MCB Group results for the nine months to 31 March 2017

PORT LOUIS, 12 May 2017: MCB Group Limited today announced its unaudited results for the nine months ended 31 March 2017.

HIGHLIGHTS

- Rise of 7.0% in net interest income
- Net fee and commission income up by 4.8%
- Increase of 26.3% in profit on exchange
- Growth of 10.6% in operating expenses
- Credit impairment charges higher by some Rs 87 million
- Share of profit of associates lower by Rs 162 million

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 5,189.5 m	**Rs 11,755.1 m**	**Rs 344.0 bn**
▲ **10.4%**	▲ **11.0%**	▲ **11.9%**

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

''The Group continued to post a resilient performance with attributable profits increasing by 10.4% to reach Rs 5,189.5 million, albeit boosted by a net gain of some Rs 260 million relating to the disposal of an investment by our Equity Fund. Excluding the latter, the growth in profits would stand at around 5%.

Results were underpinned by a further rise in operating income. Net interest income grew by 7.0%, mainly attributable to higher investment in Government securities in a context of persisting excess liquidity, coupled with improved yields thereon. Net fee and commission income recovered and posted a growth of 4.8%, supported by higher receipts both at banking and non-banking levels. Other income rose by 38.3%, driven by the above-mentioned exit from an equity investment, a rise of 26.3% in profit on exchange and improved performance of non-banking business lines.

Operating expenses were up by 10.6% driven primarily by capacity-building initiatives throughout the Group. The cost to income ratio, however, dropped slightly to attain 40.8%.

Gross NPL ratio declined to 5.8%, while net impairment charges grew by 12.0% to reach Rs 812 million, representing 60 basis points of gross loans on an annualised basis.

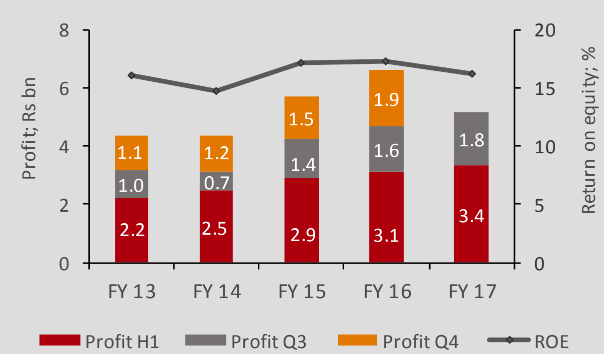
Our share of profit of associates dropped by Rs 162 million mainly due to lower contribution from PAD Group which benefited from significant non-recurrent gains in the previous year.

Improved results coupled with a modest growth in risk weighed assets contributed to further enhance the Group's capital adequacy ratio which stood at 18.5%, of which 16.1% in terms of Tier 1.

Looking ahead, Group results for the year to June 2017 are expected to grow satisfactorily, albeit at a slower pace than the growth registered during the first nine months of the year given the significant non-recurrent gains recorded in the last quarter of the previous financial year. The prospects beyond look relatively encouraging in view of the improvement in our pipeline of private sector and cross-border projects and the expected recovery in the international and local economic context, although domestic growth in the short term will remain dependent on the implementation pace of public infrastructure projects.''

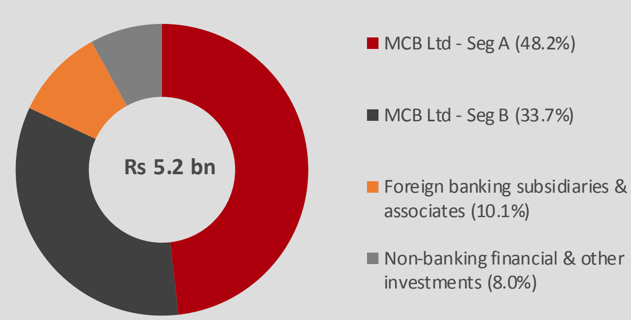
Financial performance

Profitability



Note: ROE ratio has been annualised for FY 17

Contribution to Group profit



Profit or Loss Statement

Net interest income

Notwithstanding pressures on margins given the higher proportion of liquid assets in our books, net interest income rose by 7.0% to reach Rs 7,108 million. This performance was mainly supported by increased investment in Government securities in a context of persisting excess liquidity with improved yields being also noted thereon.

Non-interest income

In spite of lower revenues from regional trade finance, net fee and commission income increased by 4.8% to reach Rs 2,515 million, on the back of higher revenues across the banking and non-banking segments. 'Other income' grew by 38.3%, supported by the gain related to the exit from an equity investment, a rise of 26.3% in profit on exchange, and improved performance of non-banking business lines.

Share of profit of associates

The share of income from associates fell by Rs 162 million mainly on account of reduced profitability of PAD Group whose results in the previous year were boosted by major disposal of an investment.

Operating expenses

Reflecting investment in capacity building, operating expenses rose by 10.6% to stand at Rs 4,798 million. The cost to income ratio reached 40.8%, down from 41.0% for the corresponding period last year.

Impairment

Net impairment charges rose by 12% to Rs 812 million, representing 60 basis points in terms of gross loans on an annualised basis, compared to 57 basis points recorded as at June 2016. On the other hand, a relative improvement was registered in the gross NPL ratio which reached 5.8%.

Profit

Group profits for the nine months ended March 2017 grew by 10.4% to reach Rs 5,189.5 million, driven by an enhanced performance at MCB Ltd and in the non-banking segment. In line with the Group's diversification strategy, foreign sourced earnings and non-banking activities accounted for more than 50% of results.

Financial Position Statement

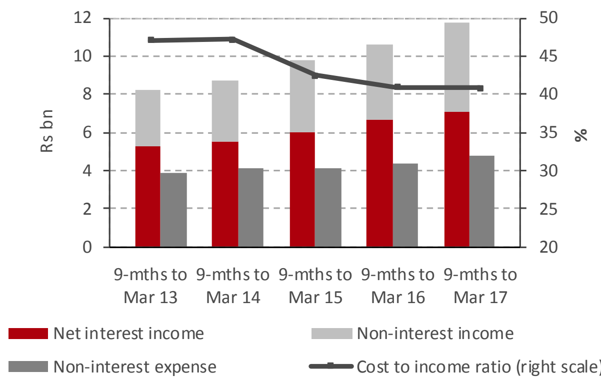
Loans and funding

Gross loans and advances registered a year-on-year growth of 3.1% to reach Rs 178.9 billion as at March 2017, supported by the continued expansion of mortgage loans and a notable rise in foreign exposures of MCB Ltd. Total deposits rose by 10.7% to stand at Rs 273.6 billion, underpinned by increases in both rupee and foreign currency deposits. As a result, total loans represented some 65% of deposits and around 62% of the total funding base when including borrowings and subordinated debts.

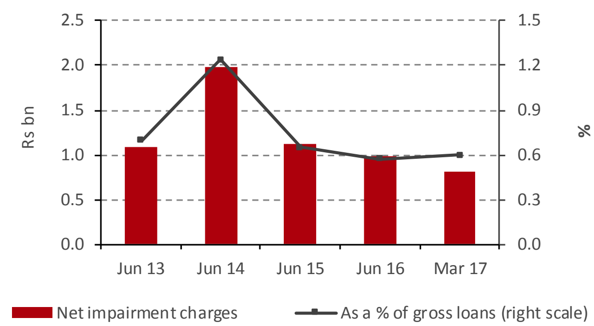
Capital position

Shareholders' funds of the Group increased by 13.5% to reach Rs 44.9 billion. Overall, comfortable capitalisation levels were maintained, as gauged by the BIS and Tier 1 ratio standing at 18.5% and 16.1% respectively.

Income and expenditure evolution

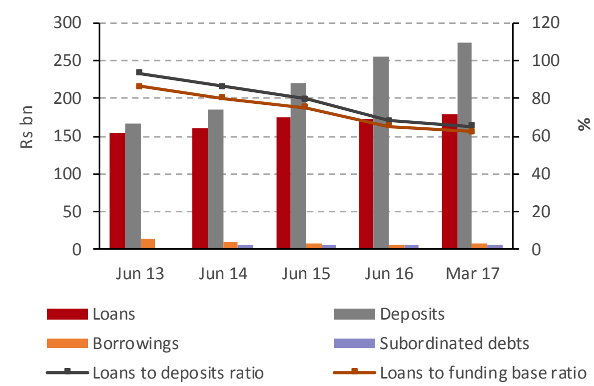


Net impairment charges and credit quality

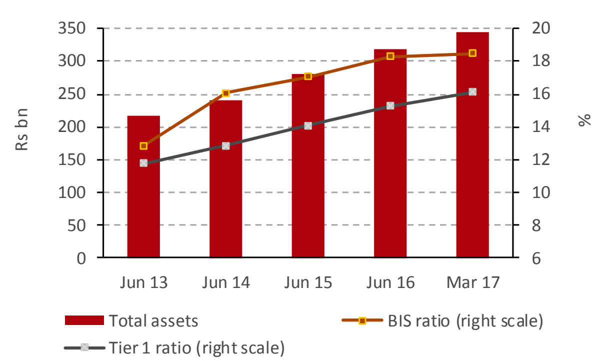


Note: Impairment charges for Mar 17 relate to nine months while the ratio has been annualised.

Loans and funding base



Total assets and capital adequacy



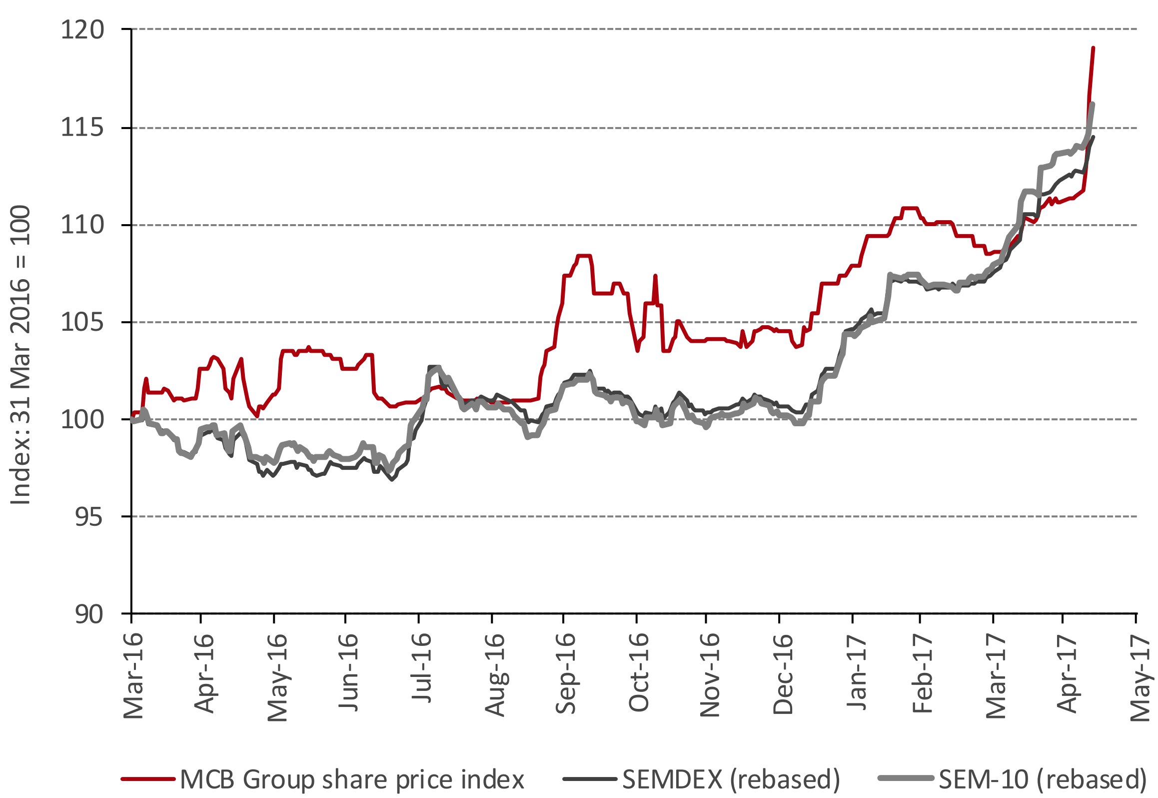
Note: Capital adequacy ratios since June 2014 are based on Basel III; figures prior to Jun 16 have been restated

Financial soundness indicators (%)

	Mar-16	Jun-16	Mar-17
Profitability			
Return on average total assets[1]	2.1	2.2	2.1
Return on average equity[1]	16.6	17.3	16.2
Return on average Tier 1 capital[1]	17.2	18.1	17.1
Efficiency			
Cost-to-income	41.0	40.2	40.8
Asset Quality			
Gross NPL/Gross loans	6.2	6.2	5.8
Net NPL/Net Loans	3.6	4.0	4.3
Liquidity			
Liquid assets[2]/Total assets	37.0	38.9	41.4
Loans to deposits	70.2	68.1	65.4
Loans to deposits and borrowings[3]	67.1	65.3	62.3
Capital adequacy			
Shareholders equity to assets	12.9	12.8	13.1
BIS risk adjusted ratio[4]	17.6	18.3	18.5
o/w Tier 1[4]	*15.0*	*15.3*	*16.1*

[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



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