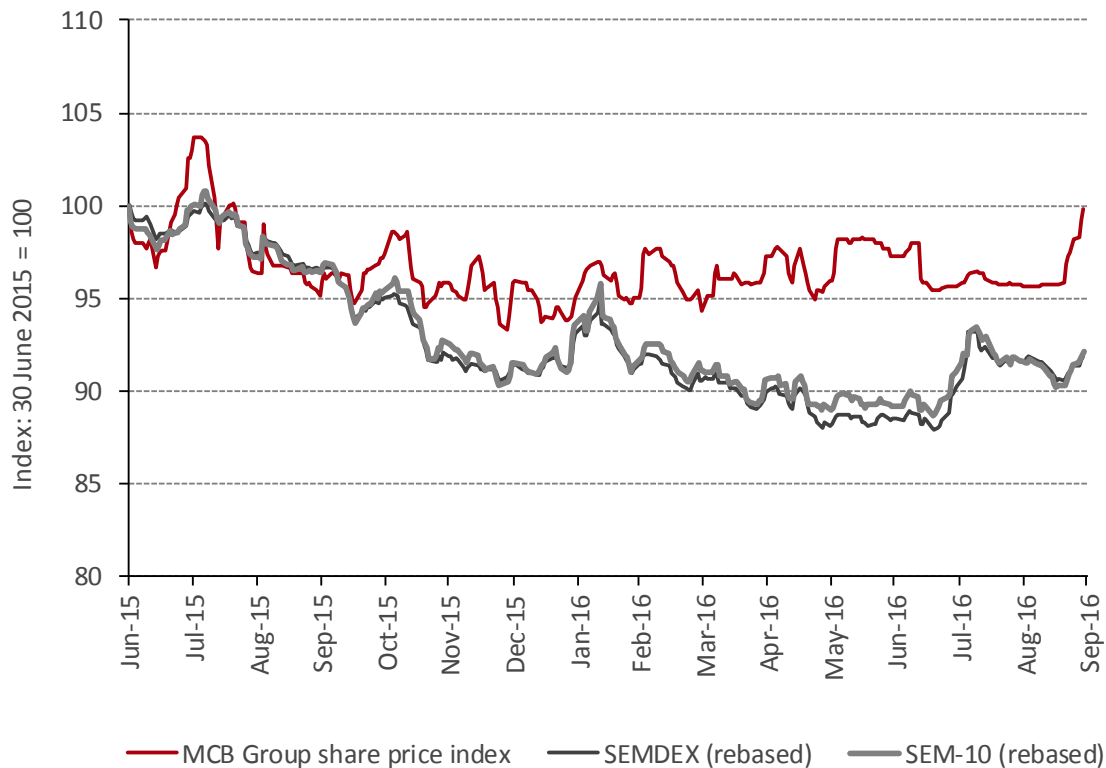
	Jun-14	Jun-15	Jun-16
Profitability			
Return on average total assets	1.9	2.2	2.2
Return on average equity	14.7	17.1	17.3
Efficiency			
Cost-to-income	43.1	41.8	40.2
Asset Quality			
Gross NPL/Gross loans	7.3	6.2	6.2
Net NPLs/Net loans	4.2	3.6	4.0
Liquidity			
Liquid assets ¹ /Total assets	26.4	31.1	38.7
Loans to deposits	86.4	79.6	68.1
Loans to deposits and borrowings ²	80.2	75.1	65.3
Capital adequacy			
Shareholders equity to assets	12.9	12.8	12.8
BIS risk adjusted ratio ³	16.1	17.1	18.3
o/w Tier 1 ³	12.8	14.1	15.3

¹In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills and Government securities

²Borrowings include subordinated debts

³Based on Basel III; June-14 and June-15 figures restated

MCB Group share price performance





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.