GROUP MANAGEMENT STATEMENT

MCB Group results for the nine months to 31 March 2019

PORT LOUIS, 14 May 2019: MCB Group Limited today announced its unaudited results for the nine months ended 31 March 2019.

HIGHLIGHTS

- Rise of 23.2% in net interest income
- Growth of 6.0% in net fee and commission income
- 'Other income' up by 6.4%
- Increase of 9.6% in operating expenses
- Impairment charges higher by Rs 71 million, with gross NPL ratio declining to 4.0%
- Share of profit of associates lower by Rs 52 million
- Y-o-y growth of 8.2% in deposits and of 18.7% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 6.7 bn	**Rs 14.6 bn**	**Rs 443.3 bn**
▲ **23.9%**	▲ **16.8%**	▲ **18.1%**

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

''The Group maintained its strong performance for the nine months to 31 March 2019, with profit growing by 23.9% to reach Rs 6,748.6 million with improved earnings posted across all core activities of the Group.

Operating income increased by 16.8% to reach Rs 14,638 million. This performance was mainly driven by a rise in net interest income of 23.2%, reflecting growth in the foreign lending activities of MCB Ltd and higher average yields on investment securities for the period under review. For its part, net fee and commission income registered a growth of 6.0% on the back of enhanced revenues from payment and regional trade financing activities in the banking cluster as well as from MCB Capital Markets Ltd. 'Other income' went up by 6.4%, supported by a 10.3% rise in profit on exchange and fair value gains on financial instruments, while higher contribution from some non-banking activities compensated for the lower gains realised on the disposal of investments by our Equity Fund.

In line with ongoing capacity building initiatives across the Group, operating expenses rose by 9.6%, with our cost to income ratio declining to 38.8% from 41.3%. Net impairment charges rose by Rs 71 million to reach Rs 1.1 billion, representing an annualised cost of risk of 58 basis points of gross loans and advances, while asset quality improved further with the gross non-performing loan ratio declining to 4.0%.

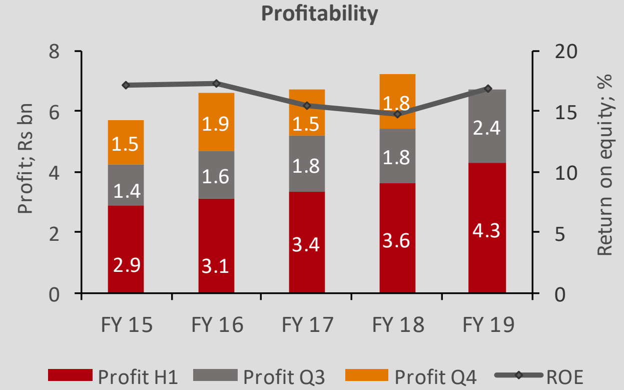
Although better performances were recorded at the level of Promotion and Development Group and SG Moçambique, the share of profit of associates fell by Rs 52 million following reduced profitability at the level of BFCOI.

Shareholders' funds recorded a rise of 8.5% to reach Rs 55.0 billion, with our capital adequacy ratio remaining comfortable at 17.6%, of which 16.0% in the form of Tier 1.

On current trends, Group results for the financial year ending 30 June 2019 should record a healthy growth compared to last year, primarily underpinned by the appreciable performance of international operations. Looking ahead, whilst remaining cautious in view of the increasingly uncertain and challenging context, both on the global and regional fronts, the Group is expected to continue to reap the benefits of its ongoing diversification and capacity-building initiatives.''

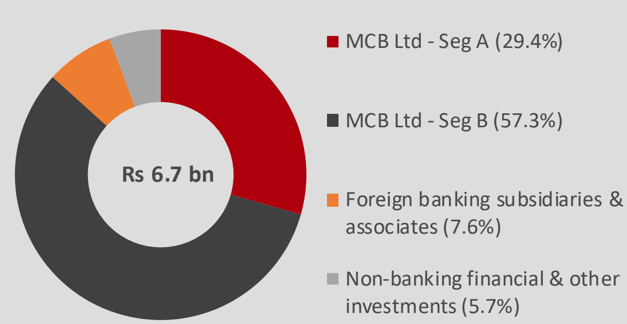
Financial performance

Profitability



Note: ROE ratio has been annualised for FY 19.

Contribution to Group profit



Profit or loss statement

Net interest income

Nothwithstanding an important rise in interest expense amidst increased borrowings to support business growth, net interest income went up by 23.2% to reach Rs 9,628 million, underpinned by foreign lending activities of MCB Ltd and higher average yields on investment securities for the period under review.

Non-interest income

Net fee and commission income grew by 6.0% to stand at Rs 2,768 million, backed by higher revenues from payment and regional trade financing activities in the banking cluster as well as an enhanced performance recorded by MCB Capital Markets Ltd. 'Other income' rose by 6.4%, underpinned by a growth of 10.3% in profit on exchange and fair value gains on financial instruments as well as higher contribution from some non-banking entities, notably MCB Real Assets Ltd, which compensated for lower gains on disposal of investments by MCB Equity Fund Ltd.

Share of profit of associates

Although improved performances were recorded at the level of Promotion and Development Group and SG Moçambique during the period under review, the share of profit of associates fell by Rs 52 million following reduced profitability at the level of BFCOI.

Operating expenses

Operating expenses rose by 9.6% to reach Rs 5,683 million, in line with ongoing capacity buidling initiatives across the Group. The cost to income ratio improved to 38.8% from 41.3% for the corresponding period last year.

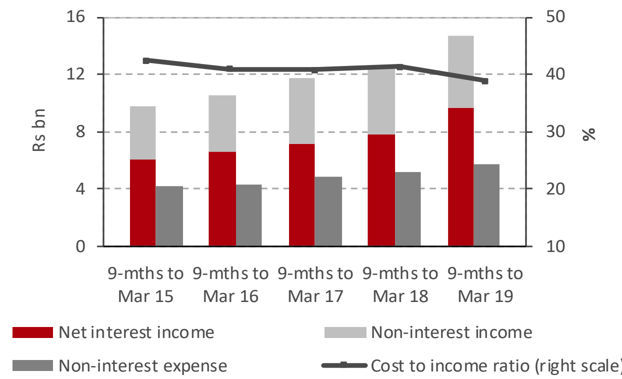
Impairment

Net impairment charges rose by Rs 71 million to reach Rs 1.1 billion, with the cost of risk representing 58 basis points of gross loans and advances on an annualised basis, compared to 65 basis points last year. Asset quality improved further with the non-performing ratios declining to stand at 4.0% and 2.8% in gross and net terms respectively.

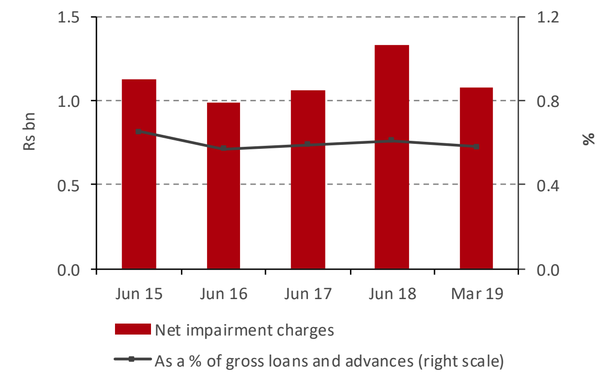
Profit

Group profits grew by 23.9% to reach Rs 6,749 million for the nine months ended March 2019 , with the foreign sourced banking earnings accounting for around 65% thereof in line with the growth in our international activities.

Income and expenditure evolution



Net impairment charges and credit quality



Note: Impairment charges for Mar 19 relate to nine months while the ratio has been annualised.

Financial position statement

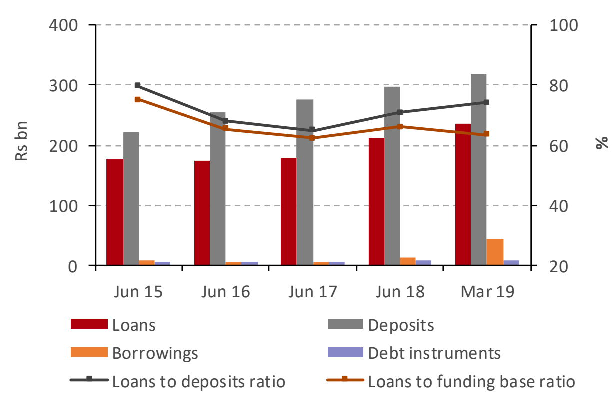
Loans and funding

Total gross loans for the Group registered an expansion of 18.7% to reach Rs 236.4 billion as at 31 March 2019, to a large extent due to a rise in the foreign currency exposures at the level of MCB Ltd. Total deposits went up by 8.2% to reach Rs 319.1 billion, mainly driven by the growth in foreign currency deposits while 'other borrowed funds' rose significantly to support the growth in our international activities. As a result, total loans represented some 74% of deposits and around 64% of the total funding base, when including borrowings and debt instruments.

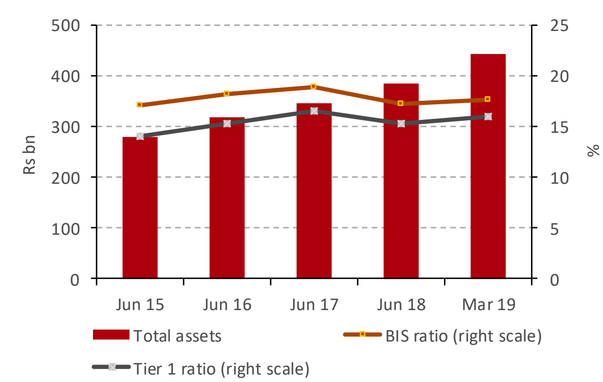
Capital position

Shareholders' funds rose by 8.5% to reach Rs 55.0 billion as at 31 March 2019. Overall, comfortable capitalisation levels were maintained, as gauged by the BIS and Tier 1 ratio standing at 17.6% and 16.0% respectively.

Loans and funding base



Total assets and capital adequacy



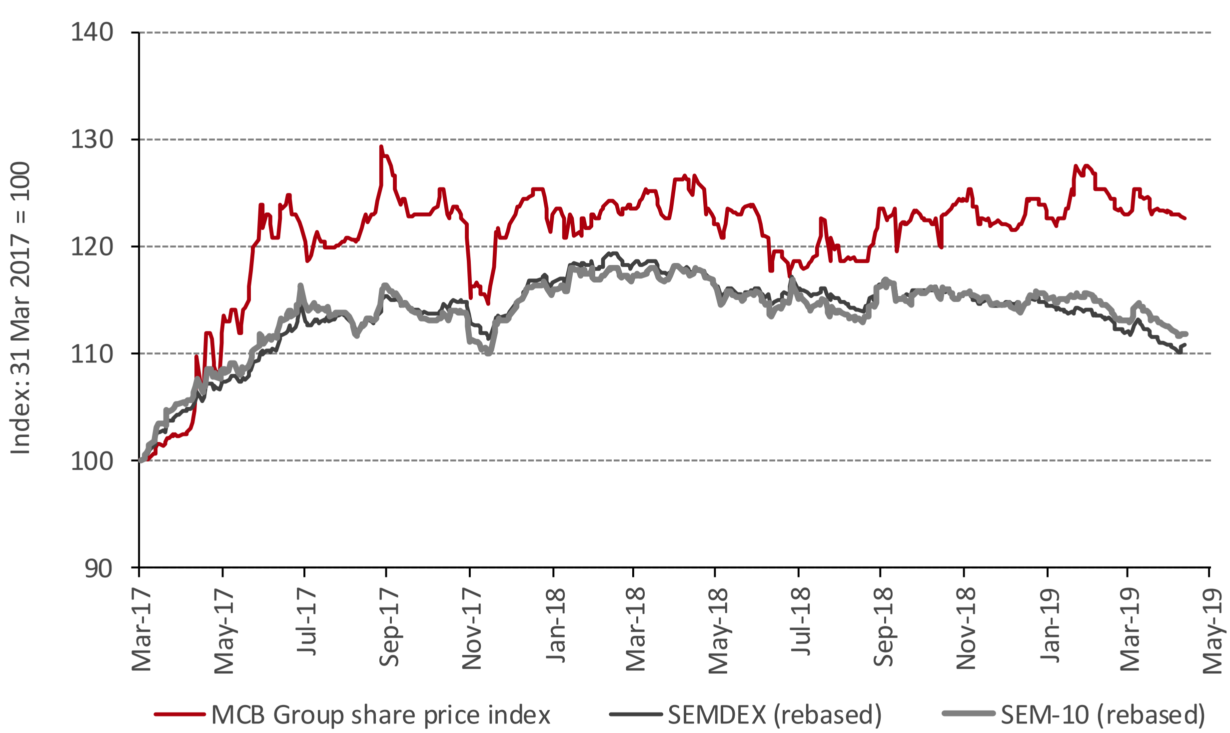
Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Mar-19	Mar-18	Jun-18
Profitability			
Return on average total assets[1]	2.2	2.0	2.0
Return on average equity[1]	16.9	15.0	14.8
Return on average Tier 1 capital[1]	17.5	15.8	15.5
Efficiency			
Cost-to-income	38.8	41.3	40.1
Asset quality			
Gross NPL/Gross loans and advances	4.0	4.9	4.5
Net NPL/Net loans and advances	2.8	3.3	3.1
Liquidity			
Liquid assets[2]/Total assets	38.9	38.6	37.0
Loans to deposits	74.1	67.5	70.9
Loans to deposits and borrowings[3]	63.6	63.6	66.0
Capital adequacy			
Shareholders equity to assets	12.4	13.5	13.3
BIS risk adjusted ratio[4]	17.6	17.8	17.3
o/w Tier 1[4]	*16.0*	*15.7*	*15.3*

[1] Annualised rate for March figures
[2] In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills and Government securities
[3] Borrowings include debt instruments
[4] Based on Basel III

MCB Group share price performance



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