

MCBGROUP

Unaudited Interim Consolidated Summary Financial Statements – 31 March 2020

OPERATING INCOME

Rs 16.0 bn **49.1%**

OPERATING PROFIT BEFORE IMPAIRMENT

11.7%

31 March 2020

Rs 10.0 bn

PROFIT ATTRIBUTABLE **TO SHAREHOLDERS**

> **Rs 6.1 bn 9.3%**

Consolidated summary statement of profit or loss for the period ended

Consolidated summary statement of financial position as at 31 March 2020

	31-Mar-20	31-Mar-19	30-Jun-19		Quarter to	Quarter to	9 mths to	9 mths to	Year to
	Rs'M	Rs'M	Rs'M		31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	30-Jun-19
		(Restated)	(Restated)		Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
						(Restated)		(Restated)	(Restated)
ASSETS				Interest income	5,027.4	4,718.3	15,421.0	13,780.9	18,841.4
				Interest expense	(1,485.8)	(1,503.5)	(4,700.0)	(4,153.3)	(5,884.6)
Cash and cash equivalents	59,989.5	47,066.1	49,333.5	Net interest income	3,541.6	3,214.8	10,721.0	9,627.6	12,956.8
Mandatory balances with Central Banks	21,746.8	20,683.4	21,075.1				-, -	-,-	,
Derivative financial instruments	1,186.4	572.0	695.8	Fee and commission income	1,351.3	1,259.5	4,001.7	3,770.0	5,135.0
Loans to and placements with banks	13,446.9	15,023.6	19,672.8	Fee and commission expense	(397.4)	(376.3)	(1,135.4)	(1,001.9)	(1,348.9)
Loans and advances to customers	242,627.8	224,076.3	227,040.4	Net fee and commission income	953.9	883.2	2,866.3	2,768.1	3,786.1
Investment securities	153,928.5	109,862.6	126,204.0						
Investments in associates	10,197.2	9,726.7	9,961.5	Other income	533.0	930.5	2,386.1	2,242.3	3,483.5
Investment properties	4,274.6	3,737.3	3,991.7	Operating income	5,028.5	5,028.5	15,973.4	14,638.0	20,226.4
Goodwill and other intangible assets	1,614.7	1,322.0	1,462.9	Non-interest expense	(1,973.5)		(5,972.0)	(5,682.8)	(7,510.7)
Property, plant and equipment	6,545.5	6,200.9	6,437.8	Operating profit before impairment	3,055.0	3,179.8	10,001.4	8,955.2	12,715.7
Deferred tax assets	910.9	695.6	548.6	Net impairment of financial assets	(1,942.7)		(2,816.8)	(1,076.8)	(1,596.9)
Other assets	4,003.1	4,574.9	4,993.9	Operating profit	1,112.3	2,896.4	7,184.6	7,878.4	11,118.8
Total assets	520,471.9	443,541.4	471,418.0	Share of profit of associates Profit before tax	12.1	22.1	7,526.5	249.4 8,127.8	403.9 11,522.7
Total assets	020,471.0	770,071.7	471,410.0	Income tax expense	(325.6)	,	(1,397.9)	(1,375.1)	(1,978.2)
LIADILITIES AND SUADEUOLDEDS' FOLLITY				Profit for the period	798.8	2,453.8	6,128.6	6,752.7	9,544.5
LIABILITIES AND SHAREHOLDERS' EQUITY				Tront for the period		2,100.0	0,120.0	0,702.7	0,011.0
Liabilities				Profit for the period attributable to:					
Deposits from banks	3,790.0	4,258.9	3.850.9	Ordinary equity holders of the parent	804.0	2,445.7	6,091.4	6,712.6	9,434.2
Deposits from customers	385,557.4	314,827.5	327,649.5	Non-controlling interests	(5.2)	8.1	37.2	40.1	110.3
·	*		*		798.8	2,453.8	6,128.6	6,752.7	9,544.5
Derivative financial instruments	1,344.5	625.2	935.0						
Other borrowed funds	44,379.7	45,207.0	56,886.3						
Subordinated liabilities	2,089.8	5,530.9	5,571.8	Consolidated summary state	ment of c	omprehe	nsive inc	ome for t	he

2,012.7

14,202.7

2,608.3

44,791.6

2,525.2

59,034.6

8,302.0

986.6 287.9

2,012.7

251.6

12,087.5

453,389.3 385,846.2 412,383.4

2,608.3 44,959.1

9,212.2 7,664.6 9,109.5

64,646.0 55,232.0 56,509.4

2.463.2

520,471.9 443,541.4 471,418.0

93,837.2 65,066.7 69,002.5

8,740.5 **104,328.0** 73,807.2 77,304.5

67,082.6 57,695.2

2,012.1

332.8 12,495.1

6.114.7

2.436.6

10.490.8

Profit for the period	798.8	2,453.8	6,128.6	6,752.7	9,544.5
Other comprehensive income:					
Items that will not be reclassified					
to profit or loss	(672.1)	(16.5)	(485.4)	(9.4)	(392.5)
Items that may be reclassified					
subsequently to profit or loss	630.4	70.8	745.2	(104.4)	122.8
Other comprehensive (expense)/income					
for the period	(41.7)	54.3	259.8	(113.8)	(269.7)
Total comprehensive income					
for the period	757.1	2,508.1	6,388.4	6,638.9	9,274.8
Total comprehensive income					
attributable to:					
Ordinary equity holders of the parent	917.8	2,482.8	6,445.9	6,594.9	9,163.9
Non-controlling interests	(160.7)	25.3	(57.5)	44.0	110.9
_	757.1	2,508.1	6,388.4	6,638.9	9,274.8
Earnings per share:					
Basic (Rs)	3.36	10.24	25.49	28.12	39.51
Diluted (Rs)	3.36	10.24	25.49	28.11	39.50
Basic weighted average number of					
shares (thousands)	239,152	238,857	239,012	238,754	238,791
Diluted weighted average number of					
shares (thousands)	239,152	238,910	239,012	238,808	238,866

COMMENTS ON RESULTS

and other obligations on account of customers

Acceptances, guarantees, letters of credit

Equity attributable to the ordinary equity holders

Highlights of Q3 results

Debt securities

Other liabilities

Total liabilities

Stated capital

Retained earnings

of the parent

Total equity

Current tax liabilities

Deferred tax liabilities

Shareholders' equity

Other components of equity

Non-controlling interests

Total equity and liabilities

CONTINGENT LIABILITIES

Except for the fair value loss amounting to Rs 301 million recorded this quarter on the Group's equity investments resulting from the impact of Covid-19 on global and local stock markets, operating profit before provisions for the nine months ended 31 March 2020 increased in line with expectations to Rs 10,001 million, up 11.7% compared to last year.

Despite the above good performance, profit after tax dropped by Rs 624 million to Rs 6,129 million over the same period, down 9.2% compared to last year. Profit after tax for the quarter to 31 March 2020 amounted to only Rs 799 million (2019: Rs 2,454 million) with impairment charges for that period alone amounting to Rs 1,943 million compared to Rs 874 million for the six months period to 31 December 2019. Specific provisions net of recoveries for this quarter amounted to Rs 404 million whereas additional expected credit losses (ECL) on the performing asset portfolio amounted to Rs 1,539 million.

This substantial increase in ECL on the Group's performing asset portfolio reflects the inherent increase in credit risks and our forward-looking assessment of the impact of the Covid-19 pandemic on our operations, based on certain assumptions made in our credit modelling exercise amidst significant uncertainties on how future developments will unfold.

Indeed, Mauritius has not been spared by the pandemic. Our frontiers have been closed since 18 March 2020 and the country has been in sanitary confinement since 20 March 2020. Whilst facing up to the unprecedented circumstances linked to the Covid-19 pandemic, the Group managed to maintain its operations backed by the effective deployment of its business continuity plans, while taking necessary actions for the protection of its employees and customers.

The situation in Mauritius

The outbreak of Covid-19 has brought considerable uncertainty and economic disruptions around the globe. The adverse consequences for Mauritius are significant, with extensive potential impact on most sectors of the economy and, in particular, on tourism and hospitality, export oriented manufacturing and textile, construction and property development as well as the small and medium-sized enterprises. The full extent of the impact of this pandemic is difficult to assess at this stage since it is dependent upon the duration and the magnitude of the economic slowdown, not only locally but also in our major markets.

Like most governments worldwide, the Mauritian Government has put in place a number of measures to accompany businesses and citizens, to assist them in sustaining the shock of the current lockdown. The measures implemented during the sanitary confinement period are primarily aimed at providing lines of credit and government guarantees for working capital purposes as well as direct wage assistance to ensure that employment is maintained. It is however evident that businesses in certain sectors will need continued support from Government beyond the sanitary confinement period and we await to obtain more visibility on the form of government's response and accompanying measures to address the vulnerabilities of these sectors.

The easing down of the lockdown measures as from 15 May 2020 should enable the resumption of certain business activities in a phased manner although certain sectors will take longer to bounce back in view of external dependencies.

International portfolio

After a sustained portfolio growth in the first half of the financial year, the sharp drop in oil prices in the quarter under review will have some impact on the trade finance and structured debt related revenues generated by the Energy and Commodities business line. Despite the challenging conditions prevailing in oil markets, we however expect the loan book from this segment to remain resilient while we keep on adopting our selective deal origination policy. This segment is well positioned to resume growth as oil

Likewise, despite the turbulent market situation, the International Structured Finance portfolio remains resilient. While we continue to adhere to our risk management principles, this segment is actively monitoring risk levels across markets and stands ready to pick up momentum when global markets show sustained sign of recovery.

Funding and liquidity

Total deposits rose by 22.0% to Rs 389.3 billion, driven by an increase in foreign currency deposits (up 39%) and rupee deposits (up 11%). Specifically, MCB Ltd has a comfortable liquidity position notably in foreign currency terms with the Bank's foreign currency loans representing 65% of the funding base while its US dollar Liquidity Coverage Ratio stood at more than 180% as at 31 March 2020, that is, well above the Basel III regulatory norm.

GROSS LOANS

DEPOSITS

ASSETS

Rs 257.9 bn **49.1%**

Rs 389.3 bn **^ 22.0%**

Rs 520.5 bn **17.3%**

Consolidated summary statement of changes in equity for the period ended 31 March 2020

	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 1 July 2018	2,547.9	39,224.4	2,227.4	(395.0)	5,980.8	0.5	49,586.0	2,445.0	52,031.0
Impact of adjusting for deferred tax on adoption of IFRS 9		303.6	-	-	-	-	303.6	1.6	305.2
At 1 July 2018 as restated	2,547.9	39,528.0	2,227.4	(395.0)	5,980.8	0.5	49,889.6	2,446.6	52,336.2
Profit for the period	-	6,712.6	-	-	-	-	6,712.6	40.1	6,752.7
Other comprehensive income/(expense) for the period		-	60.4	(178.1)	-	-	(117.7)	3.9	(113.8)
Total comprehensive income/(expense) for the period		6,712.6	60.4	(178.1)	-	-	6,594.9	44.0	6,638.9
Dividends	-	(1,312.9)	-	-	-	-	(1,312.9)	(41.3)	(1,354.2)
Impact of rights issue exercised by minority shareholders in subsidiary	-	-	-	-	-	-	-	13.9	13.9
Issue of shares following the exercise of Group Employee Share Options Scheme	60.4	-	-	-	-	-	60.4	-	60.4
Transactions with owners	60.4	(1,312.9)	-	-	-	-	(1,252.5)	(27.4)	(1,279.9)
Transfers/movements in reserves	-	31.4	(31.4)	-	-	-	-	-	-
At 31 March 2019	2,608.3	44,959.1	2,256.4	(573.1)	5,980.8	0.5	55,232.0	2,463.2	57,695.2
At 1 July 2018	2,547.9	39,224.4	2,227.4	(395.0)	5,980.8	0.5	49,586.0	2,445.0	52,031.0
Impact of adjusting for deferred tax on adoption of IFRS 9	-	303.6	-	_	_	-	303.6	1.6	305.2
At 1 July 2018 as restated	2,547.9	39,528.0	2,227.4	(395.0)	5,980.8	0.5	49,889.6	2,446.6	52,336.2
Profit for the year		9,434.2	-		-	-	9,434.2	110.3	9,544.5
Other comprehensive (expense)/income for the year	-	(400.7)	71.9	58.5	-	-	(270.3)	0.6	(269.7)
Total comprehensive income for the year		9,033.5	71.9	58.5	_	_	9,163.9	110.9	9,274.8
Dividends		(2,602.9)	-	_	_	-	(2,602.9)		(2,651.3)
Investment in subsidiary	-	-	-	-	-	-	-	4.0	4.0
Impact of rights issue exercised by minority shareholders in subsidiary	_	_	-	-	-	_	_	13.3	13.3
Issue of shares following the exercise of Group Employee Share Options Scheme	60.4	_	_	_	_	_	60.4	_	60.4
Transactions with owners	60.4	(2,602.9)	_			_	(2,542.5)	(31.1)	(2,573.6)
Transfers/movements in reserves		(1,167.0)	(37.3)	, -	954.0	248.7	(1.6)		(2.8)
At 30 June 2019	2,608.3	44,791.6	2,262.0	(336.5)	6,934.8	249.2	56,509.4	2,525.2	59,034.6
Profit for the period		6,091.4	_,	-	-		6,091.4	37.2	6,128.6
Other comprehensive (expense)/income for the period	_	-	(250.5)	605.0	_	_	354.5	(94.7)	259.8
Total comprehensive income/(expense) for the period		6,091.4	(250.5)				6,445.9	(57.5)	6,388.4
Issue of preference shares	3,396.2	- 0,001.1	(200.0)		_	_	3,396.2		3,396.2
Dividends		(1,816.1)	_	_	_	_	(1,816.1)		(1,847.5)
Issue of shares following the exercise of Group Employee Share Options Scheme	110.2	(1,010.1)	-	-	-	-	110.2		110.2
		(1 016 1)		<u>-</u>					
Transactions with owners	3,506.4	(1,816.1)	(10.4)		7.0	(240.2)	1,690.3		1,658.9
Transfers/movements in reserves	6,114.7	252.2 49,319.1	(10.4) 2,001.1	268.5	7.8 6,942.6	(249.2)	64,646.0		67,082.6

Consolidated summary statement of cash flows for the period ended 31 March 2020

	9 mths to 9 mths to		Year to
	31-Mar-20	31-Mar-19	30-Jun-19
	Rs'M	Rs'M	Rs'M
Operating activities			
Net cash flows from trading activities	4,857.3	11,228.2	18,125.1
Net cash flows from other operating activities	22,747.4	536.8	(11,484.9)
Dividends received from associates	79.6	75.9	249.4
Dividends paid	(3,106.2)	(2,386.9)	(2,386.9)
Dividends paid to non-controlling interests in subsidiaries	(31.4)	(41.3)	(48.4)
Income tax paid	(1,326.5)	(1,420.0)	(1,803.8)
Net cash flows from operating activities	23,220.2	7,992.7	2,650.5
Net cash flows from investing activities	(1,276.7)	(1,878.5)	(2,187.0)
Net cash flows from financing activities	(135.0)	1,204.3	1,190.9
Increase in cash and cash equivalents	21,808.5	7,318.5	1,654.4
Net cash and cash equivalents brought forward	35,828.5	34,063.3	34,063.3
Effect of foreign exchange rate changes	419.6	(25.9)	110.8
Net cash and cash equivalents carried forward	58,056.6	41,355.9	35,828.5

The unaudited interim consolidated summary financial statements comply with IAS 34 and have been prepared using the same accounting policies as those adopted in the financial statements for the year ended 30 June 2019.

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

Copies of the unaudited interim consolidated summary 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

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.

Capital position

Shareholders' funds went up by 17.0% to reach Rs 64.6 billion as at 31 March 2020 on the back of the rise in retained earnings and in stated capital following the successful conversion of more than 75% of the Subordinated Debt into convertible Preference shares amounting to Rs 3.4 billion and qualifying as Tier 1 capital. The Group thus continues to maintain comfortable capital buffers with its BIS and Tier 1 ratios standing at 17.3% and 16.0% respectively.

Outlook

The Board will continue to monitor the situation closely as worldwide developments unfold and as we take stock of the various Governments' support measures to address the impact of the pandemic in Mauritius and in the other countries where the Group operates.

Dividend declaration

In the light of the current uncertainties, the Board has judged it prudent to defer the payment of the interim dividend until such time that we have better visibility on the evolution of the pandemic. It has however declared a preference dividend amounting to Rs 53.8 million which will be payable on 30 June 2020 to the holders of preference shares following the conversion of the subordinated notes into preference shares in February 2020.

By order of the Board

14 May 2020