GROUP MANAGEMENT STATEMENT

MCB Group results for the year ended 30 June 2020

PORT LOUIS, 28 September 2020: MCB Group Limited today announced its audited results for the year ended 30 June 2020.

HIGHLIGHTS

- Growth of 11.2% in net interest income
- Net fee and commission income down by 4.7%
- 'Other income' up by by 15.0%
- Increase of 3.7% in operating expenses
- Impairment charges rose to Rs 5.1 billion; with additional ECL of Rs 3.4 billion; gross NPL ratio standing at 4.2%
- Share of profit of associates decreased slightly
- Y-o-y growth of 17.8% in deposits and of 5.6% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	OPERATING INCOME
Rs 7.9 bn	**Rs 22.0 bn**
▼ **16.1%**	▲ **8.5%**
IMPAIRMENT CHARGES (incl. ECL)	**ASSETS**
Rs 5.1 bn	**Rs 532.1 bn**
▲ **217.8%**	▲ **12.9%**

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

"The material deterioration in the operating context since early 2020 has led to a reversal of the strong growth in results recorded by the Group during the first semester of FY 2019/20. Profit attributable to ordinary shareholders dropped by 16.1% to reach Rs 7,912 million for the year ended 30 June 2020, essentially due to a substantial increase in Expected Credit Losses (ECL) resulting from the high level of uncertainty engendered by the COVID-19 crisis. Indeed, additional ECL on the Group's performing asset portfolio amounted to Rs 3,364 million to reflect an inherent increase in credit risks on a forward-looking basis, thus contributing to impairment charges of Rs 5,076 million for the year under review.

Operating results, however, improved on the back of our diversification strategy as demonstrated by a growth of 8.5% in operating income to Rs 21,954 million. Notwithstanding a decline in margins on our international activities, net interest income rose by 11.2%, supported by an expansion in loans and advances and higher investment in Government securities amidst continued high liquidity locally. On the other hand, with business activities being impacted by the difficult market conditions and confinement measures, net fee and commission income declined by 4.7%, mainly due to a reduced contribution from MCB Capital Markets Ltd and lower fees recorded within the banking cluster, particularly during the last quarter of FY 2019/20. 'Other income' increased by 15.0% in spite of lower contribution from MCB Real Assets Ltd, mainly driven by a growth of 22.2% in profit on exchange and net gain from financial instruments carried at fair value. The resilient performance on the revenue side has led to a further drop in our cost to income ratio which reached 35.5% after accounting for a growth of 3.7% in operating expenses.

The share of profit of associates remained close to the prior year's level, being down only marginally, with improved results posted by BFCOI being offset by a subdued performance recorded at the level of Promotion and Development Ltd.

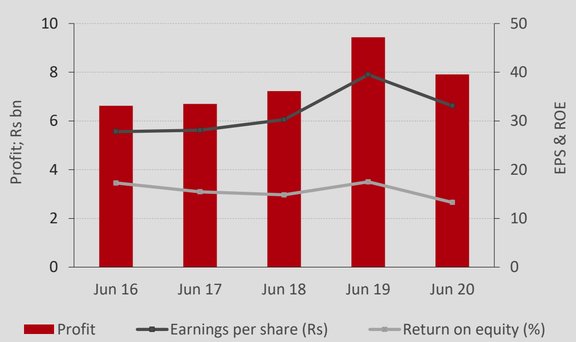
We have preserved our financial soundness in these turbulent times. The Group has maintained strong funding and liquidity positions alongside further strengthening its capital buffer, with the overall capital adequacy and Tier 1 ratios improving to 18.6% and 17.2% respectively.

The operating context remains particularly challenging, with low visibility on the evolution of the situation going forward. Difficult market and economic conditions are expected to continue taking their toll on customer segments across markets, albeit to varying degrees. Whilst some business segments, notably on the international front, are anticipated to be resilient, our operating results are likely to be down in view of restrained business activities amidst the economic slump and resulting dampened investor confidence as well as squeezed margins. Pressures on asset quality are likely to intensify with the degree of the impact remaining highly dependent on the duration and severity of the COVID-19 pandemic and the effectiveness of the support measures from the authorities, including financial assistance from the Mauritius Investment Corporation to economic operators. Against this backdrop, the Group will maintain its market vigilance and monitor the situation closely with regular assessment of potential scenarios. We will seek to maintain adequate buffers in terms of capital adequacy as well as funding and liquidity ratios, thus preserving our financial soundness. Concurrently, while reviewing its short-term priorities, the Group will continue to invest for the future and create the necessary conditions to bounce back when economic conditions start to heal.

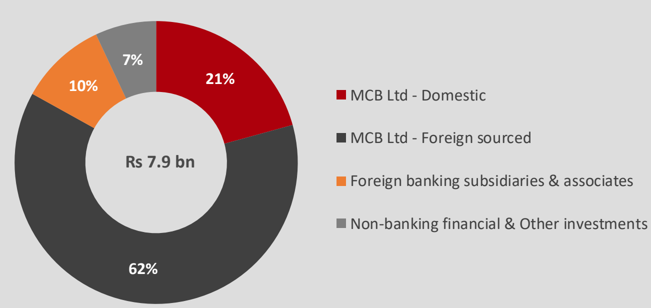
In the current exceptional circumstances and in line with directives issued by banking regulators across presence countries, the Group has not declared any dividend for the period under review."

Financial performance

Profitability indicators



Contribution to Group profit



Note: The domestic profit contribution has been impacted by a substantial rise recorded in Expected Credit Losses therein.

Profit or loss statement

Net interest income

Net interest income was up by 11.2%, supported by a significant increase in average earning assets, on the back of an expansion in loans and advances and higher investment in Government securities, amidst persistently high liquidity levels domestically, whilst a decline in margin was recorded, essentially linked to our international activities.

Non-interest income

Non-interest income went up by 3.8%, with a dampened performance in net fee and commission income being more than compensated for by growth in 'other income' as explained below:

- Net fee and commission income declined by 4.7% to stand at Rs 3,937 million reflecting difficult market conditions and dampened activity levels due to confinement measures. Reduced contribution from MCB Capital Markets Ltd was observed and lower fees were recorded by banking subsidiaries, with the performance of MCB Ltd being impacted by decreased revenues from trade finance, cards and wealth management activities, especially during the last quarter of FY 2019/20.
- Notwithstanding lower contribution from MCB Real Assets Ltd, partly reflecting reduced rental income linked to the COVID-19 situation, 'other income' increased by 15.0%, driven by:
  - A growth of 22.2% in profit on exchange and net gain from financial instruments carried at fair value, notably at the level of MCB Ltd, and partly boosted by the depreciation of the rupee against major currencies.
  - Net gains on sale of financial instruments realised at Bank level and by MCB Equity Fund Ltd as well as higher contribution from International Card Processing Services Ltd.

Share of profit of associates

The share of profit of associates decreased marginally with improved results posted by BFCOI being offset by a subdued performance recorded at the level of Promotion and Development Ltd.

Operating expenses

Operating expenses increased by 3.7%, mainly attributable to the rise of 2.7% in staff costs, on the back of sustained efforts to upgrade human capital and continued investment in technology for the year under review. Given the growth of 8.5% in operating income, the cost to income ratio improved by 164 basis points to reach 35.5%.

Impairment

Impairment charges reached Rs 5,076 million, representing an annualised cost of risk of 184 basis points of gross loans and advances. Specific provisions net of recoveries amounted to Rs 1,712 million, representing 66 basis points of total credit, broadly in line with historical trends. On the other hand, additional ECL on the Group's performing asset portfolio stood at Rs 3,364 million, reflecting the inherent increase in credit risks on a forward-looking basis. For its part, gross NPL ratio increased from 4.1% to 4.2% while net NPL ratio stood at 2.9% as at June 2020.

Tax

Whereas profit before tax declined by 17.7%, a drop of 24.5% was recorded in tax expenses partly due to the fact that the tax charge in FY 2018/19 included a provision for tax assessments of some Rs 163 million.

Profit

Profit attributable to ordinary shareholders declined by 16.1% to reach Rs 7,912 million for the year ended June 2020 impacted by the substantial rise in impairment charges notably at the level of MCB Ltd linked to the COVID-19 crisis.

Financial position statement

Loans and advances

Gross loans of the Group registered a year-on-year growth of 5.6% to reach Rs 255.0 billion in FY 2019/20, supported by a broad-based increase across banking subsidiaries. Specifically, a similar growth rate was recorded in gross loans at the level of MCB Ltd over the period under review. This performance was essentially linked to an expansion in its international loan book, with structured project financing activities, in particular, witnessing a significant growth while rupee depreciation also weighed in the balance.

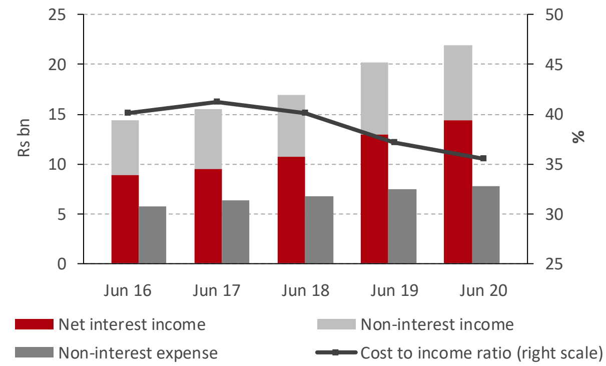
Funding and liquidity

Total deposits of the Group increased by 17.8% to attain Rs 390.7 billion as at 30 June 2020, supported by growth within most subsidiaries. In particular, MCB Ltd recorded a rise of 18.2% in its deposit base, driven by an increase of 26.2% in foreign currency deposits in line with initiatives undertaken by the Bank while being also boosted by the depreciation of the rupee against major currencies. Besides, 'other borrowed funds' declined to reach Rs 52.4 billion, following the repayment at the level of MCB Ltd of the Tranche A of the syndicated term loan facility that matured during the year amounting to USD 240 million. As a result, the total loans to deposits ratio stood at 65.3% while the total loans to funding base ratio, when including borrowings, reached 57.0%.

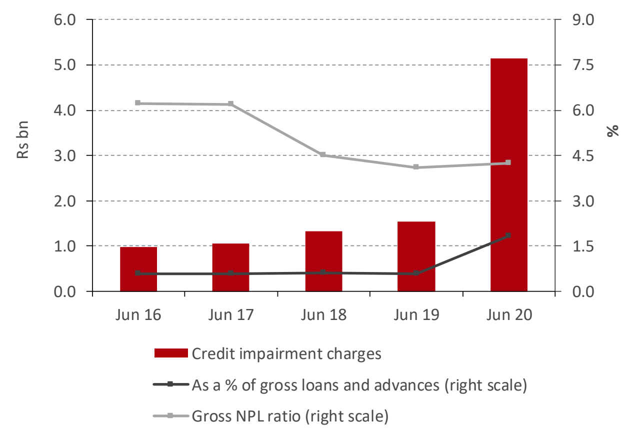
Capital position

Shareholders' funds increased by 10.7% on the back of a rise in retained earnings of Rs 5.7 billion. Capital base was further consolidated following the successful conversion of more than 75% of the Subordinated Debt into convertible Preference shares amounting to Rs 3.4 billion, which qualify as Tier 1 capital. The overall capital adequacy ratio and Tier 1 ratio improved to 18.6% and 17.2% respectively, thus remaining comfortably above the minimum regulatory requirements.

Income and expenditure evolution

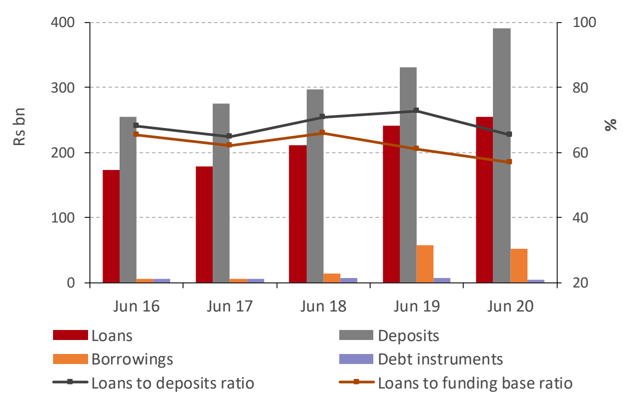


Impairment charges* and credit quality

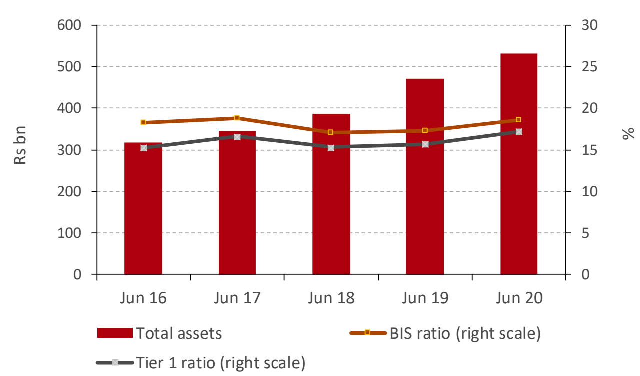


** Relate to loans & advances (including corporate notes)*

Loans and funding base



Total assets and capital adequacy



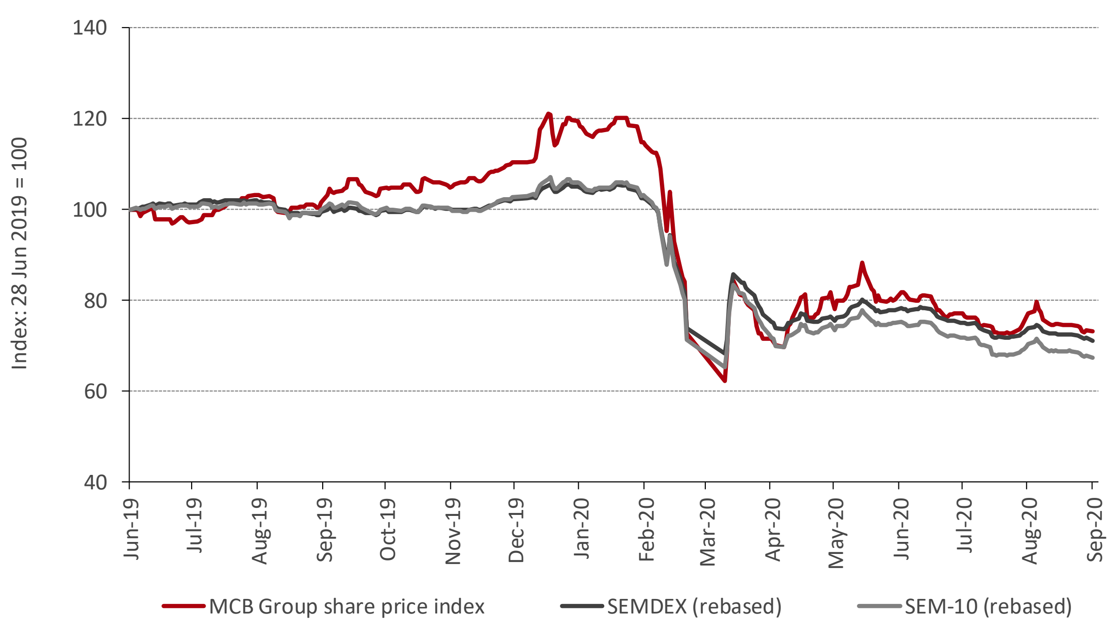
Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Jun-20	Jun-19	Jun-18
Profitability			
Return on average total assets	1.6	2.2	2.0
Return on average equity	13.3	17.5	14.8
Return on average Tier 1 capital	13.4	18.1	15.5
Efficiency			
Cost-to-income	35.5	37.1	40.1
Asset quality			
Gross NPL/Gross loans and advances	4.2	4.1	4.5
Net NPL/Net loans and advances	2.9	2.9	3.1
Liquidity			
Liquid assets[1]/Total assets	42.6	38.8	37.5
Loans to deposits	65.3	72.9	70.9
Loans to deposits and borrowings[2]	57.0	61.0	66.0
Capital adequacy			
Shareholders equity to assets	11.8	12.0	13.3
BIS risk adjusted ratio[3]	18.6	17.3	17.1
o/w Tier 1[3]	*17.2*	*15.7*	*15.3*

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

MCB Group share price performance



Note: SEMDEX was closed for trading as from 20 March 2020 and resumed on 6 April 2020 www.mcbgroup.com

Cautionary statement regarding forward-looking statements

This release has been prepared to assist the shareholders to assess the Board's strategies and their potential of success. The statements contained herein may include declarations of future expectations and other forward-looking statement that are based on management's current views and assumptions. These involve risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements

Readers are advised not to place undue reliance on the forward-looking statements relating to the Group's business strategy, plans, objectives and financial positions as these statements rely on assumptions and hypotheses which inherently represent an accuracy of risk. Actual results, performance and events may differ from those in such statements due to general evolution of economic, political and industry conditions, interest rate levels, currency exchange rates as well as changes in laws and regulations and the extent of competition and technological factors. In addition, MCB Group Ltd. does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.