

MCB Group results for the nine months to 31 March 2016

PORT LOUIS, 13 May 2016: MCB Group Limited today announced its unaudited results for the nine months ended 31 March 2016.

HIGHLIGHTS

- Rise of 9.8% in net interest income
- Marginal increase in net fee and commission income
- Increase of 19.8% in profit on exchange
- Growth of 4.6% in operating expenses
- Credit impairment charges up by 6.6%, equivalent to 56 basis points of gross loans on an annualised basis
- Share of profit of associates more than doubled to reach Rs 462 million

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs 4,699.6 m

▲ **10.3%**

OPERATING INCOME

Rs 10,595.1 m

▲ **8.3%**

ASSETS

Rs 307.5 bn

▲ **14.8%**

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

“Although the operating environment remained challenging domestically and in the region, the Group continued to make good progress on its strategic objectives. Operating income grew by 8.3% to Rs 10.6 billion, driven mainly by a rise of 9.8% in net interest income and of 19.8% in profit on exchange. Net fee and commission income remained at similar level to that achieved in the corresponding period last year, with the anticipated decrease in contribution from regional trade finance being compensated by improved performance from other revenue segments.

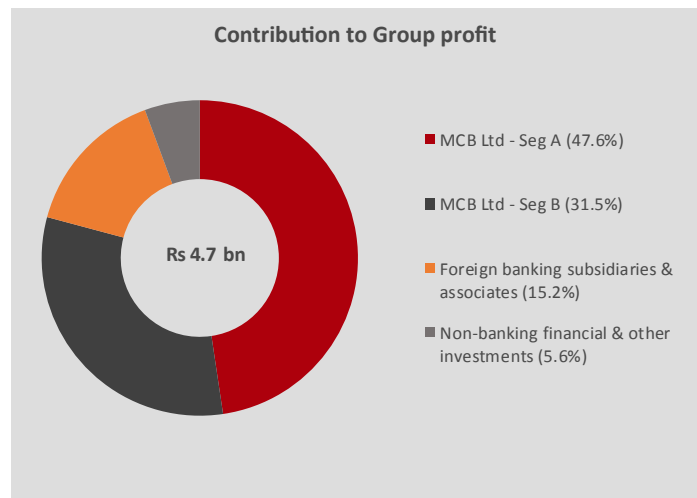
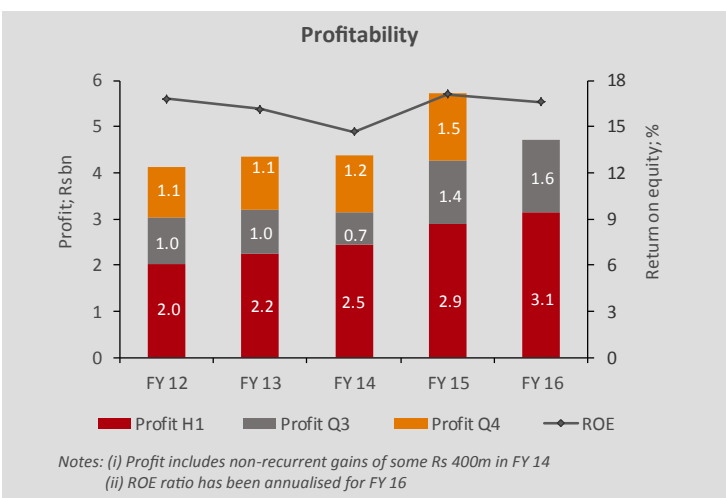
Growth in operating expenses was contained to 4.6%, leading to a further drop in the cost to income ratio to 41.0%. Allowance for credit impairment rose by 6.6% to Rs 724 million, representing an annualised rate of 56 basis points of the gross loans portfolio, in line with the annualised rate experienced for the first semester of the current financial year.

Share of profit of associates more than doubled to Rs 462 million on account of improved performance at the level of BFCOI and contribution from PAD Group reaching Rs 177 million as a result of a major disposal of investment. As such, attributable profits of the Group increased by 10.3% to reach Rs 4,700 million, with earnings from foreign sources and non-banking operations contributing 52% thereof.

In the current context of low credit expansion, our Group capital adequacy ratio improved further to 17.6%, of which 15.0% in terms of Tier 1.

On current trends, MCB Group results for the financial year to June 2016 are expected to achieve a satisfactory growth compared to the last financial year.”

Financial performance



Profit or Loss Statement

Net interest income

Net interest income grew by 9.8% to reach Rs 6,646 million amidst the low domestic demand for credit. This performance was mainly supported by increased revenues from our international operations as well as improved yields on our liquid assets over the period under review.

Non-interest income

Net fee and commission income remained at similar level to that achieved in the corresponding period last year due to a drop in revenues from regional trade finance amidst lower international oil prices, which was however offset by increased receipts from other revenue segments. 'Other income' rose by 15.7% on the back of a 19.8% growth in profit on exchange.

Share of profit of associates

Profit from our associates more than doubled to reach Rs 462 million, on account of an improved performance at the level of BFCOI and with contribution from PAD Group reaching Rs 177 million as a result of a major disposal of investment.

Operating expenses

Operating expenses increased by only 4.6% to stand at Rs 4,345 million, leading to a further improvement in the cost to income ratio to 41.0%.

Impairment

Allowance for credit impairment rose by 6.6% to Rs 724 million, which represented 56 basis points of gross loans on an annualised basis, similar to the annualised rate recorded over the first semester of the current financial year.

Profit

Group profits for the nine months ended March 2016 grew by 10.3% to reach Rs 4,700 million. Reflecting the Group's diversification strategy, the contribution of foreign-sourced earnings and non-banking activities represented 52% of results.

Financial Position Statement

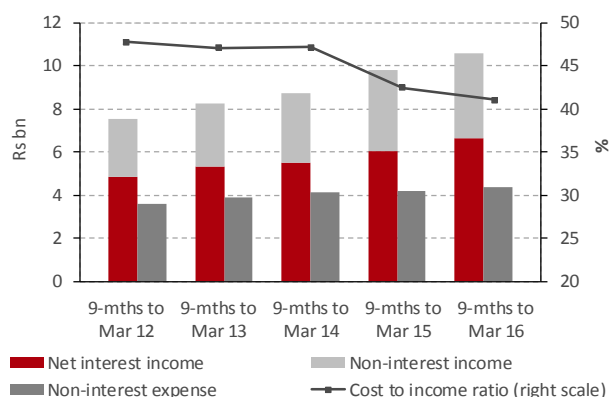
Loans and funding

Gross loans for the Group posted a restrained year-on-year growth of some 2% to reach Rs 173.6 billion amidst the challenging context. Total deposits of the Group, however, went up by 19.1% to reach Rs 246.5 billion on account of a strong growth in both foreign currency deposits and rupee deposits, resulting in a further decline in the loans to deposits ratio to 70.4%.

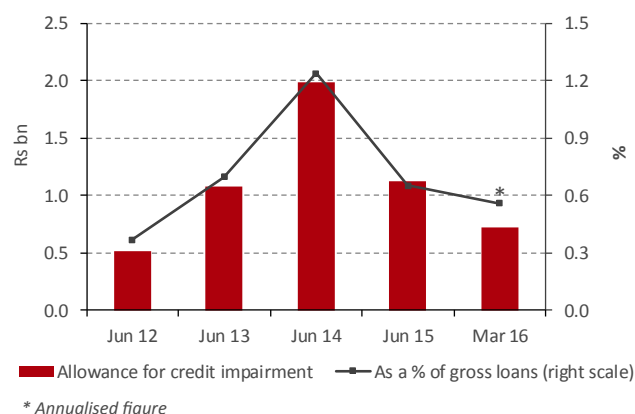
Capital position

Shareholders' funds increased by 12.4% to reach Rs 39.6 billion as at 31 March 2016. Overall, with the sluggish expansion in credit in the current context, comfortable capitalisation levels were maintained with capital adequacy ratio and Tier 1 ratio estimated at 17.6% and 15.0% respectively.

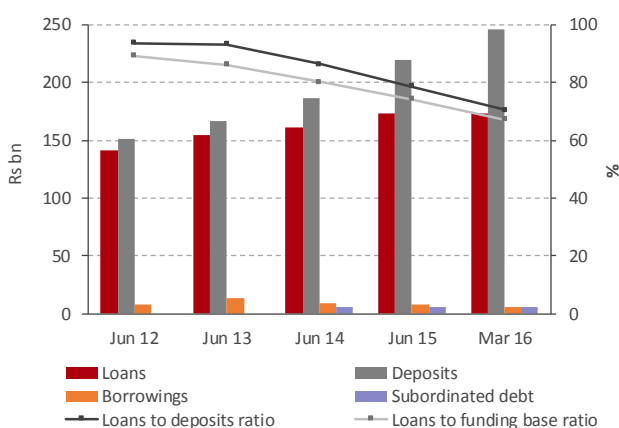
Income and expenditure evolution



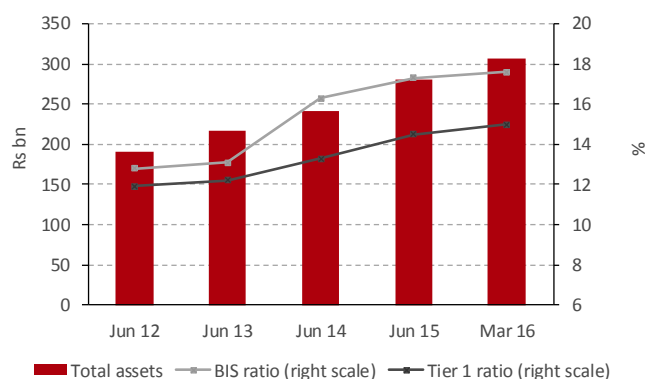
Allowance for credit impairment and credit quality



Loans and funding base



Total assets and capital adequacy



Note: Capital adequacy ratios for June 2014, June 2015 & March 2016 are based on Basel III

Financial soundness indicators (%)

	Mar-15	Jun-15	Mar-16
Profitability			
Return on average total assets ¹	2.2	2.2	2.1
Return on average equity ¹	17.2	17.1	16.6
Efficiency			
Cost-to-income	42.4	41.8	41.0
Asset Quality			
Gross NPL/Gross loans	6.4	6.2	6.2
Net NPLs/Net Loans	3.8	3.6	3.6
Liquidity			
Liquid assets ² /Total assets	28.8	31.0	36.8
Loans to deposits	82.6	78.8	70.4
Loans to deposits and borrowings ³	77.3	74.3	67.3
Capital adequacy			
Shareholders equity to assets	13.1	12.8	12.9
BIS risk adjusted ratio ⁴	16.3	17.3	17.6
o/w Tier 1 ⁴	13.8	14.5	15.0

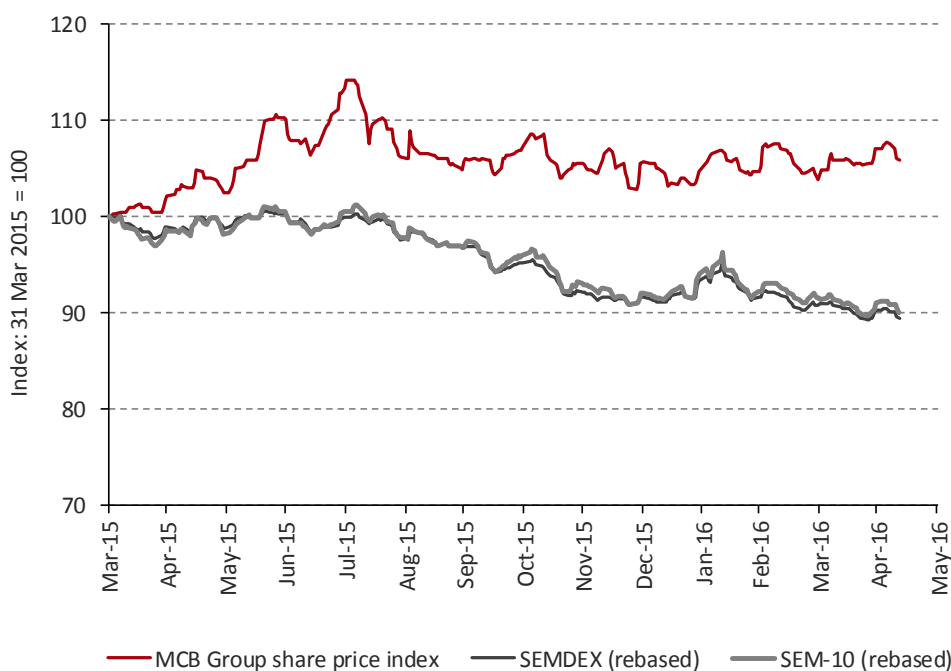
¹ Annualised rate for March figures

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

³ Borrowings include subordinated debts

⁴ Based on Basel III

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.