GROUP MANAGEMENT STATEMENT

MCB Group results for the year ended 30 June 2018

PORT LOUIS, 27 September 2018: MCB Group Limited today announced its audited results for the year ended 30 June 2018.

HIGHLIGHTS

- Rise of 12.3% in net interest income
- Net fee and commission income up by 7.1%
- Growth of 1.6% in 'Other income'
- Increase of 6.5% in operating expenses
- Impairment charges higher by Rs 266 million
- Growth of 8.3% in deposits and of 18.5% in gross loans

PROFIT ATTRIBUTABLE TO SHAREHOLDERS	OPERATING INCOME	ASSETS
Rs 7,220.9 m	**Rs 16,950.8 m**	**Rs 386.4 bn**
▲ **7.7%**	▲ **9.3%**	▲ **11.9%**

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

"Notwithstanding a still difficult operating context, the Group posted a growth of 7.7% in profit attributable to equity holders which reached Rs 7,221 million, with the combined share of foreign-sourced income and non-banking operations standing at 57% thereof.

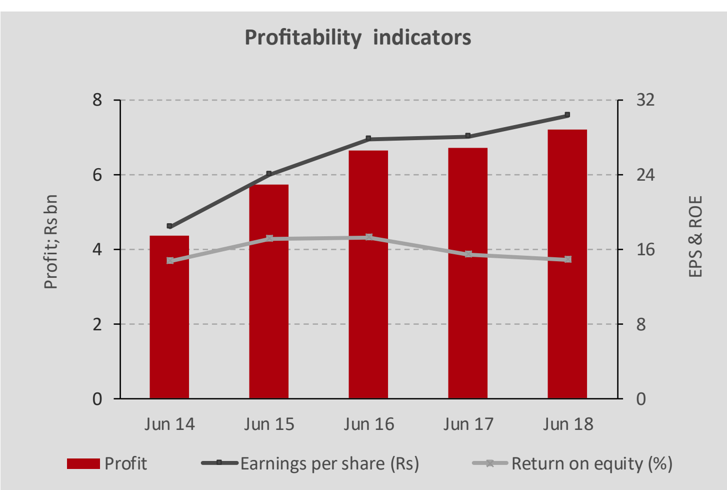
Backed by the Group's diversification strategy, operating income sustained its growth momentum to increase by 9.3% to Rs 16,951 million. This performance was supported by a rise of 12.3% in net interest income amidst a notable pick up in loans and advances, mainly driven by the international activities of MCB Ltd, and from improved margins on foreign currency lending and the favourable evolution in yields of T-Bills. Net fee and commission income recorded an appreciable growth of 7.1%, underpinned by higher receipts from regional trade finance linked to the Energy & Commodities business, cards activities and inroads made by MCB Capital Markets Ltd. Whilst profit on exchange grew by 4.0%, 'other income' edged up by only 1.6%, due to lower contribution from disposal of investment at the level of MCB Equity Fund Ltd.

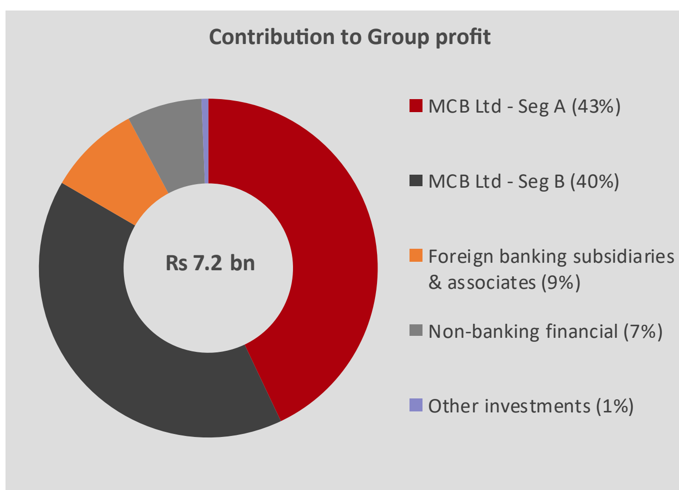
Despite our continued investment in capacity building initiatives, operating expenses growth was contained to 6.5%, resulting in an improvement of 107 basis points in our cost to income ratio which reached 40.1%. Impairment charges, however, were up by Rs 266 million and represented some 61 basis points of loans and advances, of which 9 basis points related to portfolio provisions, whilst asset quality improved with the gross NPL ratio declining from 6.2% to 4.5%. Furthermore, growth in overall results was impacted by a reduction of Rs 32 million in share of profit of associates with the loss at the level of PAD group offsetting enhanced contribution from BFCOI. Our tax charge was also impacted by a one-off charge of Rs 258 million relating to prior years and resulting from the Mauritius Revenue Authority reassessing the allocation of expenses between the local and foreign sourced activities of MCB Ltd.

Shareholders' funds of the Group increased by 11.7%, with our capital adequacy ratio remaining comfortable at 17.3%, of which 15.3% in the form of Tier 1, in spite of the sizeable growth in loan portfolio.

Prospects going forward look encouraging. Whilst projected to remain challenging, the operating context is conveying some positive signs. In Mauritius, in addition to a relative improvement in the money market conditions, economic growth is likely to pick up slightly on the back of investment in large infrastructure projects. Furthermore, leveraging the opportunities notably on the African continent, our international activities are projected to maintain a significant growth amidst a healthy business pipeline. Against this backdrop, results should improve further in FY 2018/19 with the Group benefiting from the full impact of the loan portfolio growth that occurred in the latter part of the last financial year."

Financial performance





Profit or loss statement

Net interest income

Net interest income grew by 12.3% in line with an expansion of some 12% in average loans and advances to customers (including corporate notes), notably driven by the international activities of MCB Ltd, and improved margins reflecting higher rates on foreign currency loans and the favourable evolution of yields on T-Bills during the year.

Non-interest income

Non-interest income improved by 4.6% with the key drivers being:

- A growth of 7.1% in net fee and commission income, driven by higher revenues from cards activities and regional trade finance, notably linked to the E&C business of MCB Ltd as well as higher contribution from MCB Capital Markets Ltd and foreign banking subsidiaries.
- A growth of 1.6% in 'other income' reflecting:
  - A rise of 4.0% in profit on exchange, supported by an increase across most subsidiaries with the growth at MCB Ltd level, however, being somewhat lower, partly linked to the appreciation of the rupee against the dollar on average.
  - A relative drop in the non-banking segment, largely explained by lower contribution from disposal of investment at the level of MCB Equity Fund Ltd.

Share of profit of associates

In spite of an improved contribution from BFCOI, our share of profit of associates declined by 9.3% due a loss registered by Promotion and Development Ltd, more specifically by its associate, Medine Ltd.

Operating expenses

Operating expenses grew by 6.5% on the back of capacity-building initiatives which led to increases in staff expenses, depreciation and amortisation costs as well as consultancy fees. This, combined with a growth of 9.3% in operating income resulted in our cost to income ratio improving by 107 basis points to 40.1%.

Impairment

Impairment charges increased by 25.0%, explained by the growth in our loans and advances portfolio. In fact, when expressed as a percentage of loans and advances, impairment charges were up by less than 2 basis points to stand at 0.61%, of which portfolio provisions accounted for some 9 basis points (FY 2016/17: 2 basis points). As regards asset quality, the non-performing loan ratios declined by some 170 and 150 basis points to reach 4.5% and 3.1% in gross and net terms in line with successful recovery actions and the expansion in our loan portfolio.

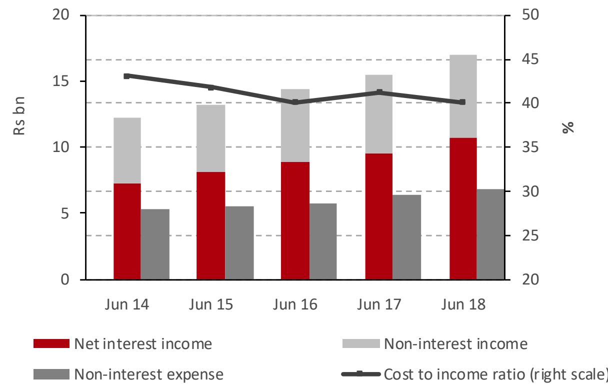
Tax

Whilst profit before tax was up by 8.7%, tax expenses rose by 14.6%. This was due to a one-off charge of Rs 258.3 million relating to prior years as a result of a reassessment by the Mauritius Revenue Authority of the allocation of expenses between local and foreign sourced activities of MCB Ltd.

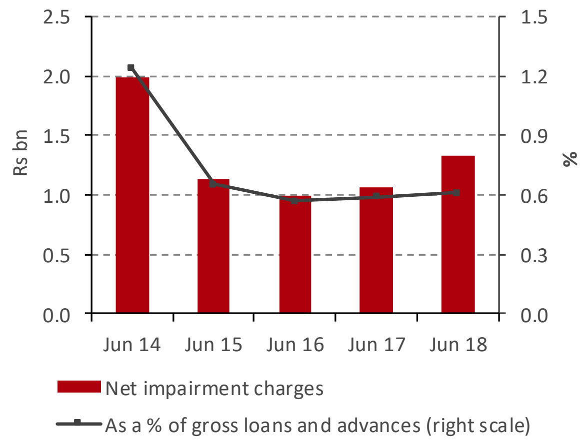
Profit

Group profits rose by 7.7% to attain Rs 7,221 million. Reflecting the Group's diversification strategy, the combined share of foreign-sourced income and non-banking operations increased to 57% of Group results.

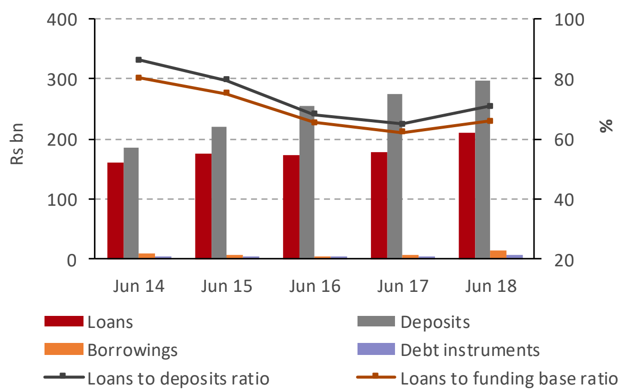
Income and expenditure evolution



Net impairment charges and credit quality



Loans and funding base



Financial position statement

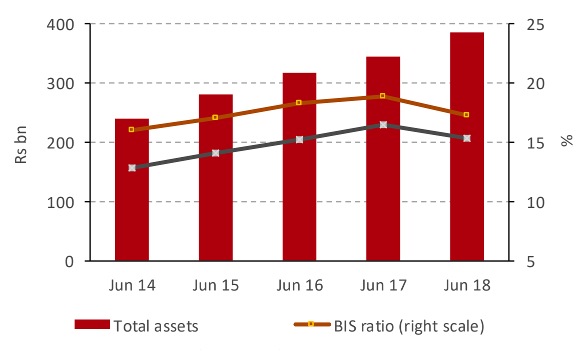
Loans and funding

After a subdued performance for several years, total gross loans of the Group recorded a year-on-year growth of 18.5% in FY 2017/18, supported by a rise across banking subsidiaries. Specifically, MCB Ltd registered an increase of 19.7% in gross loans, driven by an expansion in its international activities notably linked to the E&C business. The Bank also witnessed a pick-up in its domestic loan portfolio, both within the corporate and retail segments, whilst exposure through corporate notes reached some Rs 7 billion. Total deposits, which are the main source of funding of the Group, expanded by 8.3% to attain Rs 298 billion as at 30 June 2018, supported mainly by growth in rupee deposits. As a result, total loans represented some 71% of deposits and around 66% of the total funding base, when including borrowings and subordinated debt.

Capital position

Shareholders' funds increased by 11.7% in line with a growth of 12.2% in retained earnings and other reserves. Despite the sizeable growth in our portfolio, the Group maintained comfortable capitalisation levels with the BIS ratio standing at 17.3% as at 30 June 2018, of which 15.3% by way of Tier 1.

Total assets and capital adequacy



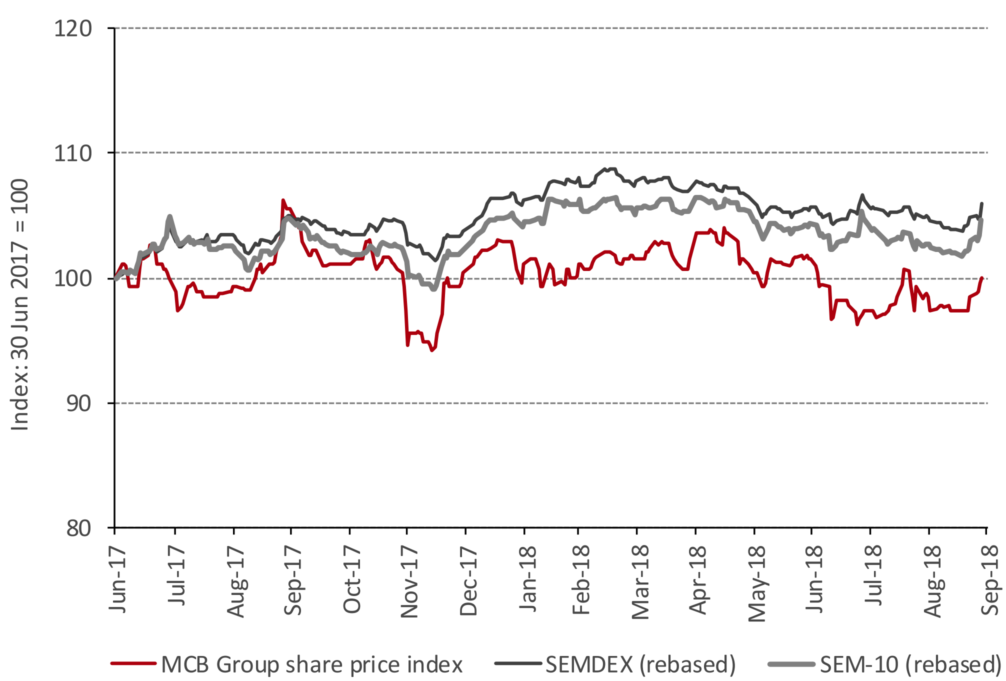
Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Jun-16	Jun-17	Jun-18
Profitability			
Return on average total assets	2.2	2.0	2.0
Return on average equity	17.3	15.5	14.8
Return on average Tier 1 capital	18.0	16.2	15.5
Efficiency			
Cost-to-income	40.1	41.2	40.1
Asset quality			
Gross NPL/Gross loans and advances	6.2	6.2	4.5
Net NPL/Net loans and advances	4.1	4.6	3.1
Liquidity			
Liquid assets[1]/Total assets	38.8	41.6	37.0
Loans to deposits	68.1	64.8	70.9
Loans to deposits and borrowings[2]	65.3	62.2	66.0
Capital adequacy			
Shareholders equity to assets	12.8	13.3	13.3
BIS risk adjusted ratio[3]	18.3	18.9	17.3
o/w Tier 1 [3]	*15.3*	*16.5*	*15.3*

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

MCB Group share price performance



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For more information, please contact the Investor Relations Unit on (230) 202-5134 / (230) 202-5558 or investor.relations@mcbgroup.com