MCB GROUP GROUP MANAGEMENT STATEMENT

MCB Group results for the first semester to 31 December 2016

PORT LOUIS, 14 February 2017: MCB Group Limited today announced its unaudited results for the first semester of FY 2016/17.

HIGHLIGHTS

- Growth of 8.0% in net interest income
- Net fee and commission income down by 1.3%
- Increase of 25% in profit on exchange
- Rise of 6.8% in operating expenses
- Credit impairment charges up by 7.7%
- Share of profit of associates higher by Rs 44 million

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 3,365.6 m	**Rs 7,701.6 m**	**Rs 336.0 bn**
▲ **7.1%**	▲ **8.0%**	▲ **12.2%**

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

''Group net profit for the semester increased by 7.1% to reach Rs 3,365.6 million, an encouraging performance considering the challenging operating environment.

This performance was underpinned by continued growth in operating income. Net interest income rose by 8.0% essentially due to higher investment in Treasury Bills and Government securities amidst persisting excess liquidity, with an improvement in average yields also observed. On the other hand, net fee and commission income dropped marginally with a reduction in contribution from regional trade finance due to the impact of low oil prices being partly compensated by higher revenues from wealth management and payment activities. Other income rose by 23.1%, driven by higher profit on exchange on the back of a rise in the volume of transactions and by increased revenues in some non-banking business lines.

Operating expenses rose by 6.8% with our cost to income ratio falling to 41.3% as compared to 41.8% for the corresponding period in the previous year. For its part, allowance for credit impairment stood at Rs 525.5 million, representing an annualised rate of 60 basis points of our gross loan portfolio, compared to 57 basis points as at 30 June 2016.

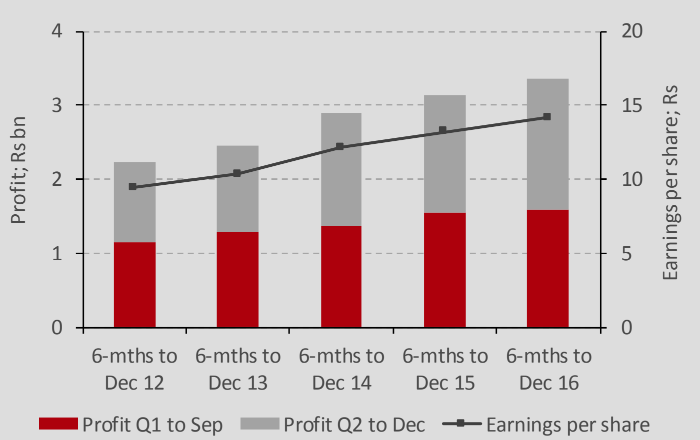
The share of income from associates grew by 19.1% mainly due to improved performance of PAD Group.

Our capitalisation level remains comfortable with shareholders' funds increasing to Rs 42.9 billion, contributing to a capital adequacy ratio of 18.3% as at December 2016, of which 15.6% in the form of Tier 1.

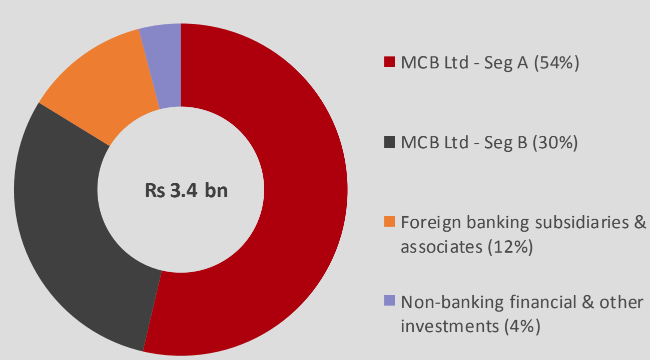
The operating environment remains difficult, with the domestic banking system still being subject to high liquidity conditions both in rupee and in foreign currencies. However, the expansion of our loan portfolio is an encouraging sign which is being confirmed by our pipeline of projects. The latter should be further boosted in the periods ahead if domestic public and private investment projects are executed as planned. On the whole, full year results are expected to improve compared to last year.''

Financial performance

Profitability



Contribution to Group profit



Profit or Loss Statement

Net interest income

Notwithstanding pressures on margins linked to the high proportion of lower-yielding assets in our books, net interest income rose by 8.0% to reach Rs 4,754 million. This growth was mainly attributable to higher investment in Government securities and Treasury Bills in Mauritius, whose yields also improved for the period under review.

Non-interest income

Net fee and commission income decreased by 1.3% to stand at Rs 1,666 million, with lower income from regional trade financing being partly compensated by increased revenues from wealth management and payment activities. 'Other income' grew by 23.1%, boosted by a rise of 25% in profit on exchange and higher revenue from some non -banking entities.

Share of profit of associates

The share of income from associates rose by Rs 44 million on account of improved results from PAD Group while the contribution from BFCOI remained relatively flat over the period under review.

Operating expenses

In line with continued investments in capacity building, operating expenses rose by 6.8% to stand at Rs 3,181 million. Cost to income ratio declined slightly to 41.3% for the six months ended December 2016 compared to 41.8% for the corresponding period in the previous year.

Impairment

Net impairment charges stood at Rs 525.5 million, representing an annualised rate of 60 basis points of our gross loan portfolio, compared to 57 basis points as at 30 June 2016.

Profit

Group profits for the six months ended December 2016 grew by 7.1% to reach Rs 3,366 million, mainly driven by the performance at the level of MCB Ltd notably within its Segment A (domestically sourced) activities.

Financial Position Statement

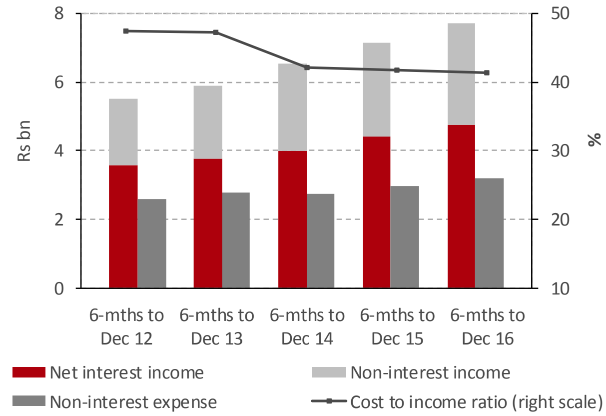
Loans and funding

After remaining flat for several quarters, a pick-up in gross loans has been observed lately as evidenced by a year-on-year growth of around 2% to Rs 177.0 billion as at December 2016. Total deposits rose by 11.0% to reach Rs 266.8 billion, boosted by a strong rise in rupee-denominated deposits. As a result, total loans represented some 66% of deposits and around 63% of the total funding base, when including borrowings and subordinated debt.

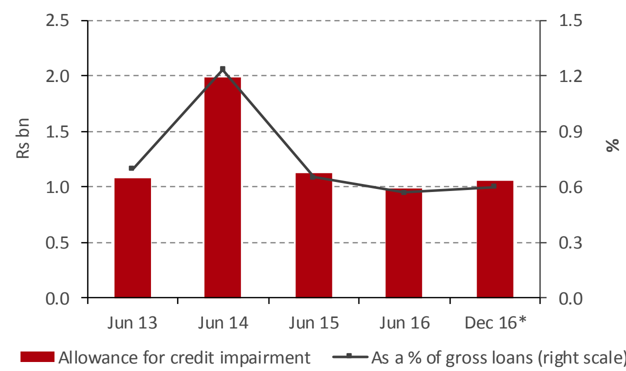
Capital position

Shareholders' funds of the Group increased by 12.9% to reach Rs 42.9 billion. Overall, comfortable capitalisation levels were maintained, with the BIS ratio and Tier 1 ratio standing at 18.3% and 15.6% respectively.

Income and expenditure evolution

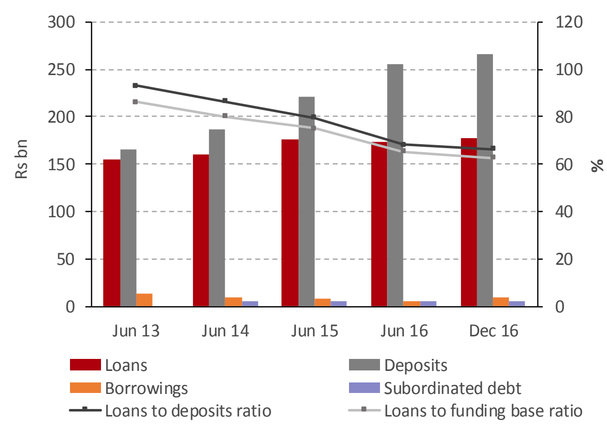


Allowance for credit impairment and credit quality

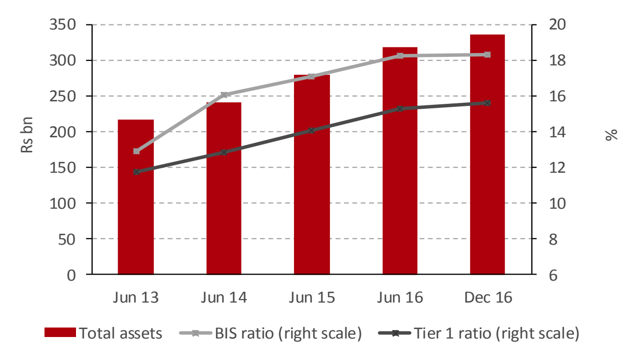


** Annualised figures*

Loans and funding base



Total assets and capital adequacy



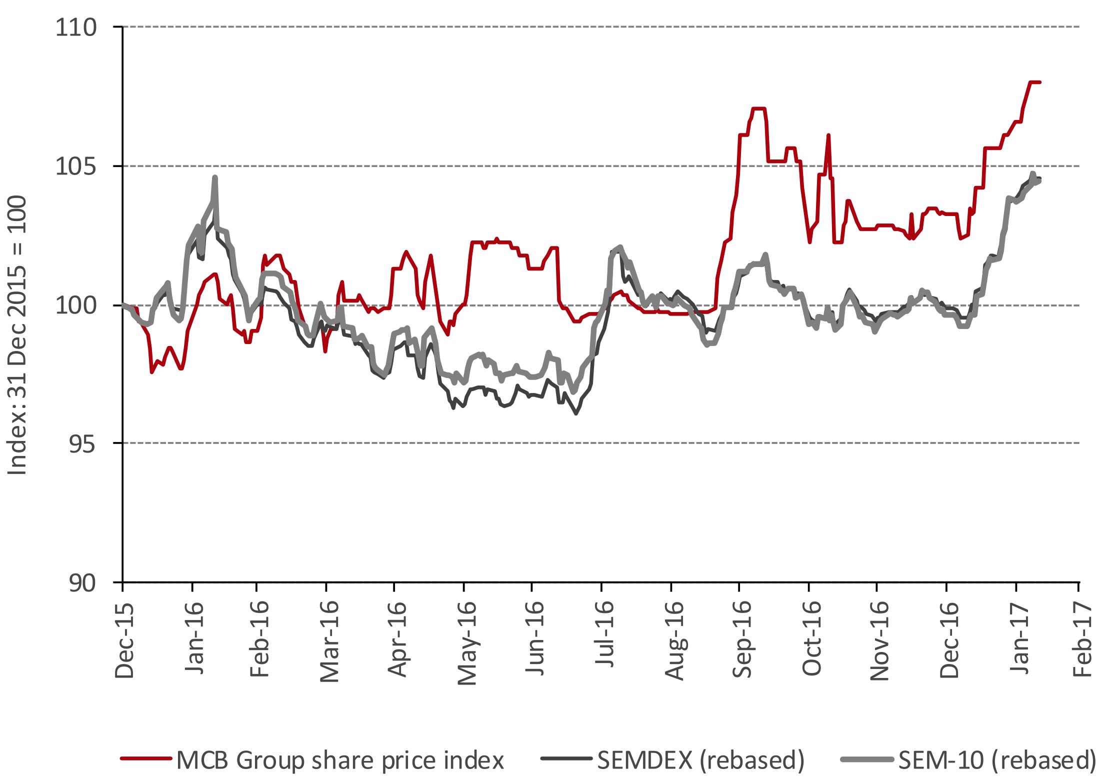
Note: Capital adequacy ratios since June 2014 are based on Basel III; figures prior to Jun 16 have been restated

Financial soundness indicators (%)

	Dec-15	Jun-16	Dec-16
Profitability			
Return on average total assets[1]	2.2	2.2	2.1
Return on average equity[1]	17.0	17.3	16.1
Return on average Tier 1 capital[1]	17.5	18.1	17.0
Efficiency			
Cost-to-income	41.8	40.2	41.3
Asset Quality			
Gross NPL/Gross loans	6.4	6.2	5.9
Net NPLs/Net Loans	3.7	4.0	4.0
Liquidity			
Liquid assets[2]/Total assets	35.4	38.7	40.9
Loans to deposits	72.4	68.1	66.3
Loans to deposits and borrowings[3]	69.1	65.3	62.7
Capital adequacy			
Shareholders equity to assets	12.7	12.8	12.8
BIS risk adjusted ratio[4]	17.0	18.3	18.3
o/w Tier 1[4]	*14.4*	*15.3*	*15.6*

[1] Annualised rate for December figures
[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

MCB Group share price performance



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