

Consolidated statement of financial position as at 31st December 2016

| | 31-Dec-16 | 31-Dec-15 | 30-Jun-16 |
|--|------------------|------------------|------------------|
| | Rs'M | Rs'M | Rs'M |
| ASSETS | | | |
| Cash and cash equivalents | 35,027.9 | 39,412.7 | 33,305.6 |
| Mandatory balances with Central Banks | 16,905.8 | 14,411.1 | 15,498.8 |
| Derivative financial instruments | 457.3 | 231.6 | 315.4 |
| Loans to and placements with banks | 30,301.2 | 11,049.3 | 22,419.1 |
| Loans and advances to customers | 166,526.3 | 163,741.6 | 163,827.3 |
| Investment securities | 66,959.1 | 51,530.1 | 62,734.8 |
| Investments in associates | 9,414.8 | 7,991.0 | 9,151.9 |
| Goodwill and other intangible assets | 939.4 | 847.8 | 897.4 |
| Property, plant and equipment | 5,928.8 | 5,885.2 | 5,892.8 |
| Deferred tax assets | 324.0 | 298.7 | 311.3 |
| Other assets | 3,202.1 | 3,960.4 | 3,350.4 |
| Total assets | 335,986.7 | 299,359.5 | 317,704.8 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Deposits from banks | 2,216.6 | 1,977.3 | 1,837.7 |
| Deposits from customers | 264,579.6 | 238,312.9 | 253,423.9 |
| Derivative financial instruments | 368.4 | 437.3 | 307.2 |
| Other borrowed funds | 9,835.1 | 6,123.4 | 5,193.0 |
| Subordinated liabilities | 5,615.2 | 5,615.0 | 5,619.9 |
| Current tax liabilities | 656.0 | 453.8 | 812.1 |
| Deferred tax liability | 65.2 | 57.9 | 65.4 |
| Other liabilities | 7,384.1 | 6,698.8 | 7,437.0 |
| Total liabilities | 290,720.2 | 259,676.4 | 274,696.2 |
| Shareholders' Equity | | | |
| Stated capital | 2,467.4 | 2,409.0 | 2,426.8 |
| Retained earnings | 33,106.0 | 29,390.3 | 30,886.1 |
| Other components of equity | 7,358.9 | 6,218.8 | 7,417.0 |
| Equity attributable to the ordinary equity holders of the parent | 42,932.3 | 38,018.1 | 40,729.9 |
| Non-controlling interests | 2,334.2 | 1,665.0 | 2,278.7 |
| Total equity | 45,266.5 | 39,683.1 | 43,008.6 |
| Total equity and liabilities | 335,986.7 | 299,359.5 | 317,704.8 |
| CONTINGENT LIABILITIES | | | |
| Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | 33,939.4 | 44,834.3 | 32,130.8 |
| Commitments | 3,530.2 | 3,225.5 | 2,913.5 |
| Tax assessments | 848.8 | 808.1 | 836.9 |
| Other | 1,390.2 | 1,236.1 | 1,431.7 |
| | 39,708.6 | 50,104.0 | 37,312.9 |

Consolidated statement of profit or loss for the period ended 31st December 2016

| | Quarter to 31-Dec-16 | Quarter to 31-Dec-15 | 6 mths to 31-Dec-16 | 6 mths to 31-Dec-15 | Year to 30-Jun-16 |
|---|-------------------------|-------------------------|------------------------|------------------------|----------------------|
| | Rs'M | Rs'M | Rs'M | Rs'M | Rs'M |
| Interest income | 3,529.3 | 3,353.5 | 6,992.1 | 6,777.3 | 13,643.6 |
| Interest expense | (1,108.1) | (1,178.0) | (2,238.3) | (2,375.9) | (4,753.3) |
| Net interest income | 2,421.2 | 2,175.5 | 4,753.8 | 4,401.4 | 8,890.3 |
| Fee and commission income | 1,133.3 | 1,120.6 | 2,126.8 | 2,130.3 | 4,036.5 |
| Fee and commission expense | (254.2) | (245.7) | (461.2) | (442.2) | (845.2) |
| Net fee and commission income | 879.1 | 874.9 | 1,665.6 | 1,688.1 | 3,191.3 |
| Other income | 748.7 | 590.8 | 1,282.2 | 1,041.7 | 2,336.2 |
| Operating income | 4,049.0 | 3,641.2 | 7,701.6 | 7,131.2 | 14,417.8 |
| Non-interest expense | (1,613.7) | (1,470.1) | (3,180.8) | (2,978.1) | (5,789.0) |
| Operating profit before impairment | 2,435.3 | 2,171.1 | 4,520.8 | 4,153.1 | 8,628.8 |
| Net impairment of financial assets | (320.0) | (299.4) | (525.5) | (488.1) | (1,021.9) |
| Operating profit | 2,115.3 | 1,871.7 | 3,995.3 | 3,665.0 | 7,606.9 |
| Share of profit of associates | 107.3 | 137.5 | 275.5 | 231.4 | 735.0 |
| Profit before tax | 2,222.6 | 2,009.2 | 4,270.8 | 3,896.4 | 8,341.9 |
| Income tax expense | (432.2) | (402.1) | (856.4) | (734.1) | (1,537.0) |
| Profit for the period | 1,790.4 | 1,607.1 | 3,414.4 | 3,162.3 | 6,804.9 |
| Profit for the period attributable to: | | | | | |
| Ordinary equity holders of the parent | 1,768.7 | 1,596.1 | 3,365.6 | 3,141.7 | 6,625.5 |
| Non-controlling interests | 21.7 | 11.0 | 48.8 | 20.6 | 179.4 |
| | 1,790.4 | 1,607.1 | 3,414.4 | 3,162.3 | 6,804.9 |

Consolidated statement of comprehensive income for the period ended 31st December 2016

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Profit for the period | 1,790.4 | 1,607.1 | 3,414.4 | 3,162.3 | 6,804.9 |
| Other comprehensive (expense)/income: | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Remeasurement of defined benefit pension plan, net of deferred tax | - | - | - | - | (173.7) |
| Share of other comprehensive (expense)/income of associates | (113.6) | - | (113.6) | - | 664.0 |
| | (113.6) | - | (113.6) | - | 490.3 |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translating foreign operations | (128.2) | (41.0) | (164.1) | (51.4) | (129.0) |
| Reclassification adjustments on disposal of available-for-sale investments | 0.1 | (54.6) | (5.2) | (56.7) | (268.5) |
| Net fair value (loss)/gain on available-for-sale investments | (70.6) | 99.4 | 143.1 | 89.9 | 77.5 |
| Share of other comprehensive (expense)/income of associates | (0.3) | (8.6) | 42.6 | (49.2) | 382.1 |
| | (199.0) | (4.8) | 16.4 | (67.4) | 62.1 |
| | (312.6) | (4.8) | (97.2) | (67.4) | 552.4 |
| Other comprehensive (expense)/income for the period | (312.6) | (4.8) | (97.2) | (67.4) | 552.4 |
| Total comprehensive income for the period | 1,477.8 | 1,602.3 | 3,317.2 | 3,094.9 | 7,357.3 |
| Total comprehensive income attributable to : | | | | | |
| Ordinary equity holders of the parent | 1,466.3 | 1,598.9 | 3,254.3 | 3,106.3 | 6,752.1 |
| Non-controlling interests | 11.5 | 3.4 | 62.9 | (11.4) | 605.2 |
| | 1,477.8 | 1,602.3 | 3,317.2 | 3,094.9 | 7,357.3 |
| Earnings per share: | | | | | |
| Basic (Rs) | 7.42 | 6.70 | 14.13 | 13.20 | 27.82 |
| Diluted (Rs) | 7.42 | 6.70 | 14.12 | 13.19 | 27.82 |
| Basic weighted average number of shares (thousands) | 238,240 | 238,094 | 238,214 | 238,080 | 238,125 |
| Diluted weighted average number of shares (thousands) | 238,307 | 238,137 | 238,281 | 238,123 | 238,167 |

Consolidated statement of changes in equity for the period ended 31st December 2016

| | 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 1st July 2015 | 2,397.2 | 27,501.6 | 2,305.1 | (223.2) | 3,171.8 | 780.8 | 35,933.3 | 1,748.9 | 37,682.2 |
| Profit for the period | - | 3,141.7 | - | - | - | - | 3,141.7 | 20.6 | 3,162.3 |
| Other comprehensive income/(expense) for the period | - | - | 16.2 | (51.6) | - | - | (35.4) | (32.0) | (67.4) |
| Total comprehensive income/(expense) for the period | - | 3,141.7 | 16.2 | (51.6) | - | - | 3,106.3 | (11.4) | 3,094.9 |
| Dividends | - | (1,011.9) | - | - | - | - | (1,011.9) | (33.1) | (1,045.0) |
| Effect of changes in effective shareholding in subsidiaries | - | (21.4) | - | - | - | - | (21.4) | (39.4) | (60.8) |
| Issue of shares following the exercise of | | | | | | | | | |
| Group Employee Share Options Scheme | 11.8 | - | - | - | - | - | 11.8 | - | 11.8 |
| Transactions with owners in their capacity as owners | 11.8 | (1,033.3) | - | - | - | - | (1,021.5) | (72.5) | (1,094.0) |
| Share of transfer by associate | - | 0.6 | (0.6) | - | - | - | - | - | - |
| Share of other movements in reserves of associate | - | 3.1 | (3.1) | - | - | - | - | - | - |
| Transfer to general banking reserve | - | (223.4) | - | - | - | 223.4 | - | - | - |
| At 31st December 2015 | 2,409.0 | 29,390.3 | 2,317.6 | (274.8) | 3,171.8 | 1,004.2 | 38,018.1 | 1,665.0 | 39,683.1 |
| At 1st July 2015 | 2,397.2 | 27,501.6 | 2,305.1 | (223.2) | 3,171.8 | 780.8 | 35,933.3 | 1,748.9 | 37,682.2 |
| Profit for the year | - | 6,625.5 | - | - | - | - | 6,625.5 | 179.4 | 6,804.9 |
| Other comprehensive (expense)/income for the year | - | (175.2) | 428.4 | (126.6) | - | - | 126.6 | 425.8 | 552.4 |
| Total comprehensive income/(expense) for the year | - | 6,450.3 | 428.4 | (126.6) | - | - | 6,752.1 | 605.2 | 7,357.3 |
| Dividends | - | (1,964.7) | - | - | - | - | (1,964.7) | (35.1) | (1,999.8) |
| Effect of increase in shareholding in subsidiaries | - | (20.4) | - | - | - | - | (20.4) | (40.3) | (60.7) |
| Issue of shares following the exercise of | | | | | | | | | |
| Group Employee Share Options Scheme | 29.6 | - | - | - | - | - | 29.6 | - | 29.6 |
| Transactions with owners in their capacity as owners | 29.6 | (1,985.1) | - | - | - | - | (1,955.5) | (75.4) | (2,030.9) |
| Share of transfer by associate | - | (35.1) | 35.1 | - | - | - | - | - | - |
| Share of other movements in reserves of associate | - | 3.1 | (3.1) | - | - | - | - | - | - |
| Transfer to general banking reserve | - | (200.2) | - | - | - | 200.2 | - | - | - |
| Transfer to statutory reserve | - | (848.5) | - | - | 848.5 | - | - | - | - |
| At 30th June 2016 | 2,426.8 | 30,886.1 | 2,765.5 | (349.8) | 4,020.3 | 981.0 | 40,729.9 | 2,278.7 | 43,008.6 |
| Profit for the period | - | 3,365.6 | - | - | - | - | 3,365.6 | 48.8 | 3,414.4 |
| Other comprehensive (expense)/income for the period | - | (113.6) | 165.8 | (163.5) | - | - | (111.3) | 14.1 | (97.2) |
| Total comprehensive income/(expense) for the period | - | 3,252.0 | 165.8 | (163.5) | - | - | 3,254.3 | 62.9 | 3,317.2 |
| Dividends | - | (1,131.6) | - | - | - | - | (1,131.6) | (36.0) | (1,167.6) |
| Issue of shares following the exercise of | | | | | | | | | |
| Group Employee Share Options Scheme | 40.6 | - | - | - | - | - | 40.6 | - | 40.6 |
| Transactions with owners in their capacity as owners | 40.6 | (1,131.6) | - | - | - | - | (1,091.0) | (36.0) | (1,127.0) |
| Share of changes in ownership interests of associate's subsidiary | - | 40.4 | - | - | - | - | 40.4 | 29.4 | 69.8 |
| Share of movements in reserves of subsidiary's associate | - | (1.7) | 0.4 | - | - | - | (1.3) | (0.8) | (2.1) |
| Share of other movements in reserves of associate | - | 5.2 | (5.2) | - | - | - | - | - | - |
| Transfer from general banking reserve | - | 55.6 | - | - | - | (55.6) | - | - | - |
| At 31st December 2016 | 2,467.4 | 33,106.0 | 2,926.5 | (513.3) | 4,020.3 | 925.4 | 42,932.3 | 2,334.2 | 45,266.5 |

Consolidated statement of cash flows for the period ended 31st December 2016

| | 6 mths to 31-Dec-16 Rs'M | 6 mths to 31-Dec-15 Rs'M | Year to 30-Jun-16 Rs'M |
|---|---|---|---------------------------------------|
| Operating activities | | | |
| Net cash flows from trading activities | 4,644.0 | 4,523.6 | 6,717.7 |
| Net cash flows from other operating activities | (1,780.8) | 15,734.6 | 7,973.3 |
| Dividends received from associates | 45.1 | 36.2 | 256.0 |
| Dividends paid | (2,084.3) | (1,904.6) | (1,904.6) |
| Dividends paid to non-controlling interests in subsidiaries | (36.0) | (33.1) | (35.1) |
| Income tax paid | (1,023.4) | (850.7) | (1,259.4) |
| Net cash flows from operating activities | (235.4) | 17,506.0 | 11,747.9 |
| Investing activities | (895.4) | (1,343.4) | (1,910.9) |
| Net cash flows before financing activities | (1,130.8) | 16,162.6 | 9,837.0 |
| Financing activities | | | |
| Shares issued/employee share options exercised | 40.6 | 11.8 | 29.6 |
| Shares bought back and cancelled by subsidiary | - | (21.9) | (21.9) |
| Refund of subordinated loan by associate | - | - | 180.3 |
| Acquisition of non-controlling interest in subsidiary | - | - | (50.6) |
| Net cash flows from financing activities | 40.6 | (10.1) | 137.4 |
| (Decrease)/Increase in cash and cash equivalents | (1,090.2) | 16,152.5 | 9,974.4 |
| Net cash and cash equivalents brought forward | 33,215.1 | 23,287.5 | 23,287.5 |
| Effect of foreign exchange rate changes | (62.3) | (27.3) | (46.8) |
| Net cash and cash equivalents carried forward | 32,062.6 | 39,412.7 | 33,215.1 |

Comments on results

The Group posted an encouraging performance in spite of the challenging context with net profit for the half year to 31 December increasing by 7.1% to reach Rs 3,365.6 million.

This performance was underpinned by a growth of 8.0% in operating income which reached Rs 7.7 billion. 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.

Outlook

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.

By order of the Board

14th February 2017

The abridged unaudited interim financial statements have been prepared using the same accounting policies as those adopted in the financial statements for the year ended 30th June 2016 and comply with IAS 34.

Copies of the abridged unaudited interim 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

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

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.