GROUP MANAGEMENT STATEMENT

MCB Group results for the first semester to 31 December 2020

PORT LOUIS, 11 February 2021: MCB Group Limited today announced its unaudited results for the first semester of FY 2020/21.

HIGHLIGHTS

- Rise of 1.7% in net interest income
- Net fee and commission income edged up by 1.2%
- Drop of 11.4% in ‘other income’
- Increase of 1.4% in operating expenses
- Impairment charges rose to Rs 2.4 billion; Gross NPL ratio declined to 3.7%
- Share of profit of associates down by Rs 150 million
- Y-o-y growth of 19.8% in deposits and of 14.3% in gross loans

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Rs 3.8 bn

▼ **28.1%**

OPERATING INCOME

Rs 10.9 bn

▼ **0.4%**

IMPAIRMENT CHARGES (incl. ECL)

Rs 2.4 bn

▲ **169.7%**

ASSETS

Rs 577.2 bn

▲ **18.3%**

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

“Group attributable profits for the quarter ended December 2020 amounting to Rs 1,859 million were in line with those achieved in the previous quarter. Profits for the semester, however, declined by Rs 1,479 million (-28.1%) to reach Rs 3,784 million, a drop mainly due to the increase in the charge for Expected Credit Losses (ECL) compared to the corresponding semester of last year.

Net interest income increased by 1.7%, reflecting higher investment in Government securities linked to the persistently high liquidity situation domestically. The impact of increased cross border lending was to a large extent negated by lower margins due to increased cost of funds. Net fee and commission income grew by 1.2%. Improved performance from regional trade financing and wealth management activities was tempered by lower revenues from MCB Capital Markets Ltd while revenues from foreign banking subsidiaries and cards activities were adversely affected by the downturn in tourism and travel industries. ‘Other income’ declined by 11.4%, primarily on account of the temporary suspension of rental income from COVIFRA following the closure of Club Med amidst the Covid-19 situation and fair value losses experienced at the level of MCB Equity Fund Ltd. As a result, operating income dropped marginally to Rs 10,901 million.

With operating expenses going up by 1.4%, the cost to income ratio increased to 37.2% compared to 36.5% for the corresponding period last year. Impairment charges reached Rs 2,357 million, including an increase of Rs 1,488 million in respect of ECL. The cost of risk, on an annualised basis, stood at 151 basis points of gross loans and advances compared to 184 basis points for the last financial year while the gross NPL ratio declined to 3.7% from 4.2% as at June 2020.

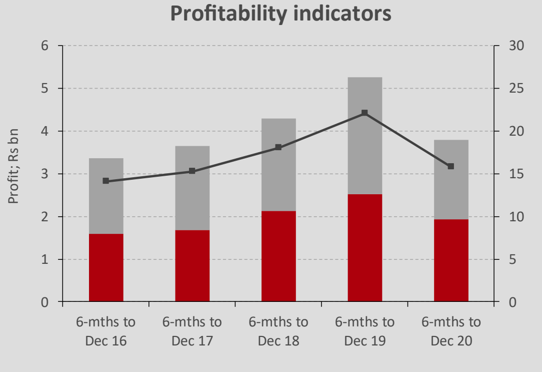
The share of profit of associates declined by Rs 150 million, mainly due to a subdued performance of BFCOI.

The Group continues to be well capitalised with a capital adequacy ratio of 17.6%, of which 16.2% in the form of Tier 1, and keeps displaying healthy liquidity positions, with a total loans to deposits ratio of 65.4% and a total loans to funding base ratio of 57.2%, when including borrowings. At Bank level, the US dollar Liquidity Coverage Ratio remained well above the regulatory norm at 172% as at 31 December 2020.

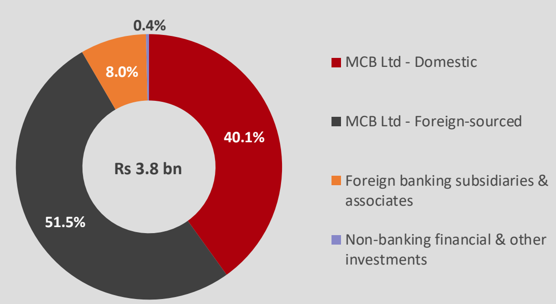
Notwithstanding an upgrade in global economic outlook by the IMF on the back of the rollout of vaccination programmes in many countries, the operating environment remains challenging. There is still little visibility on the evolution of the situation going forward, notably in relation to the spread of the new variants of the coronavirus, the duration of lockdowns in some of our key markets and the full-fledged opening of our borders. Against this backdrop, we will continue to closely monitor the situation and maintain a prudent approach.’’

Financial performance

Profitability indicators



Contribution to Group profit



Profit or loss statement

Net interest income

Net interest income increased by 1.7%, reflecting higher investment in Government securities linked to the persistently high liquidity situation domestically. The impact of increased cross border lending was to a large extent negated by lower margins due to increased cost of funds.

Non-interest income

Net fee and commission income grew by 1.2%. Improved performance from regional trade financing and wealth management activities was tempered by lower revenues from MCB Capital Markets Ltd while revenues from foreign banking subsidiaries and cards activities were adversely affected by the downturn in tourism and travel industries. 'Other income' declined by 11.4%, primarily on account of the temporary suspension of rental income from COVIFRA following the closure of Club Med amidst the Covid-19 situation and fair value losses experienced at the level of MCB Equity Fund Ltd.

Operating expenses

Operating expenses increased by 1.4%, resulting in a rise in the cost to income ratio to 37.2% compared to 36.5% for the corresponding period of the previous year.

Impairment

Impairment charges reached Rs 2,357 million, including an increase of Rs 1,488 million in respect of ECL. The cost of risk, on an annualised basis, stood at 151 basis points of gross loans and advances, of which 53 basis points related to specific provisions net of recoveries. For its part, gross and net NPL ratios declined to 3.7% and 2.3% as at December 2020 from 4.2% and 2.9% as at June 2020 respectively.

Share of profit of associates

The share of profit of associates fell by Rs 150 million mainly due to reduced contribution from BFCOI.

Profit

Profit attributable to ordinary shareholders declined by 28.1% to reach Rs 3,784 million for the six months ended December 2020, reflecting subdued performances registered across the banking and non-banking clusters.

Financial position statement

Loans and advances

Gross loans of the Group registered a year-on-year growth of 14.3% to reach Rs 279.5 billion as at 31 December 2020. This performance is mainly explained by a rise of 15.7% in gross loans at the level of MCB Ltd driven by an expansion of its international loan book during this quarter, linked to energy & commodities and structured project financing activities.

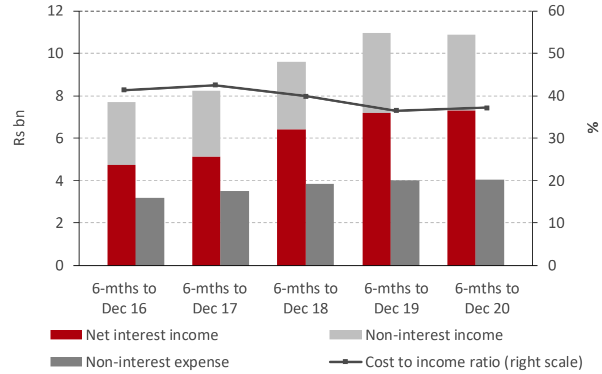
Funding and liquidity

Total deposits of the Group increased by 19.8% to attain Rs 427.1 billion as at 31 December 2020, supported by a significant rise in foreign currency deposits and, to a lower extent, in rupee deposits. Besides, 'other borrowed funds' went up to Rs 57.9 billion in line with our foreign currency funding strategy. As a result, the total loans to deposits ratio stood at 65.4% while the total loans to funding base ratio, when including borrowings, reached 57.2%. The Bank continues to maintain its US dollar Liquidity Coverage Ratio well above the regulatory norm, that is, at 172% as at 31 December 2020.

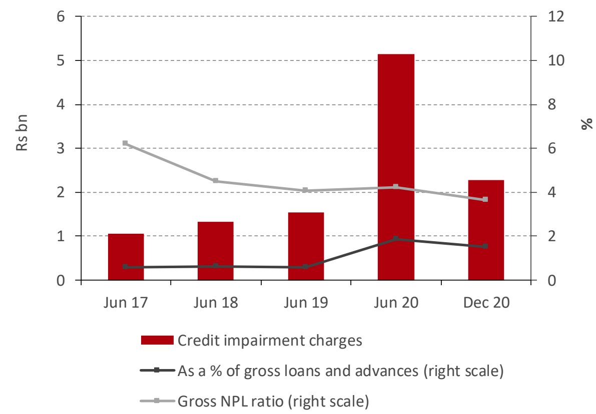
Capital position

Shareholders' funds grew by 10.2%, supported by the rise in retained earnings, which contributed to an increase in the Group's Tier 1 capital to some Rs 67 billion. Overall, BIS ratio and Tier 1 ratio stood at 17.6% and 16.2% respectively, thus remaining comfortably above the minimum regulatory requirements.

Income and expenditure evolution



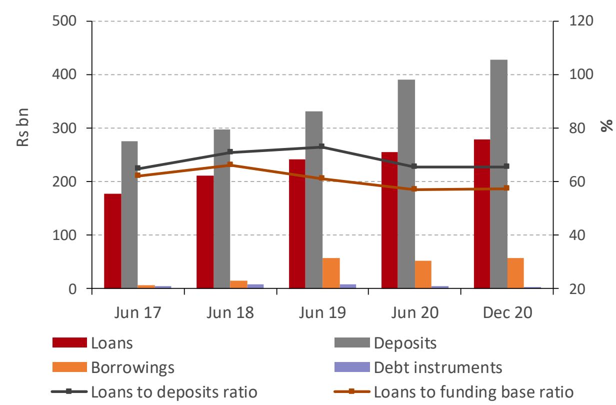
Impairment charges* and credit quality



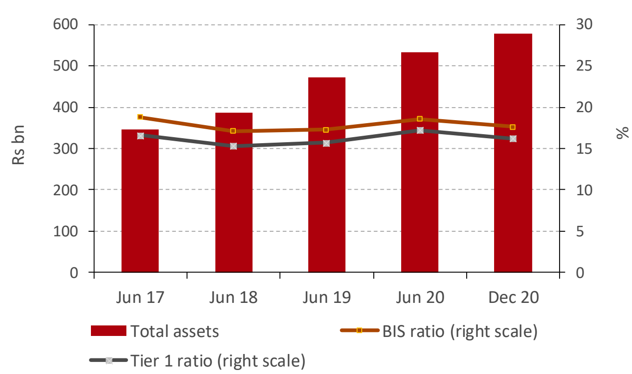
*Relate to loans & advances (including corporate notes)

Note: Impairment charges for Dec 20 relate to six months while the ratio has been annualised

Loans and funding base



Total assets and capital adequacy



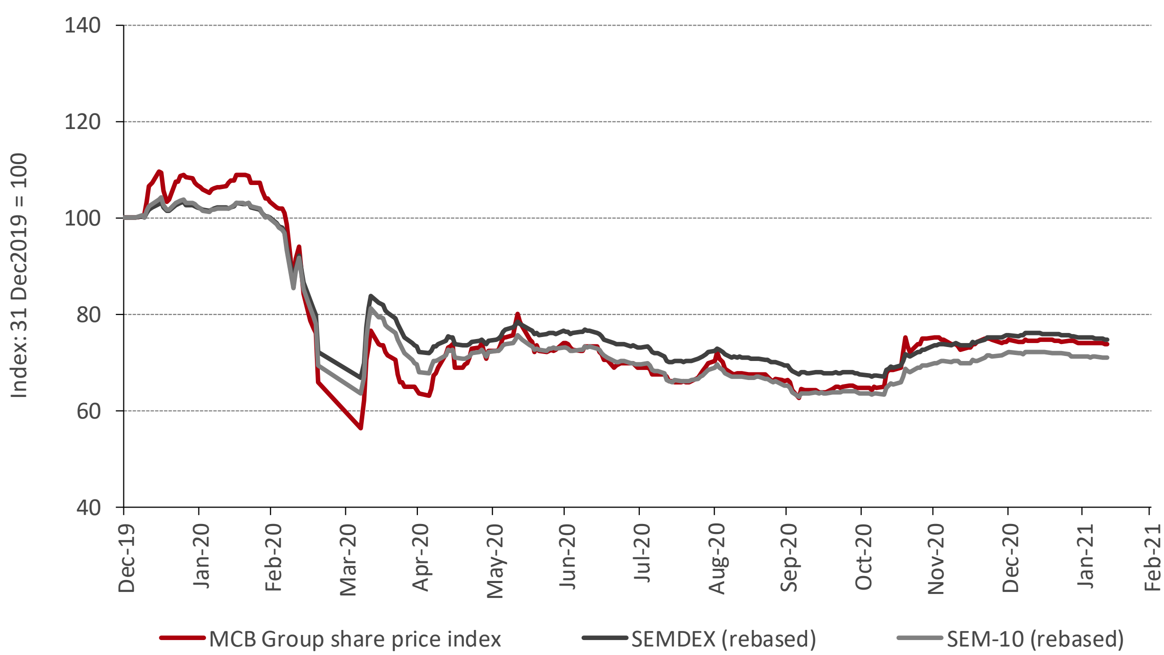
Note: Capital adequacy ratios are based on Basel III

Financial soundness indicators (%)

	Dec-20	Jun-20	Dec-19
Profitability			
Return on average total assets[1]	1.4	1.6	2.2
Return on average equity[1]	11.7	13.3	18.0
Return on average Tier 1 capital[1]	11.6	13.4	18.5
Efficiency			
Cost-to-income	37.2	35.5	36.5
Asset quality			
Gross NPL/Gross loans and advances	3.7	4.2	4.0
Net NPL/Net loans and advances	2.3	2.9	2.7
Liquidity			
Liquid assets[2]/Total assets	43.0	42.6	39.8
Loans to deposits	65.4	65.3	68.6
Loans to deposits and borrowings[3]	57.2	57.0	59.7
Capital adequacy			
Shareholders equity to assets	11.5	11.8	12.4
BIS risk adjusted ratio[4]	17.6	18.6	17.4
o/w Tier 1[4]	16.2	*17.2*	*15.9*

[1] Annualised rate for December
[2] In the computation, liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds
[3] Borrowings include debt instruments
[4] 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