

MCB Group results for the first quarter ended 30 September 2020

PORT LOUIS, 13 November 2020: MCB Group Limited today announced its unaudited results for the first quarter of FY 2020/21.

HIGHLIGHTS

- Net interest income up by 2.3%
- Rise of 7.7% in net fee and commission income
- Growth of 2.3% in 'other income'
- Operating expenses up by 0.8%
- Impairment charges rose to Rs 1.2 billion; with additional ECL of Rs 815 million over the quarter; gross NPL ratio standing at 4.1%
- Drop of Rs 96 million in share of profit of associates
- Y-o-y growth of 15.7% in deposits and of 5.1% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 1.9 bn

▼ **23.6%**

IMPAIRMENT CHARGES (incl. ECL)

Rs 1.2 bn

▲ **222.6%**

OPERATING INCOME

Rs 5.4 bn

▲ **3.3%**

ASSETS

Rs 547.9 bn

▲ **14.8%**

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

"The particularly difficult operating context continued to impact the Group's results, with attributable profits to ordinary shareholders falling by 23.6% for the quarter ended September 2020 to reach Rs 1,925 million, largely linked to the substantial increase in Expected Credit Losses (ECL) amidst the deterioration in the economic outlook, notably on the domestic front.

Despite the challenging situation across markets, with some of them being particularly hit by the downturn in tourism, operating income rose by 3.3% to reach Rs 5,431 million. Net interest income increased by 2.3%, in spite of reduced margins on lending activities, reflecting higher investments in Government securities in the context of the high liquidity situation. Notwithstanding lower revenues from MCB Capital Markets Ltd and foreign banking subsidiaries, net fee and commission income rose by 7.7% reflecting an enhanced performance at MCB Ltd level, with higher income notably from regional trade financing activities more than offsetting lower receipts from cards operations. 'Other income' edged up by 2.3%, despite MCB Real Assets Ltd not receiving any rental income, explained by an 8.3% growth in profit on exchange and fair value gains on financial instruments carried at fair value.

Operating expenses remained relatively flat, resulting in a fall in the cost to income ratio to 36.5% compared to 37.4% for the corresponding period last year. Impairment charges increased by Rs 848 million to reach Rs 1,229 million, of which Rs 815 million in respect of ECL. The cost of risk, on an annualised basis, stood at 164 basis points of gross loans and advances compared to 184 basis points for the last financial year while gross NPL ratio remained stable at 4.1%.

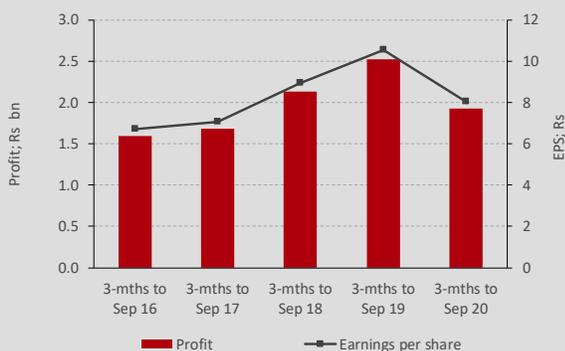
The share of profit of associates declined by Rs 96 million to Rs 97 million as a result of reduced contribution from both Promotion and Development Group and BFCOI.

Our capitalisation level remains comfortable with shareholders' funds increasing to Rs 64.7 billion, contributing to a capital adequacy ratio of 18.2%, of which 16.8% in the form of Tier 1. The Group continued to display healthy liquidity positions, both in rupee and foreign currency, with the Bank's US dollar Liquidity Coverage Ratio standing at 189% as at September 2020.

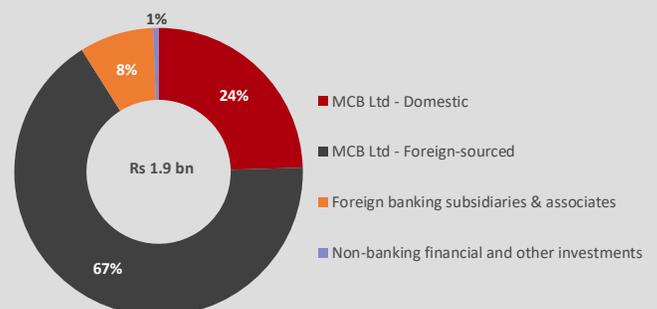
Despite positive news about COVID-19 vaccines in trials being at an advanced stage, the operating environment is likely to remain challenging for some time to come, the more so when considering a resurgence of the virus in many developed countries. In this context, local operators should continue to face notable difficulties, the extent of which being dependent on the effectiveness of support measures being deployed, notably at the level of SMEs and through Mauritius Investment Corporation. Against this backdrop, the Group is projected to record another subdued performance for the next quarter to December 2020."

Financial performance

Profitability indicators



Contribution to Group profit



Note: The domestic profit contribution has been impacted by a substantial rise recorded in Expected Credit Losses therein.

Profit or loss statement

Net interest income

Net interest income increased by 2.3%, in spite of reduced margins on lending activities at both domestic and international levels, reflecting higher investments in Government securities in the context of the high liquidity situation.

Non-interest income

Notwithstanding lower revenues from MCB Capital Markets Ltd and foreign banking subsidiaries, net fee and commission income rose by 7.7% mainly on the back of an enhanced performance at MCB Ltd level, with higher income notably from regional trade financing activities more than offsetting lower receipts from cards operations. 'Other income' edged up by 2.3%, despite MCB Real Assets Ltd not receiving any rental income, explained by an 8.3% growth in profit on exchange and fair value gains on financial instruments carried at fair value.

Operating expenses

Operating expenses remained relatively flat, resulting in a fall in the cost to income ratio to 36.5% compared to 37.4% for the corresponding period the previous year.

Impairment

Impairment charges increased by Rs 848 million to reach Rs 1,229 million, of which Rs 815 million in respect of ECL. The cost of risk, on an annualised basis, stood at 164 basis points of gross loans and advances, of which 56 basis points relating to specific provisions net of recoveries. For its part, gross NPL ratio remained stable at 4.1% while net NPL ratio declined to 2.6% as at September 2020.

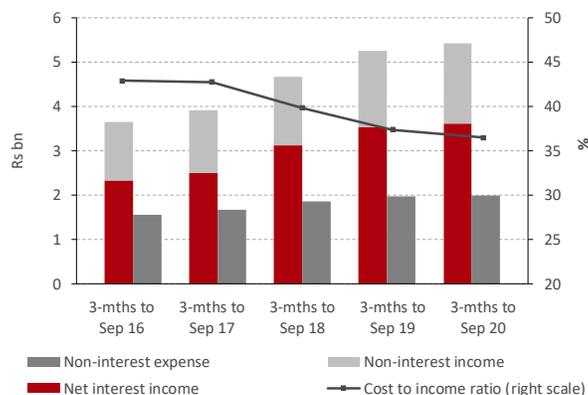
Share of profit of associates

The share of profit of associates declined by Rs 96 million to Rs 97 million as a result of reduced contribution from both Promotion and Development Group and BFCOI.

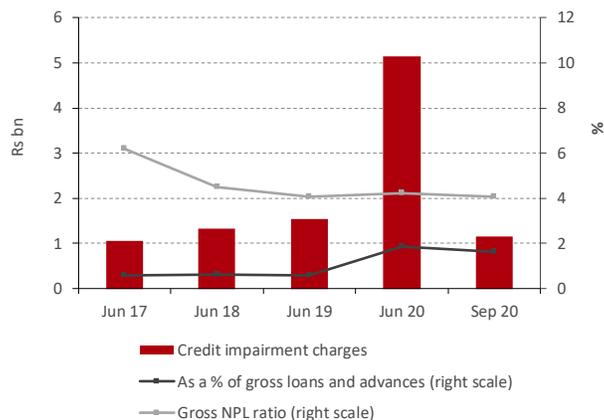
Profit

Profit attributable to ordinary shareholders declined by 23.6% to reach Rs 1,925 million for the three months ended September 2020 primarily impacted by the increase in impairment charges at the level of MCB Ltd and subdued performances across foreign banking subsidiaries and non-banking activities.

Income and expenditure evolution



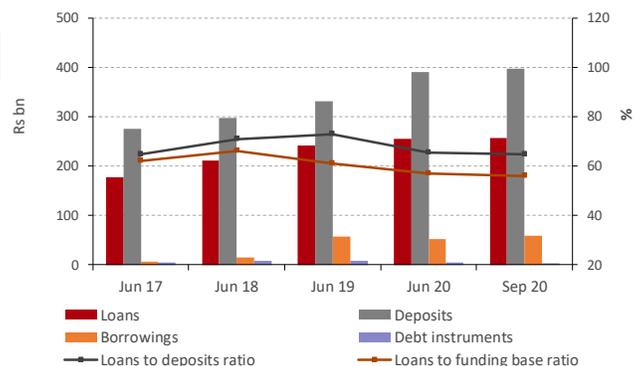
Impairment charges* and credit quality



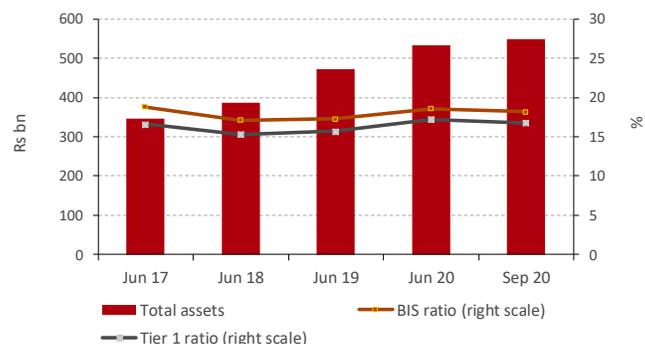
*Relate to loans & advances (including corporate notes)

Note: Impairment charges for Sep 20 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 position statement

Loans and advances

Gross loans of the Group recorded a year-on-year growth of 5.1% to reach Rs 257.2 billion as at 30 September 2020, supported by an increase across most banking subsidiaries. When including Corporate Notes, gross loans and advances grew by 6.2% over the period under review. Specifically, at the level of MCB Ltd, gross loans went up by 5.5%, driven by a rise in foreign exposures linked to structured project financing activities while rupee depreciation also weighed in the balance.

Funding and liquidity

Total deposits of the Group increased by 15.7% to attain Rs 397.6 billion as at 30 September 2020, supported by an increase in both rupee and foreign currency deposits, with the latter being also boosted by the depreciation of the rupee against major currencies. Besides, 'other borrowed funds' rose to Rs 58.6 billion following a Facility of USD 100 million drawn upon by MCB Ltd in the first quarter of FY 2020/21. As a result, the total loans to deposits ratio stood at 64.7% while the total loans to funding base ratio, when including borrowings, reached 55.9%. The Bank continued to maintain its US dollar Liquidity Coverage Ratio well above the Basel III regulatory norm, that is, at 189% as at 30 September 2020.

Capital position

Shareholders' funds went up by 13.0% on the back of a rise in retained earnings, with the Group's Tier 1 capital increasing to some Rs 65 billion. As a result, Tier 1 ratio and BIS ratio stood at 16.8% and 18.2% respectively, thus remaining comfortably above the minimum regulatory requirements.

Financial soundness indicators (%)

	Sep-20	Jun-20	Sep-19
Profitability			
Return on average total assets ¹	1.4	1.6	2.1
Return on average equity ¹	12.1	13.3	17.7
Return on average Tier 1 capital ¹	11.9	13.4	18.3
Efficiency			
Cost-to-income	36.5	35.5	37.4
Asset quality			
Gross NPL/Gross loans and advances	4.1	4.2	4.1
Net NPL/Net loans and advances	2.6	2.9	2.8
Liquidity			
Liquid assets ² /Total assets	44.3	42.6	39.1
Loans to deposits	64.7	65.3	71.2
Loans to deposits and borrowings ³	55.9	57.0	61.4
Capital adequacy			
Shareholders equity to assets	11.8	11.8	12.0
BIS risk adjusted ratio ⁴	18.2	18.6	17.6
o/w Tier 1 ⁴	16.8	17.2	16.0

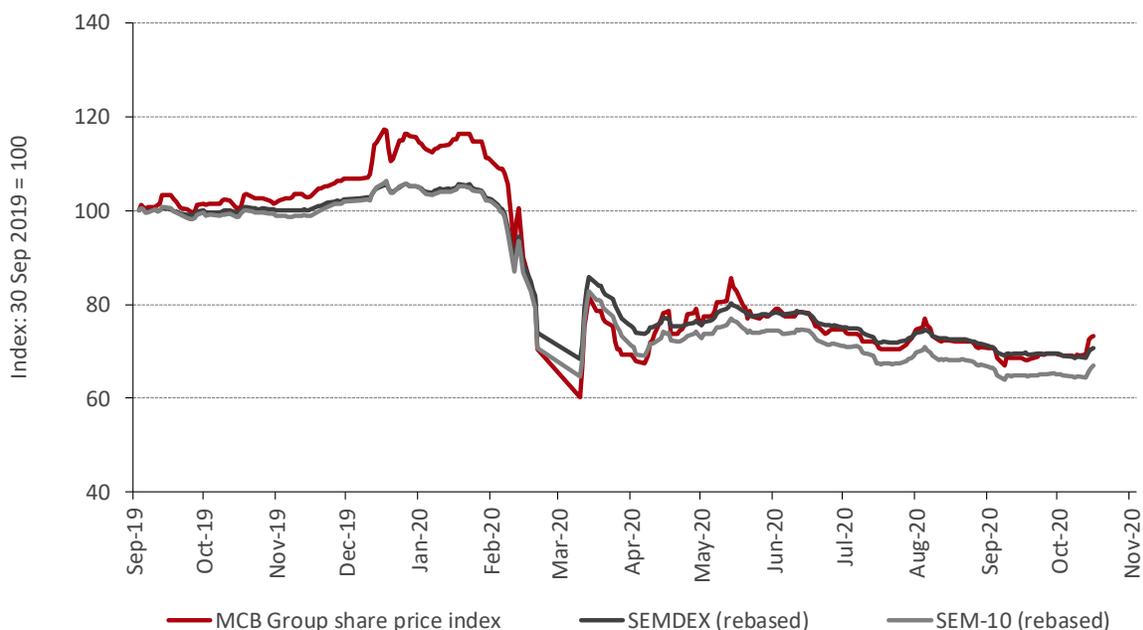
¹ Annualised rate for September

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

³ Borrowings include debt instruments

⁴ Based on Basel III

MCB Group share price performance



Note: SEMDEX was closed for trading as from 20 March 2020 and resumed on 6 April 2020



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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