

MCB Group results for the first semester to 31 December 2019

PORT LOUIS, 13 February 2020: MCB Group Limited today announced its unaudited results for the first semester of FY 2019/20.

HIGHLIGHTS

- Rise of 12.0% in net interest income
- Increase of 1.5% in net fee and commission income
- 'Other income' up by 41.3%
- Growth of 4.3% in operating expenses
- Impairment charges up by 10.2%, with gross NPL ratio standing at 4.0%
- Share of profit of associates higher by Rs 103 million
- Y-o-y growth of 14.8% in deposits and of 3.4% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs 5.3 bn

▲ **23.2%**

OPERATING INCOME

Rs 10.9 bn

▲ **13.9%**

ASSETS

Rs 487.6 bn

▲ **16.9%**

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

"Group attributable profits for the semester ended December 2019 grew by 23.2% to reach Rs 5,287 million, with the combined contribution from foreign sources and non-banking operations standing at 68% thereof.

Operating income increased by 13.9% to reach Rs 10,945 million. Net interest income grew by 12.0%, reflecting an expansion in loans and advances across banking subsidiaries and higher investment in Government securities. Net fee and commission income edged up by 1.5%, driven primarily by higher revenues from payment activities. 'Other income' went up by 41.3% to Rs 1,853 million, on account of a rise of some 50% in profit on exchange and fair value gains on financial instruments as well as increased revenues in some non-banking business lines.

Growth in operating expenses was contained at 4.3% leading to our cost to income ratio falling to 36.5% as compared to 39.9% for the corresponding period in the previous year. Net impairment charges grew by Rs 81 million to reach Rs 874 million, resulting in an increase of the annualised cost of risk to 65 basis points of gross loans and advances while the gross non-performing loan ratio declined further to reach 4.0%.

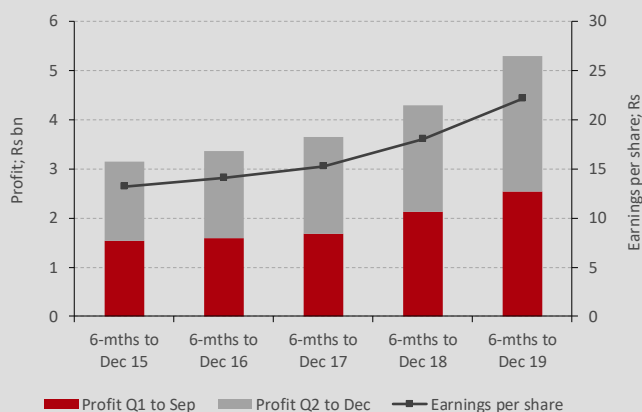
Our share of profit of associates grew by Rs 103 million, notably on the back of an improved performance at the level of BFCOI.

Our capitalisation level remains comfortable with shareholders' funds increasing to Rs 60.0 billion, contributing to a capital adequacy ratio of 17.4% as at December 2019, of which 15.9% in the form of Tier 1.

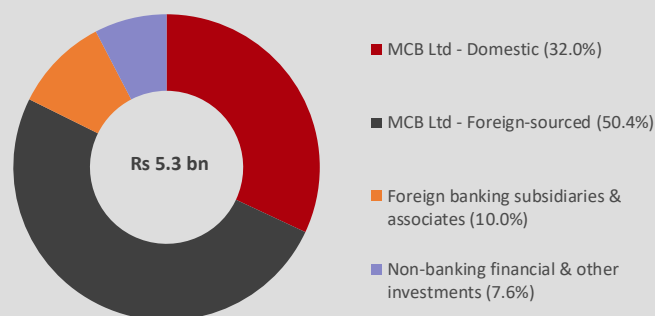
Whilst the operating context remains difficult amidst adverse developments on the international scene, full year results for FY 2019/20 are projected to improve compared to last year given the current level of business activity. "

Financial performance

Profitability indicators



Contribution to Group profit



Note: The same tax rates now apply for both domestic and foreign sourced activities at the level of MCB Ltd

Profit or loss statement

Net interest income

Net interest income increased by 12.0% to reach Rs 7,179 million on the back of an expansion in loans and advances across banking subsidiaries and higher investment in Government securities amidst the high liquidity situation in Mauritius.

Non-interest income

Net fee and commission income edged up by 1.5%, driven primarily by higher revenues from payment activities. 'Other income' went up by 41.3% to Rs 1,853 million, on account of a rise of some 50% in profit on exchange and fair value gains on financial instruments as well as higher contribution from some non-banking entities, notably MCB Real Assets Ltd.

Share of profit of associates

Reflecting an enhanced performance at the level of BFCOI, our share of profit of associates increased by Rs 103 million.

Operating expenses

Growth in operating expenses was contained at 4.3%, resulting in a fall in the cost to income ratio to 36.5% compared to 39.9% for the corresponding period in the previous year.

Impairment

Impairment charges grew by 10.2% to reach Rs 874 million, resulting in an increase of the annualised cost of risk to 65 basis points of loans and advances while the gross and net NPL ratios declined further to stand at 4.0% and 2.7% respectively.

Profit

Group profits increased by 23.2% to reach Rs 5,287 million for the half year ended December 2019, underpinned by a general improvement in both banking and non-banking activities.

Financial position statement

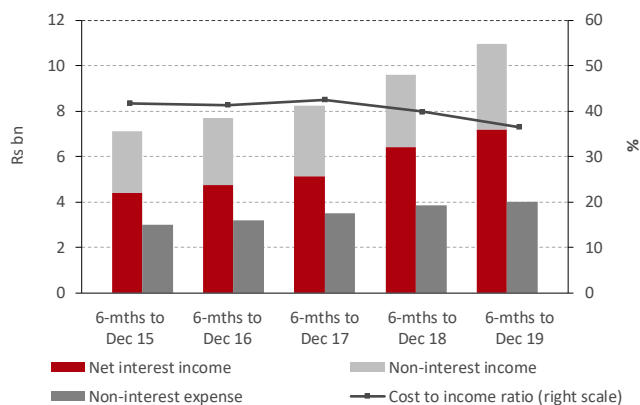
Loans and funding

Total gross loans for the Group recorded a year-on-year growth of 3.4% to reach Rs 244.6 billion as at 31 December 2019. When including Corporate Notes, gross loans and advances grew by 7.4% over the period under review. Total deposits rose by 14.8% to Rs 356.4 billion, with a strong growth recorded in foreign currency deposits while 'other borrowed funds' increased in line with the expansion in our international activities. As a result, the total loans to deposits ratio stood at 68.6% while the total loans to funding base ratio, when including borrowings, reached 59.7%.

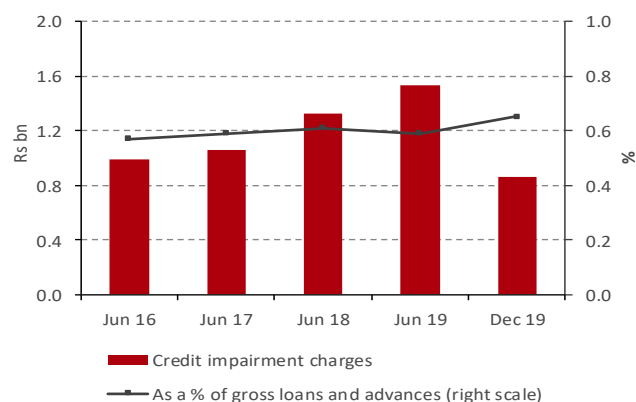
Capital position

Shareholders' funds rose by 14.4% to reach Rs 60.0 billion as at 31 December 2019, with the Group's capital adequacy ratio and Tier 1 ratio remaining at comfortable levels at 17.4% and 15.9% respectively.

Income and expenditure evolution



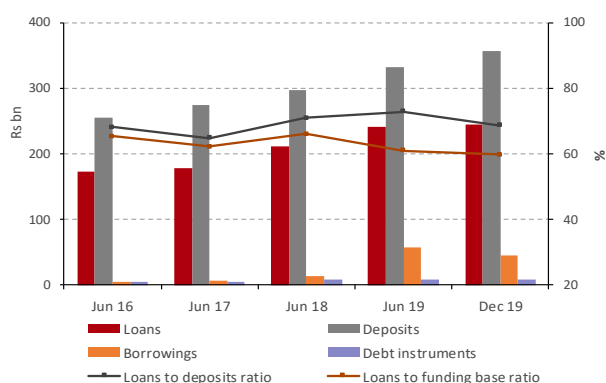
Impairment charges* and credit quality



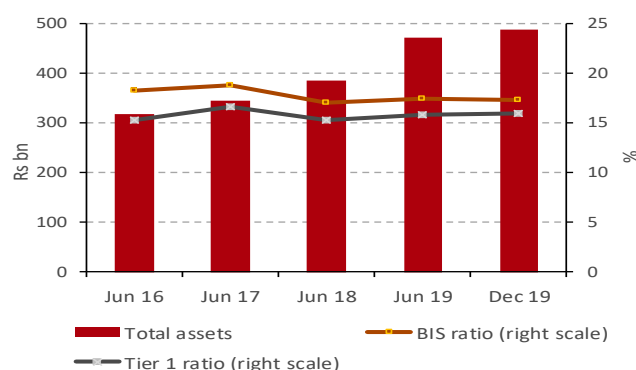
*Relate to loans & advances (including corporate notes)

Note: Impairment charges for Dec 19 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-19	Dec-18	Jun-19
Profitability			
Return on average total assets ¹	2.2	2.1	2.2
Return on average equity ¹	18.2	16.5	17.6
Return on average Tier 1 capital ¹	18.6	17.1	18.2
Efficiency			
Cost-to-income	36.5	39.9	37.1
Asset quality			
Gross NPL/Gross loans and advances	4.0	4.2	4.1
Net NPL/Net loans and advances	2.7	2.9	2.9
Liquidity			
Liquid assets ² /Total assets	39.8	34.9	38.8
Loans to deposits	68.6	76.3	72.9
Loans to deposits and borrowings ³	59.7	67.7	61.0
Capital adequacy			
Shareholders equity to assets	12.3	12.6	11.9
BIS risk adjusted ratio ⁴	17.4	17.6	17.4
<i>o/w Tier 1⁴</i>	15.9	15.7	15.8

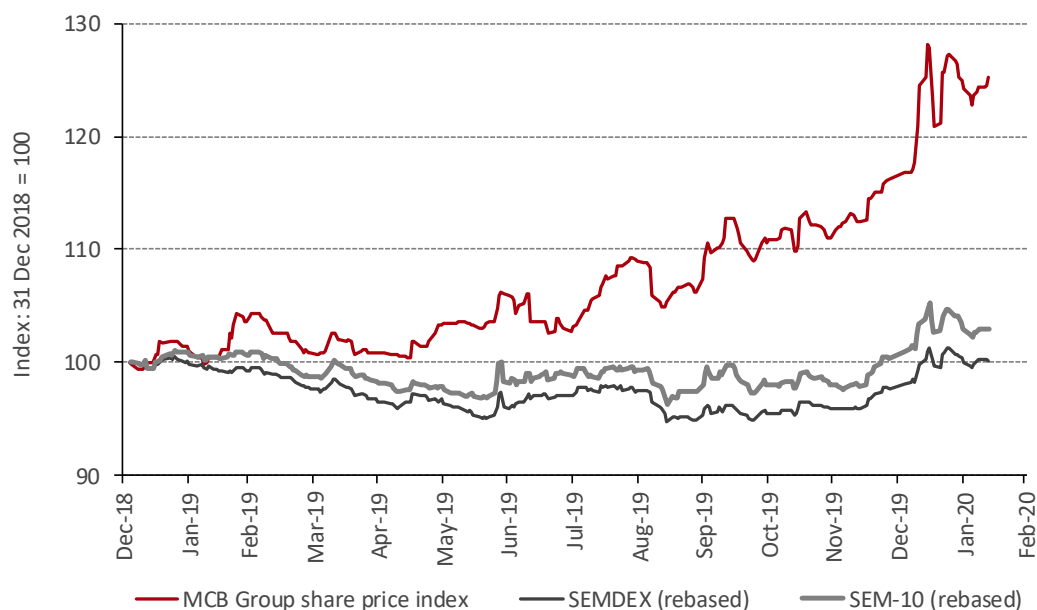
¹ Annualised rate for December figures

² In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds

³ Borrowings include debt instruments

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