MCB Group results for the year ended 30 June 2015

PORT LOUIS, 29 September 2015: MCB Group Limited today announced its audited results for the year ended 30 June 2015.

HIGHLIGHTS

- Growth of 12.4% in net interest income
- Net fee and commission income up by 16.5%
- Drop of 1.5% in profit on exchange
- Increase of 4.4% in operating expenses
- Credit impairment charges down by 43%
- Share of profit of associates lower by some Rs 165 million

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 5,722 m	**Rs 13,214 m**	**Rs 280 bn**
▲ **31.1%**	▲ **7.7%**	▲ **16.2%**

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

"The last financial year has been encouraging both from a financial perspective and on the operational front. The Group has moved ahead with the execution of its expansion strategy, while its underlying fundamentals have strengthened despite the difficult operating context.

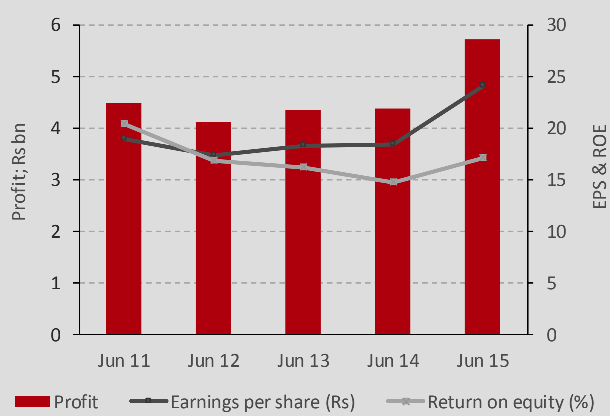
Attributable profits for the year were up by 31% to reach Rs 5,722 million, with earnings per share rising from Rs 18.34 to Rs 24.04. Operating income sustained a resilient growth, underpinned by notable increases in net interest income and net fees and commissions whilst growth in 'other income', excluding non-recurrent gains of some Rs 400 million on sale of securities at MCB Ltd level in FY 2013/14, remained relatively flat with a slight drop being experienced on the profit on exchange front. With growth in operating expenses being well contained, the cost to income ratio dropped to 41.8%. Operating profits before provisions thus improved by 10.1%, effective growth being of the order of 16.9% when excluding non-recurrent gains on sale of securities. Group results for the year also benefited from a significant drop in impairment charges at the level of the Bank from the peak attained in FY 2013/14. A major source of satisfaction was the foreign-sourced income of the banking cluster, which now accounts for 55% of Group profits in spite of a decline in the contribution from our overseas associate BFCOI. In the same vein, reflecting business inroads made, the share of non-banking operations stood an appreciable 6% despite the reduced contribution from our local associated company, PAD Group.

Asset quality improved with the gross non-performing loan ratio falling by some 120 basis points at the level of MCB Ltd to reach 5.90%, while at Group level an improvement of 108 basis points was witnessed. Capital adequacy ratios increased further to reach 17.3% at year end, of which 14.5% by way of Tier 1 capital, while strong funding and liquidity positions were maintained, thus providing the Group with a solid foundation for the achievement of its future growth ambitions.

Looking ahead, market conditions are set to stay challenging in the short term at least. Against this backdrop, the Group will pursue its business expansion agenda as per its set risk appetite, with regional diversification remaining a key axis thereof. It will gear up its internal capabilities to effectively support its growth ambitions and position itself to tap into business opportunities that could emerge from potential improvements in the operating environment. As such, we are confident to grow the business further, which should result in higher profits for FY 2015/16."

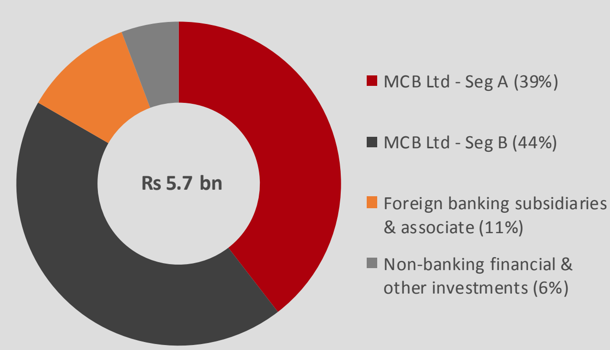
Financial performance

Profitability indicators



Note: Profit includes non-recurrent gains of Rs 250m in FY 11 and some Rs 400m in FY 14

Contribution to Group profit



Profit or Loss Statement

Net interest income

In spite of pressures on margins associated with the excess liquidity situation principally in Mauritius, net interest income increased by 12.4% to reach Rs 8,154 million, on the back of sustained growth in the loan book, driven by international operations.

Non-interest income

Reflecting headway made in terms of product and market diversification strategy, net fee and commission income for MCB Group increased by 16.5% during the last financial year. This performance was largely underpinned by appreciable growth in revenues from regional trade finance, wealth management activities and the card business as well as activities within MCB Capital Markets. Despite a strong growth in revenue from non-banking operations, 'other income' declined during the year under review reflecting a marginal fall in profit on exchange and the fact that FY 2013/14 figures included non-recurrent gains on sale of securities.

Share of profit of associates

The share of income of associates fell by Rs 165 million to Rs 375 million, reflecting lower contribution from both BFCOI and PAD Group over the period under review.

Operating expenses

In spite of continued investment in capacity-building notably in terms of human capital, operating expenses posted a moderate increase of 4.4% to reach Rs 5,526 million for the year under review. This reflects ongoing operational efficiency initiatives as well as lower depreciation and amortisation charges.

Impairment

Allowance for credit impairment at MCB Ltd dropped significantly from its FY 2013/14 peak prompted by specific impaired Global Business Indian exposures. Indeed, its credit impairment charges fell from Rs 1,843 million to Rs 860 million, representing around 0.5% of gross loans and advances. This contributed to a fall of 43.3% to Rs 1,127 million at Group level, which was equivalent to 0.65% of gross advances. Reflecting the improvement in asset quality, non-performing loan ratios of MCB Ltd decreased by nearly 120 and 60 basis points to reach 5.90% and 3.46% in gross and net terms respectively, with corresponding reductions of 108 and 66 basis points being recorded at Group level.

Profit

Group profits for the year ended June 2015 improved by 31.1% to reach Rs 5,722 million, driven to a large extent by the rise of around 36% registered by MCB Ltd. In line with the diversification strategy pursued over time, the share of foreign-sourced income in results broke through the 50% mark to reach some 55%, while the corresponding contribution of non-banking operations standing at around 6%.

Financial Position Statement

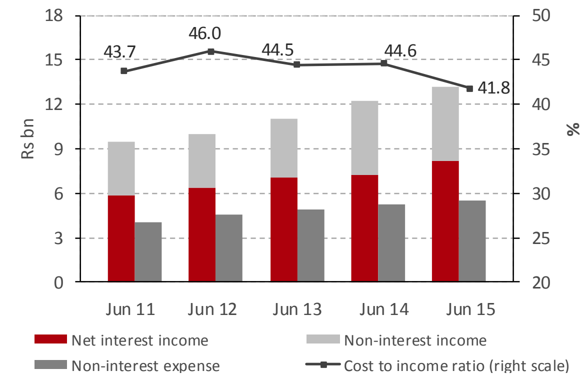
Loans and Funding

Although being restrained by the subdued private investment in Mauritius, gross loans of the Group expanded by some 8.0% to stand at Rs 173.1 billion as at 30 June 2015 with increases being observed across most of the relevant subsidiaries in line with their business development strategy. Total deposits of the Group went up by some 18% to reach Rs 219.7 billion, boosted by a strong growth achieved by MCB Ltd on the back of a notable rise in foreign currency deposits and rupee deposits. As a result, total loans accounted for close to 79% of deposits and around 74% of the total funding base, when including borrowings and subordinated debts.

Capital position

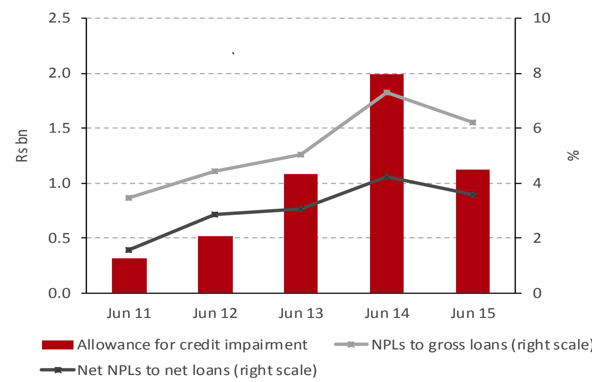
Shareholders' funds of the Group reached some Rs 36 billion following an increase of Rs 5.0 billion, of which Rs 3.3 billion was in the form of retained earnings for the year. Overall, comfortable capitalisation levels were maintained, as gauged by the overall capital adequacy ratio remaining well above the regulatory limit to stand at 17.3%, with Tier 1 ratio standing at 14.5%.

Income and expenditure evolution

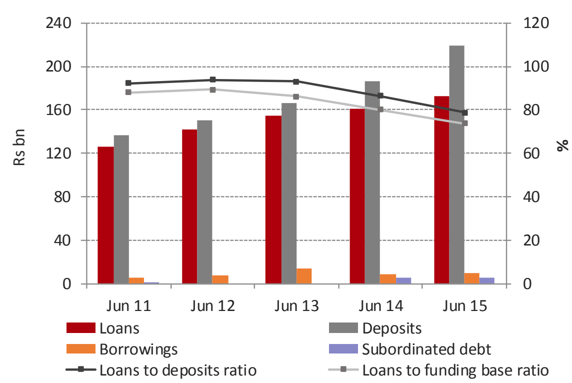


Note: Non interest income in FY 11 and FY 14 include non-recurrent gains, which, however, have been excluded in the computation of the cost to income ratio

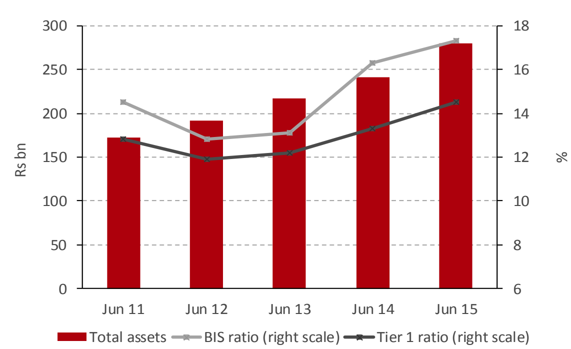
Provision and credit quality



Loans and funding base



Total assets and capital adequacy



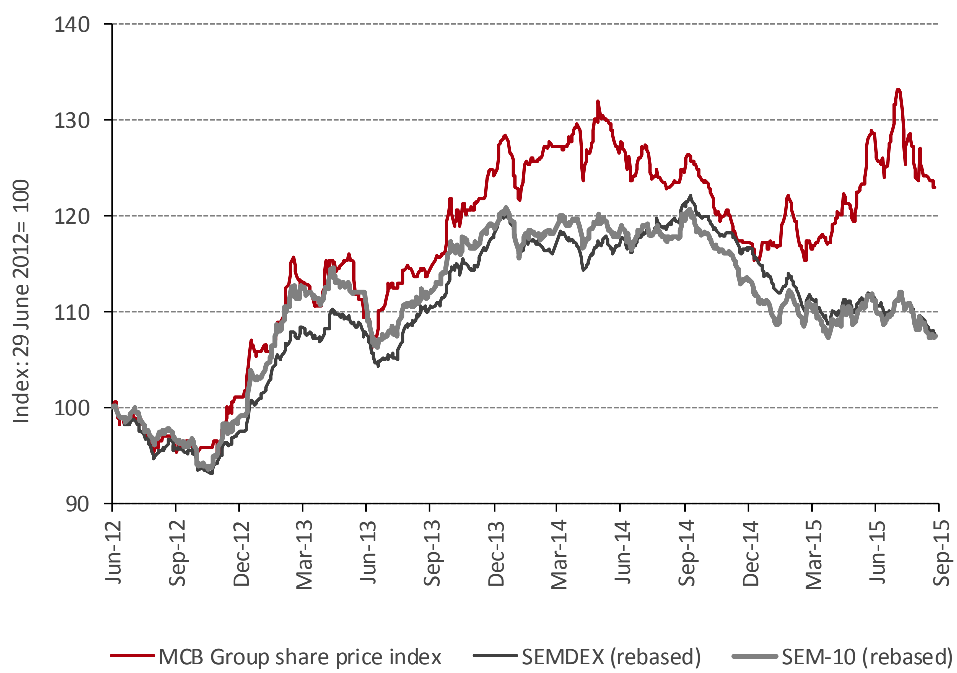
Note: Capital adequacy ratios for June 2014 & June 2015 are based on Basel III

Financial soundness indicators (%)

	Jun-13	Jun-14	Jun-15
Asset Quality			
Gross NPL/Gross loans	5.0	7.3	6.2
Net NPLs/Net loans	3.0	4.2	3.6
Efficiency			
Cost-to-income	44.5	45.1[1]	41.8
Liquidity			
Liquid assets[2]/Total assets	20.5	26.4	31.0
Loans to deposits	93.2	86.4	78.8
Loans to deposits and borrowings[3]	86.3	80.2	73.7
Profitability			
Return on average total assets	2.1	1.9	2.2
Return on average equity	16.1	14.7	17.1
Capital adequacy			
Shareholders equity to assets	13.2	12.9	12.8
BIS risk adjusted ratio[4]	13.1	16.3	17.3
o/w Tier 1[4]	12.2	13.3	14.5

[1] Excludes non-recurrent items
[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 for the last two financial years, with proforma figures used for 2014 for comparative purposes

MCB Group share price performance



Notes:
(i) MCB shares were suspended as from its last day of trading on 24 March 2014 and MCB Group shares started trading again on 3 April 2014
(ii) The SEM-7 Index has been replaced by the SEM-10 Index as from 2 October 2014

www.mcbgroup.com

For more information, please contact the Strategic Information Cell - Strategy, Research & Development SBU on (230) 202-5134 / (230) 202-5558