

MCB Group results for the first quarter to 30 September 2019

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

HIGHLIGHTS

- Rise of 13.4% in net interest income
- Growth of 5.7% in net fee and commission income
- 'Other income' up by 17.7%
- Increase of 5.7% in operating expenses
- Rise of 5.7% in impairment charges, with gross NPL ratio standing at 4.1%
- Share of profit of associates higher by Rs 43 million
- Y-o-y growth of 13.6% in deposits and of 7.7% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Rs 2.5 bn

▲ **18.9%**

OPERATING INCOME

Rs 5.3 bn

▲ **12.6%**

ASSETS

Rs 477.1 bn

▲ **17.2%**

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

"Group attributable profits went up by 18.9% to reach Rs 2,533 million for the quarter ended September 2019, following a general improvement in performances across the banking and non-banking clusters of the Group.

Operating income increased by 12.6% to reach Rs 5,259 million. Net interest income rose by 13.4%, driven by the expansion in the loans and advances portfolio as well as higher level of investment in Government securities which also generated improved yields. Net fee and commission income grew by 5.7% on the back of enhanced contribution from the payment and wealth management activities. 'Other income' recorded a growth of 17.7%, mainly underpinned by a rise of 15.0% in profit on exchange and fair value gains on financial instruments.

Growth in operating expenses was contained to 5.7%, leading to a fall in the cost to income ratio to 37.4% compared to 39.8% for the corresponding period in the previous year. Net impairment charges rose by 5.7% to reach Rs 381 million, with the annualised cost of risk improving slightly to 57 basis points, while gross NPL ratio remained stable at 4.1%.

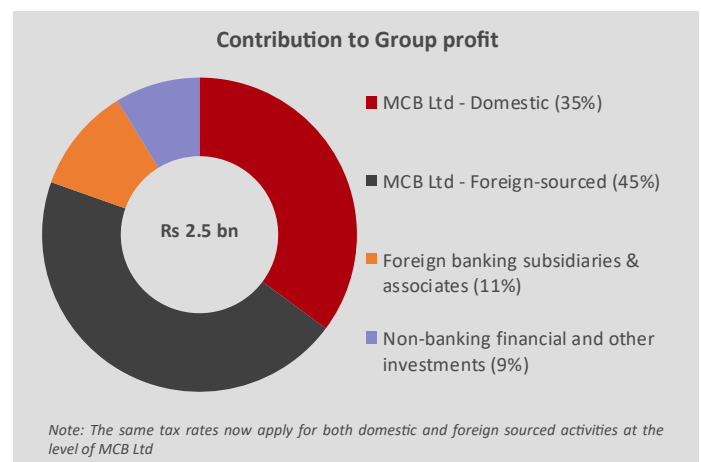
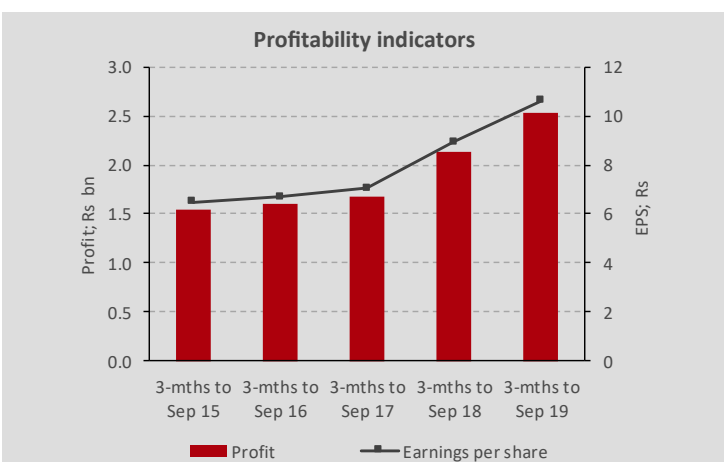
Our share of profit of associates increased by some Rs 43 million, driven primarily by an enhanced performance of BFCOI as a result of improved cost of risk.

Tax charges rose by 20.9% to Rs 536 million reflecting a slight increase in the overall effective tax rate at the level of MCB Ltd following the change in the tax regime in the local banking sector.

Shareholders' funds of the Group reached Rs 57 billion, resulting in an improvement in our capital adequacy ratio to 17.6%, of which 16.0% in the form of Tier 1.

Despite the uncertainties prevailing in the international environment, results for the semester to December 2019 are projected to improve over last year."

Financial performance



Profit or loss statement

Net interest income

Net interest income went up by 13.4% to reach Rs 3,539 million, mainly driven by the expansion in loans and advances as well as increased investment in and higher yields on Government securities.

Non-interest income

Net fee and commission income grew by 5.7% to stand at Rs 902 million on the back of enhanced performances registered in respect of the payment and wealth management activities. 'Other income' rose by 17.7%, supported by a growth of 15.0% in profit on exchange and fair value gains on financial instruments and increased receipts from some non-banking entities such as MCB Real Assets Ltd and MCB Equity Fund Ltd.

Share of profit of associates

Our share of profit of associates rose by Rs 43 million, mainly reflecting enhanced results of BFCOI on the back of improved cost of risk.

Operating expenses

Growth in operating expenses was contained at 5.7% to reach Rs 1,966 million, resulting in a drop in the cost to income ratio to 37.4% compared to 39.8% in the corresponding period last year.

Impairment

Impairment charges grew by 5.7% to reach Rs 381 million, with the annualised cost of risk decreasing slightly to 57 basis points in relation to loans and advances. Gross NPL ratio remained stable at 4.1%, while in net terms, the ratio declined to 2.8% compared to June 2019.

Profit

Group profits rose by 18.9% to reach Rs 2,533 million for the three months ended September 2019, with the combined share of foreign-sourced income and non-banking operations standing at 65% thereof.

Financial position statement

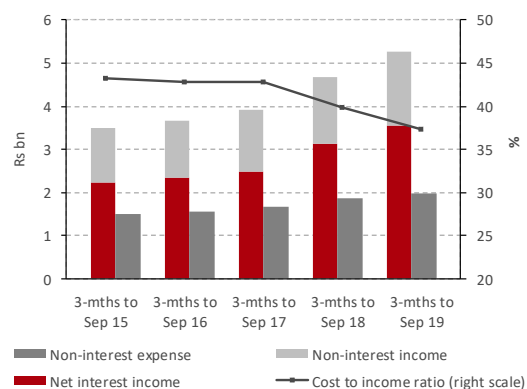
Loans and funding

Total gross loans for the Group went up by 7.7% to reach Rs 244.7 billion as at 30 September 2019, with an increase recorded across all banking subsidiaries. Specifically, gross loans at the level of MCB Ltd grew by 6.5%, supported by a rise in both local and foreign exposures, with the latter linked to the Energy and Commodities and structured project financing activities. Total deposits rose by 13.6% to Rs 343.6 billion mainly due to a notable growth in foreign currency deposits, while 'other borrowed funds' went up in line with initiatives to mobilise foreign currency funding to support our international business. As a result, the total loans to deposits ratio and the total loans to funding base ratio, when including borrowings, stood at 71.2% and 61.4%.

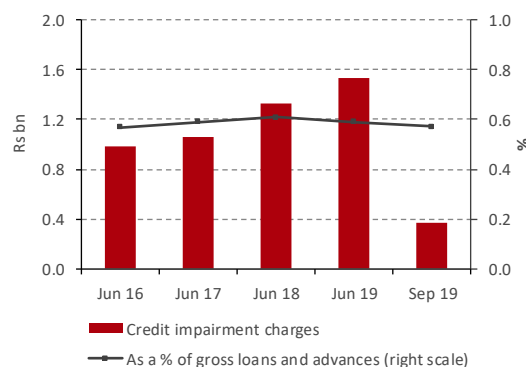
Capital position

Shareholders' funds rose by 13.3% to reach Rs 57.0 billion as at 30 September 2019, with the Group's capital adequacy ratio improving to 17.6%, of which 16.0% in the form of Tier 1.

Income and expenditure evolution



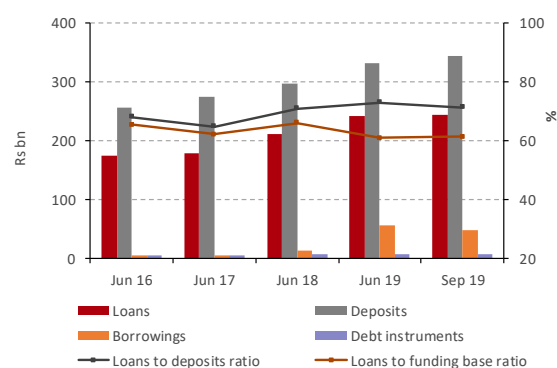
Impairment charges* and credit quality



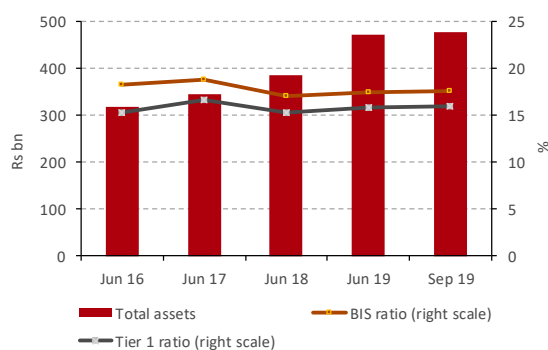
*Relate to loans & advances (including corporate notes)

Note: Impairment charges for Sep 19 relate to three 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 (%)

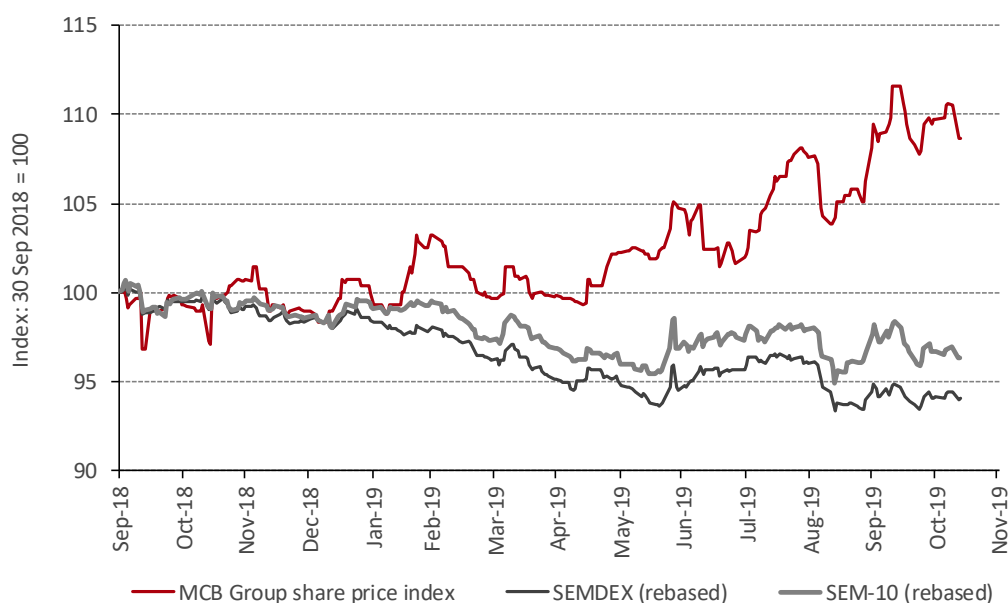
| | Sep-19 | Jun-19 | Sep-18 |
|---|--------|--------|--------|
| Profitability | | | |
| Return on average total assets | 2.1 | 2.2 | 2.1 |
| Return on average equity | 17.9 | 17.6 | 16.8 |
| Return on average Tier 1 capital | 18.3 | 18.2 | 17.3 |
| Efficiency | | | |
| Cost-to-income | 37.4 | 37.1 | 39.8 |
| Asset quality | | | |
| Gross NPL/Gross loans and advances | 4.1 | 4.1 | 4.3 |
| Net NPL/Net loans and advances | 2.8 | 2.9 | 2.8 |
| Liquidity | | | |
| Liquid assets ¹ /Total assets | 39.6 | 38.8 | 37.5 |
| Loans to deposits | 71.2 | 72.9 | 75.2 |
| Loans to deposits and borrowings ² | 61.4 | 61.0 | 66.6 |
| Capital adequacy | | | |
| Shareholders equity to assets | 11.9 | 11.9 | 12.4 |
| BIS risk adjusted ratio ³ | 17.6 | 17.4 | 17.5 |
| <i>o/w Tier 1</i> ³ | 16.0 | 15.8 | 15.4 |

¹ In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds

² Borrowings include debt instruments

³ 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