



Didier
HAREL

“ Despite the challenging business environment, our operating results continued to progress ... ”

Reflections from the Chairman

Resilient performance achieved amidst an unprecedented context

The spread of the coronavirus impacted economies, businesses, societies and individuals in ways that are unprecedented. With regard to MCB Group, the far-reaching implications of the pandemic for our customers across business segments have disrupted the solid growth momentum that was sustained during the early part of FY 2019/20. Despite the challenging business environment, our operating results continued to progress, as demonstrated by a growth of 8.5% in operating income, which itself contributed to the cost to income ratio declining to 35.5% in FY 2019/20 from 37.1% in the preceding year. However, the exceptionally high macroeconomic uncertainty levels led to a significant expansion in impairment charges, due to a substantial increase in Expected Credit Losses to cater for heightened credit risk, as a consequence of anticipated economic difficulties. This is directly responsible for a drop of 16.1% in profits attributable to ordinary shareholders, which reached Rs 7,912 million for the year. This overall resilient performance, amidst testing times, is a strong indication that our diversified strategy is working, backed by our sound business model and the dedication of our employees. It must also be noted that the Group has further reinforced its financial soundness and is thus well positioned to confidently confront the ongoing economic crisis. We have strengthened our capital buffers with the overall capital adequacy ratio and the Tier 1 ratio improving to 18.6% and 17.2% respectively. We continue to maintain healthy funding and liquidity positions, notably in foreign currencies, while our key asset quality metrics remained relatively stable in spite of tough market conditions.

Coping with major challenges and pursuing our underlying strategic objectives

As the COVID-19 pandemic began to spread across the countries where

we operate, the Group responded immediately to adapt to the rapidly changing landscape. While we entered the crisis on the back of our financial strength, we capitalised on the commitment of our people, our technological capabilities, as well as a robust governance set-up and operational platforms, which enabled an effective and coordinated management of action plans. I am proud of how we managed to ensure the continuity of our services, albeit at reduced levels, alongside catering for proper health and hygiene conditions in our premises. We accompanied our customers in facing up to financial distresses by means of adapted solutions, after close collaboration with authorities within countries in which we are present.

“While leveraging world-class practices and processes, we set forward to harness a competent, engaged, empowered and motivated workforce...”

For the period under review, our financial resilience was bolstered by ongoing diversification of our operations and consolidation of our involvement in established markets, locally and abroad. In fact, entities across clusters maintained the momentum in implementing their growth endeavours, at least till the outbreak of the pandemic, thus helping to position the Group as an integrated financial services provider. While being innovative and ambitious in their approach, entities executed their business expansion strategy in a disciplined and prudent manner. MCB Ltd maintained its market leadership position in Mauritius and widened its regional footprint, notably on the

African continent. Our foreign banking subsidiaries have, amidst a demanding operating environment and country-specific challenges, pursued initiatives to support balance sheet growth on the basis of a continuously enriched value proposition. The Group has broadened its involvement in the non-banking field, with entities making headway in tapping into established and emerging growth pillars. Spanning the organisation as a whole, further progress was made in showcasing our ‘Bank of Banks’ initiative, which aims to position the Group as a regional hub for meeting the outsourcing needs of financial service providers, especially those in Africa.

In support of our growth initiatives, we refined and shored up our inherent capabilities. While we strengthened synergies and collaboration amongst entities, we pursued business realignment and transformation initiatives to anchor more impactful operating models within the changing context. We pursued the implementation of our Digital Transformation Programme amidst our aspiration to create the best customer experiences and amplified our drive to becoming even simpler as well as more efficient and agile in the conduct of our operations. Along similar lines, the Group leveraged cutting-edge technologies and innovative channels to step up operational efficiency levels, boost service quality and attend to changing customer needs.

As another key focus area, the organisation made inroads in putting in place its HR Transformation Programme. While leveraging world-class practices and processes, we set forward to harness a competent, engaged, empowered and motivated workforce, in addition to promoting the well-being and professional advancement of our employees. Guided by international consultants and internal discussions, we have, lately, launched our new Performance Management System and revamped our Talent Management framework, while progressing in respect of the strengthening of our strategic talent acquisition and leadership development

Reflections from the Chairman

capabilities in tune with best practices endorsed by major successful corporates globally. In fact, during the period under review, the Group has continued to work on a series of strategic projects and initiatives, with the objective of building distinctive HR capabilities, in order to boost customer loyalty and inspire confidence among key stakeholders, after carefully assessing their specific and evolving requirements and aspirations. The Group is gearing up to this effect, with a view to ensuring that (i) talented employees reinforcing the Group's competitive edge and promoting long-term value creation are properly identified, nurtured and developed; (ii) collective leadership is promoted given its value-creating ability, while generating strength in depth in key leadership populations; and (iii) HR functions operate with 'outside-in' mindsets, tools and expertise, to more productively contribute to the realisation of organisation-wide ambitions and value creation, as well as strive for continued excellence going forward.

We capitalised on a strong risk management and compliance framework to support our prudent and informed business expansion, in alignment with applicable local and international rules, norms and standards. Above all, alongside promoting principles of integrity in our actions and behaviours, we ensure that the Group is anchored on robust and sound corporate governance standards.

In line with its commitment to promoting sustainability principles and reflecting its brand promise, the Group fulfilled its engagement, as a responsible and caring corporate citizen, to continuously promote the well-being of people, societies and nations. In addition to adopting environment-conscious practices in our operations and activities, we implemented further initiatives in the context of our Corporate Sustainability Programme, which is founded on our endeavour to revisit the notion of success beyond the financial performance mantra.

The robust credentials of the Group have been acknowledged and rewarded

“We will continue to create and consolidate the necessary building blocks for achieving sound, diversified and sustained business development.”

in several ways. Whereas our market capitalisation on the Official Market of the Stock Exchange of Mauritius has, in light of the ramifications of COVID-19 on market sentiment, experienced a year-on-year drop of approximately 18% as at 30 June 2020 to reach Rs 56 billion, it is interesting to note that our share price reached an all-time intra-day price high of Rs 359.75 in January 2020 and we remain the strongest blue-chip company of the local bourse, with a leading market share of 28%. Further reflecting our performance and as an improvement compared with last year's standing, MCB Group Ltd is now ranked 582nd worldwide as per the latest Top 1000 World Banks survey of The Banker magazine, with the organisation retaining its status as the leading institution in East Africa. In another respect, the Group's achievements and credentials have earned it numerous awards. MCB Ltd was, for the eighth time in 11 years, named the 'Bank of the Year for Mauritius' by The Banker/FT Magazine. The Bank was also recognised as the 'Best Bank in Mauritius' by Euromoney for the seventh time in a row. In addition, it has been named as the 'Best Private Bank in Mauritius' for the fourth consecutive year by PWM/The Banker.

Steering forward in a coherent, disciplined and informed way in view of challenges

As the situation stands, there is little visibility on the scale and depth of the sanitary and economic crisis and the time it will take to meaningfully heal over time. In fact, the operating context would, in all likelihood, stay particularly challenging in the foreseeable future and impact Group activities, with macroeconomic headwinds likely to continue taking their toll on customer segments across markets, albeit to varying degrees. Besides, we are

conscious that we live in a rapidly-changing world marked by the advent of disruptive technologies, which are reshaping the way businesses function and customers behave. The demanding regulatory and compliance framework also calls for scrutiny. In the same spirit, we will, as a key consideration, continuously and closely monitor relevant developments and dynamics that can have a potential bearing on the competitiveness and reputation of the Mauritian International Financial Centre.

While attending to immediate needs and closely monitoring the operating environment, the Group has, amidst current unprecedented conditions, reviewed its business development targets and reprioritised its short-term focus areas. Nevertheless, alongside investing for the future and being on the look-out for market development avenues as they unfold, we remain dedicated to pursuing our medium to long-term growth agenda. We will continue to create and consolidate the necessary building blocks for achieving sound, diversified and sustained business development. On the latter front, while being cautious and conservative in our approach, we are intent on pursuing our regional diversification strategies and consolidating our involvement in established markets. In line with our purpose and values, we will continue to execute our Corporate Sustainability Programme amidst our aim to yield a positive impact on society, the environment and the economy, as well as to contribute to the sustained well-being and advancement of people with whom we interact.

Alongside driving operational efficiency, optimising the way we function and ensuring that projects are deployed in a prompt, disciplined and coordinated fashion, we will stay innovative and

customer-centric in what we do, supported by the continued implementation of our Digital Transformation Programme and of selective investments in technological innovations, with a view to creating further business enablers. Along the way, we will remain focused on supporting and standing by our customers as a trustworthy partner so as to help them meet their financial needs, notably amidst such difficult times. As a major undertaking, we will, in line with our ongoing HR development initiatives, implement further targeted projects aiming at propping up sustainable workforce capabilities, in tune with the Group's business development aspirations. The key objective is to capitalise on the transformational ground-work accomplished to date, and to continuously strive for excellence in the HR arena.

Last, but not least, we will, when undertaking our market activities, ensure that we remain firmly and securely within the risk parameters that we determined across entities, alongside anchoring our actions on a well-defined and transparent corporate governance framework which provides stability and effective oversight. In line with market realities, we will uphold a liquid and well-funded balance sheet and keep a strong capital position in support of our growth aspirations and as a buffer against potential shocks, going forward.

Concluding remarks

On behalf of the Board, I would like to express my appreciation and gratitude to our customers and shareholders for their continued trust in our organisation. The Management teams and staff across different areas of the Group deserve our special thanks for the commendable efforts, character and determination displayed during this highly challenging period. I commend them for their strong resilience as well as their ability to adapt to the difficult circumstances triggered by the pandemic and uphold the image of the organisation.

I also wish to thank my colleagues on the Board for their valuable counsel and

continued support in our endeavours to safeguard, in various ways, the stability, resilience and growth momentum of our organisation in spite of strains associated with the evolving operating environment, while guiding the Group in the right direction. I would like to express my gratitude to Margaret Wong Ping Lun – who retired from the Board in November 2019 – for her invaluable contribution over the years and the strong acumen that she brought to the Group, at Board level. In the same vein, I would like to take this opportunity to extend my warm welcome to Constantine Chikosi, who has been appointed as Director to the Board at last year's Annual Shareholders' Meeting. I am confident that his wide international experience and expertise will help to take the Group forward.

Looking ahead, the Board and I remain focused on delivering the most appealing service proposition for our customers and creating long-term value for the benefit of all our stakeholders. Conscious of the unprecedented turmoil triggered by the pandemic and other challenges, we will provide the Group with the necessary means to demonstrate strength to navigate through such conditions. We will tap into our resilient business model and the continued dedication of our employees with a view to fostering an even stronger and a more resilient organisation.



M G Didier HAREL
Chairperson