

MCB Group results for the first semester to 31 December 2018

PORT LOUIS, 13 February 2019: MCB Group Limited today announced its unaudited results for the first semester of FY 2018/19.

HIGHLIGHTS

- Increase of 24.7% in net interest income
- Net fee and commission income up by 12.1%
- 'Other income' down by 7.7%, following a drop in gains on sale of securities
- Rise of 9.4% in operating expenses
- Impairment charges higher by Rs 165 million, with gross NPL ratio declining to 4.2%
- Share of profit of associates lower by Rs 35 million
- Y-o-y growth of 5.9% in deposits and of 24.5% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs 4,290.9 m

▲ **17.8%**

OPERATING INCOME

Rs 9,609.5 m

▲ **16.6%**

ASSETS

Rs 417.2 bn

▲ **12.9%**

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

"Group profits for the six months to December 2018 increased by 17.8% to reach Rs 4,291 million, on the back of further headway being made in our international business activities, with foreign sourced banking earnings contributing 59% to profits.

This performance was driven by a rise of 24.7% in net interest income, supported mainly by the continued rise in the foreign loan book of MCB Ltd as well as higher average yields on investment securities during the period under review.

Net fee and commission income rose by 12.1%, underpinned by strong performances relating to regional trade financing and payment activities in the banking cluster as well as increased revenues from MCB Capital Markets operations. Notwithstanding an appreciable contribution from MCB Real Assets Ltd, 'other income' fell by 7.7%, with profit on exchange and fair value gains on financial instruments declining by 1.6% amidst volatility in the foreign exchange market whilst the results of 2017 had benefited from a contribution of Rs 191 million following the disposal of investments by MCB Equity Fund. In line with significant investments to boost internal capabilities, operating expenses were up by 9.4%, with our cost of income ratio, however, falling to 39.9% as compared to 42.5% for the corresponding period in the previous year. Net impairment charges stood at Rs 793.4 million, with the cost of risk remaining the same as last year at 64 basis points of gross loans and advances on an annualised basis, whilst asset quality improved with the gross non-performing loan ratio reaching 4.2%.

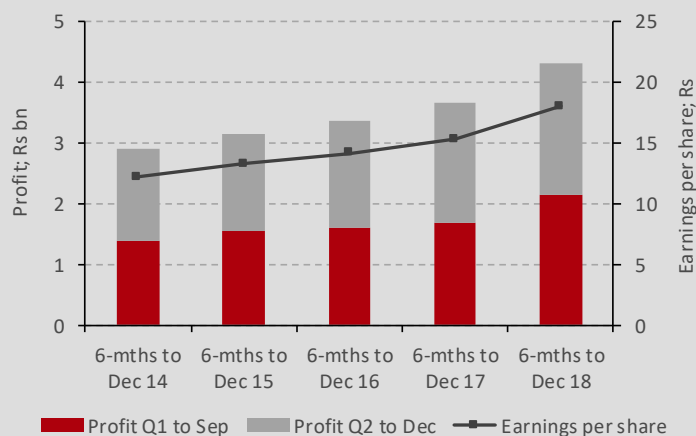
In spite of improved results from SG Moçambique and Promotion and Development Group, our share of profits of associates declined by Rs 35 million following reduced profitability of BFCOI, further exacerbated by weakness of the euro.

Shareholders' funds posted a year-on-year growth of 7.9% to reach Rs 52.5 billion, with our capital adequacy ratio improving to 17.6% compared to the end of the last financial year, of which 15.7% in the form of Tier 1.

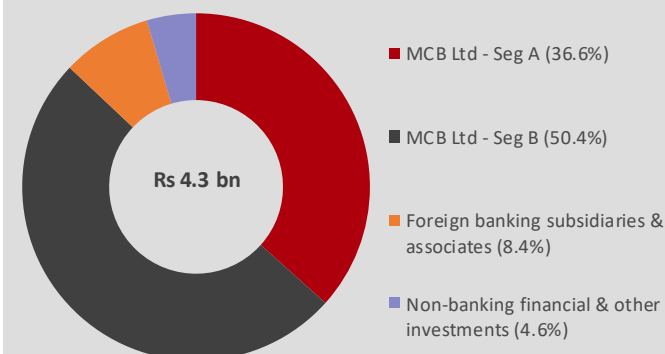
In spite of the recent downgrade in the world economic outlook, prospects for the Group remain encouraging in view of our existing business pipeline. On this basis, full year results are projected to post a healthy growth compared to last year."

Financial performance

Profitability indicators



Contribution to Group profit



Profit or loss statement

Net interest income

Net interest income rose by 24.7% to reach Rs 6,413 million, mainly linked to a significant expansion of our international loan book in line with the growth strategy of MCB Ltd as well as improved average yields on investment securities during the period under review.

Non-interest income

Net fee and commission income increased by 12.1% to stand at Rs 1,885 million, on the back of a strong growth in regional trade financing and payments activities in the banking cluster as well as increased revenues from MCB Capital Markets operations. In spite of a notable contribution from MCB Real Assets Ltd, 'other income' fell by 7.7%, with profit on exchange and fair value gains on financial instruments declining by 1.6% amidst volatility in the foreign exchange market whilst the results of 2017 had benefited from a contribution of Rs 191 million following the disposal of investments by MCB Equity Fund.

Share of profit of associates

Notwithstanding improved performances from SG Moçambique and Promotion and Development Group, the share of profit of associates fell by Rs 35 million following reduced profitability of BFCOI, further exacerbated by weakness of the euro.

Operating expenses

Operating expenses grew by 9.4% to reach Rs 3,834 million, in line with the continued investments in capacity building across the Group. However, considering the higher growth in operating income, the cost to income ratio improved to 39.9% compared to 42.5% in December 2017.

Impairment

Net impairment charges rose by Rs 165 million to stand at Rs 793 million, with the cost of risk remaining the same as last year at 64 basis points of gross loans and advances on an annualised basis, whilst asset quality improved with the non-performing ratios declining compared to the corresponding period last year to stand at 4.2% and 2.9% in gross and net terms respectively.

Profit

Group profits rose by 17.8% to reach Rs 4,291 million for the half year ended December 2018. This performance was mainly driven by the international activities at the level of MCB Ltd which led to foreign sourced earnings accounting for around 59% of Group results.

Financial position statement

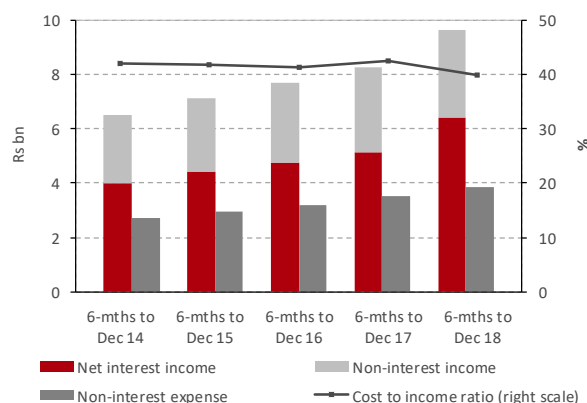
Loans and funding

Total gross loans for the Group recorded an increase of 24.5% to reach Rs 236.7 billion as at 31 December 2018, largely due to the continued expansion in the overseas activities of MCB Ltd linked to the Energy & Commodities and Structured Finance business activities. Total deposits went up by 5.9% to reach Rs 310.4 billion on account of the growth in both rupee denominated and foreign currency deposits whilst 'other borrowed funds' rose to support the expansion in the international activities. As a result, the total loans to deposits ratio and the total loans to funding base ratio, when including borrowings, increased further to reach some 76% and 68% respectively.

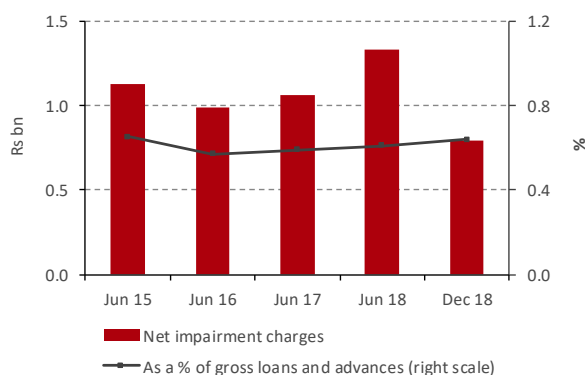
Capital position

Shareholders' funds rose by 7.9% to reach Rs 52.5 billion as at 31 December 2018, with the Group's capital adequacy ratio improving to 17.6% compared to the end of the last financial year, of which 15.7% in the form of Tier 1.

Income and expenditure evolution

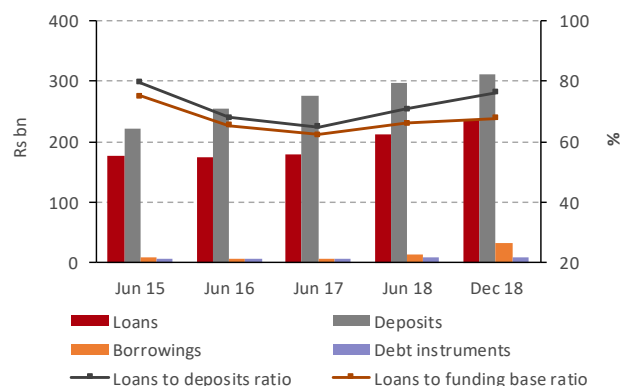


Net impairment charges and credit quality

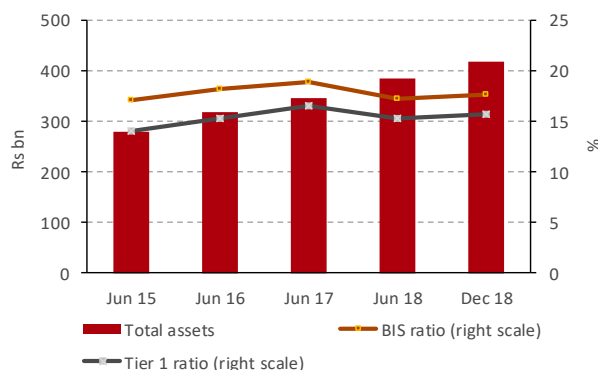


Note: Impairment charges for Dec 18 relate to six months while the ratio has been annualised.

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Dec-18	Dec-17	Jun-18
Profitability			
Return on average total assets ¹	2.1	2.0	2.0
Return on average equity ¹	16.5	15.4	14.8
Return on average Tier 1 capital ¹	17.1	16.2	15.5
Efficiency			
Cost-to-income	39.9	42.5	40.1
Asset quality			
Gross NPL/Gross loans and advances	4.2	4.8	4.5
Net NPL/Net loans and advances	2.9	3.2	3.1
Liquidity			
Liquid assets ² /Total assets	34.9	40.9	37.0
Loans to deposits	76.3	64.9	70.9
Loans to deposits and borrowings ³	67.7	61.6	66.0
Capital adequacy			
Shareholders equity to assets	12.6	13.2	13.3
BIS risk adjusted ratio ⁴	17.6	18.3	17.3
<i>o/w Tier 1</i> ⁴	15.7	16.0	15.3

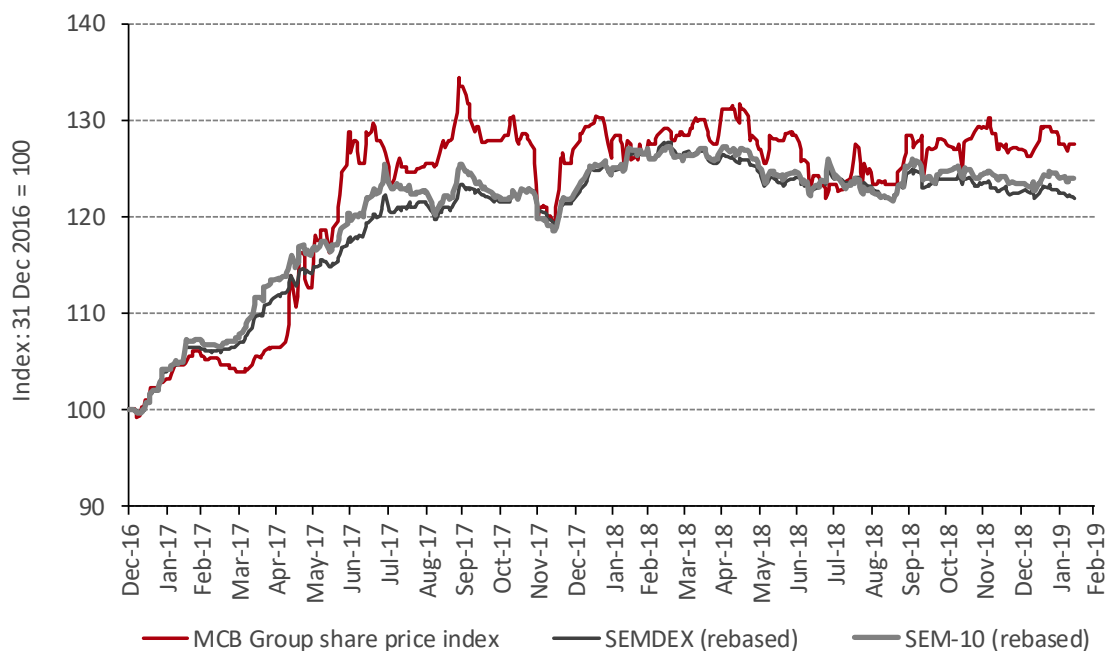
¹ Annualised rate for December figures

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