GROUP MANAGEMENT STATEMENT

MCB Group results for the first quarter to 30 September 2016

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

HIGHLIGHTS

- Rise of 4.8% in net interest income
- Net fee and commission income down by 3.3%
- Growth of 19.6% in profit on exchange
- Increase of 3.9% in operating expenses
- Credit impairment charges up by 8.9% but lower on an annualised basis
- Share of profit of associates higher by Rs 74 million

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 1,596.9 m	**Rs 3,652.6 m**	**Rs 326.5 bn**
▲ **3.3%**	▲ **4.7%**	▲ **14.8%**

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

''In a challenging context across markets, the Group achieved a growth of 3.3% in net profits which reached Rs 1,597 million for the quarter ended September 2016.

Operating income grew by 4.7% to Rs 3,653 million despite net fee and commission income declining by 3.3% due to the impact of low oil prices on regional trade financing revenues and lower income from our capital market activities. Net interest income rose by 4.8% on the back of increased volumes of investment in Government securities while profit on exchange grew by a healthy 19.6%.

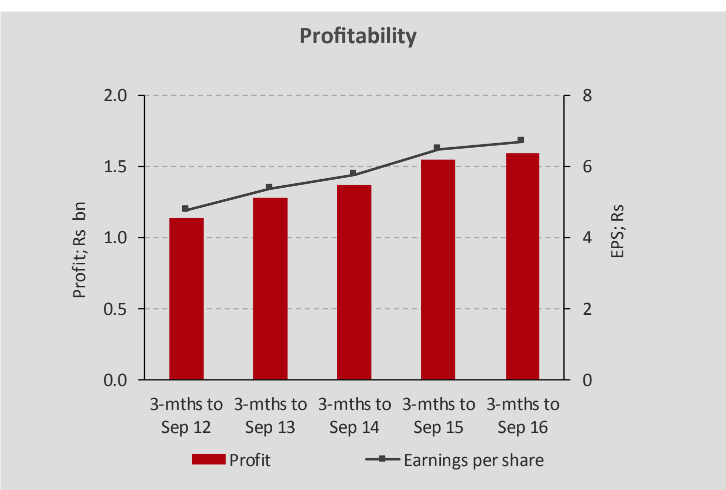
Growth in operating expenses was contained to 3.9%, leading to a slight reduction in the quarterly cost to income ratio to 42.9%. Net impairment charges of Rs 206 million for the quarter were up by 8.9% compared to the corresponding quarter of last year but on an annualised basis represented 48 basis points of our gross loan portfolio compared to 57 basis points as at 30 June 2016.

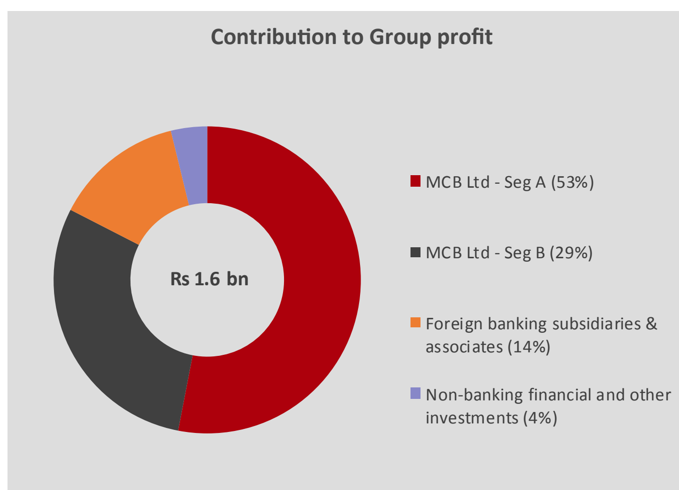
Our share of profit of associates rose by Rs 74 million following improved performance at the level of both BFCOI and PAD Group.

Shareholders' funds of the Group increased to Rs 41.4 billion, with our capital adequacy ratio remaining comfortable at 18.2%, of which 15.4% in the form of Tier 1.

On current trends, results for the semester to December 2016 are projected to improve on last year in spite of the difficult market conditions characterised by persisting high liquidity and restrained demand for credit amidst the still subdued investment level. While a relative improvement in the operating environment can be expected during the course of 2017, the pace thereof will be dependent on developments in the global economy as well as domestic public and private investment undertakings."

Financial performance





Profit or Loss Statement

Net interest income

Whilst being faced with subdued demand for credit and lower net margin due to the high proportion of lower yielding liquid assets on our balance sheet, net interest income rose by 4.8% to reach Rs 2,333 million. This performance was driven by increased revenue from Government securities and Treasury Bills in Mauritius amidst higher investments therein.

Non-interest income

Notwithstanding increased revenues from wealth management and cards activities, net fee and commission income fell by 3.3% to stand at Rs 787 million owing to a drop in income from regional trade finance linked to low oil prices and lower revenue from capital market activities. 'Other income' grew by 18.3%, fuelled by a 19.6% rise in profit on exchange and higher revenue from some non-banking entities.

Share of profit of associates

Share of income from associates rose by Rs 74 million, on account of improved results at the level of both BFCOI and PAD Group over the period under review.

Operating expenses

Operating expenses rose by 3.9% to stand at Rs 1,567 million, leading to a slight decline in the cost to income ratio to 42.9% for the quarter ended September 2016 compared to 43.2% for the corresponding period last year.

Impairment

Whilst rising by 8.9% to reach Rs 206 million, net impairment charges was down on an annualised basis, representing 48 basis points in terms of gross loans as compared to 57 basis points as at the end of the last financial year.

Profit

Group profits for the three months ended September 2016 grew by 3.3% to reach Rs 1,597 million. This performance was supported by higher contribution of the Bank's Segment A (domestically-sourced) income with the corresponding share of Group's results rising to 53%. On the other hand, foreign-sourced income was adversely impacted by lower revenue from regional trade financing and higher impairment charges.

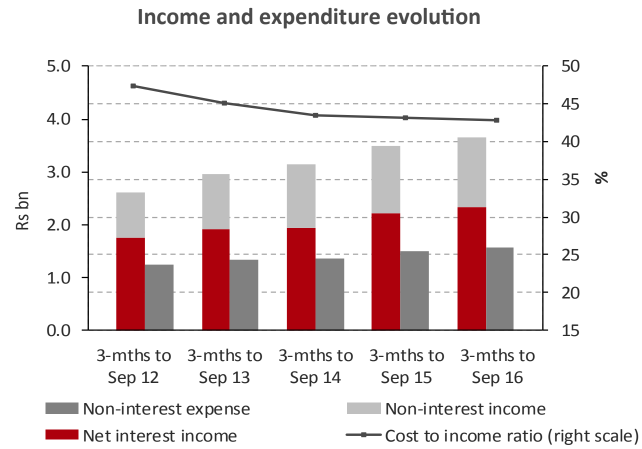
Financial Position Statement

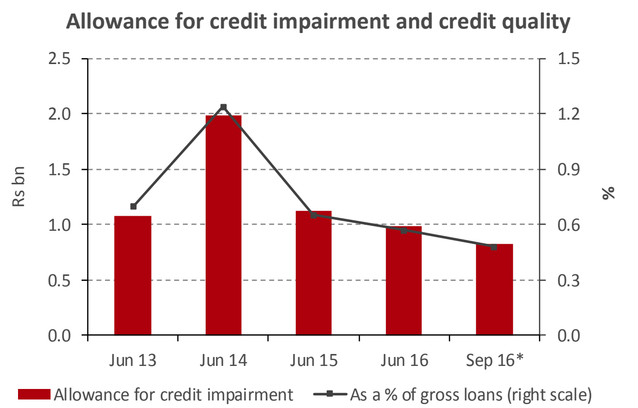
Loans and funding

Gross loans of the Group registered a restrained year-on-year growth of around 1% to reach some Rs 175 billion as at September 2016 reflecting the challenging economic context. On the other hand, total deposits went up by 16.4% to reach Rs 262.3 billion, boosted by a strong rise in both foreign currency and rupee deposits at the level of MCB Ltd. As a result, total loans represented some 67% of deposits and around 64% of the total funding base, when including borrowings and subordinated debt.

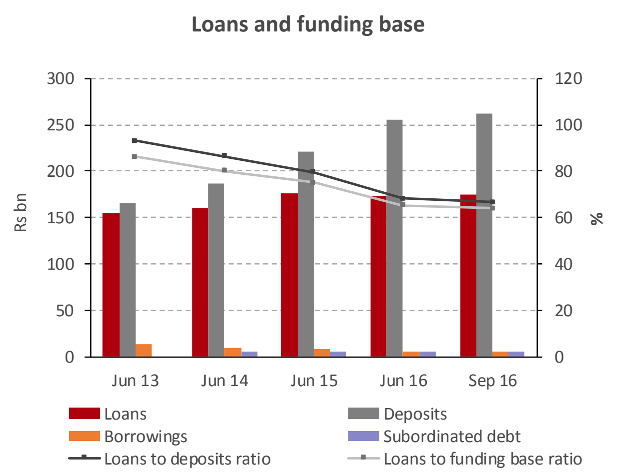
Capital position

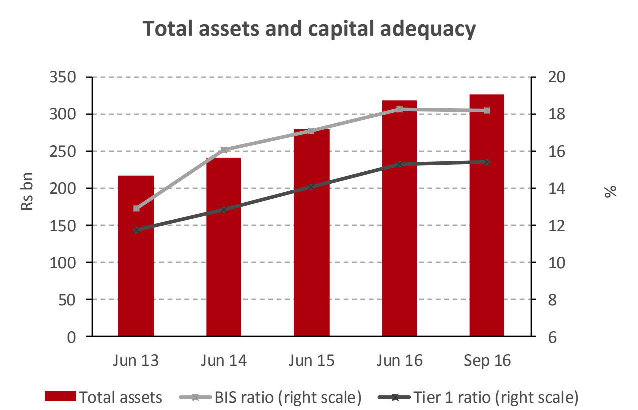
Shareholders' funds of the Group increased by 13.6% to reach Rs 41.4 billion. Overall, comfortable capitalisation levels were maintained, with the BIS ratio and Tier 1 ratio standing at 18.2% and 15.4% respectively.





** Annualised figure*





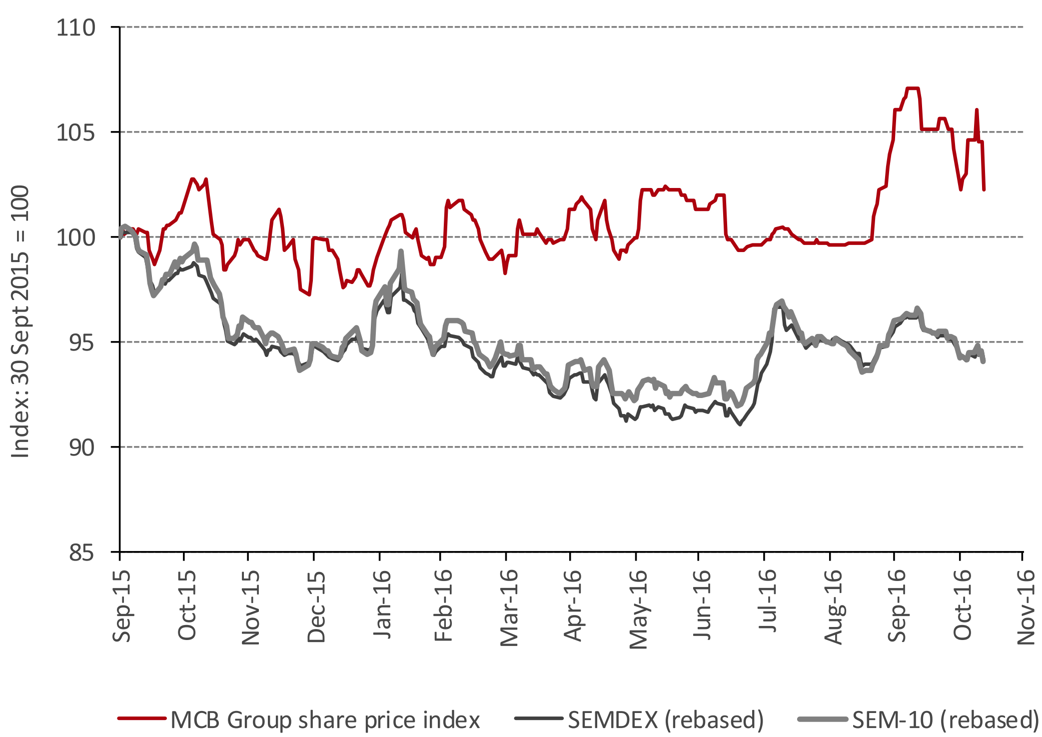
Note: Capital adequacy ratios for June 2014, June 2015, June 2016 & Sep 2016 are based on Basel III; figures prior to Jun 16 have been restated

Financial soundness indicators (%)

	Sep-15	Jun-16	Sep-16
Profitability			
Return on average total assets[1]	2.2	2.2	2.0
Return on average equity[1]	17.1	17.3	15.6
Efficiency			
Cost-to-income	43.2	40.2	42.9
Asset Quality			
Gross NPL/Gross loans	6.7	6.2	6.1
Net NPLs/Net loans	3.9	4.0	3.9
Liquidity			
Liquid assets[2]/Total assets	32.9	38.7	40.1
Loans to deposits	77.1	68.1	66.6
Loans to deposits and borrowings[3]	73.1	65.3	64.0
Capital adequacy			
Shareholders equity to assets	12.8	12.8	12.7
BIS risk adjusted ratio[4]	16.7	18.3	18.2
o/w Tier 1[4]	14.1	15.3	15.4

[1] *Annualised rate for September 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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