

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

OPERATING INCOME
Rs 5,258.8 m
 ▲ 12.6%

OPERATING PROFIT BEFORE IMPAIRMENT
Rs 3,292.8 m
 ▲ 17.2%

PROFIT ATTRIBUTABLE TO SHAREHOLDERS
Rs 2,532.9 m
 ▲ 18.9%

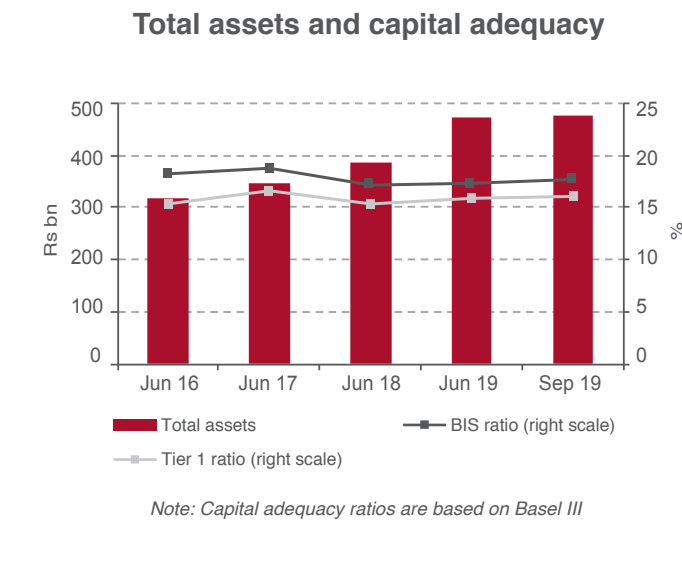
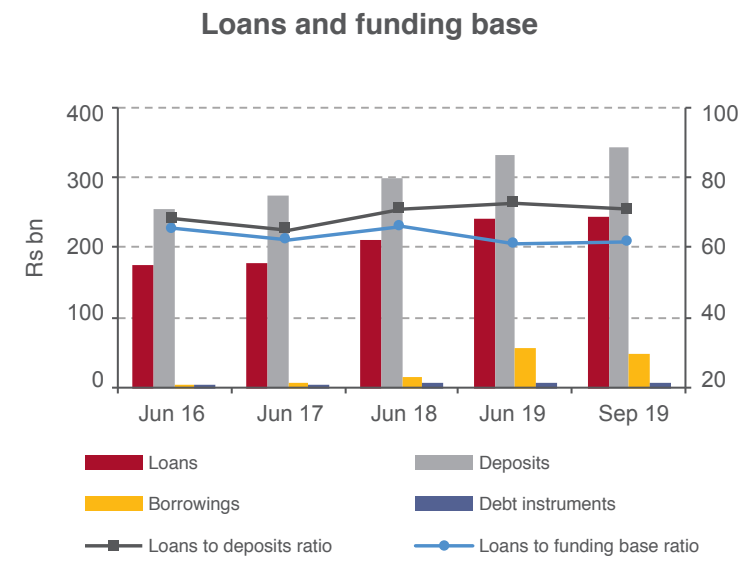
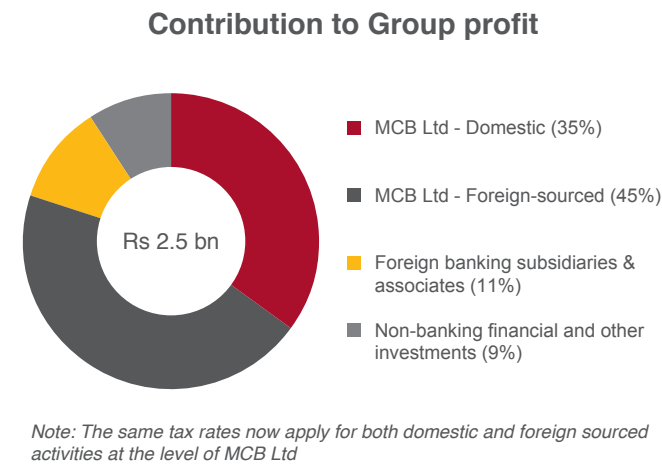
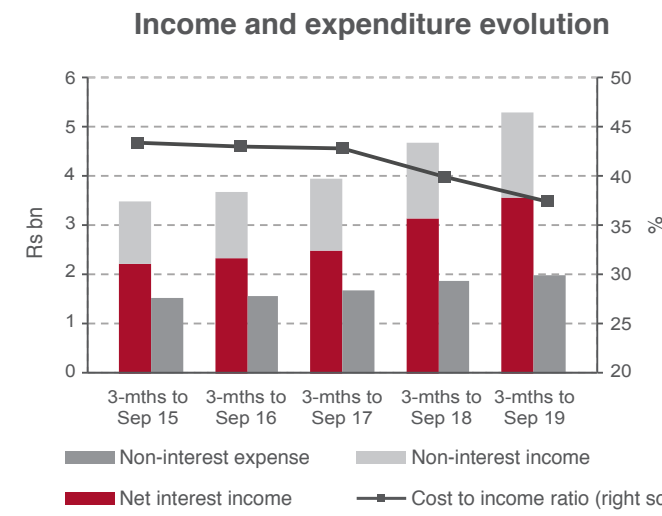
GROSS LOANS
Rs 244.7 bn
 ▲ 7.7%

DEPOSITS
Rs 343.6 bn
 ▲ 13.6%

ASSETS
Rs 477.1 bn
 ▲ 17.2%

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/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 1³</i>	16.0	15.8	15.4


Consolidated summary statement of financial position as at 30 September 2019

	30-Sep-19	30-Sep-18	30-Jun-19
	Rs'M	Rs'M	Rs'M
ASSETS			
Cash and cash equivalents	51,200.6	35,868.1	49,333.5
Mandatory balances with Central Banks	21,342.7	19,427.6	21,075.1
Derivative financial instruments	675.7	672.1	695.8
Loans to and placements with banks	15,024.0	18,216.9	19,672.8
Loans and advances to customers	230,826.6	213,226.7	227,040.4
Investment securities	131,494.6	95,579.9	126,204.0
Investments in associates	10,035.7	9,660.2	9,961.5
Investment properties	3,957.8	3,156.9	3,991.7
Goodwill and other intangible assets	1,447.3	1,228.2	1,462.9
Property, plant and equipment	6,397.5	6,167.2	6,437.8
Deferred tax assets	371.0	270.6	291.9
Other assets	4,289.1	3,482.8	4,993.9
Total assets	477,062.6	406,957.2	471,161.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	2,985.8	3,245.3	3,850.9
Deposits from customers	340,566.7	299,049.9	327,649.5
Derivative financial instruments	714.0	645.2	935.0
Other borrowed funds	47,270.0	31,483.1	56,886.3
Subordinated liabilities	5,525.1	5,570.7	5,571.8
Debt securities	2,012.4	2,013.2	2,012.7
Current tax liabilities	1,560.4	1,274.9	986.6
Deferred tax liabilities	290.4	236.0	287.9
Other liabilities	16,827.0	10,744.3	14,202.7
Total liabilities	417,551.8	354,262.6	412,383.4
Shareholders' equity			
Stated capital	2,611.9	2,550.7	2,608.3
Retained earnings	45,300.9	40,042.4	44,536.0
Other components of equity	9,067.0	7,681.1	9,109.9
Equity attributable to the ordinary equity holders of the parent	56,979.8	50,274.2	56,254.2
Non-controlling interests	2,531.0	2,420.4	2,523.7
Total equity	59,510.8	52,694.6	58,777.9
Total equity and liabilities	477,062.6	406,957.2	471,161.3
CONTINGENT LIABILITIES			
Acceptances, guarantees, letters of credit and other obligations on account of customers	59,868.4	56,050.0	69,002.5
Others	8,309.2	8,933.1	8,302.0
	68,177.6	64,983.1	77,304.5

Consolidated summary statement of profit or loss for the period ended 30 September 2019

	3 mths to 30-Sep-19	3 mths to 30-Sep-18	Year to 30-Jun-19
	Rs'M	Rs'M	Rs'M
Interest income	5,204.3	4,370.0	18,841.4
Interest expense	(1,665.4)	(1,249.5)	(5,884.6)
Net interest income	3,538.9	3,120.5	12,956.8
Fee and commission income	1,263.7	1,144.9	5,135.0
Fee and commission expense	(362.1)	(292.1)	(1,348.9)
Net fee and commission income	901.6	852.8	3,786.1
Other income	818.3	695.4	3,483.5
Operating income	5,258.8	4,668.7	20,226.4
Non-interest expense	(1,966.0)	(1,860.0)	(7,510.7)
Operating profit before impairment	3,292.8	2,808.7	12,715.7
Net impairment of financial assets	(380.9)	(360.2)	(1,596.9)
Operating profit	2,911.9	2,448.5	11,118.8
Share of profit of associates	192.8	150.3	403.9
Profit before tax	3,104.7	2,598.8	11,522.7
Income tax expense	(536.1)	(443.4)	(1,930.2)
Profit for the period	2,568.6	2,155.4	9,592.5
Profit for the period attributable to:			
Ordinary equity holders of the parent	2,532.9	2,130.9	9,482.2
Non-controlling interests	35.7	24.5	110.3
	2,568.6	2,155.4	9,592.5
Profit for the period	2,568.6	2,155.4	9,592.5
Other comprehensive income:			
Items that will not be reclassified to profit or loss	1.4	(32.1)	(392.5)
Items that may be reclassified subsequently to profit or loss	4.8	(108.2)	123.3
Other comprehensive income/(expense) for the period	6.2	(140.3)	(269.2)
Total comprehensive income for the period	2,574.8	2,015.1	9,323.3
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	2,538.1	1,998.3	9,212.3
Non-controlling interests	36.7	16.8	111.0
	2,574.8	2,015.1	9,323.3
Earnings per share:			
Basic (Rs)	10.60	8.93	39.71
Diluted (Rs)	10.60	8.93	39.70
Basic weighted average number of shares (thousands)	238,908	238,689	238,791
Diluted weighted average number of shares (thousands)	238,994	238,733	238,866

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.

By order of the Board
13 Nov 2019

COMMENTS ON RESULTS

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.

Consolidated summary statement of changes in equity for the period ended 30 September 2019

	Attributable to ordinary equity holders of the parent								
	Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	General Banking Reserve	Total	Non-Controlling Interests	Total Equity
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
At 01 July 2018	2,547.9	39,224.4	2,227.4	(395.0)	5,980.8	0.5	49,586.0	2,445.0	52,031.0
Profit for the period	-	2,130.9	-	-	-	-	2,130.9	24.5	2,155.4
Other comprehensive expense for the period	-	-	(10.8)	(121.8)	-	-	(132.6)	(7.7)	(140.3)
Total comprehensive income/(expense) for the period	-	2,130.9	(10.8)	(121.8)	-	-	1,998.3	16.8	2,015.1
Dividends	-	(1,312.9)	-	-	-	-	(1,312.9)	(41.4)	(1,354.3)
Issue of shares following the exercise of Group Employee Share Options Scheme	2.8	-	-	-	-	-	2.8	-	2.8
Transactions with owners	2.8	(1,312.9)	-	-	-	-	(1,310.1)	(41.4)	(1,351.5)
At 30 September 2018	2,550.7	40,042.4	2,216.6	(516.8)	5,980.8	0.5	50,274.2	2,420.4	52,694.6
At 01 July 2018	2,547.9	39,224.4	2,227.4	(395.0)	5,980.8	0.5	49,586.0	2,445.0	52,031.0
Profit for the year	-	9,482.2	-	-	-	-	9,482.2	110.3	9,592.5
Other comprehensive (expense)/income for the year	-	(400.7)	71.9	58.9	-	-	(269.9)	0.7	(269.2)
Total comprehensive income for the year	-	9,081.5	71.9	58.9	-	-	9,212.3	111.0	9,323.3
Dividends	-	(2,602.9)	-	-	-	-	(2,602.9)	(48.4)	(2,651.3)
Investment in subsidiary	-	-	-	-	-	-	-	4.0	4.0
Impact of rights issue exercised by minority shareholders in subsidiary	-	-	-	-	-	-	-	13.3	13.3
Issue of shares following the exercise of Group Employee Share Options Scheme	60.4	-	-	-	-	-	60.4	-	60.4
Transactions with owners	60.4	(2,602.9)	-	-	-	-	(2,542.5)	(31.1)	(2,573.6)
Transfers/movements in reserves	-	(1,167.0)	(37.3)	-	954.0	248.7	(1.6)	(1.2)	(2.8)
At 30 June 2019	2,608.3	44,536.0	2,262.0	(336.1)	6,934.8	249.2	56,254.2	2,523.7	58,777.9
Profit for the period	-	2,532.9	-	-	-	-	2,532.9	35.7	2,568.6
Other comprehensive (expense)/income for the period	-	(0.2)	27.6	(22.2)	-	-	5.2	1.0	6.2
Total comprehensive income/(expense) for the period	-	2,532.7	27.6	(22.2)	-	-	2,538.1	36.7	2,574.8
Dividends	-	(1,816.1)	-	-	-	-	(1,816.1)	(29.4)	(1,845.5)
Issue of shares following the exercise of Group Employee Share Options Scheme	3.6	-	-	-	-	-	3.6	-	3.6
Transactions with owners	3.6	(1,816.1)	-	-	-	-	(1,812.5)	(29.4)	(1,841.9)
Transfers/movements in reserves	-	48.3	-	-	7.8	(56.1)	-	-	-
At 30 September 2019	2,611.9	45,300.9	2,289.6	(358.3)	6,942.6	193.1	56,979.8	2,531.0	59,510.8

Consolidated summary statement of cash flows for the period ended 30 September 2019

	3 mths to 30-Sept-19	3 mths to 30-Sept-18	Year to 30-Jun-19
	Rs'M	Rs'M	Rs'M
Operating activities			
Net cash flows from trading activities	12,198.5	1,618.5	18,125.1
Net cash flows from other operating activities	3,666.7	(5,294.5)	(11,484.9)
Dividends received from associates	56.1	55.2	249.4
Dividends paid	(1,290.0)	(1,074.1)	(2,386.9)
Dividends paid to non-controlling interests in subsidiaries	(29.4)	(41.4)	(48.4)
Income tax paid	(31.1)	(154.5)	(1,803.8)
Net cash flows from operating activities	14,570.8	(4,890.8)	2,650.5
Net cash flows from investing activities	(295.1)	(565.0)	(2,187.0)
Net cash flows from financing activities	(70.6)	(5.3)	1,190.9
Increase/(Decrease) in cash and cash equivalents	14,205.1	(5,461.1)	1,654.4
Net cash and cash equivalents brought forward	35,828.5	34,063.3	34,063.3
Effect of foreign exchange rate changes	78.8	(65.7)	110.8
Net cash and cash equivalents carried forward	50,112.4	28,536.5	35,828.5

The unaudited interim consolidated summary financial statements comply with IAS 34 and have been prepared using the same accounting policies as those adopted in the financial statements for the year ended 30 June 2019.

Where necessary, comparative figures have been amended to conform with changes in presentation or in accounting policies.

Copies of the unaudited interim consolidated summary financial statements are available to the public, free of charge, upon request to the Company Secretary at the registered office of the Company, 9-15, Sir William Newton Street, Port-Louis and can be viewed on our website: www.mcbgroup.com

The statement of direct and indirect interests of officers of the Company required under rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 is available upon request, free of charge, at the registered office of the Company.

This communiqué is issued pursuant to Listing Rule 12.20 and Securities Act 2005.

The Board of Directors of the MCB Group Limited accepts full responsibility for the accuracy of the information contained in this communiqué.