



THE MAURITIUS COMMERCIAL BANK LIMITED

Audited Summary Financial Statements - 30 June 2020

Summary statement of financial position as at 30 June 2020

	30 June 2020 RS'000	30 June 2019 RS'000 (Restated)	30 June 2018 RS'000 (Restated)
ASSETS			
Cash and cash equivalents	68,127,676	45,398,059	34,087,944
Mandatory balances with Central Bank	19,821,283	18,608,534	17,196,714
Derivative financial instruments	997,381	269,295	95,817
Loans to and placements with banks	19,352,797	20,754,084	19,265,587
Loans and advances to customers	226,777,455	213,398,224	188,569,042
Investment securities	135,914,904	116,397,500	81,884,347
Investment in subsidiary	117,570	117,570	117,570
Investments in associates	4,984,071	4,078,542	4,054,371
Intangible assets	1,014,301	805,494	544,602
Property, plant and equipment	5,218,824	4,964,461	4,841,797
Deferred tax assets	1,009,360	340,085	104,365
Other assets	2,537,136	3,368,885	1,689,646
Total assets	485,872,758	428,500,733	352,451,802
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from banks	7,600,253	7,375,969	6,588,686
Deposits from customers	364,007,792	307,000,545	278,943,186
Derivative financial instruments	961,313	508,808	407,024
Other borrowed funds	50,816,745	55,405,740	14,188,543
Subordinated liability	1,013,331	1,040,100	1,060,181
Current tax liabilities	1,269,789	898,811	872,964
Post employee benefit liability	1,169,752	360,099	203,068
Other liabilities	5,822,071	7,761,047	6,204,203
Total liabilities	432,661,046	380,351,119	308,467,855
Shareholder's equity			
Stated capital	6,879,602	6,879,602	6,879,602
Retained earnings	38,947,716	33,818,933	28,596,833
Other components of equity	7,384,394	7,451,079	8,507,512
Total equity	53,211,712	48,149,614	43,983,947
Total equity and liabilities	485,872,758	428,500,733	352,451,802
CONTINGENT LIABILITIES			
Guarantees, letters of credit, and other obligations on account of customers	62,041,933	66,527,909	57,851,972
Commitments	6,355,559	5,140,426	6,077,554
Tax assessments	98,299	89,715	537,147
	68,495,791	71,758,050	64,466,673



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Summary statement of profit or loss for the year ended 30 June 2020

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Interest income	18,347,992	17,449,219	13,903,688
Interest expense	(4,883,964)	(5,196,422)	(3,794,901)
Net interest income	13,464,028	12,252,797	10,108,787
Fee and commission income	4,420,803	4,433,243	3,964,173
Fee and commission expense	(1,077,024)	(1,069,983)	(867,748)
Net fee and commission income	3,343,779	3,363,260	3,096,425
Other income			
Profit arising from dealing in foreign currencies	1,321,007	1,219,102	1,832,581
Net gain/(loss) from financial instruments carried at fair value	913,238	650,811	(381,569)
	2,234,245	1,869,913	1,451,012
Dividend income	35,592	58,504	63,118
Net gain on sale of financial instruments	195,432	7,505	17,999
Other operating (expense)/income	(1,523)	30,897	18,704
	2,463,746	1,966,819	1,550,833
Operating income	19,271,553	17,582,876	14,756,045
Non-interest expense			
Salaries and human resource costs	(3,628,512)	(3,527,225)	(3,129,179)
Depreciation of property, plant and equipment	(511,233)	(436,510)	(391,651)
Amortisation of intangible assets	(228,901)	(173,476)	(201,416)
Other	(1,890,861)	(1,788,406)	(1,733,068)
	(6,259,507)	(5,925,617)	(5,455,314)
Operating profit before impairment	13,012,046	11,657,259	9,300,731
Net impairment of financial assets	(4,818,268)	(1,455,649)	(1,228,932)
Operating profit	8,193,778	10,201,610	8,071,799
Share of profit of associates	444,256	241,860	341,468
Profit before tax	8,638,034	10,443,470	8,413,267
Income tax expense	(1,229,532)	(1,677,897)	(1,627,703)
Profit for the year	7,408,502	8,765,573	6,785,564
Earnings per share (Rs)	10.77	12.74	9.86
Weighted average number of ordinary shares (thousands)	687,960	687,960	687,960



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Summary statement of comprehensive income for the year ended 30 June 2020

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000
Profit for the year	7,408,502	8,765,573	6,785,564
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Net fair value loss on equity instruments	(190,268)	(68,733)	-
Remeasurement of defined benefit pension plan, net of deferred tax	(671,424)	(404,477)	(235,146)
	(861,692)	(473,210)	(235,146)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	367,825	22,839	89,526
Reclassification adjustments on disposal of investments at fair value	-	(25,320)	-
Reclassification adjustments on disposal of available-for-sale investments	-	-	(227,304)
Net fair value gain on debt instruments	4,955	81,731	-
Net fair value gain on available-for-sale investments	-	-	471,373
	372,780	79,250	333,595
Other comprehensive (expense)/income for the year	(488,912)	(393,960)	98,449
Total comprehensive income for the year	6,919,590	8,371,613	6,884,013



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Summary statement of changes in equity for the year ended 30 June 2020

	Stated Capital RS'000	Retained Earnings RS'000	Capital Reserve RS'000	Translation Reserve RS'000	Statutory Reserve RS'000	General Banking Reserve RS'000	Total Equity RS'000
At 1 July 2017	6,879,602	26,041,651	1,154,719	(23,633)	4,910,602	861,658	39,824,599
Profit for the year	-	6,785,564	-	-	-	-	6,785,564
Other comprehensive (expense)/income for the year	-	(235,146)	244,069	89,526	-	-	98,449
Total comprehensive income for the year	-	6,550,418	244,069	89,526	-	-	6,884,013
Dividends	-	(2,751,841)	-	-	-	-	(2,751,841)
Unclaimed dividends pertaining to previous years	-	27,176	-	-	-	-	27,176
Transactions with owner in his capacity as owner	-	(2,724,665)	-	-	-	-	(2,724,665)
Transfer to statutory reserve	-	(1,015,000)	-	-	1,015,000	-	-
Transfer to general banking reserve	-	(255,571)	-	-	-	255,571	-
At 30 June 2018	6,879,602	28,596,833	1,398,788	65,893	5,925,602	1,117,229	43,983,947
Impact of adopting IFRS 9:							
Impairment on financial assets:							
Reversal of portfolio provision	-	1,359,589	-	-	-	-	1,359,589
Reversal of general banking reserve	-	1,092,972	-	-	-	(1,092,972)	-
Expected credit losses	-	(2,746,190)	-	-	-	-	(2,746,190)
Expected credit losses on debt instruments at fair value through other comprehensive income	-	(17,089)	17,089	-	-	-	-
	-	(310,718)	17,089	-	-	(1,092,972)	(1,386,601)
Share of impact on associates	-	(134,583)	-	-	-	(24,257)	(158,840)
	-	(445,301)	17,089	-	-	(1,117,229)	(1,545,441)
Classification and measurement of financial assets:							
Fair value of financial assets	-	19,669	-	-	-	-	19,669
Reclassification of equity instruments	-	1,170,007	(1,170,007)	-	-	-	-
	-	1,189,676	(1,170,007)	-	-	-	19,669
	-	744,375	(1,152,918)	-	-	(1,117,229)	(1,525,772)
At 1 July 2018 as previously reported	6,879,602	29,341,208	245,870	65,893	5,925,602	-	42,458,175
Deferred tax adjustment	-	278,056	-	-	-	-	278,056
As restated	6,879,602	29,619,264	245,870	65,893	5,925,602	-	42,736,231
Profit for the year	-	8,765,573	-	-	-	-	8,765,573
Other comprehensive (expense)/income for the year	-	(404,477)	(12,322)	22,839	-	-	(393,960)
Total comprehensive income/(expense) for the year	-	8,361,096	(12,322)	22,839	-	-	8,371,613
Dividends	-	(2,958,230)	-	-	-	-	(2,958,230)
Transactions with owner in his capacity as owner	-	(2,958,230)	-	-	-	-	(2,958,230)
Transfer to statutory reserve	-	(954,000)	-	-	954,000	-	-
Transfer to general banking reserve	-	(249,197)	-	-	-	249,197	-
At 30 June 2019	6,879,602	33,818,933	233,548	88,732	6,879,602	249,197	48,149,614
Profit for the year	-	7,408,502	-	-	-	-	7,408,502
Other comprehensive (expense)/income for the year	-	(671,424)	(185,313)	367,825	-	-	(488,912)
Total comprehensive income/(expense) for the year	-	6,737,078	(185,313)	367,825	-	-	6,919,590
Dividends	-	(1,857,492)	-	-	-	-	(1,857,492)
Transactions with owner in his capacity as owner	-	(1,857,492)	-	-	-	-	(1,857,492)
Transfer from general banking reserve	-	249,197	-	-	-	(249,197)	-
At 30 June 2020	6,879,602	38,947,716	48,235	456,557	6,879,602	-	53,211,712



THE MAURITIUS COMMERCIAL BANK LIMITED

Audited Summary Financial Statements - 30 June 2020

Summary statement of cash flows for the year ended 30 June 2020

	Year ended 30 June 2020 RS'000	Year ended 30 June 2019 RS'000 (Restated)	Year ended 30 June 2018 RS'000 (Restated)
Operating activities			
Net cash flows from trading activities	13,429,828	16,380,613	(4,333,427)
Net cash flows from other operating activities	15,029,403	(57,419)	9,035,196
Dividends received from associates	-	173,499	302,503
Dividends paid	(3,405,403)	(2,751,841)	(2,751,841)
Income tax paid	(1,418,016)	(1,517,304)	(1,430,223)
Net cash flows from operating activities	23,635,812	12,227,548	822,208
Investing activities			
Investment in associate	(49,906)	(98,452)	(190,960)
Investment in subsidiary	-	-	(53,248)
Purchase of property, plant and equipment	(589,467)	(422,435)	(334,070)
Purchase of intangible assets	(517,743)	(353,901)	(166,449)
Proceeds from sale of property, plant and equipment	2,284	5,434	12,942
Net cash flows from investing activities	(1,154,832)	(869,354)	(731,785)
Net cash flows before financing activities	22,480,980	11,358,194	90,423
Financing activities			
Payment of lease liabilities	(42,008)	-	-
Net refund of subordinated liability	(137,187)	(51,384)	-
Net cash flows from financing activities	(179,195)	(51,384)	-
Increase in cash and cash equivalents	22,301,785	11,306,810	90,423
Net cash and cash equivalents at 1 July	45,394,540	34,087,730	33,997,307
Net cash and cash equivalents at 30 June	67,696,325	45,394,540	34,087,730



COMMENTS ON RESULTS

Operating profit before impairment for the year ended 30 June 2020 reached Rs 13,012 million representing an increase of 11.6% compared to last year. Net interest income rose by 9.9% to reach Rs 13,464 million representing nearly 70.0% of the Bank's Operating income. There was also a strong recovery from earlier losses in fair value gains in equity investments over the last quarter with the turnaround in the US stock markets. In addition, Fair value gains from other Financial Instruments improved and helped boost the non-fee based 'Other income' by 25.3% to reach Rs 2,464 million when compared to last year. Operating expenses increased moderately by 5.6% resulting in a drop of our cost to income ratio by more than one percentage point, to a new low of 32.5%.

Despite the above, Profit after tax dropped by Rs 1,357 million (15.5%) to reach Rs 7,409 million compared to last year. Net impairment of financial assets increased significantly from Rs 829 million over the first semester to Rs 3,989 million during the second semester compared to Rs 735 million and Rs 721 million respectively during the corresponding semesters last year. Expected credit losses ('ECL') on the performing assets portfolio amounted to Rs 3,290 million out of the total net impairment figure of Rs 4,818 million.

This significant increase in ECL reflects the inherent increase in credit risks and our forward looking view of the impact of the Covid-19 pandemic on our operations, based on certain assumptions made in our credit modelling exercise amidst significant and persistent uncertainties on how future developments will unfold not only locally but also in our major markets.

Loans and Advances to Customers rose by 6.3% to reach Rs 226.8 billion whilst Total Deposits from Customers rose by 18.6% to reach Rs 364.0 billion. These trends comforted the Bank's liquidity position notably in foreign currencies. The Bank's foreign currency loans represent 64% of the funding base while its US dollar Liquidity Coverage Ratio stood at 190% as at 30 June 2020 which is well above the Basel III regulatory norm.

Shareholder's equity went up by 10.5% to reach Rs 53.2 billion as at 30 June 2020 and the Bank's BIS ratio and Tier 1 ratio at 17.5% and 16.5% respectively, remained at comfortable levels.

OUTLOOK

The operating context remains particularly challenging, with little visibility on the evolution of the situation going forward. Difficult market and economic conditions are likely to take their toll on customer segments across markets, albeit to varying degrees. Whilst some business segments, notably on the international front, are expected to be resilient, our operating results are likely to be down in view of restrained business activities amidst the economic slump and 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 Bank will maintain its market vigilance and monitor the situation closely with regular assessment of potential scenarios. The Bank will maintain adequate buffers in terms of capital adequacy as well as funding and liquidity ratios, thus preserving its financial soundness. Concurrently, while reviewing our short-term priorities, the Bank will continue to invest for the future and create the necessary conditions to underpin a rapid rebound when economic conditions start to heal. As prescribed by the Regulator, the Bank has not declared a dividend for the year.

These financial statements were approved for issue by the Board of Directors on the 25 September 2020.

(S) Alain LAW MIN
Director
Chief Executive Officer

(S) Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

(S) Uday GUJADHUR
Director
Chairperson Audit Committee

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF THE MAURITIUS COMMERCIAL BANK LIMITED

Report on the Summary Financial Statements

Our Opinion

In our opinion, the accompanying summary financial statements of The Mauritius Commercial Bank Limited (the "Bank") are consistent, in all material respects, with the audited financial statements, in accordance with note 1.

The summary financial statements

The Bank's summary financial statements derived from the audited financial statements for the year ended 30 June 2020 comprise:

- the summary statement of financial position as at 30 June 2020;
- the summary statement of profit or loss for the year then ended;
- the summary statement of comprehensive income for the year then ended;
- the summary statement of changes in equity for the year then ended;
- the summary statement of cash flows for the year then ended; and
- the related notes to the summary financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our audit report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 September 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year.

Responsibilities of the directors for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with note 1.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's shareholder in accordance with Section 34 (6)(b)(ii) of the Mauritian Banking Act 2004 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Gilles Beesoo, licensed by FRC

25 September 2020

Note 1

The accompanying summary financial statements, without reference to the detailed notes, are derived from the audited financial statements of The Mauritius Commercial Bank Limited (the "Bank") for the year ended 30 June 2020. These audited financial statements, which have been prepared in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and guidelines issued by the Bank of Mauritius, are available at 9-15 Sir William Newton Street, Port Louis, Mauritius and can be viewed on our website: www.mcb.mu

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

Note 2

The Board of Directors of The Mauritius Commercial Bank Limited accepts full responsibility for the accuracy of the information contained in this communiqué.