

MCB Group results for the year ended 30 June 2019

PORT LOUIS, 27 September 2019: MCB Group Limited today announced its audited results for the year ended 30 June 2019.

HIGHLIGHTS

- Increase of 20.8% in net interest income
- Rise of 10.3% in net fee and commission income
- 'Other income' up by 24.9%
- Growth of 10.4% in operating expenses
- Impairment charges higher by Rs 267 million, with gross NPL ratio declining to 4.1%
- Share of profit of associates higher by Rs 97 million
- Y-o-y growth of 11.3% in deposits and of 14.5% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs 9.5 bn

▲ **31.3%**

OPERATING INCOME

Rs 20.2 bn

▲ **19.3%**

ASSETS

Rs 471.2 bn

▲ **21.9%**

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

"The Group registered excellent results for the year ended June 2019, with further headway made at the level of both the banking and non-banking clusters, more particularly on the international front. Profit attributable to equity holders grew by 31.3% to reach Rs 9,482 million, with the combined share of foreign-sourced income and non-banking operations standing at 69% thereof.

Underpinned by our diversification strategy, operating income increased by 19.3% to reach Rs 20,226 million. This was supported by a growth of 20.8% in net interest income, which benefitted from enhanced performances across banking subsidiaries. In particular, MCB Ltd registered a significant expansion of its international loan book and improved yields on Government securities. Net fee and commission income grew by 10.3% to reach Rs 3,786 million as a result of enhanced contribution from MCB Capital Markets Ltd and higher revenues across banking subsidiaries, with strong growth recorded with regard to our Energy and Commodities business and payments services. In spite of a subdued performance in respect of profit on exchange and lower gains on disposal of investments by MCB Equity Fund Ltd, 'other income' grew by 24.9%, principally due to fair value gains on equity instruments at the level of MCB Ltd and higher contribution from entities in the non-banking segment, mainly MCB Consulting Services Ltd and MCB Real Assets Ltd.

On the back of initiatives to strengthen our human capital and uplift our technological readiness, operating expenses grew by 10.4%. Yet, in view of our robust performance on the revenue front, our cost to income ratio declined by 3.0 percentage points to 37.1%. Whilst the Group's impairment charges rose by some 20%, the cost of risk in relation to loans and advances dropped marginally to 59 basis points of the latter. Asset quality further improved as gauged by gross NPL ratio declining from 4.5% to 4.1%.

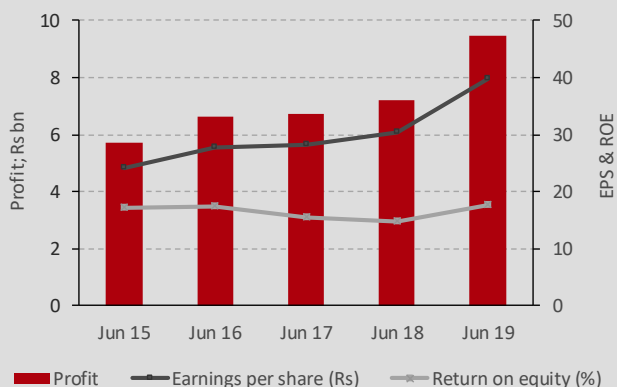
Notwithstanding a reduced contribution from Banque Française Commerciale Ocean Indien, Group results have also been supported by an increase of Rs 97 million in our share of profit of associates, explained by better performances by Société Générale Moçambique and Promotion and Development Group.

Shareholders' funds of the Group increased by 9.6%, with the BIS ratio standing at 17.4% as at 30 June 2019, of which 15.8% by way of Tier 1.

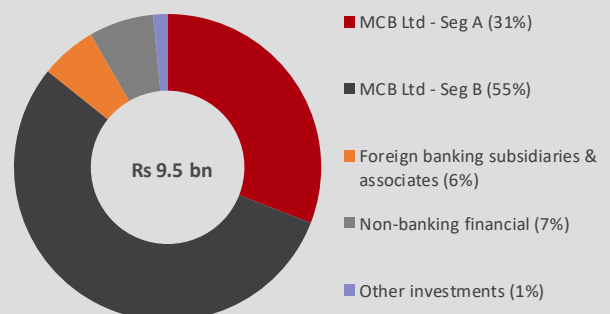
Looking ahead, the Group will pursue its expansion strategy anchored on sound foundations, backed by continued investment in human capital and technology amongst others. While paving the way for the next development phase, we aim to further improve our resilience in the face of the highly dynamic operating environment characterised by challenges on various fronts, be they regulatory, technological or economic. Against this backdrop, supported by our activities in the region in particular, Group results should improve further in FY 2019/20, albeit at a reduced pace given the strong performance achieved this year."

Financial performance

Profitability indicators



Contribution to Group profit



Group Management Statement

Profit or loss statement

Net interest income

A growth of 20.8% was recorded in net interest income reflecting:

- An increase of 24.7% in interest income to Rs 18,841 million on the back of improved performances across banking subsidiaries, notably at the level of MCB Ltd, which witnessed a significant increase in its international loan portfolio and improved yields on Government securities.
- A rise of 34.2% in interest expense to Rs 5,885 million, mainly due to an increase in borrowings at the level of MCB Ltd to support its international business growth.

Non-interest income

Non-interest income went up by 16.8% on account of:

- A growth of 10.3% in net fee and commission income to Rs 3,786 million, reflecting enhanced contribution from MCB Capital Markets Ltd and higher revenues across banking subsidiaries, with notable growth being registered in respect of the Energy & Commodities business and payment services at the level of MCB Ltd.
- A rise of 24.9% in 'other income' - in spite of a subdued performance in profit on exchange and lower gains on disposal of investments by MCB Equity Fund Ltd - mainly driven by:
 - Fair value gains on financial instruments at the level of MCB Equity Fund Ltd and, in particular, MCB Ltd, with the latter posting significant gains on equity instruments, now included in the 'statement of profit or loss' following the adoption of IFRS 9.
 - Higher contribution from entities in the non-banking segment, in particular MCB Consulting Services Ltd and MCB Real Assets Ltd, the latter benefiting from increased rental income and fair value gains on its investment property.

Share of profit of associates

Notwithstanding a reduced contribution from BFCOI, our share of profit of associates grew by Rs 97 million, on the back of improved performances of Société Générale Moçambique and Promotion and Development Group.

Operating expenses

Operating expenses increased by 10.4% reflecting:

- A rise of 13.1% in staff costs, which represented 57% of the cost base, on the back of the Group's sustained efforts to reinforce its human capital and higher performance bonus amidst increased profitability.
- A growth of 3.6% in depreciation and amortisation costs following continued investment in technology.
- An increase of 8.4% in other expenses, following higher advertising and marketing costs as well as a rise in other software and IT related costs.

Operating income having grown at the higher pace of 19.3%, our cost to income ratio improved by 3.0 percentage points to 37.1%.

Impairment

Whilst impairment charges registered a growth of 20.1%, the cost of risk in relation to loans and advances dropped marginally to 59 basis points of the latter.

Profit

Group profits grew by 31.3% to reach Rs 9,482 million for the year ended June 2019, with the combined share of foreign-sourced income and non-banking operations standing at 69% thereof.

Financial position statement

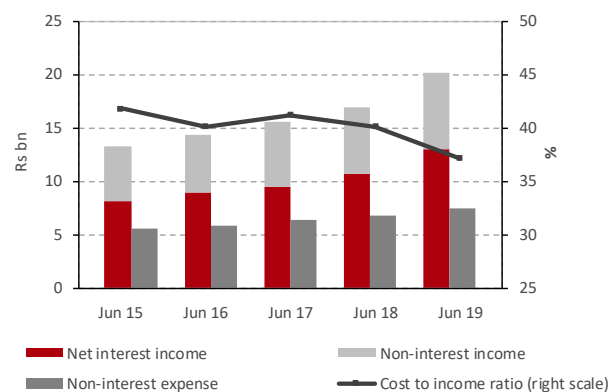
Loans and funding

Gross loans of the Group recorded a year-on-year growth of 14.5% in FY 2018/19, with most banking subsidiaries posting an increase in their loan book. Specifically, gross loans at the level of MCB Ltd expanded by 14.0%, largely explained by the continued expansion in its foreign activities, with related credit to customers increasing by 32.5%, mainly associated with the Energy & Commodities business and structured project financing activities. Total deposits of the Group increased by 11.3% to attain Rs 332 billion as at 30 June 2019, mainly driven by a growth in foreign currency deposits. 'Other borrowed funds' increased by Rs 42.5 billion, in line with initiatives undertaken by MCB Ltd to promote a sound and diversified funding base to support its international business.

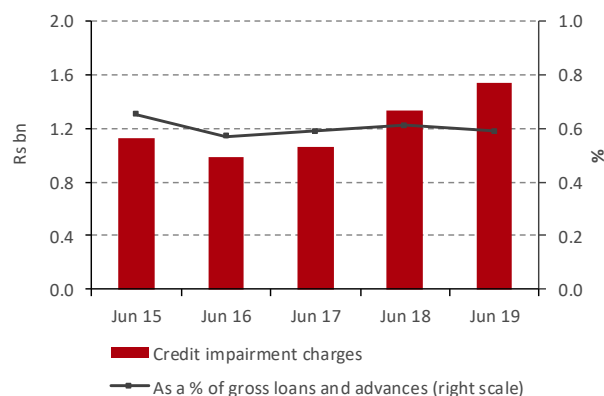
Capital position

Shareholders' funds increased by 9.6%, after accounting for retained earnings of Rs 6.9 billion for the year and the impact of adopting IFRS 9, by way of an adjustment to the opening balance of retained earnings and other reserves. The Group maintained comfortable capitalisation levels with the BIS ratio standing at 17.4% as at 30 June 2019, of which 15.8% by way of Tier 1.

Income and expenditure evolution

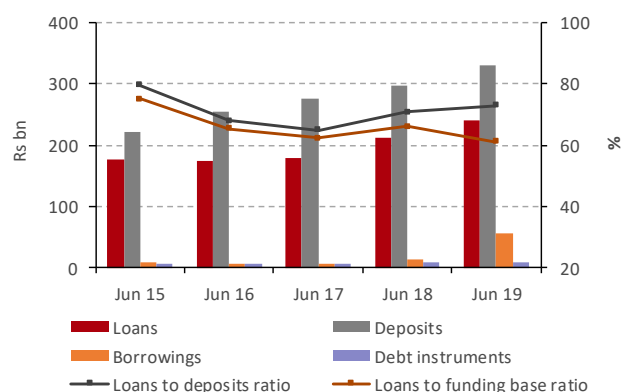


Impairment charges* and credit quality

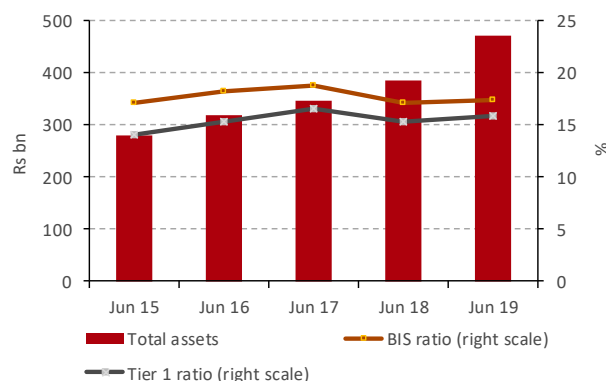


* Relate to loans & advances (including corporate notes)

Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

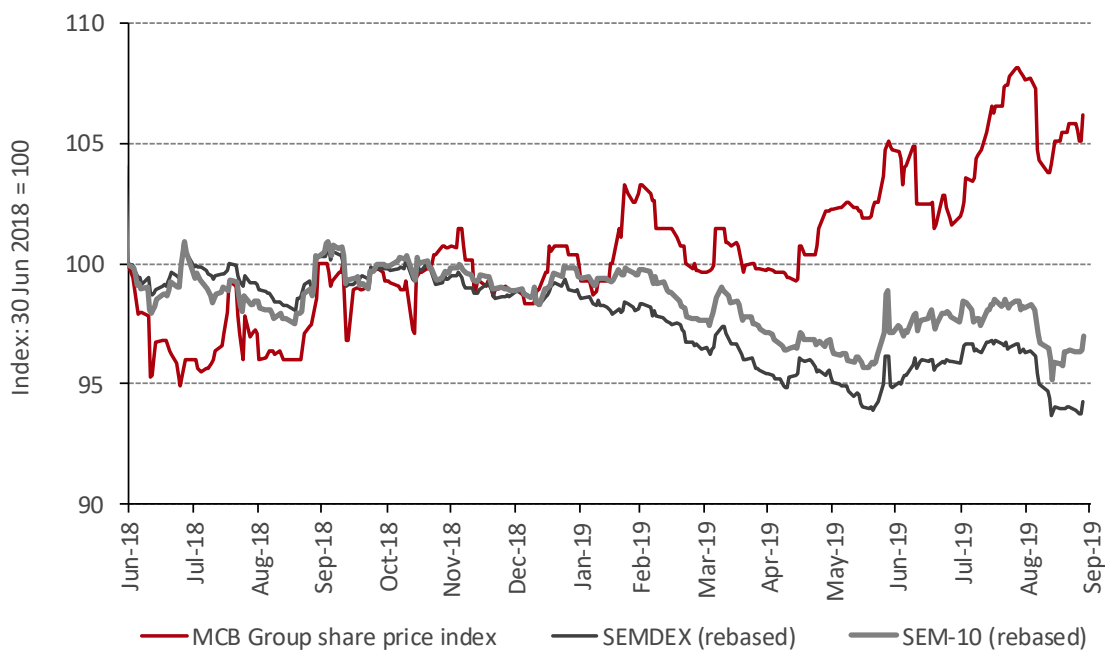
	Jun-19	Jun-18	Jun-17
Profitability			
Return on average total assets	2.2	2.0	2.0
Return on average equity	17.6	14.8	15.5
Return on average Tier 1 capital	18.2	15.5	16.2
Efficiency			
Cost-to-income	37.1	40.1	41.2
Asset quality			
Gross NPL/Gross loans and advances	4.1	4.5	6.2
Net NPL/Net loans and advances	2.9	3.1	4.6
Liquidity			
Liquid assets ¹ /Total assets	38.8	37.4	42.2
Loans to deposits	72.9	70.9	64.8
Loans to deposits and borrowings ²	61.0	66.0	62.2
Capital adequacy			
Shareholders equity to assets	11.9	13.3	13.3
BIS risk adjusted ratio ³	17.4	17.1	18.8
<i>o/w Tier 1</i> ³	15.8	15.3	16.6

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

² Borrowings include debt instruments

³ 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