# MCB Group results for the year ended 30 June 2017

**PORT LOUIS, 29 September 2017:** MCB Group Limited today announced its audited results for the year ended 30 June 2017.

**HIGHLIGHTS**

- Growth of 5.9% in net interest income
- Net fee and commission income up by 5.2%
- Rise of 21.3% in profit on exchange
- Increase of 10.6% in operating expenses
- Impairment charges higher by 4.1%
- Share of profit of associates lower by Rs 397 million

| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | OPERATING INCOME | ASSETS |
|---|---|---|
| Rs 6,702.1 m | Rs 15,506.0 m | Rs 345.7 bn |
| ▲ 1.2% | ▲ 7.6% | ▲ 8.8% |

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

*"In a challenging context notably marked by persisting excess liquidity, profit attributable to equity holders of the Group edged up marginally by 1.2% to reach Rs 6,702 million. This was achieved despite a significant drop of Rs 397 million in our share of profit from associates, on account of lesser contributions from PAD Group, which registered significant non-recurring revenues in the previous year and, BFCOI, whose performance was impacted by a significant increase in impairment charges during the last semester.*

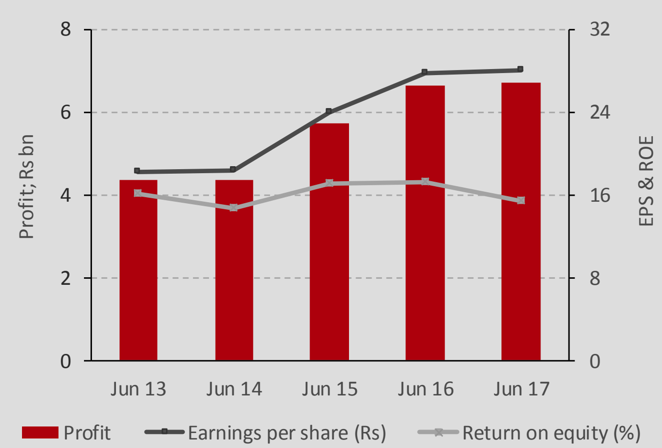
*Our results were supported by a healthy growth of 7.6% in operating income in line with the expansion achieved across clusters. Net interest income grew by 5.9% to Rs 9.4 billion, albeit being primarily driven by the rise in income from low yielding liquid assets as a result of deposits growing at a much higher rate than loans and advances. Net fee and commission income recovered from last year's low, supported by higher receipts at both banking and non-banking levels. Indeed, our deposits increased by 7.7% whilst the lending portfolio rose at a moderate pace of 2.8% with the drop in our corporate portfolio being compensated by healthy growth in foreign lending and retail advances. 'Other income' rose by 17.8%, driven primarily by higher profit on exchange. Despite a slowdown witnessed in the last quarter of the year as a result of excess supply of foreign currencies prompting an appreciation of the rupee, profit from dealing in foreign exchange grew by an impressive 21.3% to reach Rs 1.9 billion for the year. Operating expenses grew by 10.6% in line with capacity building initiatives across the Group, with the cost to income ratio increasing to 41.2%. Impairment charges posted a contained growth of 4.1% to stand at just above Rs 1 billion, representing 0.59% of our loans and advances, while the gross NPL ratio declined from 6.2% to 6.1%.*

*Our capitalisation level remains comfortable with shareholders' funds of the Group increasing to Rs 45.9 billion, contributing to a capital adequacy ratio of 18.9%, of which 16.5% in the form of Tier 1.*

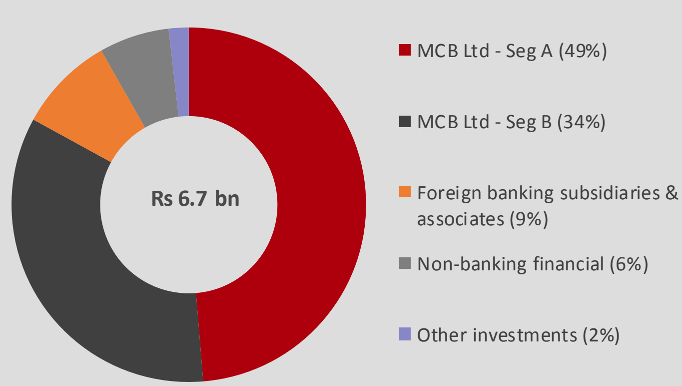
*Notwithstanding the anticipated improvement in the global economic environment, market conditions are expected to remain challenging. In Mauritius, economic growth is likely to pick up only gradually with delays being observed in the implementation of several large scale infrastructure projects. There is little sign of the excess liquidity situation abating while the relative strength of the rupee is impacting our foreign-sourced income. Our business pipeline is, however, encouraging with our international operations and non-banking activities expected to grow further."*

## Financial performance

**Profitability indicators**




**Contribution to Group profit**



## Profit or Loss Statement

***Net interest income***

Notwithstanding the challenging economic conditions faced by our subsidiaries and pressures on margins notably linked to the excess liquidity situation in Mauritius, both in rupee and foreign currency terms, net interest income for the Group rose by 5.9% to reach Rs 9,411 million. Interest income edged up by some 2% with continued growth being observed with respect to low yielding liquid assets on the back of deposits growing at a higher rate than loans and advances. Conversely, interest expense dropped by 5.8% to Rs 4,478 million on account of lower interest rates on average.

***Non-interest income***

In spite of lower revenues from regional trade financing, an upturn was observed in net fee and commission income which rose by 5.2% to reach Rs 3,350 million. This performance was supported by increased income from payment and financing activities while the contribution from MCB Capital Markets Ltd and our leasing arm continued to rise. Besides, 'other income' recorded a growth of 17.8% mainly driven by a rise in profit on exchange amidst increased volume of transactions, although growth therein was impacted in the fourth quarter of the financial year by excess supply of foreign currencies that resulted in rupee appreciation. Higher revenues from non-bank entities were also recorded on the back of the successful exit from an investment by MCB Equity Fund Ltd and business inroads made by International Card Processing Services Ltd and MCB Consulting Services Ltd.

***Share of profit of associates***

Share of profit of associates fell by Rs 397 million on account of reduced contributions from PAD Group which had registered significant non-recurrent gains last year as well as from BFCOI, whose performance was impacted by a surge in impairment charges during the last semester.

***Operating expenses***

Operating expenses went up by 10.6% to reach Rs 6,388 million in line with ongoing investments in people, infrastructure and technologies throughout the Group to support business strategies. As a result, the cost to income ratio for MCB Group rose to 41.2% compared to 40.1% in the previous year.

***Impairment***

Impairment charges grew by 4.1% to reach Rs 1.1 billion, representing 0.59% of loans and advances. Gross non-performing loan ratio declined to 6.1% while the corresponding ratio in net terms stood at 4.6%.

***Profit***

Group profits rose by 1.2% to reach Rs 6,702 million for the full year ending 30 June 2017. Reflecting the Group's diversification strategy, the combined contribution of foreign-sourced earnings and non-banking activities to Group results amounted to some 51% in spite of dampened performances at the level of overseas banking subsidiaries and the reduced contributions from associates.

## Financial Position Statement

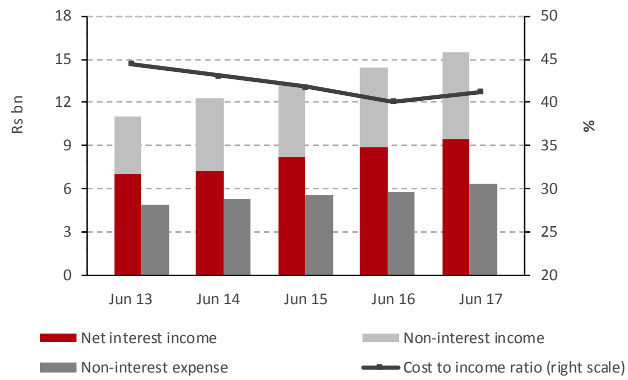
***Loans and funding***

Gross loans and advances of the Group expanded by 2.8% to stand at Rs 178.6 billion as at 30 June 2017. A drop in corporate loans was compensated by appreciable increases in foreign lending and retail advances. Total deposits went up by 7.7% to reach Rs 274.9 billion as at 30 June 2017, boosted by the growth in rupee denominated deposits. As a result, total loans represented some 65% of deposits and around 62% of the total funding base, when including borrowings and subordinated debt.

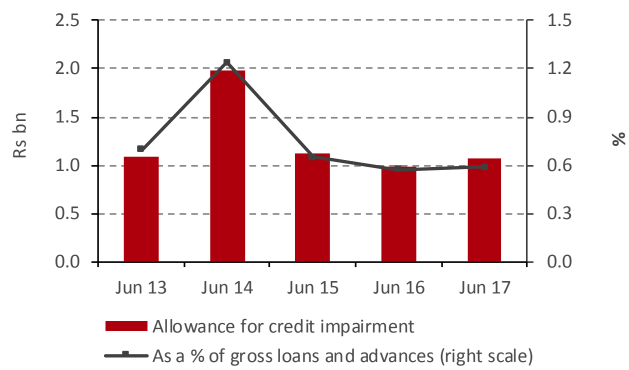
***Capital position***

Shareholders' funds of the Group reached Rs 45.9 billion, representing an increase of Rs 5.2 billion, of which Rs 3.9 billion in the form of retained earnings for the year. The Group continues to ensure that adequate buffers are kept to withstand potential shocks and to effectively support its business expansion strategy. As such, comfortable capitalisation levels were maintained, as gauged by the overall capital adequacy ratio and Tier 1 ratio rising to 18.9% and 16.5% respectively.

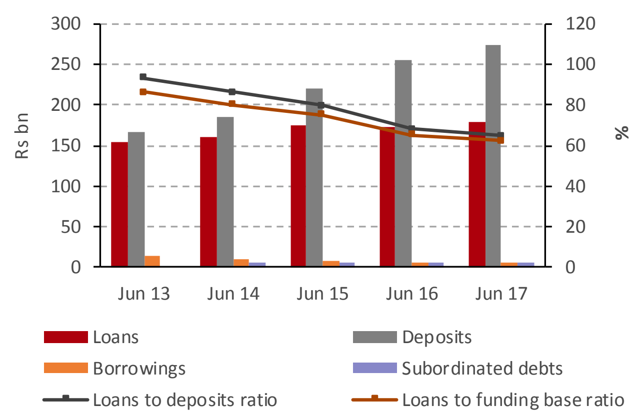
**Income and expenditure evolution**



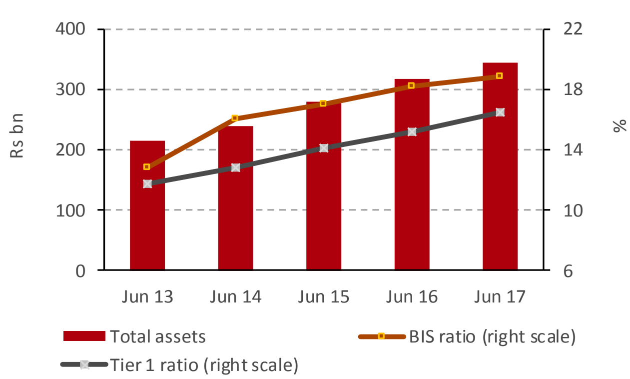

**Allowance for credit impairment and credit quality**




**Loans and funding base**




**Total assets and capital adequacy**



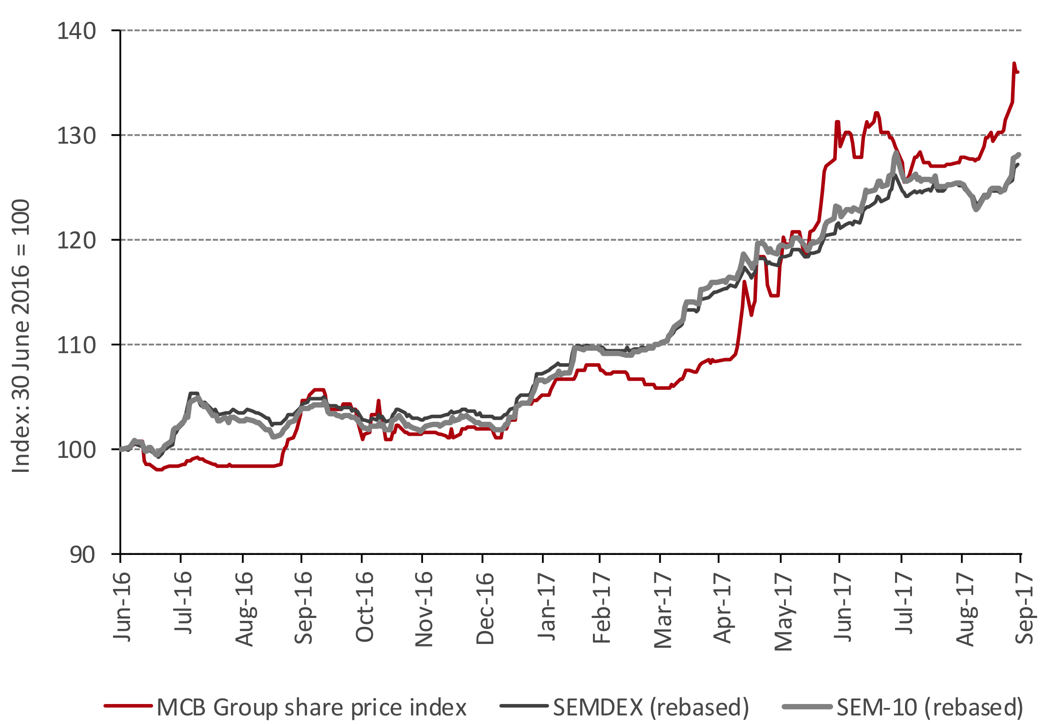

*Note: Capital adequacy ratios since June 2014 are based on Basel III; figures prior to Jun 16 have been restated*

## Financial soundness indicators (%)

| | Jun-15 | Jun-16 | Jun-17 |
|---|---|---|---|
| **Profitability** | | | |
| Return on average total assets | 2.2 | 2.2 | 2.0 |
| Return on average equity | 17.1 | 17.3 | 15.5 |
| Return on average Tier 1 capital | 17.7 | 18.0 | 16.2 |
| **Efficiency** | | | |
| Cost-to-income | 41.8 | 40.1 | 41.2 |
| **Asset Quality** | | | |
| Gross NPL/Gross loans and advances | 6.2 | 6.2 | 6.1 |
| Net NPLs/Net loans and advances | 3.6 | 4.1 | 4.6 |
| **Liquidity** | | | |
| Liquid assets[1]/Total assets | 31.1 | 38.9 | 41.6 |
| Loans to deposits | 79.6 | 68.1 | 65.0 |
| Loans to deposits and borrowings[2] | 75.1 | 65.3 | 62.4 |
| **Capital adequacy** | | | |
| Shareholders equity to assets | 12.8 | 12.8 | 13.3 |
| BIS risk adjusted ratio[3] | 17.1 | 18.3 | 18.9 |
| *o/w Tier 1*[3] | 14.1 | 15.3 | 16.5 |

*[1] In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills and Government securities*
*[2] Borrowings include subordinated debts*
*[3] Based on Basel III*

## MCB Group share price performance



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