MCB GROUP

SUCCESS BEYOND NUMBERS

ANNUAL REPORT 2022

SCAN ME

ONLINE INVESTOR CENTRE

Easy access to up-to-date information

- Access latest financial reports, presentations and other corporate announcements
- View our 'Investor Factsheet' for key information on the Group
- Check the 'Financial calendar' for important upcoming events
- Register for email alerts to receive updates on major corporate events and announcements instantly
- Track daily MCB Group share price performance
- Use 'shareholder calculator' to compute the value and change in holding over time
- Consult our 'Investor FAQ' for general enquiries

Post queries online in the 'Investor Enquiry' section

Help us to protect the environment

- Register to receive your shareholder communications electronically

This Annual Report is printed on chlorine free recycled paper produced from 100% recovered fibre.

Dear Shareholder,

The Directors of MCB Group Limited are pleased to present its Annual Report for the year ended 30 June 2022.

The Annual Report was approved by the Board of Directors on 28 September 2022.

M G Didier HAREL Chairperson	Pierre Guy NOEL Chief Executive

Our illustrative choice

At MCB Group, we believe that growth must be wholesome and that wealth is not just financial.

That's why our contribution to a dynamic local economy is as significant as promoting and protecting our cultural and environmental heritage.

In this year's annual reports, we honour our corporate sustainability engagement, Success Beyond Numbers, by reproducing some pieces of artwork that were entered in the Samudra art competition held earlier this year and that we co-sponsored.

The featured works have been chosen for their ability to fit in the publications' format and withstand close-ups. Yet it is a very small part of a significant number of remarkable entries to the competition, the diversity of which speaks volumes about the thirst for artistic expression and the talent of our people. Its wealth demonstrates the extent to which the marine environment inspires artists to create art using different forms and mediums.

This is a celebration of our marine environment, an essential part of our collective identity, of local talent and of the crucial role that artistic expression needs to have in society for it to prosper.

Meet the artist

THE MATING DANCE (2021)

Artist: Rula Rais Koenig

Format: Diptych

Technique/materials: Used flattened Nespresso capsules on wire mesh structure and stainless steel rod, coral base.

Size of work: 1000 | 300 | 200 mm

TRACES (2021-2022)

Artist: Laurie Castel

Format: Single Work

Technique/materials: Indian ink and acrylic inks on plastic waste collected on Mauritian beaches .

Size of work: 20 | 20 | 10 mm (Bottle tops x 4), 40 | 40 | 40 mm (big bottle top), 80 | 20 | 10 mm (2 spoons), 10 | 5 | 5 mm (cigarette butt)

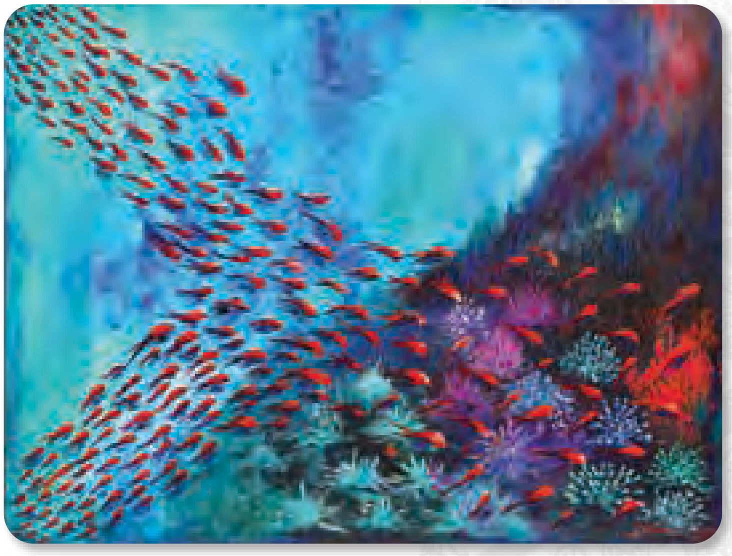
CORAL BLEACHING - THE DEEP WHITE FOREST (2022)

Artist: Denis Li

Format: Single Work

Technique/materials: Mixed media/watercolour on Canson papier a dessin blanc 'c' a grain.

Size of work: 240 | 320 | 0.1 mm



FLOW (2022)

Artist: Nandisha Bahadoor

Format: Single Work

Technique/materials: Acrylic colours on canvas.

Size of work: 600 | 800 | 10 mm

LEONFISH (2021)

Artist: Marianna Bezdvornykh

Format: Single Work

Technique/materials: Acrylic paints on canvas.

Size of work: 500 | 605 | 18 mm

Our illustrative choice

UNDERSEA IMPRINTS (2021)

Artist: Jessie Callychurn

Format: Triptych

Technique/materials: Printing on paper and on wood framing.

Size of work: 2000 | 2500 | 80 mm

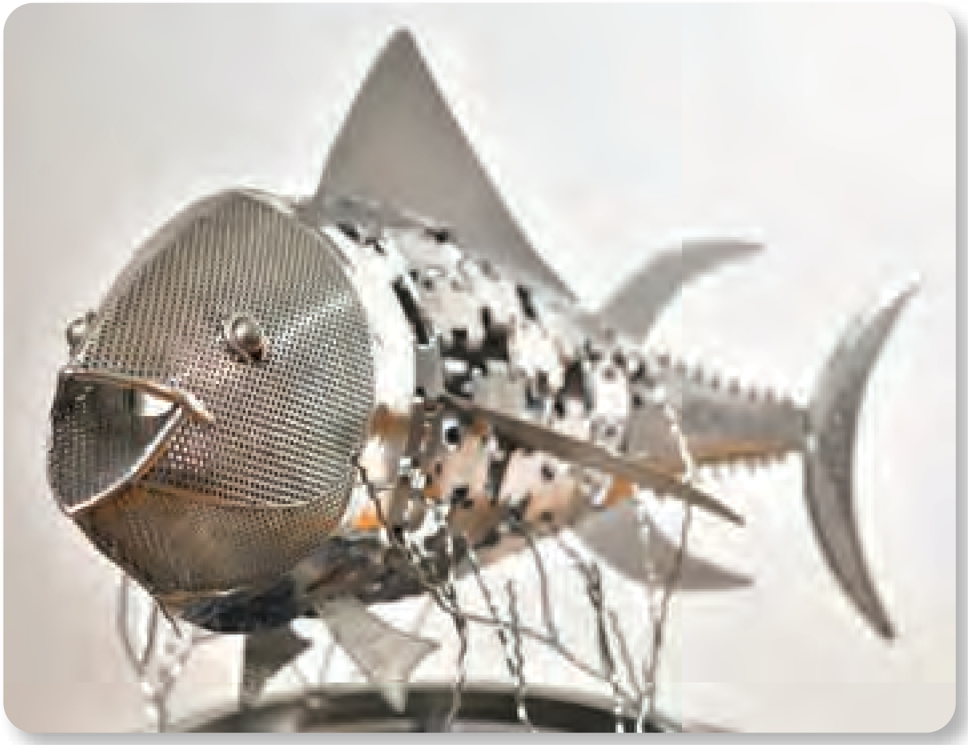
COLOURFUL LIFE IN THE TROPICS (2018)

Artist: Evelyn Denton

Format: Sculpture

Technique/materials: Papier maché, water color and marine varnish.

Size of work: Two pieces 950x350, two pieces 250x250x200 mm



METAL SCULPTURES (2020)

Artist: Denis Antoine

Technique/materials: Stainless steel on solid table.

Size of work: 530 | 250 | 900 mm

MAURITIAN SEASCAPES (2021)

Artist: Pierre Dalais

Format: Triptych

Technique/materials: Drone photography printed on Aluminum.

Size of work: 540 | 960 | 30 mm

MCB Group at a glance

Our identity

MCB Group Limited (referred to as 'MCB Group Ltd' or 'Group') is the holding company of MCB Group, which consists of banking and non-banking subsidiaries and associates. Our main subsidiary, i.e. The Mauritius Commercial Bank Ltd (denoted as 'MCB Ltd', 'MCB' or 'Bank'), is the leading bank in Mauritius. MCB Group is recognised as a prominent financial services player in the region.

Our purpose-driven approach

The Group's continuous advancement is founded on the trust of its customers, shareholders and the community at large. We are committed to using our financial expertise and acting as a force for good to deliver a positive economic, societal and environmental contribution across countries where we operate, whilst adhering to the highest standards of governance and ethics.

We strive to offer adapted, convenient and innovative solutions to our clients through their channel of choice in a seamless manner.

We set out to generate consistent shareholder returns by pursuing our diversification strategy and maintaining a robust business model. We actively assess the dynamic operating environment and ensure that we rise up to challenges and opportunities.

Our reporting suite

This **Annual Report** is our primary report to our stakeholders. These include shareholders and investors, customers, societies and communities, authorities and economic agents, and employees.

This Annual Report is complemented by our **Sustainability Report**, which provides a comprehensive overview of our corporate sustainability agenda, '**Success Beyond Numbers**'. It describes the contribution of the Group to promoting a sustainable local economy, preserving the country's environmental and cultural heritage, and supporting individual and collective well-being.

The reports can be accessed at **www.mcbgroup.com.** They are available in a format that is fully adapted to smartphones, tablets and computers. This allows for an enjoyable reading experience, while making it easy to share key information from the report. The latter can, thus, be conveniently broadcast on social media platforms as well as on instant messaging services.

For a more comprehensive understanding of the Group's strategy, business, performance as well as approach to corporate governance and risk management, our **websites** provide a full suite of publications, which cater for the diverse needs of our stakeholders.

Financial highlights

Financial performance

Net profit

Rs 9,637 m

+20.2%

	Rs m
Jun 22	9,637
Jun 21	8,019
Jun 20	7,912

Total assets

Rs 728 bn

+6.6%

	Rs bn
Jun 22	728
Jun 21	683
Jun 20	532

Shareholder value

Earnings per share

Rs 40.13

+19.9%

	Rs
Jun 22	40.13
Jun 21	33.48
Jun 20	33.09

Dividend per share*

Rs 13.90

	Rs
Jun 22	13.90
Jun 21	16.75
Jun 20	0.00

Market positioning

Customer loans

Rs 340 bn

+17.8%

	Rs bn
Jun 22	340
Jun 21	288
Jun 20	252

Customer deposits

Rs 519 bn

+6.7%

	Rs bn
Jun 22	519
Jun 21	486
Jun 20	386

Efficiency & return ratios

Cost to income

38.3%

+1.4 pp

	%
Jun 22	38.3
Jun 21	36.9
Jun 20	35.5

Return on equity

12.8%

+0.9 pp

	%
Jun 22	12.8
Jun 21	11.8
Jun 20	13.3

Asset quality & capitalisation

Gross NPL ratio

3.7%

+4 bp

	%
Jun 22	3.7
Jun 21	3.6
Jun 20	4.2

Capital adequacy ratio

18.1%

+0.7 bp

	%
Jun 22	18.1
Jun 21	17.4
Jun 20	18.6

Dividends declared for FY 2021/22 are not strictly comparable with those of FY 2020/21 and FY 2019/20. No dividend payment was made in respect of 2020 amidst the uncertain context and the 2021 dividend was based on the results of both years, albeit at a reduced payout rate.

Non-financial highlights

Shareholders and investors

Rs 74 billion	A	Baa3/P-3*
Market capitalisation on Stock Exchange of Mauritius (SEM) *(First on the local stock market)*	MCB Group MSCI ESG Rating	Long-term / short-term deposits ratings – Moody's Investors Service

Customers

~ 1,145,000	~ 441,600	80.6*
Total customers	MCB Juice subscribers	Customer satisfaction score *(Retail)*

Societies and communities

~ Rs 63.5 million	58%*	100%*
Amount spent by MCB Forward Foundation	of total procurement expenditure sourced from local suppliers	of residual emissions from 2020 operations offset to contribute to carbon neutrality

Authorities and economic agents

~ 4%*	~ 9%*	44%*
of the total value added generated in Mauritius	of total corporate tax paid in Mauritius *(inclusive of levies on income)*	Cash to digital payments ratio

Employees

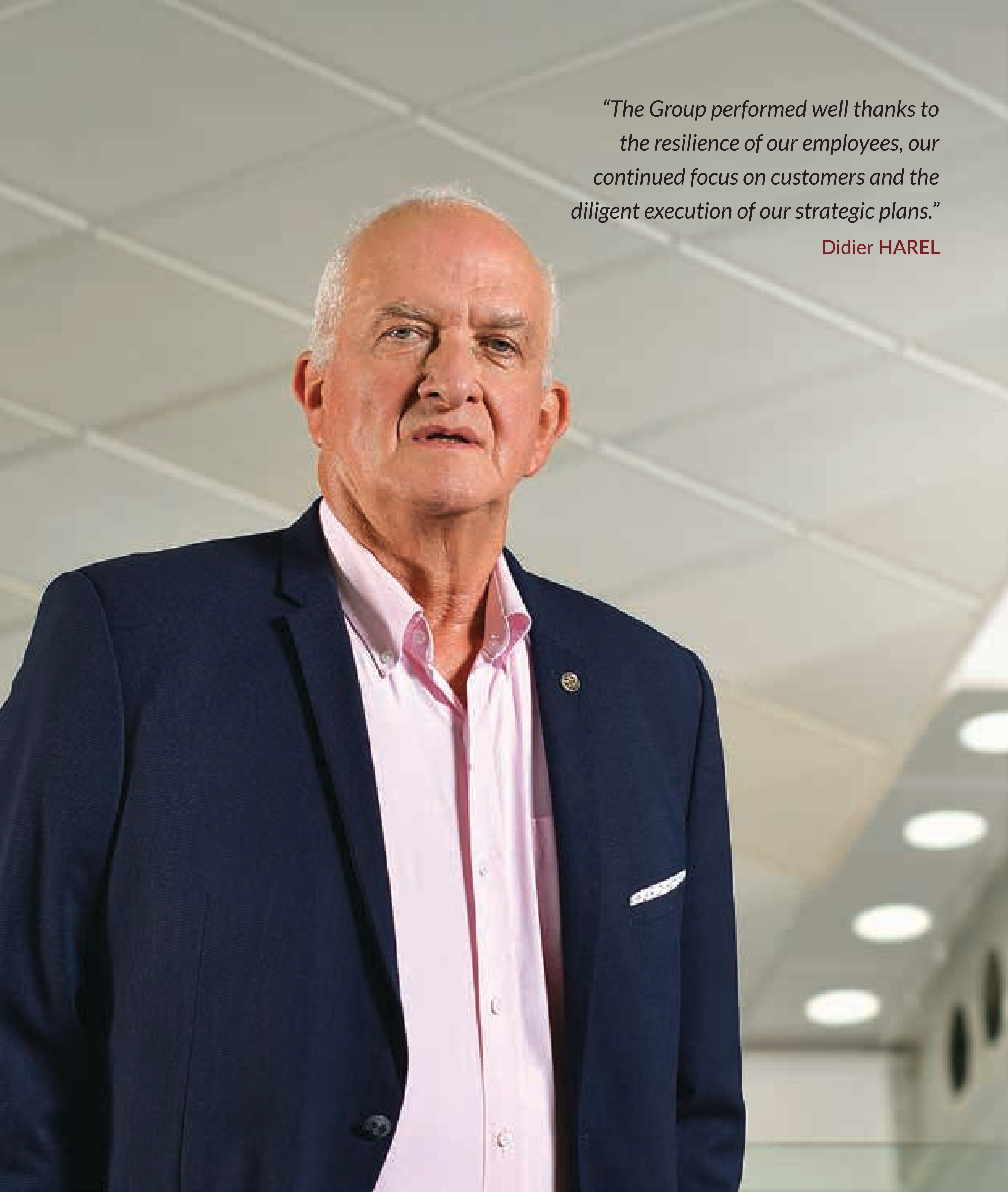
~ 3,900	29%*	~ 95%
Workforce	Women at middle and senior management level	Employee retention rate

*Relates to MCB Ltd

Note: Figures above are as at 30 June 2022

Read more about our key stakeholders in the 'Creating value in a sustainable way for our stakeholders' section on pages 49 to 62

Read more in the Sustainability Report on our website



“The Group performed well thanks to the resilience of our employees, our continued focus on customers and the diligent execution of our strategic plans.”

Didier HAREL

Reflections from the Chairperson

Foreword

I would like to start my message this year by reflecting on this extraordinary succession of socio-economic shocks, which we are all experiencing. First, we have had the COVID-19 pandemic that has had such a severe impact across all spheres of life throughout the world during the past two years. Now, of course, there is the war in Ukraine, which is sending shockwaves throughout the global economy. These overlapping crises are triggering the emergence of a new world order as major forces are shaking up economies worldwide, redefining the rules and setting new expectations for businesses at large. The seismic shifts stemming from the prevailing geopolitical turmoil, spanning the growing risk of durable economic stagflation, supply chain and energy disruptions as well as rising calls for responsible technology, environmental, social and governance (ESG) agenda, diversity, equality and inclusion (DE&I), green finance and ethical integrity are compelling corporates at large to reassess their strategic decision-making processes, and their Boards to simultaneously rethink their corporate governance practices. I believe this major dual challenge will be at the very centre of our corporate plans and preoccupations for the forthcoming financial year.

These trends have obviously contributed to the operating environment remaining volatile and persistently challenging during the last financial year, although there have been some encouraging signs of an economic recovery in our presence countries. Yet, the Group performed well thanks to the resilience of our employees, our continued focus on customers and the diligent execution of our strategic plans. We strengthened our balance sheet, while profits attributable to shareholders grew by 20.2% to Rs 9,637 million, reflecting the continued success of our endeavours to broaden and diversify our revenue base at the level of both banking and non-banking entities. A key source of satisfaction is that we preserved our financial soundness in support of our growth strategy. The Group remained well capitalised with our consolidated BIS and Tier 1 capital ratios standing at 18.1% and 16.8% respectively as at 30 June 2022. We also maintained healthy liquidity and funding positions while our asset quality remained relatively stable in spite of the uncertain market conditions.

Key factors driving our progress

The Group pursued its expansion drive on the basis of its three-pronged strategic orientations, which are to strengthen our domestic position, expand our non-bank activities and grow our international footprint, alongside laying the foundations for future growth. Amidst the prevailing unsteady context, Group entities focused on upholding the resilience of their operations and implemented their growth agenda in a disciplined and prudent manner. As regard the banking cluster, notwithstanding competitive pressures, MCB Ltd upheld its leadership position in Mauritius on the basis of its enriched value proposition and upgraded channel capabilities, helped notably by key innovations on the payments and digital fronts. It effectively entrenched its diversification strategy by focusing on market segments where it has built expertise over time. The Bank further positioned itself as a trusted and competitive banking partner in Africa, notably in the Energy and Commodities sector alongside servicing a larger pool of regional and international corporates across the continent. We initiated actions towards improving our presence, going forward, in the gas trading business in Africa, as the Bank seeks to accompany the region in its energy transition drive. However, the Bank understands that it is going to take some time for its key African markets to progressively shift to renewable energies, and remains committed to being their partner during this transition. Our overseas banking subsidiaries have pursued their balance sheet growth by leveraging a customer centric approach and various value creating initiatives, alongside capitalising on enhanced synergies across the Group to offer unique selling propositions to clients. In the non-banking field, some entities made headway in tapping into established and emerging growth pillars benefiting from market recovery, whilst other entities had to deal with some exceptional and unforeseen circumstances, resulting from the COVID-19 pandemic. Spanning the organisation as a whole, we continued to showcase our 'Bank of Banks' initiative under our Africa Forward Together strategy. We have also reviewed the latter towards working with our network of correspondent banks, with a view to enhancing our offerings and improving service to our clients in foreign markets, as well as tapping into new business opportunities.

> *"Promoting rigorous risk conduct and embedding a risk culture also remained key priorities for the Board."*

The speed at which society has adopted new digital tools and solutions since the pandemic is unprecedented. To tap into these emerging opportunities and progress in our aim to help transform Mauritius into a cash-lite society, the Group continued to invest in its digital transformation agenda and made headway in providing a differentiating experience to its customers. Digitalisation is also a crucial element of our goal to be safe, secure and compliant in our risk management processes and controls. Accordingly, due focus was laid on enhancing our cybersecurity and compliance frameworks, through the implementation of a secured and robust network architecture. Promoting rigorous risk conduct and embedding a risk culture

Reflections from the Chairperson

also remained key priorities for the Board. Concomitantly, the Group continued to invest in strengthening its ability to respond to changes in existing risks, and deal with new risks as they arise in an increasingly complex external environment. In February 2022, my Board has reviewed and approved an updated Group Risk Heat Map and will ensure that risk-monitoring remains a key theme at Board level, by regularly reviewing and monitoring our risk universe, whilst taking into account emerging risks. The Group also commissioned a specialised consultant to conduct a Cybersecurity Maturity Assessment following the one carried out a few years back, and assist us in drawing up an action plan to relentlessly improve the protection of sensitive data and of our critical assets, whilst concomitantly enhancing internal awareness with training and skill development of our employees.

The Group has also continued to invest in the development of its people's capabilities and capacities. We made progress on the implementation of our Talent Management Programme and worked towards further promoting gender diversity, notably in terms of the number of women in middle and senior management positions. In line with our purpose, 'Success Beyond Numbers', we maintained our thrust to embed sustainability principles at the core of our business. Alongside promoting local production through ongoing support to micro, small and medium enterprises, the Group has been concentrating on reducing its carbon emissions and has offset the residual emissions from its 2020 operations by investing in projects that have environmental and social benefits.

The success of the Group's efforts last year have been widely recognised. The Group has demonstrated resilience by remaining the strongest blue-chip company on the Official Market of the Stock Exchange of Mauritius. We have strengthened our leadership position with a market capitalisation of Rs 73,975 million with a year-on-year growth of 13%. Further reflecting our sound and sustained achievements, we were rated as the best banking institution in East Africa, while improving our positioning worldwide to stand at the 609th spot as per the 'Top 1000 World Banks' of The Banker magazine for 2022. In addition to maintaining its investment grade status by Moody's Investors Service, MCB Ltd won various awards including the 'Regional Bank of the Year – Southern Africa' by the African Banker Awards, the 'Best financial institution syndicated loan in Africa' by EMEA Finance and 'Best Bank in Mauritius' by Euromoney Awards for Excellence for the ninth year in a row. I am very proud of what these recognitions say about how our highly engaged teams are delivering superior results.

" We are working to continuously deepen our leadership bench strength with a view to improving the quality of succession plans."

The way forward

The one thing we can be sure about is that the operating environment will remain challenging and unpredictable in coming periods, with our business activities across geographies thereby staying under pressure. Indeed, whilst there is a recovery underway across our presence countries, partly driven by a pick-up in the tourism sector, there are notable downside risks amidst the steady deterioration in the worldwide macro-economic outlook in the forthcoming year. At the same time, we expect competitive pressures to intensify in specific segments as operators gear up on their value proposition, leveraging the latest technologies in the process. The demanding regulatory and compliance requirements will also warrant scrutiny.

Nonetheless, I remain confident in our ability to push ahead with the execution of our growth agenda towards achieving sound, diversified and sustained business development. On this front, whilst remaining cautious and conservative in our approach, we will seek to consolidate our involvement in existing markets alongside diversifying our revenue streams across markets and products. In particular, we are keen on deepening our involvement in the transaction banking business to facilitate trade and investment in the region. In parallel, we will strive to strengthen our relationships with global and international corporates seeking to leverage the Mauritian International Financial Centre for tapping into the African market. As part of our purpose, we will boost our engagement in the financing of cleaner energy projects whilst supporting countries in their gradual energy transition journey.

From a holistic perspective, I think we can be rightly proud of the positive impact we have had in the lives of our customers and in the communities we serve. Ensuring that impact to continue depends largely upon our ability to attract and retain top-tier talent and ensure our talented employees are well led. In a competitive market, we will continue to expend our very best efforts to ensure the Group provides challenging and inspiring opportunities capable of attracting world-class talent. We will continue to invest in making sure MCB is a great place to work for every colleague and we will continue to embed our culture of high performance. Developing leaders across the Group remains a foremost priority. We are working to continuously deepen our leadership bench strength with a view to improving the quality of succession plans. Leaders are crucial enablers of talent and our commitment to investing in their development remains constant.

I warmly welcome the launch of our Group Culture Project. Building the right culture across the Group is critical as we seek to respond with speed and agility to the varied and growing operational challenges we face. The critical success factor of this key project is the ability of our leaders to continuously and deeply engage in their core responsibility of inspiring and caring for the members of their respective teams.

Concluding remarks

On behalf of the Board, I would like to highlight the outstanding efforts of our 3,900 colleagues for their commitment and endurance in the challenging circumstances to deliver a seamless service to our customers and communities that we serve. A note of gratitude goes to our shareholders, for placing the highest trust and confidence in the Board's leadership. I also wish to thank my fellow Directors for their valuable counsel and continued support in preserving the stability of our operations and growth momentum despite the underlying difficult external context.

Looking ahead, I am convinced that we are well equipped to deal with a global environment which is likely to continue being shock-prone. Through our resilient business model and robust balance sheet and thanks to the dedication of our employees and the continued support of our shareholders and customers, I have no doubt that we shall continue creating long-term value for all our stakeholders.

M G Didier HAREL
Chairperson

Board of Directors

Independent Non-Executive Directors

Didier HAREL *(Chairperson)*

Karuna BHOOJEDHUR-OBEEGADOO

Constantine CHIKOSI

Jean-Philippe COULIER

Stephen DAVIDSON

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE

Georges Michael David LISING

Alain REY

San T SINGARAVELLOO

Executive Directors

Pierre Guy NOEL

Gilbert GNANY

Jean Michel NG TSEUNG *(Non-Executive Director until August 2021)*

Secretary to the Board:

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Committees of the Board

Risk Monitoring Committee

Jean-Philippe COULIER *(Chairperson)*

Gilbert GNANY

Didier HAREL

Jean Michel NG TSEUNG *(also acts as Secretary)*

Pierre Guy NOEL

Alain REY

Remuneration, Corporate Governance, Ethics and Sustainability Committee

Didier HAREL *(Chairperson)*

Karuna BHOOJEDHUR-OBEEGADOO

Stephen DAVIDSON

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE

Pierre Guy NOEL

Secretary:

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Strategy Committee

Didier HAREL *(Chairperson)*

Constantine CHIKOSI

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE

Gilbert GNANY *(also acts as Secretary)*

Georges Michael David LISING

Pierre Guy NOEL

Audit Committee

San T SINGARAVELLOO *(Chairperson)*

Karuna BHOOJEDHUR-OBEEGADOO

Stephen DAVIDSON

Secretary:

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Supervisory and Monitoring Committee

Didier HAREL *(Chairperson)*

Jean Michel NG TSEUNG *(also acts as Secretary)*

Pierre Guy NOEL

Contents

LAURIE C.
Meet the artist

About this report

Philosophy of the Annual Report

This Annual Report provides a holistic and transparent assessment of our ability to create sustainable value in the short, medium and long term for our multiple stakeholders. We strive to adhere to the key principles and requirements set out in the reporting framework of the International Integrated Reporting Council.

Reporting scope and boundary

Reporting period

The report is published annually and covers the period spanning 1 July 2021 to 30 June 2022. Material events taking place after this date and until approval of the report by the Board of Directors of MCB Group Ltd have also been communicated.

Reporting requirements

The contents of the report comply with the obligations and requirements falling under relevant laws and regulations as well as local and international codes and standards of good practices. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and relevant regulatory requirements.

Financial and non-financial reporting

The report extends beyond financial reporting and provides insights on the organisation's non-financial performance and positioning in relation to its key stakeholders, which have a significant influence on its ability to create value.

Operating business

The report sheds light on activities undertaken across the Group's local and foreign subsidiaries and associates. The nature and extent of information delivered depend on their materiality and relative significance to the Group and its stakeholders.

Specific areas of reporting

The report contains information on the overall strategic and operational progress achieved by the organisation during the year in review. It provides insights on our operating environment, business model and strategy, business performance, support to stakeholders, management of risk and adherence to corporate governance principles.

Assurance and independent assessment

Our external auditors provide independent assurance on the financial statements of MCB Group Ltd, alongside confirming that the corporate governance report is consistent with the requirements of the applicable National Code of Corporate Governance.

Report content and materiality

In compiling this report, we focus on topics that have the potential to materially impact our ability to create value. Our material matters are assessed annually in light of the evolving operating environment and, if need be, reviewed on the basis of feedback obtained from stakeholder engagement. The material matters identified for this year are reflected in our strategic business decisions and highlighted throughout this report.

Sustainable Development Goals (SDGs)

The Group has identified and prioritised 11 of the 17 SDGs of the United Nations where we believe we can generate the most meaningful value through our operations. Throughout this report, we outline our approach to delivering on these SDGs, with more details available in our Sustainability Report.

Icons used in this report

Read more in this Annual Report

Read more in the Sustainability Report on our website

Find out more online *(i.e. across MCB websites)*

JESSIE
Meet the artist

Success Beyond Numbers

Our Core Values

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Our corporate profile

DENIS LI
Meet the artist

Our corporate profile

Who we are

MCB Group has evolved into a prominent regional banking and financial services player, offering a comprehensive range of tailored and innovative solutions through its local and foreign subsidiaries and associates. Through MCB Ltd, which was established in 1838, the Group has cemented its position as the leading banking sector player locally. In addition to that, the Group has actively diversified its activities across geographies, notably in the region, and broadened its footprint in the non-banking field. Listed on the Official Market of the Stock Exchange of Mauritius since its inception in 1989, MCB Group is one of the most traded stocks thereon, representing some 45% of market turnover[1] in FY 2021/22. We have the largest market capitalisation, with a share of around 27%[2] on the domestic stock exchange. The Group has a broad and diversified shareholder base, comprising around 9% of foreign shareholding.

[1]Excludes one-off transactions

[2]Excluding foreign-currency denominated, GBC1 and international companies

Our strength and value drivers

We are determined on helping build resilient, profitable and sound businesses and enabling people to fulfil their dreams and ambitions, alongside doing our best to foster the sustained success and well-being of societies and economies.

- Solid business model
- Proven client-centric approach
- Dedicated workforce
- Robust risk management and compliance framework
- Adoption of cutting-edge channels, tools and practices
- Adherence to sustainability principles

Our credentials and recognition

Domestic market shares of MCB Ltd

~40% Domestic credit to the economy

~48% Local currency deposits

Credit ratings of MCB Ltd

Moody's Investors Service

Long term rating	Short term rating	Outlook
Baa3	P-3	Stable

CARE Ratings (Africa) Private Limited

Long term rating	Outlook
AAA*	Stable

**Pertains to the servicing of financial obligations in Mauritius*

Sustainability highlights

Constituent of SEM Sustainabilty Index

Stock Exchange of Mauritius Sustainability index

MCB Group MSCI ESG Rating

MSCI ESG RATINGS A

CCC | B | BB | BBB | A | AA | AAA

Accolades

World

609th in the world
based on Tier 1 capital

The Banker Top 1000 World Banks, July 2022

Africa

Regional Bank of the Year - Southern Africa
African Banker Awards 2022

1st in East Africa
18th in Africa
The Banker Top 1000 World Banks, July 2022

4th Strongest Bank in Africa by balance sheet
The Asian Banker 500 Largest and Strongest Banks Rankings 2021

Leading Regional Bank
in terms of operating income and profitability
L'Eco Austral, Top 500 Regional, Edition 2022

77th in Africa
in terms of market capitalisation
African Business Top 250 Companies, April 2022

31st in Africa
in terms of assets
Jeune Afrique, Top 200 Banks, The Africa Report, September 2021

Best Financial Institution Syndicated Loan in Africa
EMEA Finance 2022

Mauritius

Best Bank in Mauritius
Euromoney Awards for Excellence 2022

Best Banking Group Mauritius
International Banker 2022

Best Innovation in Retail Banking
International Banker 2022

Best Trade Finance Bank in Mauritius
GTR Africa Leaders in Trade 2022

Best Private Bank in Mauritius
PWM/The Banker 2021

Brand Purpose/ Sustainable Brand
Brand Magic 2022

Client Excellence Award
Deutsche Bank 2021

Our corporate profile

Our market operations

To further their business growth, Group entities can rely on wide-ranging platforms and channels, encompassing branches, ATMs as well as payment, mobile and Internet Banking platforms. Moreover, Group entities leverage organisation-wide synergies as well as alliances and partnerships with external parties. As for MCB Ltd, it also taps into a network of correspondent banks worldwide, including over 100 in Africa, alongside capitalising on its Representative Offices located in Johannesburg, Nairobi and Paris as well as its Advisory Office in Dubai. The organisation has also applied for the setting up of a Representative Office in Nigeria given its involvement in the Energy & Commodities area at large, and commodity trade finance, in particular, in the country and the commercial opportunities in the West African region.

While being headquartered in Mauritius, the Group has a notable presence in the Indian Ocean and sub-Saharan African regions.

Our channels and digital platforms

400 Correspondent banks

212 ATMs

~ 314,400 Internet Banking subscribers

61 Branches/Kiosks

~ 14,000 POS terminals

~ 441,600 MCB Juice subscribers

How we operate

The orderly execution of our strategy is enabled by properly ring-fenced entities, business lines, as well as coverage and support functions. Common frameworks and policies are adopted where appropriate to ensure that the Group works in an integrated way.

MCB GROUP LTD

Banking*

MCB Investment Holding Ltd (100%)

- 100% MCB Ltd
  - 49.99% Banque Française Commerciale Océan Indien (Associate)
  - 35% Société Générale Moçambique (Associate)
  - 80% MCB Madagascar SA
- 10%
- 100% MCB Seychelles Ltd
- 100% MCB (Maldives) Private Ltd

Non-Banking Financial*

- 100% MCB Capital Markets Ltd
- 100% MCB Equity Fund Ltd
- MCB Leasing Ltd 100%
- 100% MCB Factors Ltd
- 100% MCB Microfinance Ltd
- 40% Credit Guarantee Insurance Co. Ltd (Associate)
- 100% MCB Real Assets Ltd

Other Investments*

- 57.73% Fincorp Investment Ltd
- 100% MCB Properties Ltd
- 100% MCB Consulting Services Ltd
- 80% MCB Institute of Finance Ltd
- 100% MCB Group Corporate Services Ltd
- 100% Mascareignes Properties Ltd
- 100% MCB International Services Ltd
- 100% MCB Forward Foundation
- 99.63% Blue Penny Museum 0.37%

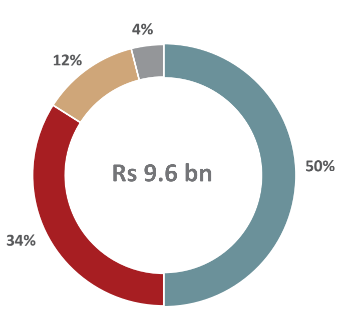
** Relate to clusters*

MCB Group Ltd is the ultimate holding company of the Group.

The subsidiaries and associates of the Group operate under three clusters, i.e. 'Banking', 'Non-banking financial', and 'Other investments'. **MCB Investment Holding Ltd**, a wholly-owned subsidiary of MCB Group Ltd, is the holding company of all the banking investments of the Group, namely MCB Ltd and overseas banking subsidiaries and associates.

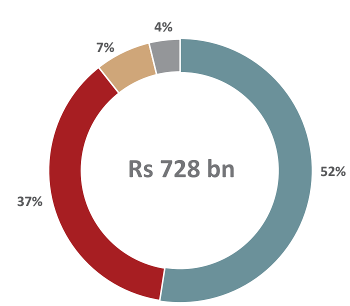
Breakdown of Group performance for FY 2021/22

Profit attributable to ordinary shareholders



- MCB Ltd - Domestic
- MCB Ltd - Foreign-sourced
- Foreign banking subsidiaries & associates
- Non-banking financial & Other investments

Assets



Our corporate profile

Our clusters and entities

The Group is the market leader in the Mauritian banking sector via its main subsidiary, MCB Ltd, which is also actively involved in the region. The Group also has banking subsidiaries and associates in countries beyond Mauritius.

MCB Ltd

The Bank delivers a wide range of financial products and services across customer segments to help clients achieve their growth ambitions and meet their transactional needs. Clients have at their disposal multiple channels and platforms and can avail of innovative digital and payments solutions.

Retail: The Bank caters for the day-to-day and lifetime needs of retail customers. In addition to lending and deposit facilities, adapted account packages are offered to our individual customers across age and income groups.

Private Banking and Wealth Management: The Bank nurtures client relationships through the delivery of dedicated advisory services and offerings including investment and wealth management solutions, which are geared towards the safeguard, growth and transmission of the assets of its resident and non-resident affluent and high net worth client base, while also serving external asset managers through tailored value proposition.

Business Banking: The Bank acts as a financial partner to small and medium and mid-market enterprises by providing them with customised solutions to meet their growth endeavours and accompanying them during their business development cycle, while facilitating their access to new markets and alternative sources of finance.

Corporate and Institutional Banking: The Bank assists domestic large corporate and institutional clients by offering them flexible solutions and dedicated advice to meet their growth and capacity building ambitions as well as their transactional needs. While leveraging the Mauritian jurisdiction, it also attends to the needs of diverse customer segments doing business within and into Africa, and ventures beyond. The coverage in this segment consists of specialist teams focusing on: (i) Mauritian & Regional Corporates; (ii) Global & International Corporates; (iii) Specialised Finance (which comprises Energy & Commodities financing as well as Power & Infrastructure financing); and (iv) Financial Institutions and Syndication. In line with the Group's 'Africa Forward Together' strategy, the Bank is also continuously collaborating with other financial institutions to help improve their value offering as part of its 'Bank of Banks' initiative and build stronger and meaningful partnerships towards better servicing its clients in foreign markets.

Overseas entities

The Group's foreign banking subsidiaries in Madagascar, Maldives and Seychelles as well as its overseas associates, i.e. Banque Française Commerciale Océan Indien (BFCOI) - operating in Réunion Island, Mayotte and Paris - and Société Générale Moçambique provide clients with an array of banking services adapted to local market realities. Key offerings provided include *inter alia* deposit and credit facilities as well as payment services, including digital solutions. Our foreign subsidiaries capitalise on Group synergies to position themselves as the preferred banking partner of corporate and individual customers.

The Group has gradually entrenched its participation in the non-banking financial services field.

The Group is involved across several other business areas and ancillary undertakings. The Group also has dedicated structures to promote its actions in the Corporate Social Responsibility and philanthropic fields.

Key entities

MCB Capital Markets Ltd is the investment banking and asset management arm of MCB Group. Led by a dedicated and experienced team of specialists, the entity provides a broad range of investor services under one roof including corporate finance advisory, asset management, stockbroking, private equity, structured products and registry services. Based in Mauritius, the team works with clients wishing to start or grow their operations in Africa and helps them develop solutions that meet their financing, strategic and investment objectives.

MCB Factors Ltd is a prominent operator in the field of factoring in Mauritius. It offers innovative advisory and counselling solutions, while customising its offer to accommodate the business growth and cash flow requirements of its clients.

MCB Leasing Ltd brings in a wealth of experience to position itself as a key market player. It offers a wide range of finance and operating leasing solutions, including green lease, as well as attractive rates on fixed deposits.

MCB Microfinance Ltd facilitates access to credit by micro and small entrepreneurs, with a view to assisting them to unleash their potential as well as implement their ideas and business plans.

Key entities

MCB Consulting Ltd provides companies with sustainable solutions to help them attain their innovation and business development goals. Its areas of specialisation include the provision of advisory services – which range from strategic planning and execution to risk management – business process and organisational reviews, assistance in the selection, implementation and maintenance of Information Technology solutions, as well as the delivery of training services. Since its inception 8 years ago, through leveraging its dynamic and international team, the entity carried out assignments in 42 countries across 5 continents.

Fincorp Investment Ltd is an investment company listed on the local stock exchange with two strategic assets namely MCB Leasing Ltd and Promotion and Development (PAD) Ltd. PAD has an important asset portfolio with a heavy property bias.

MCB Institute of Finance Ltd provides students and professionals alike with the financial know-how via carefully selected courses in partnership with high-calibre educational institutions. It aspires to become an African reference in the emergence and support of financial sector talents.

More information on our market operations by cluster is available on our website

Read more in the 'Delivering on our strategic objectives' section on pages 35 to 86

Our corporate profile

Our extensive and customised financial solutions

Through its banking and non-banking entities, the Group provides its clients in Mauritius, Africa and beyond, with customised and innovative financial solutions as well as dedicated advice to meet their ambitions. We work closely with customers to understand their imperatives, challenges and priorities, while assisting them to design solutions adapted to their needs.

Personal financial services

Everyday Banking

- Deposit accounts (current & savings)
- Multi-currency accounts
- Forex transactions
- Overdrafts
- Debit, credit & pre-paid cards
- Distribution of general insurance cover

Banking Channels

- Branch network
- ATM
- Internet banking
- Mobile banking: MCB Juice
- SMS banking

Payment Services

- Local & international money transfers
- Mobile refill & payments
- Standing order instructions & direct debits
- Bank drafts
- Book transfers
- Bill payments

Financing Solutions

- Home loans
- Personal loans
- Education loans
- Car financing & green lease
- Green loans
- Microfinance
- Lombard facilities

Savings & Investment

- Education plan/ Retirement plan
- Investment funds
- Custodian services
- Fixed deposits
- Distribution of life insurance plans, treasury bills & government bonds

Wealth Management Solutions

- Financial planning
- Discretionary portfolio management
- Non-discretionary investment management
- Investment trade execution
- Access to private equity groups and deals

Intra-Group synergies are tapped into to provide clients with required solutions, e.g. provision of investor-related services and pursuance of the 'Bank of Banks' initiative. Through the latter, the Group seeks to provide adapted solutions linked to trade finance, payments, global markets and securities services as well as advisory and consulting services, amongst others, to support the growth of counterparts, mainly in Africa.

Corporates & Institutions

Payments & Cash Management Solutions

- Electronic points of sale & cards acquiring services
- Corporate credit cards
- E-commerce
- International transfers
- SWIFT services
- Transfers & remittances
- Cash management solutions, internet banking and SmartApprove application
- Mobile banking solutions
- SWIFT gpi
- Host to Host application

Financing Solutions

- Short & long term loans
- Green loans
- Syndicated loans
- Bridging loans
- Private equity
- Mezzanine financing
- Structured finance
- Factoring
- Microfinance
- Operating & finance lease
- Asset-based lending
- Lokal is beautiful Scheme
- Lombard facilities
- Express overdraft, overdrafts & working capital
- Leasing

Transactional Banking

- Business debit & deposit card
- Deposit accounts
- Multi-currency accounts
- Internet banking
- Bank drafts
- Forex transactions
- Overdrafts
- Mobile banking: MCB JuicePro

International Trade Finance

- Import & export
- Credit protection
- Bank guarantees
- Standard trade finance
- Structured commodity finance
- L/C re-issuance/ confirmation
- Secondary asset trading
- Traditional trade finance solutions
- Trade receivables & payable financing
- Supply chain financing

Business Services

- Checking facilities
- Payroll services
- Secretarial services
- Online business account opening
- Bulk payment

Foreign Exchange Services

- Currency swaps
- Spot & forward deals
- Interest rate swaps
- International transfer & remittances

Investment Related Services

- Investment trade execution
- Structured products
- Structured credit
- Investment advisory services
  - Real assets
  - Private equity
- Securities & custodian services
- Brokerage services
- Investment management
- Dual currency deposits

Outsourcing & Advisory Services

- Payments outsourcing
- Consulting & project management services
- Online marketplace: PUNCH*

** PUNCH is a B2B online marketplace which allows our local entrepreneurs to find solutions to business challenges, make meaningful connections and have access to interesting resources for growth.*

More information on our financial solutions is available on our website

Our corporate profile

What we deliver

Our value-creating business model

We use our resources and expertise to create sustained benefit for all our stakeholders.

Our inputs and resources

Financial capital

The pool of funds that underpins our organisation's operations and business activities

Social and relationship capital

Our involvement in driving social progress and a thriving financial ecosystem by collaborating with relevant institutions and acting on relationships within and between communities as well as groups of stakeholders

Human capital

Our people's technical skills, competencies and their collective knowledge and motivation to innovate and develop customised solutions for clients

Natural capital

The stocks of natural assets or renewable and non-renewable resources, which are, directly or indirectly, impacted by the operations and business activities of our organisation

Intellectual capital

Our knowledge-based intangibles – including our franchise and reputation, intellectual property and strategic partnerships – as well as 'organisational capital' such as tacit knowledge, procedures and protocols

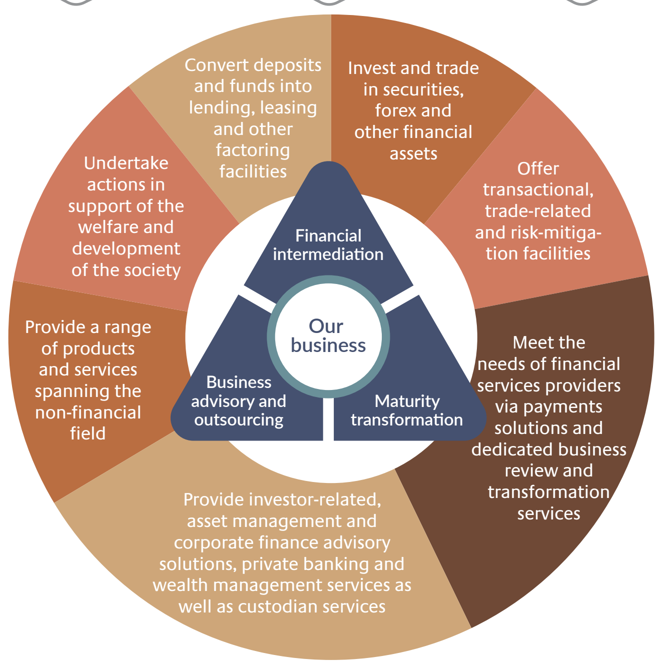
Manufactured capital

The operational paradigms, mechanisms and processes, including our physical infrastructure as well as our information technology and digital platforms

...enable value-adding activities

Our key strategic orientations

- Strengthen our domestic position
- Expand our non-bank operations
- Grow our international footprint



Delivering on our purpose, Success Beyond Numbers

- Support vibrant and sustainable local and regional economies
- Promote our cultural and environmental heritage
- Invest in the individual and collective well-being

Our material matters

- Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions
- Heightened regulatory and supervisory oversight
- Changing world of work
- Changing consumer needs and expectations

...that create value for our stakeholders

Shareholders and investors
We deliver appreciable and predictable returns for our shareholders and investors

16 Peace, Justice and Strong Institutions | 17 Partnerships for the Goals

Societies and communities
We promote social progress and financial inclusion in countries where we are involved while also helping to preserve environmental endowment

7 Affordable and Clean Energy | 10 Reduced Inequalities | 12 Responsible Consumption and Production | 13 Climate Action | 14 Life Below Water | 15 Life On Land

Authorities and economic agents
We collaborate closely with authorities and economic agents to foster the stability and progress of the financial sector and economy of presence countries

8 Decent Work and Economic Growth | 16 Peace, Justice and Strong Institutions | 17 Partnerships for the Goals

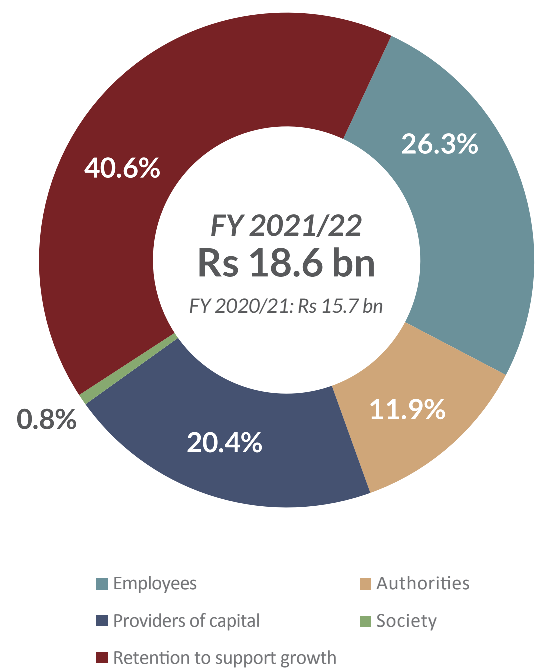
Employees
We act as an employer of choice and are committed to supporting the development and well-being of our staff

5 Gender Equality | 8 Decent Work and Economic Growth | 10 Reduced Inequalities

Customers
We support the financial goals of our clients with a tailored offering delivered through excellent services and appealing digital platforms

1 No Poverty | 8 Decent Work and Economic Growth | 10 Reduced Inequalities | 12 Responsible Consumption and Production

Wealth created by MCB Group



Cybersecurity | Digital disruptions | Increasingly competitive environment | ESG considerations

Read more in the 'Delivering on our strategic objecitves' section on pages 35 to 86

Read more in the Sustainability Report on our website

Delivering on our strategic objectives

DISHA
Meet the artist

"We have further extended our reach outside the country by diversifying our banking and non-banking activities and value proposition across market segments and geographies."

Pierre Guy NOEL

Message from the Chief Executive

Facing up to a challenging and uncertain backdrop

When I wrote my message to you last year, I was hoping that, by now, we would be seeing a general acceleration in economic activities following the COVID-19 induced crisis. Instead, we are still navigating through a highly complex and uncertain environment. The unfolding war in Ukraine has accentuated international trade and supply-chain disruptions, triggered a hike in food, energy and other commodity prices that have fuelled higher inflationary pressures while precipitating a potential restructuring of the global order and reinforcing the importance of accelerating the energy transition. Furthermore, the wave of pronounced tightening of financial conditions across major advanced economies is contributing to a sharp slowdown in global growth, with ramifications on the operating environment across the countries where the Group is present. In Mauritius, the health impact of the pandemic has been well managed with most of the population now vaccinated and an encouraging pick-up in tourist arrivals is underway. However, the economic recovery is being impacted by the spillover effects of the war in terms of rising input costs and heightened market volatility. In addition, whilst the country's exit from the lists of the Financial Action Task Force and the European Union in a relatively short timeframe represents an important breakthrough, we had to contend with the downgrade, by Moody's Investors Service, of the sovereign credit ratings of Mauritius. That said, the affirmation of MCB Ltd's long-term deposit and issuer ratings at Baa3 by Moody's and the change in the outlook to stable from negative testify to the resilience of our financial profile in the face of the challenging context.

Indeed, despite the impact of volatile market conditions, Group profits attributable to ordinary shareholders for the year ended 30 June 2022 grew by 20.2% to Rs 9,637 million, reflecting improved operating results across business clusters as well as lower impairment charges.

Operating income maintained its uptrend and grew by 6.4%, supported by the Group's diversification strategy and the pick-up in economic activity. Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on our international loan book amidst a shift in its mix toward the shorter tenor loans. Non-interest income rose by 11.8% to Rs 8,654 million in spite of fair value losses of Rs 518 million on equity investments compared to a gain of Rs 919 million in the previous year. This performance was driven by an increase of 36.1% in net fee and commission income, reflecting higher revenues across banking subsidiaries, notably from trade financing and payment activities, as well as a strong growth in profit arising from dealings in foreign currencies and the resumption of rental income at the level of MCB Real Assets following the reopening of the borders.

> *"We have continued to stand by our customers in these uncertain times, supporting the economies in which we operate."*

Sustained efforts to reinforce our human capital and technological capabilities led to operating expenses increasing by 10.4%, thus contributing to a rise in the cost to income ratio from 36.9% to 38.3%. On the other hand, in spite of an increase in specific provisions net of recoveries, net impairment charge of financial assets declined by 27.0% to Rs 3,481 million. As a result, cost of risk in relation to loans and advances declined by 53 basis points to reach 0.86%.

The share of profit of associates rose by 115% to Rs 799 million, mainly due to enhanced performance of Promotion and Development Ltd and our banking associates, BFCOI and Société Générale Moçambique.

Encouragingly, the Group preserved its financial soundness in face of the difficult operating context. Whilst asset quality metrics were relatively stable with the gross NPL ratio standing at 3.7%, the Group has maintained healthy funding and liquidity positions alongside further strengthening its capital buffer, with the BIS and Tier 1 ratios improving to 18.1% and 16.8% respectively. With the objective of gradually consolidating its capital base and delivering sustainable returns for our shareholders, the Group launched its Scrip Dividend Scheme in September 2021. As part of the Scheme, ordinary shareholders now have the option of receiving their dividends, or part thereof, by way of ordinary shares of MCB Group Ltd (Scrip shares) at a predetermined price. Adoption of the Scheme enabled us to consolidate our shareholders' funds by Rs 481.6 million in relation to the dividends declared during the financial year.

Pursuing our growth trajectories

We have continued to stand by our customers in these uncertain times, supporting the economies in which we operate. We remained focused on developing the best value propositions, across our platforms, to build the financial well-being of our clients as we learned to live with COVID-19. Among other things, we strengthened our offerings and improved the customer experience through digitalisation, backed by our Digital Transformation Programme. Importantly also, alongside further consolidating intra-Group synergies and collaboration, we conducted business realignment and transformation initiatives to ensure that we have solid operating structures to help us strengthen our strategic positioning. In this respect, MCB Ltd has set up a new Payments SBU which is

Message from the Chief Executive

set to play a pivotal role in helping the Bank tap into emerging opportunities through wide-ranging payment solutions, allowing all customers, ranging from individuals to SMEs and corporates, to undertake transactions in an easier, faster and safer way. A new Financial Markets SBU was also created to develop global markets and treasury products and services for Corporate and Institutional customers and other segments, as we extend our coverage regionally. Furthermore, whilst the recent upgrade of our Representative Office in Dubai to Advisory Office under Category 4 is enhancing our scope of intervention, we have also applied for the set-up of a Representative Office in Nigeria in view of our involvement in the country's Oil & Gas sector and the commercial opportunities in West Africa. The Representative Office will offer MCB a first physical presence in West Africa and reinforce existing coverage and relationships with Nigerian clients and partners, including financial institutions.

In Mauritius, we upheld our foothold across markets and client segments through enhanced and bespoke value offerings whilst reinforcing our contribution to the socio-economic development of the country. MCB Ltd upheld its leadership position – with market shares of 48% for local currency deposits and close to 40% in respect of the domestic credit to economy during the year under review – helped by its refined value proposition and upgraded channel capabilities. For its individual customers, the Bank revamped its mortgage solution and its unsecured loan offering with improved turnaround time alongside further enriching MCB Juice with added functionalities. Additionally, we sustained our support to economic operators as well as SMEs and microenterprises in the country in line with our aim to promote the development of a vibrant and sustainable local economy. Specifically for our Business Banking clients, we endowed MCB JuicePro with several additional features alongside enhancing PUNCH, our collaborative community ecosystem. Our corporate clients also benefitted from enhanced digital tools with our SmartApprove application now equipped with a cross-border international payment solution, the SWIFT gpi. We continued to facilitate the country's transition to a cash-lite society by notably further equipping our customers, including merchants, with digital tools. As a result, our contactless transactions increased by more than 150% whilst merchants now offering online payments increased by 17%. Worth noting, the cash to digital payments ratio of our customers was at 44%, representing a significant drop compared to the pre-pandemic period. For its part, MCB Capital Markets made appreciable headway in increasing its assets under management on the back of net flows into MCB funds, new institutional mandates and the market recovery.

In parallel, we have further extended our reach outside the country by diversifying our banking and non-banking activities and value proposition across market segments and geographies. The Bank broadened its footprint on the African continent, being mainly involved in niche segments where it displays strategic competencies. We made further inroads in respect of our Energy and Commodities financing, widened our involvement in regional project finance linked to Power and Infrastructure, and at the same time positioned ourselves as the 'go-to' business partner for international corporates having a sight in Africa. We are also reviewing our 'Bank of Banks' proposition and governance, to reinforce our position as a regional partner that provides tailored solutions to financial counterparts. As for our foreign banking entities, they have pursued their business development activities and continued to reinforce their capabilities for ultimately improving customer experience. In this respect, MCB Madagascar launched 'Juice Madagascar', providing customers with a comprehensive set of mobile banking and payment services. As a key recent initiative, MCB Capital Markets officially listed its African Domestic Bond Fund ETF on the Botswana Stock Exchange, the first cross-listing of the Fund after it was launched and listed on the Stock Exchange of Mauritius in 2018.

To support our growth, we have further consolidated our capabilities through upgrades to our IT systems and infrastructure, a reinforced risk management framework – due emphasis was laid on enhancing our compliance and cyber security capabilities – and the deployment of a number of strategic initiatives to support the advancement and well-being of our employees. Indeed, we devised dedicated training programmes to sharpen the skills of our employees and set forward to entrench the MCB Leadership Brand through our Lead with Impact Academy initiative notably with the launch Grow! Programme in the overseas banking subsidiaries.

Responding to the evolving ESG landscape

Our commitment to sustainability is embedded in our strategy and is fundamental to our purpose. As a major financial services provider, we have both the responsibility to contribute to positive and sustainable change for the societies we are part of, and we are committed to helping our customers turn challenges into opportunities. In particular, through our 'Success Beyond Numbers' philosophy, we are taking actions to reduce and offset our own emissions alongside continuing to help make the local and regional economies in which we are involved prosperous and resilient. We also understand that one of our most important roles is helping our customers navigate the energy transition. In this respect, the Bank recently participated in three landmark projects in Ghana, Rwanda and Senegal, which are crucial milestones in the electrification goals of these respective countries and in their transition from fossil energy to cleaner energy sources. Internally, in line with its engagement to implement the appropriate risk management system for environmental and social considerations in its banking activities, the Bank reviewed its Environmental and Social Risk Policy with its general structure upgraded to international environmental and social standards. An international service provider was also enlisted to accompany us in the development of an adapted sustainable finance framework as part of our aspiration to position ourselves as a key sustainable finance player on the domestic and regional fronts. On another note, we also made progress on promoting gender parity in the workplace. We have launched the Allies for Change Programme in collaboration with Charles Telfair Leadership Centre, to assist us in advancing gender equality and women's empowerment within the organisation and beyond.

Moving ahead with cautious optimism

I believe we will continue to live through periods of high market volatility and uncertainty in the near term, with the risk of the global economy edging towards a recession next year having risen in the wake of the aggressive interest rate tightening by major central banks to rein in inflationary pressures. As such, the economic outlook locally and across our presence countries would remain under scrutiny, although the boost to business confidence from the recovery being observed in the tourism and hospitality sector is encouraging. On the other hand, we are fully aware that the regulatory and compliance requirements prevailing locally and internationally would get even more demanding. Group entities will also have to attend to higher competitive pressures, across specific markets, notably amidst the acceleration of digitisation that is shifting customer behaviours and causing operators to reimagine the way they conduct business.

Notwithstanding the dynamic context, I am confident in our business model. I expect our operating results to improve further in FY 2022/23, backed by the offshoots of higher yields on international markets and the disciplined execution of our strategic plans. We seek to further strengthen our positioning on the domestic front and support the country in its transition to a cash-lite society and greener economy. In parallel, we will continue to pursue our diversification agenda across markets and products. We will further expand our involvement in specific segments on the African continent by capitalising on the positioning of the Mauritian International Financial Centre. We also aim at uplifting our value offering across areas such as transactional banking towards playing a key role in facilitating trade in the region, wealth management as well as non-banking activities. This should help in boosting our share of non-interest income.

"As a major financial services provider, we have both the responsibility to contribute to positive and sustainable change for the societies we are part of, and we are committed to helping our customers turn challenges into opportunities."

To pursue our endeavours, we will ensure continuous reinforcement of our risk management, internal controls and compliance frameworks to effectively cope with core and emerging risks. We will remain focused on pursuing our digital transformation journey in support of operational excellence and improved customer experience whilst continuing our investment in our people who are the backbone of our organisation. Above all, we will ensure that sustainability remains at the heart of everything we do as we advance on our ESG agenda, in line with our purpose.

Concluding note

The realisation of this robust financial performance in a highly volatile year heralds our ability to remain focused on our strategic intent. It goes without saying that this would not have been possible without the support of all staff members and Management teams across all Group entities. I would like to take this opportunity to thank them for their dedication and resilience and for continuing to live up to the values of the MCB Group.

I would also like to extend my appreciation to the members of the various Boards of the Group for their resolve, guidance and oversight in navigating these challenges and creating long-term value for our stakeholders. Furthermore, I would like to express my gratitude to our customers for continuing to trust us with their financial services needs.

Looking ahead, I am confident that the solid values we exercise will help us maintain the momentum successfully and deliver even better outcomes for our customers, employees and shareholders whilst supporting the communities in which we operate.

Pierre Guy NOEL
Chief Executive

Delivering on our strategic objectives

Our operating context

The operating environment across the Group's presence countries remained beset by key challenges and a high degree of volatility during the year in review. We continuously assessed the implications of these external influences on our business to devise appropriate responses with a view to upholding sustained value creation for our multiple stakeholders in the medium to long-term.

Underlying factors impacting our strategy execution

Dynamic market, societal and technological landscapes

- Cybersecurity
- Digital disruptions
- Changing consumer needs and expectations
- Increasingly competitive environment
- Changing world of work
- ESG considerations

Heightened regulatory and supervisory oversight

Difficult macroeconomic environment

Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions

Impact on our business model

- Heightened business risk amidst an environment characterised by the lingering effects of the pandemic and ramifications of the war
- Increased pressure to continuously adapt our business model given an evolving competitive landscape, shifting consumer preferences and digital innovation
- Higher compliance risk as a result of the increasingly demanding regulatory and statutory requirements
- Changing world of work impacting our talent acquisition and retention strategy
- Growing expectations from stakeholders to embed sustainability principles in our business operations and practices

Our responses

- Market vigilance reinforced and inherent vulnerabilities within markets attended to
- Capacity building initiatives pursued to preserve market positioning and enhance adaptability to tap into emerging opportunities
- Risk and compliance framework bolstered to address emerging risks and uphold a resilient performance
- Diligent and pragmatic approach adopted to pursue our business expansion and diversification agenda with focus on areas where we have built expertise
- Collaboration and partnership with stakeholders enhanced with a view to creating or tapping into impactful ecosystems
- Role as a responsible corporate citizen strengthened to create a positive impact on the community

Macroeconomic environment

The macroeconomic landscape across countries where we are involved was dominated by: (i) the multi-speed recovery from the pandemic; and (ii) the spillover effects of the Russia-Ukraine conflict notably in terms of exacerbated supply-chain disruptions, high inflation and market uncertainties.

In 2021, economic activity in Mauritius bounced back from the severe fallout of the pandemic underpinned, notably, by high vaccination rate and policy support. Most economic sectors posted positive growth rates whilst momentum built up in the tourism sector following the border re-opening in October 2021, although travel restrictions introduced in respect of specific markets amidst the emergence of the Omicron variant put a temporary brake on arrivals between the end of 2021 and early 2022. Since then, the economic recovery has gathered pace this year, in line with a rebound in tourism as well as an upturn in the export-oriented manufacturing activities and continued expansion in nationwide investment and financial services. The outlook is, however, restrained by the global ramifications of the Russia-Ukraine war, notably in terms of heightened volatility and rising input costs. The latter triggered a sustained hike in the headline inflation rate, which attained 8.8% in August 2022 and is on course to reach 10% by December 2022. Price increases also reflected unfavourable currency dynamics in a volatile foreign exchange market on the back of a high deficit on the current account, with the balance of payments, nonetheless, reverting to a surplus position last year thanks to a pick-up in capital and financial flows. In the wake of the difficult context, Moody's has, in July 2022, reviewed the long-term foreign and local currency issuer ratings of Mauritius to Baa3 from Baa2 although the country's debt metrics improved during the year under review. That said, the country retained its investment grade status and is one of the only two countries rated as such on the African continent.

On the regional front, whilst the Omicron variant hit economic activity at the end of 2021, GDP growth in the sub-Saharan African region held up relatively well, albeit to varying degrees across countries. The commodity price shock following the Russia-Ukraine war has, however, stalled the positive momentum this year despite somewhat benefitting producer countries, with inflation expected to accelerate above 12%, the highest reading for the region since 2008. Regarding countries of our foreign banking subsidiaries, a strong recovery in the tourism sector has invigorated activity levels in both Maldives and Seychelles. Madagascar has also sustained an economic recovery with the growth momentum expected to continue this year, although adverse weather shocks and the economic fallout from the Russia-Ukraine conflict would weigh to some extent on real output.

Key economic indicators

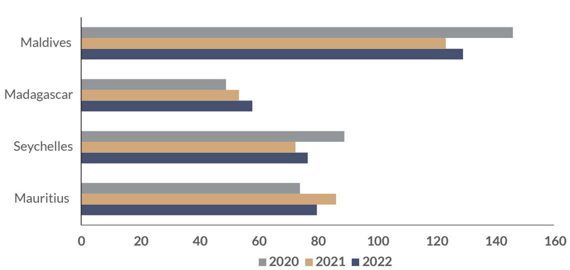
Real GDP growth (%)

	2020	2021	2022 (f)
World	-3.1	6.1	3.2
Sub-Saharan Africa	-1.6	4.6	3.8
Mauritius	*-14.6*	*3.6*	*6.0*
Seychelles	*-7.7*	*7.9*	*7.1*
Madagascar	*-7.1*	*4.3*	*4.2*
Maldives	-33.5	33.4	8.7

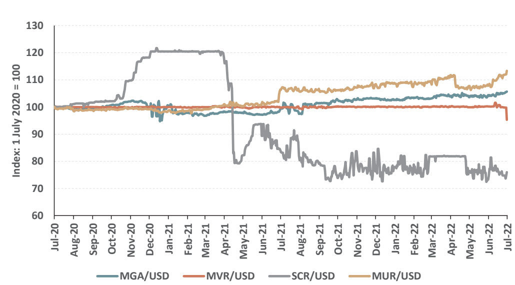
Headline inflation (%)

	2020	2021	2022 (f)
Mauritius	2.5	4.0	10.2
Seychelles	1.2	9.8	4.1
Madagascar	4.2	5.8	9.8
Maldives	-1.6	0.2	3.1

General government debt to GDP (%)



Exchange rates



An increase (decrease) in the index indicates a depreciation (appreciation) of the currency versus USD

Note: Debt figures for Mauritius pertain to financial year ending June

Sources: International Monetary Fund (IMF), Statistics Mauritius, Bank of Mauritius, Ministry of Finance, Economic Planning and Development, Oanda and MCB Staff estimates

Delivering on our strategic objectives

Market, societal and technological landscapes

The Group has had to cope with volatile market conditions across geographies while the competitive landscape is increasingly being shaped by the shift to digital channels which is expanding consumer choice and changing their behaviours.

In Mauritius, the shortfall in export earnings over the last two years continued to exert pressure on the foreign exchange market, with the Bank of Mauritius (BoM) intervening to supply foreign currencies in an attempt to contain heightened volatility in the exchange rate of the rupee. Besides, in response to growing inflationary pressures, the Key Repo Rate was raised by a cumulative 40 basis points during the financial year and a further 75 basis points to 3.0% in September, in line with the monetary tightening trend globally. That said, growth in credit to the economy picked up following the moderation witnessed in the previous year, whilst the banking sector preserved its financial soundness. Capital adequacy ratio in the banking system stayed well above the minimum regulatory requirement at 21% as at March 2022, and asset quality remained at a reasonable level with a non-performing loans to total loans ratio of 5.8%. The resilience of banks continued to be upheld by support measures provided in the wake of COVID-19, some of which, including moratoria on loan repayments, were extended until June 2022, thus helping to ease the cash flow constraints of households and corporates. The Mauritius Investment Corporation (MIC) also provided support to systemically important firms that are financially distressed, amongst others, by way of quasi-equity investment. For instance, out of the Rs 52.2 billion approved by the MIC as at August 2022, some Rs 14.5 billion relate to companies in the accommodation and food service sector, which were severely hit by COVID-19. As part of the phasing out of support measures, the cash reserve ratio on rupee deposits was brought back from 8.0% to 9.0% effective July 2022. The banking system is still characterised by excess rupee liquidity, with short-term yields staying at the lower end of the interest rate corridor. The Central Bank has introduced an instrument, the 7-Day Bank of Mauritius Bill, since August 2022 as part of the phased introduction of the new Monetary Policy Framework. Besides, competitive pressures remained relatively high, notably in the individual and payments segments, as operators enriched their offering, while the digital landscape is being broadened with new players.

With regard to our foreign presence countries, the authorities focused on dealing with the consequences of the geopolitical and sanitary crises. In Seychelles, following the realignment of the interest rate corridor, a sustained reduction in domestic interest rates has been observed during the financial year. On the other hand, the stock of outstanding credit to the private sector fell by 2.4% relative to June 2021, mainly due to a contraction in the balance of foreign currency loans in Seychellois rupee terms, notably linked to tourism, following the unwinding of COVID-19 support measures. In Maldives, loans to the private sector edged up slightly during the last FY whereas credit growth in Madagascar sustained a notable momentum. On another note, the authorities, across countries where our foreign banking subsidiaries operate, pursued efforts towards modernising their payment systems to pave the way for more efficient, convenient, affordable and innovative payment facilities.

Financial soundness indicators

	Mauritius			Madagascar			Maldives			Seychelles		
As at June (%)	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
Capital-based												
Regulatory capital to risk-weighted assets	20.4	19.7	21.0	12.0	11.4	12.4	47.9	47.2	48.3	18.9	19.7	n.a
Asset quality and liquidity												
Non-performing loans to total gross loans	5.8	5.6	5.8	7.2	7.7	9.4	9.6	7.8	6.0	3.1	5.0	n.a
Liquid assets to total assets	53.7	58.5	49.8	34.3	35.0	33.8	44.6	42.5	48.9	55.8	58.1	n.a
Profitability												
Return on assets	1.1	1.3	1.2	3.3	3.1	3.4	3.1	4.9	5.4	1.3	1.2	n.a
Return on equity	8.5	11.1	10.4	25.8	25.8	28.6	8.9	16.3	18.6	12.5	9.1	n.a

Note: Figures refer to deposit-taking institutions. Figures for Mauritius in 2022 relate to March 2022

Source: IMF Financial Soundness Indicators Database

Regulatory and supervisory oversight

The Group faced heightened demands on the regulatory and supervisory front as authorities in our presence countries focused on upholding the soundness and stability of the banking and financial services sectors in the face of the post-COVID realities.

In its bid to adapt its supervisory framework to market dynamics, the BoM issued new guidelines on private and digital banking, stress testing, cloud services as well as climate-related and environmental financial risks. Furthermore, it revised the guidelines on: (i) Standardised Approach to Credit Risk to incorporate measures aimed at providing flexibility to banks in supporting businesses and individuals impacted by the pandemic; (ii) Payment of Dividends to require banks to submit their financial forecasts under stressed scenarios and assumptions when seeking approval for payment of dividends; and (iii) Disclosure of Information to Guarantors which lays down the responsibilities of institutions towards guarantors and sets out the framework for issuing statements of accounts in written or electronic form to guarantors of credit facilities. Of note, the BoM, in collaboration with the Mauritius Bankers Association and an international consultancy firm, crafted the 'Future of Banking in Mauritius' report, outlining the key focus areas for shaping the future of the domestic banking sector. As part of the Finance (Miscellaneous Provisions) Act 2022, the Bank of Mauritius Act has been amended to establish a Central KYC System, while the Banking Act was revised to, amongst others, provide the framework for the in-principle approval for a banking licence. The Companies Act was amended to, *inter alia*, specify information that a company should include in relation to each of its subsidiaries in its group financial statements as part of its annual report. Also, the Cybersecurity and Cybercrime Act 2021 was enacted to establish the National Cybersecurity Committee and a legal framework to deal with cybercrime.

As a positive development, Mauritius was removed from the FATF list of jurisdictions under increased monitoring in October 2021. This triggered its removal from the UK List of High-Risk Third Countries as well as the EU List of High-Risk Third Countries, thus affirming the status of Mauritius as a reliable and transparent jurisdiction. More recently, it was announced that Mauritius is now 'Compliant' or 'Largely Compliant' with all of the 40 FATF Recommendations following a technical compliance upgrade – representing a first in Africa. This has notably been facilitated by the introduction of the Virtual Asset Initial Token Offering Services Act that provides a comprehensive legislative framework to regulate virtual assets and initial token offerings. In an effort to consolidate the country's position as an International Financial Centre and bolster its competitiveness as a domicile for investment funds, the Financial Services Commission (FSC) introduced the Variable Capital Companies Act. Besides, the FSC Guidelines for Issue of Corporate and Green Bonds in Mauritius issued in December 2021 and amended in April 2022 describe the practices and procedures to be adopted by issuers of corporate and green bonds. The Securities Act was also amended to strengthen the capital market sector with main changes, *inter alia*, pertaining to the definition of sophisticated and retail investors.

As regards our foreign subsidiaries, the National Payment System Act came into effect in Maldives to provide for the development, regulation and oversight of the payment landscape. Additionally, the Regulation on Financing Business was issued, providing for licensing and prudential requirements for financing businesses. Maldives has started reporting under the OECD Common Reporting Standard, towards reducing and eliminating tax evasion through transnational exchange of information amongst tax authorities. In Seychelles, the Financial Services Authority, in collaboration with the Central Bank of Seychelles, fostered the fair and effective handling of consumer disputes through the passing of the Financial Consumer Protection Act. Seychelles was also upgraded from Annex I of the European Union's list of non-cooperative jurisdictions for tax purposes to Annex II ('EU grey list'), with the country now only requiring a 'Largely Compliant' status in the next Supplementary Review to exit the latter list. In Madagascar, banking laws were amended and new guidelines issued for customer protection by mandating greater transparency and more secure IT systems and providing tools to detect money laundering and terrorism financing. A new financial stability law is due in Parliament towards creating a national unit responsible for the analysis, identification and prevention of systemic risks as well as the management of financial crises.

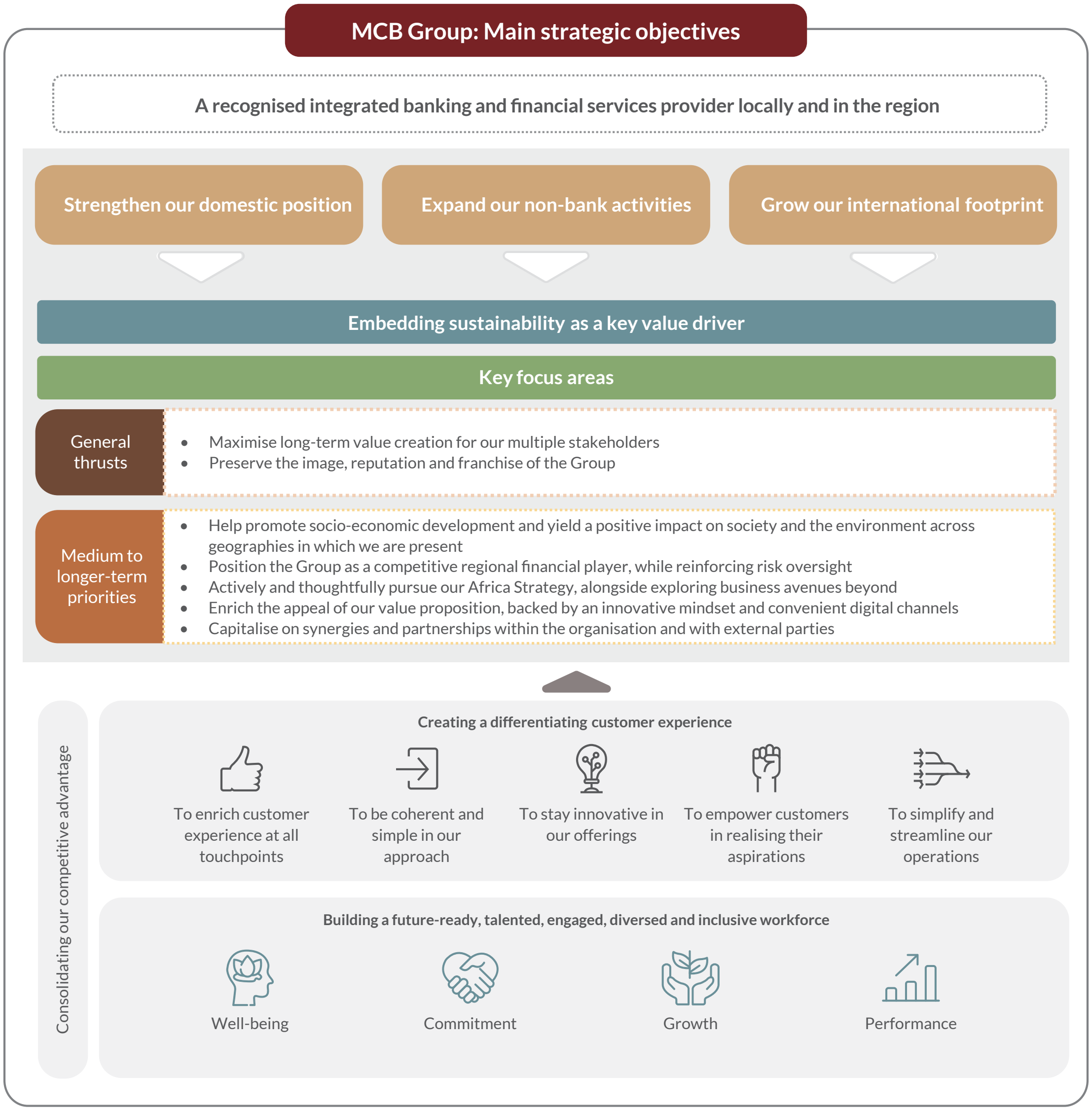
Delivering on our strategic objectives

Our strategy

Pursuing our strategy amidst a volatile environment

During FY 2021/22, Group entities focused on upholding the resilience of their operations amidst an unsteady context. Concurrently, we remained committed to implementing our strategic intents alongside laying the foundations for future growth. In this respect, Group entities progressed on their medium-term strategic objectives and elaborated a new 3-year rolling plan towards affirming their positioning to take advantage of opportunities unfolding from the anticipated economic recovery.

Anchored on our proven business model, our strategy paves the way for delivering sustained earnings growth and maintaining sound financial metrics, alongside ensuring that we operate within the precinct of our risk appetite. Amidst ongoing endeavours to transform the Group into a simpler and better organisation, we aim to strengthen our positioning by delivering excellent customer service through adapted and innovative customer solutions and grow and diversify our business by tapping into opportunities in areas where we display strategic competencies, with Africa being our main target. Concomitantly, in line with our commitment to be a responsible corporate citizen, a key objective is to further promote sustainability principles in our culture, values and in the way we conduct our business.



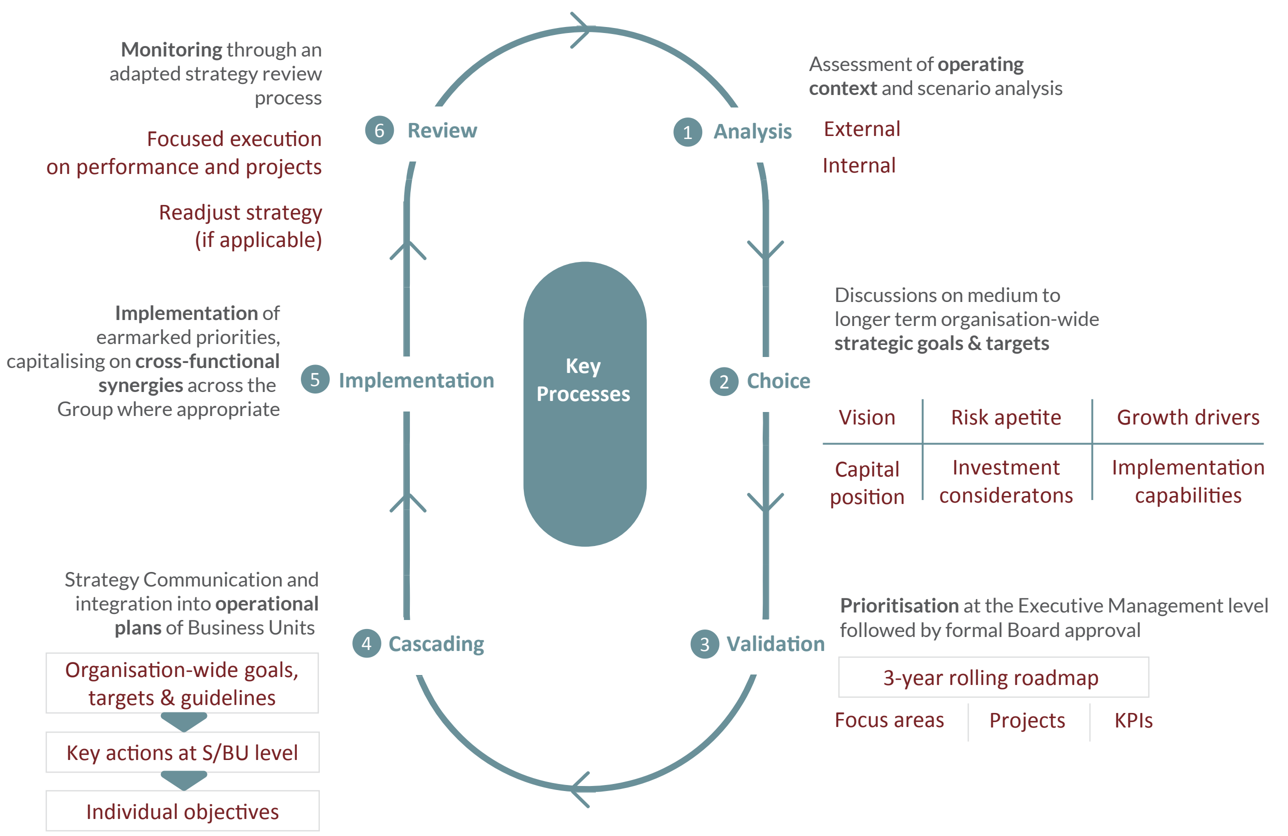
Our governance and processes

General framework

MCB Group has a well-defined governance framework in place to facilitate strategy elaboration, alignment, execution and review

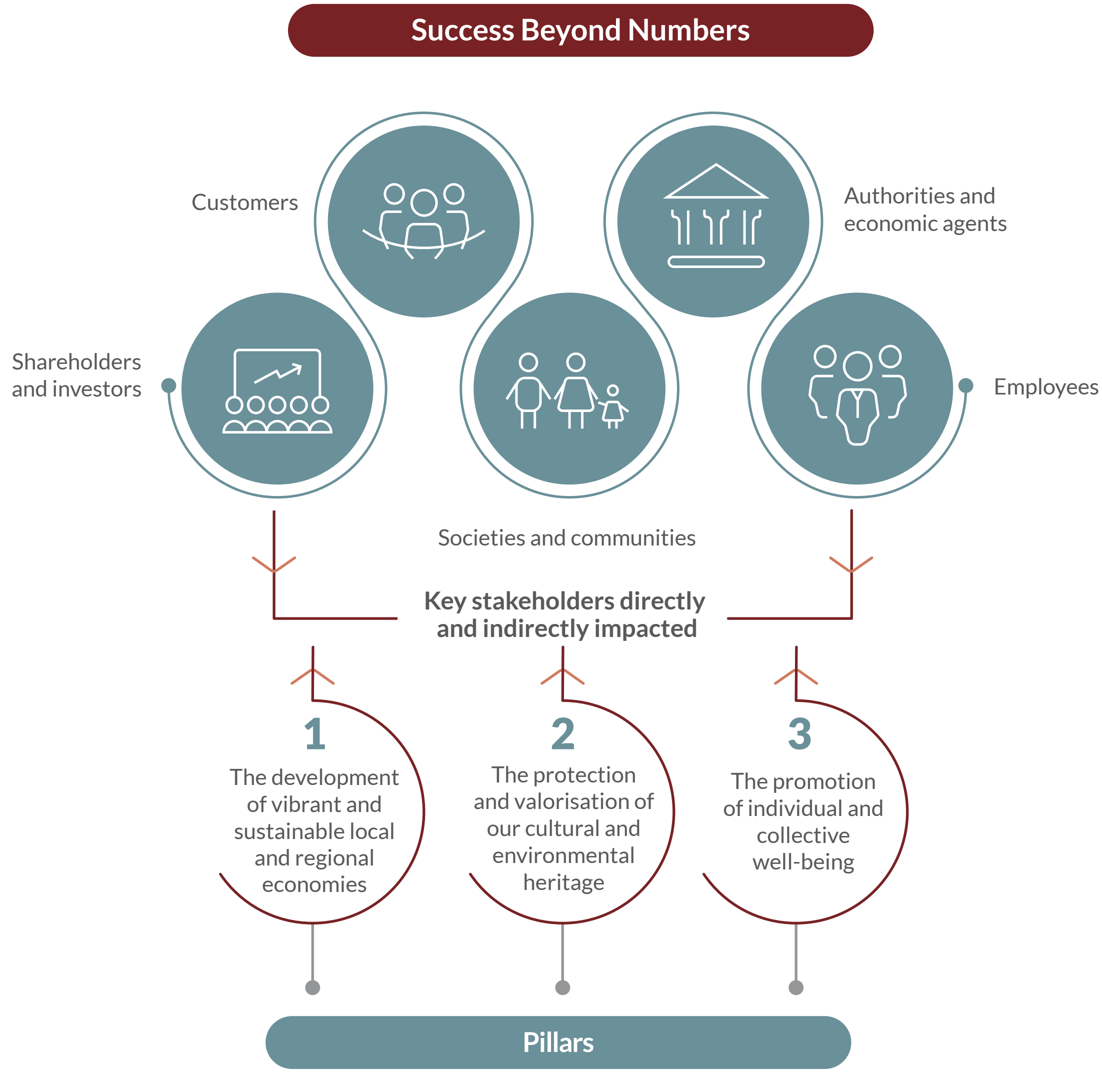
The Board, with the assistance of the Strategy Committee, sets the strategic directions of the Group, approves strategic policies while ensuring that they are communicated throughout the organisation and regularly assessed

While ensuring congruence with strategic directions set at Group level, entities formulate their own strategic orientations, guided by an adapted and pragmatic approach for strategy-setting



Our approach to Sustainability

Our 'Success Beyond Numbers' philosophy articulates our commitment to be a responsible organisation and contribute to the economic development of the countries in which we operate. Our approach to sustainability is founded on the material issues we have identified and is underpinned by international principles, standards, and frameworks that we have adopted over the years.



Read more in the Sustainability Report on our website

Underlying strategic orientations and objectives across clusters and entities

Banking cluster

MCB Ltd

Our long-term destination

A strong and innovative regional financial player within a diversified Group

Pursuing our strategic focus areas

- Extend our frontiers
- Deliver a world-class customer experience through digital
- Nurture our values and deliver on our brand promise

General thrusts

- Become more international, digital and sustainable in our approach
- Create a positive impact on people, societies and the environment

Our key objectives and strategic focus areas

Make banking simple, easy, accessible and convenient whilst delivering superior customer experience

- Help build back the local economy and uphold MCB's leadership position as an innovative and reliable financial partner
- Bolster our cross-border activities and pursue our regional diversification agenda
- Enhance our transactional value proposition and help position the Group as a financial hub
- Entrench sustainability principles in the Bank's value proposition, activities and operations

Key intents

- Position MCB Ltd as a prominent player within the Energy & Commodities segment, enabling energy transition and gradually building an African Power and Infrastructure franchise
- Deepen relationships with regional and international corporates, and Private Equity funds while leveraging and further promoting the Mauritian jurisdiction, notably to facilitate cross-border investment and trade flows
- Transform MCB Ltd as a lead arranger for dedicated deals, while boosting syndication with financial institutions
- Develop stronger and more meaningful partnerships with regional banks and financial institutions
- Bolster the Bank's Global Markets offerings by providing adapted trading, liquidity and structuring solutions
- Expand Private Banking and Wealth Management activities internationally by providing a wider range of sophisticated investment solutions and dedicated advisory services
- Drive the new Payments strategy focused on the development and deployment of innovative, scalable and differentiating payment solutions

Delivering on our strategic objectives

Foreign banking subsidiaries

- Contribute to the economic development and resilience of our presence countries by strengthening ties with key stakeholders and deepening relationships with our core clients through adapted financial solutions and advice
- Adjust to current challenges in our business activities and safeguard market shares across our individual and non-individual client segments
- Diversify our loan and deposit portfolio, with a focus on key players in sound economic sectors whilst carefully exploring emerging customer segments
- Uphold our brand image and increase market visibility
- Accelerate the implementation and use of digital and innovative practices, alongside enhancing internal capabilities
- Leverage solutions developed by MCB Ltd on the back of service level agreements
- Continue investing in risk and compliance infrastructure, and exercising close vigilance on risk parameters
- Further embed sustainability principles and ESG commitments into the fabric of our business to help create a positive impact on the environment, society and economy

'Non-banking financial' and 'Other investments' clusters

- Reinforce the positioning of the Group as an integrated financial services provider locally and in the region
- Leverage the brand franchise and distribution capacity of the organisation to consolidate our positioning across long-established business areas (notably those relating to the provision of investor, factoring and leasing services), while diversifying our activities

Zoom on selected entities

MCB Capital Markets

- Focus on advising blue chip clients locally and arranging financing for transactions and projects in Africa
- Broaden investment management activities to alternative assets
- Invest in private equity and hybrid debt opportunities alongside partners in Africa
- Seek strategic alliances with selected partners to expand our distribution channels and strengthen our technical capabilities

MCB Leasing

- Widen the range of offerings and revamp existing products to enrich the value proposition, alongside diversifying the customer base
- Forge close partnerships with key stakeholders, including car dealers, equipment dealers and fleet management companies
- Maintain and nurture close relationships with business lines of MCB Ltd

MCB Factors

- Consolidate our position in the receivables finance market by leveraging latest technological solutions to enable the provision of a range of online services and diversified products
- Enhance synergies with MCB Ltd to offer best-fit solutions to clients

MCB Consulting

- Become a preferred and trusted business enabler, while positioning itself as leader across earmarked spheres of activity
- Consolidate footprint in existing markets and probe into new territories, notably in Asia-Pacific region
- Strengthen partnerships with the operational assistance to financial institutions, particularly in Africa
- Further exploit the potential of existing services and launch new ones (e.g. analytics and business process re-engineering)
- Nurture collaboration with relevant stakeholders in order to more effectively support business growth, while implementing the necessary frameworks and processes to monitor the performance of sealed agreements
- Increase market visibility

MCB Microfinance

- Consolidate the democratisation of access to credit by micro-entrepreneurs and promote financial inclusion
- Foster economic empowerment of micro-businesses and contribute to sustainable development

MCB Institute of Finance

- Nurture our academic partnerships
- Continue to provide world-class executive education programmes
- Attract targeted professionals through a strong brand

MCB Real Assets

- Develop and invest in a diversified portfolio of prime real assets with a view to seeding property yield funds to be offered to various customer segments

Creating value in a sustainable way for our stakeholders

Our underlying approach to stakeholder engagement

Our proactive stakeholder engagement model informs and guides our actions and behaviours. While embracing an integrated vision that aims at providing a solid contribution to the advancement and prosperity of the society and economy, we seek to understand and respond to the needs and requirements of our stakeholders. As a key focus area, Group entities have, during the year under review, pursued wide-ranging initiatives to help stakeholders navigate the challenging operating context.

The Group has a well-established governance and operational framework to ensure that engagement with stakeholders is managed in a transparent way, in alignment with international practices and regulatory stipulations. Stakeholders are kept informed about the Group's business and strategy on a regular basis through various channels. Their views and concerns, gathered through ongoing dialogues, meetings and surveys, are considered in the Group's decisions, with material issues escalated to the Board.

Delivering on our strategic objectives

SHAREHOLDERS AND INVESTORS

SDGs IMPACTED

16 Peace, Justice and Strong Institutions

17 Partnerships for the Goals

CAPITALS IMPACTED

~22,300
Ordinary shareholders
(Individual shareholders account for 51% of the ownership base)

~3,900
Preference shareholders and bondholders

Rs 74 billion
Market capitalisation on SEM

~ Rs 5 billion
Total value traded during FY 2021/22

A
MCB Group MSCI ESG rating

Baa3
Long-term deposit rating Moody's Investors service
(MCB Ltd)

4.5% Dividend yield

WHAT THEY EXPECT FROM US

- Resilient financial performance and adequate dividends
- Protection and growth of investment
- Robust business model
- Sound ESG practices
- Transparent reporting and disclosure

KEY OBJECTIVES AND METRICS

- Return on equity
- ESG ratings
- Earnings per share
- Dividend per share
- NAV per share
- Share price performance
- Level and quality of externally-sourced funds
- Investment-grade credit rating of MCB Ltd

MATERIAL MATTERS

- Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions
- Increasingly competitive environment
- Heightened regulatory and supervisory oversight
- ESG considerations

Note: Figures are as at 30 June 2022

How we have engaged with shareholders and investors

- Regular interaction with shareholders and investors to better understand their perspectives and update them on our financial performance, strategic positioning, as well as sustainability and ESG commitments, via various channels including annual meeting of shareholders, roadshows, earnings calls and analyst meetings
- Access provided to a comprehensive set of corporate announcements and publications, in particular quarterly financial and Group Management Statements, roadshow presentations, and annual reports, notably on our websites
- Open, constructive and regular dialogue with rating agencies with a view to reporting on the performance and prospects of MCB Ltd as well as providing comfort on its risk management and business growth foundations via dedicated analyses
- Timely interaction with players across global markets amidst our efforts to consolidate our FCY funding resources

Maintaining resilience in an increasingly volatile environment

Rewarding our shareholders

For our ordinary shareholders, an interim dividend of Rs 5.90 per share was paid in July 2022, while a final dividend of Rs 8.00 per share was declared in September 2022 and will be paid in December 2022. Dividend per share for the year under review stood at Rs 13.90.

In September 2021, the Group launched its Scrip Dividend Scheme (the Scheme). As part of the Scheme, ordinary shareholders are given the option of receiving their dividends, or part thereof, by way of ordinary shares of MCB Group Ltd (Scrip shares). The price of the latter is calculated based on the five-day volume-weighted average share price of MCB Group's ordinary share, beginning with the first ex-dividend date, less a discount of 3%. In addition, the Scheme gives the opportunity to ordinary shareholders to invest in the Scrip shares without any of the applicable fees usually payable when acquiring such shares on the market.

MCB Ltd's credit ratings

In July 2022, Moody's Investors service took rating actions on three banks in Mauritius. It affirmed MCB Ltd's long-term bank deposit rating at Baa3 and reviewed the outlook to stable from negative. According to the rating agency, the affirmation of the Bank's rating reflects its resilient financial profile, in particular, its strong liquidity position and solid capital buffers. With this rating action, MCB remains among the few investment-grade rated financial institutions in Africa and is the only commercial bank rated as such within the continent by Moody's. Domestically, MCB is assigned a 'AAA' credit rating by CARE Ratings (Africa) Private Limited (CRAF), which positions the Bank as the only corporate in Mauritius as at date, designated by CRAF, as having the highest degree of safety regarding timely servicing of financial obligations in Mauritius and hence carrying lowest credit risk. In March 2022, CRAF reaffirmed the Bank's rating and changed the outlook to stable from negative.

MCB Ltd's syndicated facility

In September 2021, MCB Ltd successfully raised a syndicated facility of USD 1 billion to refinance its obligations as part of its liability management strategy and to fund its asset growth. A first disbursement of USD 500 million was drawn at the end of September 2021 with the remainder disbursed in December 2021. This testifies to our strong appeal to foreign investors, the recognition of the Bank's investment-grade credit worthiness and lenders' confidence in our strong fundamentals and international growth prospects.

More information on our Scrip Dividend Scheme is available on our website

Read more in the 'Corporate governance report' on pages 98 to 147 and the 'Group financial performance' on pages 88 to 96

Delivering on our strategic objectives

CUSTOMERS

SDGs IMPACTED

1 No Poverty | 8 Decent Work and Economic Growth | 10 Reduced Inequalities | 12 Responsible Consumption and Production

CAPITALS IMPACTED

~ 1,145,000
Overall customer base
(Y.o.y growth: 3.4%)

~1,096,000
Individual customers

~ 49,000
Non-individual customers

	Customer satisfaction score *(MCB Ltd)*
Retail	**80.6**
Business Banking	**73.7**
Private Banking and Wealth Management	**77.0**

~ 50 Financial institutions serviced as part of our 'Bank of Banks' initiative

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

- Innovative and customised financial solutions
- Safe and convenient access to banking through a wide range of channels
- Excellent service quality and competitive pricing
- Transparent and timely advice on offerings
- Security and privacy of transactions and data
- Effective process for dealing with complaints
- Continued support and assistance in the aftermath of the pandemic

KEY OBJECTIVES AND METRICS

- Life-long relationship with clients
- Brand value among banking peers
- Net Promoter Scores and client satisfaction ratings
- Client complaints and outcomes
- Market shares
- Awards and recognitions

MATERIAL MATTERS

- Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions
- Increasingly competitive environment
- Digital disruptions
- Cybersecurity
- Changing consumer needs and expectations
- ESG considerations

How we have engaged with customers

- Continuous interactions with clients to understand and anticipate their needs so as to provide adapted solutions to help them meet their goals
- Digitalisation of our operations and services to allow customers to undertake payments and transactions in an easier, faster and safer way
- Appropriate communication and reporting channels in place, including social media, to provide customers with transparent and timely advice about our offerings as well as attend to their queries
- Dedicated initiatives taken to address customer complaints in an effective and timely manner with round the clock assistance provided to customers by our Contact Centres
- Compliance with laws and regulations relating to data protection
- Continuous enhancements brought to our internal platforms and processes, including our cyber risk management framework, to ensure the safety and confidentiality of client information and reliability of our channels
- Organisation of and participation in promotional and commercial initiatives, international seminars, conferences and roadshows to strengthen client relationships and promote the Group's capabilities and value proposition
- Assistance provided, on a case-to-case basis, to individual and corporate clients still facing challenges following the pandemic
- Dedicated committees in place to cater for the effective pricing and management of new and existing product offering in tune with customer needs

Complaints management at MCB Ltd (FY 2021/22)

4.4 days Average resolution time

81% Share of complaints resolved within 5 days

74% Share of complaints conveyed by telephone or on the website

Customer Lab: Nurturing customer-centricity

~ 10,000
Customer participation in surveys/research projects

112
Number of research projects/initiatives undertaken

20
Recurrent surveys (monthly/quarterly)

25
Real Time Dashboards

With customer experience being of key priority, we endeavoured to embed the voice of the customer at the heart of our strategy through the set-up of the Customer Lab (CL). In a nutshell, the CL combines market data, co-creation research and design experimentation with the aim of re-imagining customer experiences (CX). The CL purports to serve as an essential platform for the centralisation and analysis of all customer feedback – gathered through an iterative process – at various touchpoints for identifying pain points and acting thereon. *In fine*, the CL fosters product development, innovation as well as enhancement of existing products and services while being a lever for strategic decision-making.

In the same spirit, CX frameworks have, so far, been set up for three lines of business – Retail SBU, Business Banking SBU and Private Banking and Wealth Management SBU – to provide them with a set of targeted CX metrics such as level of satisfaction through live dashboards to monitor and manage customer experiences across various touchpoints and channels. A full-fledged Voice of the Customer Programme is also under way for enhanced customer centricity to ensure delightful customer interaction.

Read more on our initiatives to deliver excellent customer experiences in the 'Our performance across entities' section on pages 63 to 86

Delivering on our strategic objectives

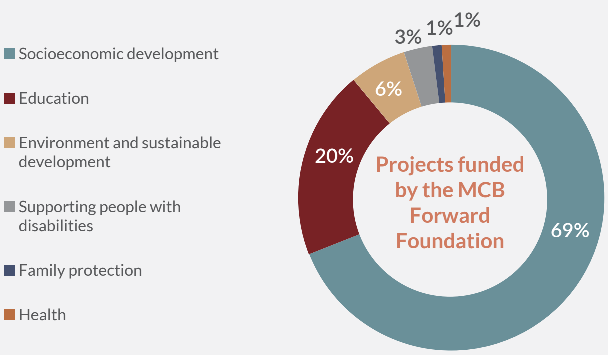
SOCIETIES AND COMMUNITIES

SDGs IMPACTED

CAPITALS IMPACTED

Rs 63.5 million

Spent by MCB Forward Foundation on 40 projects, of which 20 are ongoing



629 MWh

Electricity generated from in-house photovoltaic system *(MCB Ltd)*

100%

of residual emissions from 2020 operations offset to contribute to carbon neutrality *(MCB Ltd)*

58%

of total procurement expenditure sourced from local suppliers *(MCB Ltd)*

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

- Dedicated incentives and initiatives to promote socio-economic progress and financial inclusion in countries where we operate
- Sound management of natural resources to promote sustainable development
- Entrenching of eco-friendly practices in our operations and provision of solutions to support sustainable development
- Promotion of cultural heritage

KEY OBJECTIVES AND METRICS

- Access to credit and financial products for all
- Projects financed by the MCB Forward Foundation
- Sponsorships and media campaigns
- Financing of sustainable development initiatives
- Adoption of sustainable habits by internal and external stakeholders
- Reduction in our ecological footprint from operations and business activities
- Higher share of energy consumption from renewable sources

MATERIAL MATTERS

- Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions
- Heightened regulatory and supervisory oversight
- Digital disruptions
- Cybersecurity
- ESG considerations

How we have engaged with societies and communities

- We partnered with relevant stakeholders across presence countries, such as non-governmental organisations (NGOs) and public sector entities, towards promoting social welfare. Our corporate social responsibility activities are channelled via the MCB Forward Foundation (MCBFF), which is the dedicated vehicle for the effective design, implementation and management of initiatives meant to embed the Group's engagement with the communities in which it operates.
- MCBFF remained actively engaged in undertaking initiatives aimed at meeting a range of nationwide socio-economic development imperatives, aided by mobilisation of necessary logistics and execution of pedagogical programmes.
- Over and above activities undertaken through the MCBFF, the organisation took other initiatives to promote the well-being and progress of societies and communities.
- Of note, no political donations were made during the year under review.

Socio-economic development as a means to poverty alleviation

- We continued to provide support in addressing poverty across countries where we operate. During the year, MCB Madagascar continued its collaboration with the NGO ADRA to help families suffering from famine, with more than 3,000 individuals supported.
- MCBFF supported a platform where NGOs can interact and learn from each other. Two main realisations by the platform which benefited from a contribution of Rs 1.3 million from MCBFF during the year are: (i) the provision of equipment for online services to two special needs schools; and (ii) assistance extended to NGOs for the review of their strategies and awareness on entrepreneurship.
- As a means for income generation, MCBFF has given the team of the agro-ecological community farm at Riche en Eau, consisting of 8 women, a plot of land, on which they have already started to cultivate and harvest. In addition, a total investment of Rs 180,000 has been provided for the preparation of the land and for the purchase of seeds and seedlings.
- In May 2022, MCBFF set up 'La Boutique Solidaire' in the region of Camp Levieux. The aim of this project is to enable families, who have been financially impacted by the pandemic, to purchase necessities at a reduced price.
- We have, with the help of selected small and medium enterprises, embarked on a project to promote the local workforce. The project includes the provision of re-skilling and work-oriented life skills courses. To date, 12 participants have been selected to start the work-oriented life skills programme on a full-time basis.

Health

- MCBFF has made a contribution of Rs 2.4 million for the set-up of the first training centre for the provision of palliative care in Mauritius. The aim of the centre is to create awareness around palliative care, dispense courses and provide the opportunity to interact with international practitioners.
- To help people manage the emotional challenges linked to the pandemic, MCBFF collaborated with Action for Integral Human Development to provide psychological support online and across 16 secondary schools, with contributions totalling Rs 1.3 million.

Education

- 33 scholarships have been awarded since 1988 to Mauritian students ranked next in line with those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations.
- 37 scholarships have been awarded since 2000 to students from Rodrigues, under the MCB Rodrigues Scholarship, enabling them to pursue tertiary studies at the University of Mauritius.
- To commemorate the 22nd Youth Festival, MCB Seychelles contributed to the Word Splash Spelling Bee Competition hosted by Seychelles National Youth Council.

~Rs 1.8 billion

student loans approved by MCB Ltd as at June 2022 (under normal banking terms and the Government Guarantee Scheme), accounting for a market share of around 66% (over the period April 2013 - June 2022)

Delivering on our strategic objectives

Financial inclusion

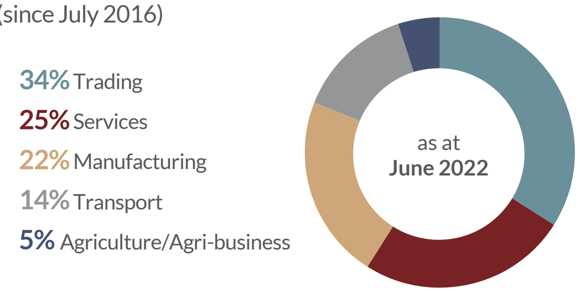
- We strive to promote financial inclusion in economies where we operate, by enabling low-income clients to get access to credit and improve their conditions.
- MCB Madagascar has partnered with two key local telecommunication companies to promote digitalisation and financial inclusion in the country.

With regard to MCB Ltd:

- The low minimum balance for account opening and our savings account bundle at zero cost make the offer extensively accessible.
- Parents are invited to open Junior accounts to encourage youth to be financially responsible and save from a young age.
- Our unsecured personal loan offer, also available to non-MCB Ltd customers, is often sought by low-income customers for education and housing purposes.
- We provided innovative and customised solutions to SMEs as well as micro-enterprises and self-employed individuals.

Helping entrepreneurs

2,958 clients financed by MCB Microfinance Ltd
5,120 loans disbursed amounting to
Rs 1,039 million
(since July 2016)



Note: Figures in the pie chart relate to outstanding loans

Arts and culture

- We made further inroads in preserving our cultural heritage, promoting the dissemination of art and sponsoring key projects aimed at supporting local talents at various levels. Of note, we were one of the main sponsors of an art exposition, which showcased the different works of art of Max Boullé, a Mauritian artist who greatly contributed to our local artistic heritage. Moreover, as part of the bicentenary of the famous French poet Charles Baudelaire, the Blue Penny Museum held the Matisse exhibition, a first in this part of the world.

Environment

- The organisation took the commitment not to finance new coal-fuelled power plants as from 2022 and assist our clients in their transition towards cleaner technologies with a dedicated envelope made available for financing low-carbon emission projects. Additionally, in line with its objective of achieving carbon neutrality in its operations, MCB has focused on reducing its carbon emissions and then offsetting the residual emissions by investing in projects that have environmental and social benefits. MCB has been compensating for its residual carbon emissions on a retroactive basis, starting with the year 2018, through 'Klima Neutral', the carbon compensation online platform. During the year, MCB has catered for the redemption of its Scope 2 electricity consumption linked to its 2020 operations through the purchase of International Renewable Energy Certificates (I-REC). Besides, the Bank's commitment to invest EUR 5 million, over the period 2021-2040, in the Livelihoods Carbon Fund 3 is expected to generate around 800,000 carbon credits over the fund's lifetime. These credits will be available for its own compensation and to clients willing to contribute to carbon neutrality via a holistic carbon strategy.

- MCB has renewed its support to the Mauritian Wildlife Foundation (MWF) for another three years to protect the biodiversity of the country and preserve the islets around Mauritius. Of note, the partnership with MWF aims to protect four endemic species that are currently under the threat of extinction. MCB Seychelles contributed SCR 10,000 to Veuve Reserve, the breeding habitat for rare and endemic species in the country, for general enhancements of the nature reserve. In the same vein, MCB Seychelles launched the Seychelles Endemic Board school project, whereby all schools in Seychelles will be outfitted with three boards identifying endemic species.

- The organisation actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by 19% during the financial year. The Group also encourages shareholders and bondholders to receive our Annual Report by email instead of the hard copy usually sent to them. As at June 2022, 37% of shareholders have opted for the soft copy.
- Under the 3rd edition of the Sustainable Use of Natural Resources and Energy Finance (SUNREF III) developed by Agence Française de Développement (AFD), MCB has made a total drawdown of EUR 18 million with projects financed focusing on renewable energy, energy efficiency and circular economy. The objectives of the facility are to (i) reinforce the market of mitigation finance; (ii) scale up of the market to advance Mauritius' adaptation to climate change agenda; and (iii) mainstream gender equality in the Mauritian private sector. For its part, MCB Madagascar has pursued its utilisation of the SUNREF line of credit of EUR 6 million signed last year with the AFD, with a notable rise witnessed in respect of demand for green financing.
- To support the circular economy, the Bank has partnered with The Good Shop, based on a defined three-year plan, to raise their productivity, add value to their current activities and better communicate on the NGO's different initiatives.

The Equator Principles

Since 2012, MCB Ltd adopted the Equator Principles, which is a voluntary and internationally recognised risk management framework. This framework stands as the foundation and guiding principle of the Bank's Environmental and Social Policy. It articulates the principles, policies, roles and responsibilities through which the Bank ensures the environmental and social risk management of its lending activities, in particular regarding any project or undertaking entailing loans of an aggregate amount greater than or equal to USD 5 million.

UNEP-FI

MCB Ltd is one of the founding signatories of the Principles for Responsible Banking of the United Nations Environment Programme – Finance Initiative (UNEP-FI). The Principles provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels across business areas, thus assisting operators in playing a leading role in achieving society's goals.

UN Global Compact

Reflecting its commitment to entrench applicable principles in its strategy and operations, MCB Ltd is an adherent to the United Nations Global Compact at participant level. The latter is the world's largest voluntary corporate responsibility initiative for businesses committed to aligning their operations and strategies with universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Read more in the Sustainability Report on our website

Delivering on our strategic objectives

AUTHORITIES AND ECONOMIC AGENTS

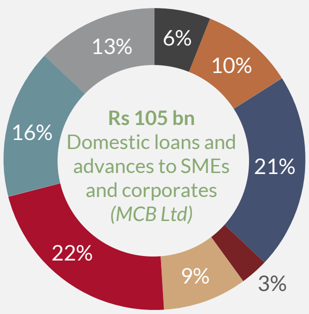
SDGs IMPACTED

8 Decent Work and Economic Growth

16 Peace, Justice and Strong Institutions

17 Partnerships for the Goals

CAPITALS IMPACTED



- Agriculture and fishing
- Manufacturing
- Tourism
- Transport
- Construction
- Financial and business services
- Traders
- Others

28.3%
Domestic loans as a share of GDP
(MCB Ltd)

Rs 1,532 m
Corporate tax and special levy
(MCB Ltd)

38.5% Share of domestic credit to corporates in Seychelles

2,181
Number of fraud/alleged fraud cases investigated
(MCB Ltd)

129,564
Number of financial crime risk management alerts investigated and closed
(MCB Ltd)

636
Number of suspicious internal transaction reports investigated
(MCB Ltd)

4,312
Reports sent to the Bank of Mauritius
(MCB Ltd)

44% Cash to digital payments ratio *(MCB Ltd)*

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

- Promotion of sound and efficient financial systems in countries where we operate
- Contribution to economic and financial development as well as financial literacy
- Strict adherence to relevant laws, codes, guidelines and principles
- Meaningful interactions with authorities for proper monitoring of activities
- Participation in discussions on topical, regulatory and economic issues
- Provision of tailored support that will contribute to the advancement of entrepreneurs and businesses
- Understanding and appraisal of the Group's operating environment for informed decision-taking by foreign counterparts

KEY OBJECTIVES AND METRICS

- Financial soundness indicators
- Economic contribution in countries where we operate
- Transition to a cash-lite society
- Best-in-class policies based on ethical behaviour
- Strong risk management and compliance set-up
- Adherence to regulatory requirements

MATERIAL MATTERS

- Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions
- Heightened regulatory and supervisory oversight
- ESG considerations
- Increasingly competitive environment

How we have engaged with authorities and agents

- Continuous support to the development and modernisation of economic sectors and financial jurisdictions across the Group's presence countries
- Contribution to the positioning of Mauritius as a credible and competitive International Financial Centre, along with dedicated assistance to businesses transiting through Mauritius to conduct business across Africa and beyond
- Regular interactions and collaboration with authorities in our presence countries to provide support to our customers in line with COVID-19 measures implemented amidst the pandemic
- Strict compliance with relevant regulatory limits and guidelines relating notably to business operations, product development, market development and risk management
- Perennity and soundness of our operations safeguarded along with compliance with mandatory provisions and requirements
- Policies and procedures in place to detect and prevent financial crimes such as money laundering, bribery and tax evasion in line with legal requirements
- Contribution to the strengthening of the regulatory framework through our close collaboration with the regulators
- Prompt attendance to regulatory reviews and response to matters raised
- Timely submission of reports to regulatory bodies and transparent relationships forged with them to promote adequate monitoring of our activities and informed discussions about relevant issues
- Thought leadership initiatives, including the publication of MCB Focus, weekly MCB Wave podcast on financial markets and articles posted on the MCB Group's 'TH!NK' website

Direct contribution of MCB Ltd to the Mauritian economy (FY 2021/22)

Contribution to value added	~ 4%	of total value added	~ 60%	of value added by the banking sector
Paying taxes in support of government revenue mobilisation	~ 9%	of total corporate tax paid	~ 62%	of special levy paid by banks
Creating jobs on the nationwide scale	~ 20%	of employment in financial and insurance activities	~ 38%	of employment in the banking sector

Notes:

(i) Total corporate tax paid includes levies charged on income but excludes our indirect contribution induced by tax paid by our suppliers

(ii) The estimates do not cater for the indirect implications of the Bank's operations and banking activities

Direct contribution of MCB Seychelles on the Seychellois economy (2021)

~ 1.5%	of total value added generated by the economy	~ 25%	of value added by the financial and insurance activities	~ 10%	of employment in the financial and insurance activities

Note: Figures displayed above are indicative, based on officially-reported data and MCB Staff estimates

Delivering on our strategic objectives

EMPLOYEES

SDGs IMPACTED

5 Gender Equality

8 Decent Work and Economic Growth

10 Reduced Inequalities

CAPITALS IMPACTED

~ 3,900
Employees
(52% female)

29%
Women in middle and senior management
(MCB Ltd)

~ 95%
Employee retention rate

~ 6%
Employee turnover rate

Results from the Trust Index© employee survey

68%	Participation rate
54%	of surveyed employees view MCB Group as a great place to work
71%	of surveyed employees feel proud to tell others they work at MCB Group

~ 23,600
Number of courses completed on 'Percipio' (our online learning platform)

~ 16,600
Total hours spent learning on 'Percipio'

260 Number of employees enrolled in our **Lead with Impact Academy** *(MCB Ltd)*

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

- Safe, positive and inspiring working conditions and operations supported by flexible work practices
- An empowering and enabling environment that embraces diversity and inclusivity
- Fair treatment and strict adherence to meritocracy principles
- Reasonable reward and career advancement structures and opportunities

KEY OBJECTIVES AND METRICS

- A diverse and inclusive employee profile
- Gender-equitable workplace
- Employee retention and turnover rates
- Employee satisfaction and engagement surveys
- Sustainable workplace solutions, including reduced office footprint
- Workforce equipped with future-ready skills
- Training and development hours per employee

MATERIAL MATTERS

- Macroeconomic uncertainty amidst global geopolitical and pandemic disruptions
- Heightened regulatory and supervisory oversight
- Changing world of work
- ESG considerations

How we have engaged with employees

- Continuous efforts to identify, attract, grow and retain talents as well as empower them to deliver their best
- Regular interaction with employees to adequately understand and respond to their needs, and gauge their level of motivation and engagement
- Dedicated initiatives to promote an environment of trust, high aspiration and achievement and foster strategic talent acquisition
- Reinforcement of human resource frameworks, in support of enhanced operational efficiencies and sound business growth
- Upgrades to our learning and training framework and enrichment of our training courses – notably through the MCB Institute of Finance and 'Percipio' – to equip employees to better respond to evolving customer needs
- Application of the Group Code of Ethics to help employees understand their ethical responsibilities as they conduct business and the Code of Banking Practice that sets out the standards of disclosure and conduct for maintaining good relationships with customers
- Adoption of a Group Whistleblowing Policy which enables colleagues to raise matters of concern without fear of retaliation
- Fair and robust remuneration philosophy in place to reward our employees, in line with market conditions and meritocracy principles
- Provision of a range of fringe benefits to our employees, including the employee share option scheme
- Support from the Change Management Office to cater for the impact of change from a people perspective to ensure a smooth transition following the implementation of transformation initiatives
- Promotion of a balanced and diversified workforce in terms of age group and experience as well as gender in line with our Gender Equality Charter
- Flexible Working Arrangements (FWA) available to our employees, including flexi-time, staggered hours, hot desking, and 'Work From Home' initiative (implemented under specific conditions)
- Dedicated initiatives put in place to cater for the health and well-being of employees

Promoting gender parity in the workplace

Our underlying objective is to have at least **40%** of women in middle and senior management roles at MCB Ltd by **2026**

Main initiatives during FY 2021/22

- Extension of maternity leave period from 14 to 18 weeks and two more weeks of leave, or 20 weeks, granted to employees giving birth to several babies or as from their 3rd child onwards
- Extension of nursing leave period by three months
- Awareness raised on International Women's Day through internal channels
- Training on unconscious bias and Women in Leadership integrated in curriculum of Lead With Impact Academy for People Managers
- Launch of 'Allies for Change Programme' in collaboration with Charles Telfair Leadership Centre, to assist Management in advancing gender equality and women's empowerment within the organisation and beyond
- Unfolding of the 'Lean In Circles' initiative - providing space where women can come together in small groups across roles and levels to get peer-to-peer mentorship, connect with each other, recognise and combat gender bias, and build leadership skills

Delivering on our strategic objectives

Key measures deployed during the period under review

Talent development

Talent Management

- Progress on the implementation of our Grow! Programme in Mauritius and launch of the programme in our overseas subsidiaries
- Launch of 'Beyond Numbers' Graduate Programme

Digital learning

- 'Percipio' becoming the one-stop shop for digital learning solutions, with a 88% adoption rate and 93% engagement rate since implementation

Leadership brand

- Completion of the first phase of the Lead with Impact Academy that aims at further entrenching the MCB Leadership Brand and promoting desired leadership behaviours

Specialised learning

- Ongoing deployment of specialised learning solutions through activities and experience towards building capabilities across the value chain in line with organisation-wide strategic orientations

Employee well-being

Staff welfare and quality of life

- Reinforcement of our support unit, with the recruitment of two in-house psychologists
- Availability of periodic staff offers on a range of goods and services, including leisure activities
- Trust Index© survey completed in June 2022 to gather employees' views, feedback, and suggestions on their experience, with the aim to make the work environment more conducive
- Internal platform for communication and awareness around Wellness theme – easy access to resources, visibility to events and programmes and running of polls to collect feedback
- Wellness events for staff, such as 'run and/or walk' initiative at MCB St Jean
- Provision of a supplementary cost of living and transport allowance in view of inflationary pressures in Mauritius

COVID-19 measures

Safeguarding employee well-being:

- Adherence to strict health and safety protocols across premises as per MCB's COVID-19 Pandemic Protocol
- Flexible working arrangements provided
- Provision of remote medical advice and assistance
- Facilitation of the vaccination exercise, notably the booster dose, for our employees

Ongoing initiatives

Career and rewards architecture

Review of the organisation's job architecture framework to better adapt it to current business realities and ensure its alignment with global best practice

Culture

Review of Employer Value Proposition with the assistance of an external service provider to reinforce our offering for our employees

Onboarding journey

Rethinking of the onboarding journey to help new recruits in smoothly adapting to the organisation's environment and culture

Our performance across entities

During FY 2021/22, the Group has sustained its efforts to pursue its business development thrusts, alongside coping with the difficult and dynamic operating context. Essentially, we have continued to accompany closely our clients during their recovery phase, while upholding the stability and resilience of our operations as well as the soundness of our key financial indicators. Locally, we have continued to strengthen our positioning across markets and client segments through enhanced and bespoke value offerings whilst reinforcing our contribution to the socio-economic development of Mauritius. In parallel, we have further extended our reach outside the country by deepening and widening our regional footprint, diversifying our banking and non-banking activities and value proposition across market segments and geographies. Internally, we have further consolidated our capabilities to support growth notably through upgrades to our IT systems and infrastructure, a reinforced risk management and compliance framework and the deployment of a number of strategic initiatives to support the advancement and well-being of our employees. Underpinned by our philosophy 'Success Beyond Numbers', the Group has continued to deliver on our commitment towards creating a positive impact on our people, society and environment. During the year under review, the Group has maintained efforts to forge stronger alliances with partnering banks and key market players while leveraging organisational synergies to bolster our value proposition and identify meaningful business development opportunities as we further cemented our position as a reference financial player in the region. In this respect, we are reviewing the 'Bank of Banks' proposition and framework to better service financial counterparts.

Banking cluster

MCB Ltd

Financial performance

Highlights

84% Contribution to MCB Group profits	**+5.6%** Operating income	**+9.1%** Operating expenses	**-26.3%** Impairment charges	**+18.1%** Gross loans to customers	**+3.6%** Total deposits

The Bank delivered a good performance amidst the dynamic operating environment. Net profit returned to its pre-pandemic level to stand at Rs 8,948 million, after a growth of 21.0% compared to FY 2020/21, mainly reflecting an improvement in its core earnings and a drop in net impairment charges on account of lower Expected Credit Losses (ECL). Whilst net interest income grew marginally by 1.8%, reflecting lower average yields, non-interest income grew by 14.3% in spite of fair value losses from equity investments. This performance was driven by higher revenues from regional trade finance and payments activities as well as increased profit from dealing in foreign currencies. As such, operating income rose by 5.6% to Rs 20,854 million. With ongoing investment in technology and human capital, operating expenses grew by 9.1% leading to a cost to income ratio of 35.2% compared to 34.1% for FY 2020/21. For its part, in spite of an increase in specific provisions, net impairment of financial assets declined by 26.3% following lower additional ECL. As a result, cost of risk in relation to loans and advances declined by 52 basis points to stand at 0.91%. As a major source of satisfaction in view of the still challenging context, the Bank preserved its financial soundness as evidenced by relatively stable asset quality, comfortable capital adequacy ratios and healthy liquidity and funding positions.

Delivering on our strategic objectives

Our business development

During the year under review, MCB Ltd pursued its three-pronged strategy of international diversification, digital transformation and sustainable development while actively reinforcing its foundations to support sound and sustainable growth. As the impact of the pandemic continued to linger, the Bank remained focused on supporting its clients to help them emerge stronger and tap into new business opportunities. Locally, MCB further consolidated its leadership status and reinforced its support to the progress and development of the country through its contribution to key sectors and the promotion of responsible entrepreneurship to boost local production and resilience. Furthermore, the Bank pursued its digital transformation towards accompanying Mauritius in its transition towards a cash-lite economy through the rapid adoption and utilisation of digital channels and solutions. Beyond Mauritius, the Bank continued to strengthen its positioning as a specialist bank, especially in areas where it has built a strong expertise and franchise over time. To sustain its international endeavours, MCB successfully tapped into the global financial markets in September 2021 for a syndicated facility of USD 1 billion. Our cross-border strategy translated into strengthened client engagement, reinforced collaboration with our network of partners and intermediaries, with the Bank also leveraging its strategically positioned Representative and Advisory Offices. In the latter respect, the Bank has applied for the setting up of a Representative Office in Nigeria given its notable involvement in the energy sector of the country and the commercial opportunities in the West African region. In our bid to become a prominent transactional banking services provider and grow our non-interest income, we took several initiatives to enhance our value proposition, including the repositioning of our Global Markets & Treasury Management function and operationalisation of the new Payments SBU. In parallel, the Bank continued to leverage the growing synergies between its coverage teams and product houses across the Group in putting forward enriched product offerings tailored for the respective client segments. To support its growth, the Bank further reinforced its internal capabilities by investing in cutting-edge technology, embedding a more rigorous risk and compliance framework and strengthening human capital and upholding employee engagement and well-being to maintain a high performance culture.

Looking ahead, MCB will pursue its strategic intents and deliver on its focus areas towards cementing its position as a reference player in the region, while capitalising on the Mauritian IFC as a competitive business and investment hub. Locally, it aims to maintain its leadership position as a strong and innovative digital bank while playing a more prominent role in helping the country build back better. The Bank also aims to continue widening and deepening diligently its regional diversification strategy through stronger and more meaningful relationships with its clients, an enhanced go-to-market approach, targeted value proposition and a robust network of intermediaries and partners. As it reinforces its business locally and grows its regional footprint, MCB aims to further embed sustainability into its core business. It remains focused on developing a clear sustainable finance strategy and framework, providing adapted financial solutions to its customers to accompany them in their transition to carbon neutrality and towards a greener economy.

Delivering on our growth pillars

The following sections shed light on underlying initiatives deployed by MCB Ltd to realise its growth aspirations across its strategic pillars amidst the testing operating landscape.

1 Extend our frontiers

Consolidating our domestic positioning and pursuing our regional diversification agenda by exploring new growth avenues

2 Deliver a world-class customer experience through digital

Embedding digital innovation and technology as a key enabler of enriched customer service quality and relationships

3 Nurture our values and deliver on our brand promise

Strengthening the MCB franchise and cementing the organisation as a positive brand, while entrenching sustainability in our DNA, our behaviours and our value proposition

1 Extend our frontiers

General approach

Alongside successfully coping with the ramifications of the pandemic, the different lines of business of the Bank have, during the year in review, pursued the implementation of their roadmap of initiatives and supported clients in achieving their objectives by capitalising notably on its digital capabilities and the upskilling of its people.

MCB's product houses partner with the lines of business as well as other units to maximise its share of wallet across business segments whilst co-creating customer solutions and business value proposition. The business development ecosystem is outlined below.

Business Development: Coverage & Product Houses

MCB pursues its business development thrusts via its four lines of business along with its product houses and shared services, through its multiple channels whilst capitalising Group synergies

Channels

Individual Business Segment	Product Houses	Non-individual Business Segment
1 Retail	Global Markets *(part of Financial Markets SBU)*	3 Corporate and Institutional Banking
2 Private Banking and Wealth Management	Payments	4 Business Banking
	Securities Services	
Shared Services	Marketing | Customer Lab	

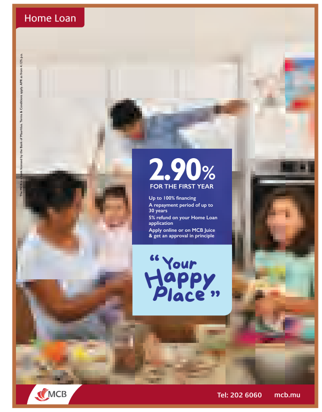
Retail

Strategic priorities set for FY 2021/22

- Uphold diligent growth in our loan book and promote cross-selling to increase net fee and commission income, supported by reinforced commercial capabilities and enhanced customer solutions
- Enhance the omni-channel experience by further enriching our digital solutions and the MCB Juice mobile banking application while improving the in-branch journey
- Improve customer service and efficiency levels through the optimisation of our branch/ATM network and the use of innovative technologies
- Roll out of a customer service learning training to uplift employee skills and improve customer experience

Delivering on our strategic objectives

Main initiatives and achievements during the year under review



- Whilst facing a challenging operating environment, characterised by heightened competitive pressures and difficult economic conditions as evidenced by elevated inflation, the Bank affirmed its position as a leading financial player across the retail segment and achieved a resilient performance, thanks to the progress made on the execution of its strategic initiatives.

- As part of moves to upgrade its value proposition, the appeal of its mortgage solution was further refined with the launch of the 'Your Happy Place' housing loan campaign endowed with enhanced incentives in terms of interest rates and rebates on fees.

- Additionally, the web-based Mortgage application continued to gain traction with 21% of total housing loan applications initiated via this channel. In parallel, the Bank launched its revamped unsecured loan offering which provides instant approval and same day disbursement for eligible customers. Towards providing tailored product offerings, the Neo bundle for mass affluent customers has been enriched, leading to an increase in subscriptions thereto.

- In our bid to boost sales effectiveness, we launched and widely used the Next Best Offer analytics tool, which allowed for successful cross-selling opportunities based on customer profiles.

- Leveraging advanced technologies and strategic partnerships, the Bank further enriched MCB Juice with the anchoring of the aforementioned mortgage and personal lending solutions as well as MauCAS QR and push notifications, amongst others. Following last year's launch of the 4.0 version, MCB Juice's subscribers increased by 8%.

- In terms of operational efficiency, the Bank made headway in simplifying the end-to-end customer journeys for loan application and approval, by adopting agile principles and streamlining processes along the credit chain. It reviewed the credit value chain for individual customers to enhance their experience, which contributed to faster approval, document preparation and disbursement of loans. The Bank also encouraged its customers to use its Appointment Booking Service for in-branch customer service transactions and benefit from a reduced waiting time in branch.

- Towards upholding our strategic positioning and in line with our branch review strategy with a bespoke service orientation, Pamplemousses and Plaine des Papayes customers were relocated to the Beau Plan branch which seeks to offer a unique banking experience to customers.

- The year under review saw the roll out of the Customer Service Learning programme co-created by HR and Retail. The gist of the programme aimed at strengthening the service skills of our employees to create an effective customer focus while better connecting with customers. The programme comprised a mix of online courses leveraging Percipio and on the job training. Some 1050 digital token certificates were distributed to frontliners who completed their digital training covering subjects such as Discovering Customer Needs, Serving Digital Customers, Building Emotional Leadership amongst others. Moreover, training was provided on how to communicate effectively with customers and how to build rapport with them.

Key priorities looking ahead

- Consolidate our market positioning, backed by commercial initiatives to grow our loan book and non-interest income alongside promoting cross-selling and up-selling

- Further enhance customer experience across all touch points towards delivering the promise of omni-channel experience

- Pursue strategic initiatives to ensure that internal processes and systems are further streamlined so that the in-branch or digital customer experience becomes more seamless

- Further contribute to the organisation's Sustainability agenda

- Pursue the focus on customer service to consolidate the relationships with customers, increase customer loyalty and reinforce the existing customer centric approach

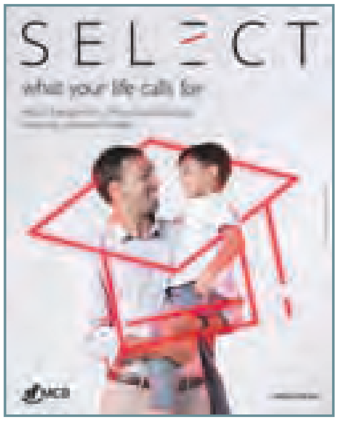
Private Banking and Wealth Management

Strategic priorities set for FY 2021/22

- Build on the launch of the 'M' brand and deepen existing relationships while pursuing client acquisition
- Extend the spectrum of products and services beyond conventional offerings and tailor them to the different client segments
- Sustain its international development thrust by strengthening its market positioning through its network of business introducers and referral partners, alongside acquiring new Business Partners notably in Dubai, Europe and Africa
- Focus on digital enablement with the implementation of an Order Management System (OMS)

Main initiatives and achievements during the year under review

- Even though the operating performance of this segment was impacted by adverse market conditions, the unit remained focused on reinforcing the enabling conditions to underpin its growth ambitions in the future.
- As part of its transformation programme, the SBU has been segmented under three clusters based on investable assets and fiscal residence, namely Private Banking i.e. 'M', Select – which tends to affluent customers – and External Asset Managers & Financial Intermediaries (EAM&FI), whilst enhancing its portfolio management capabilities to facilitate strategy execution. With a view to consolidating its existing value proposition in line with the revamped identities of 'M' and Select, the Bank undertook a Wealth Study to better understand its clients' behavioural patterns and customise its value proposition to their profile and requirements.
- The unit launched its investment advisory offering for its individual clients, which, in contrast to discretionary portfolio management, adopts a "hybrid" approach. It is designed to empower the investment-savvy clients, wanting to have an oversight over their portfolios and making their own investment choices, with the optional assistance of an investment advisor.



- With regard specifically to the 'M' segment, new avenues have been explored, such as ESG investing, to cater for the differentiated needs of its diverse client profiles. The Bank also revamped the Private Banking website, which offers an exclusive window to all the banking and wealth management resources proposed to its clients.
- A value proposition review and brand lift were undertaken with respect to the Select segment to reinforce its strategic positioning through the adoption of a more sophisticated approach and the provision of distinctive investment solutions to clients based on their personal objectives, life stage and risk appetite. Additionally, it also came up with an adapted marketing and communication strategy for increased visibility to young affluent customers.
- Through an open-architecture approach, EAM&FI clients can fulfill their portfolio diversification endeavours by having access to major markets and most asset classes, also allowing them to tap into specific investment themes such as electric vehicles and clean energy.
- To support its international ambition, EAM&FI reinforced its presence in the Middle East and North Africa, by capitalising on the Dubai Advisory office. A Senior Relationship Manager has been appointed to ensure proximity and bolstered rapport with MENA-based External Asset Managers and family offices alongside offering the Bank's Private Banking and Wealth Management services and concomitantly promoting the Mauritius IFC.
- In order to widen its range of products and services and address the needs of its clients, due emphasis was laid on deepening partnerships with key actors in the industry by connecting with world-class companies in terms of advisory services in Africa and Europe and other players in the wealth sector, such as real estate agencies. In the same vein, the EAM&FI team has fostered the development of a strong network of international brokers across geographical locations for various asset classes, including equities, bonds, structured products and mutual funds. These brokers provide their services to both foreign-based and locally-based External Asset Managers.

Delivering on our strategic objectives

- The SBU also reinforced internal synergies to further its objectives. It has formalised a cross-selling and collaboration framework with the Corporate and Institutional Banking SBU in order to widen its prospects and effectively tap into new business opportunities in target markets. Besides, thanks to enhanced collaboration with MCB Capital Markets and the Global Markets and Treasury Management unit, thought leadership capabilities were strengthened to provide insights on current trends in the field of Investment Services, thereby promoting brand visibility.

- The SBU pushed forward with its digitalisation strategy aimed at delivering a superior experience to affluent clients and providing services that meet the needs of the next generation of investors. It embarked on the implementation of MoneyWare, a full-fledged Order Management System, which will generate added efficiency gains and enhance customer experience by allowing (i) 24-hour access to self-service platforms; (ii) near real-time transmission of orders with brokers over Financial Exchange Protocol; and (iii) automatic settlement with its custodian.

Key priorities looking ahead

- Accelerate business development efforts and prospection to boost growth in investable assets and the asset book

- Diversify its international markets through enhanced brand visibility, by leveraging the Bank's Representative/Advisory Offices, notably Dubai, increased presence in earmarked markets and the Mauritian jurisdiction

- Bolster relationship management and increase the sophistication and differentiation in our value proposition to grow the client base with a focus on addressing investment and wealth management needs

- Enrich its ecosystem to service clients' financial and ancillary needs in collaboration with existing and new partners, notably on the international front

- Pursue the digitalisation of its offerings with the priority being to complete the full implementation of the OMS and a Portfolio Management System and enhancing MCB Juice application with investment and wealth features

Business Banking

Strategic priorities set for FY 2021/22

- Ease access to finance for Mauritian entrepreneurs to promote local production in the country

- Enrich its value offering by, notably, introducing new value-added features and digital products to MCB JuicePro, such as the first end-to-end automated credit journey for non-individual customers

- Smoothen the service delivery and enhance customer relationships, supported by increased client proximity, to improve overall customer satisfaction

- Encourage migration to digital channels and boost digital sales

- Improve turnaround time and internal efficiency levels

Main initiatives and achievements during the year under review

- Cognisant of the significance of Micro, Small and Medium Enterprises (MSMEs) as well as Mid-Market Enterprises (MMEs) in the economic development of Mauritius, the Bank continued to accompany them in their growth initiatives and activities, notably by facilitating their business transactions, which contributed to a notable rise in non-interest income of this segment. In fact, helping SMEs and boosting entrepreneurship to promote a vibrant and sustainable local economy are key priorities of the Bank, being well ingrained in our purpose of 'Success Beyond Numbers'. In this respect, the unit endeavoured to enrich the appeal of its value proposition, backed by a pioneering mindset and reinforced sales and client competencies focused on customer centricity.

- o MCB JuicePro has been endowed with several additional features. These include a full suite of pay and transfer options (e.g MauCas QR), Cards Management, security enhancements, centralised access to Statements and Advices and a seamless process for a user to also become a Merchant. Moreover, the Express Overdraft feature, introduced in August 2021, is MCB's first online lending product that can be fulfilled end-to-end digitally, with an average turnaround time of 7 days including customer-waiting time. Worth noting, a dedicated squad is currently working towards developing a full pipeline of new features on the app that should come live in months ahead.

- o PUNCH, our collaborative community ecosystem, has been enhanced with more features and is rapidly becoming the strategic gateway for SMEs to gain access to a pool of industry experts, accountants, consultants, export markets, clients and equity partners. This digital B2B marketplace affirms our engagement vis-à-vis entrepreneurs beyond banking and helps promote ecosystem building and co-creation within the community. Currently, PUNCH has more than 1,600 members, above 125 growth partners and 6 institutional investors.

- o Given the focus of the 'Lokal is Beautiful' pillar in our strategy, we led a series of actions to enhance the Bank's presence in the domestic entrepreneurial community. Notably, the unit has pursued its close collaboration with key actors in the community, namely incubators and aggregators such as La Turbine, Katapult Mauritius and other associations including the 'Association Mauricienne des Femmes Chefs d'Entreprises', and Regeneration Mauritius, by way of sponsorships and capital investment. Equally, considerable efforts were spent to assess feasibility and define implementation criteria for alternative sustainable finance solutions.

- The Bank worked on boosting the adoption of digital solutions by MSMEs to facilitate the country's transition to a cash-lite society.

- The unit has also adopted Agile practices whereby all forms of digital deliveries, sales, operations and support functions within the department are functioning in an Agile mode and experimenting new ways of working, supported by a cohesive operating model. This allows the unit to strengthen its ability to provide tailor-made, value-added and digital solutions to MSMEs and MMEs, alongside helping to reduce time to market and improve customer experience within the wider ecosystem.

- Overall, MCB has remained the foremost service provider in the MSME segment in Mauritius, being ranked 1st amongst the 12 participating banks operating in the country in respect of credit facilities granted under the Government–backed SME Financing Scheme, with a corresponding market share of around 46% posted during the December 2011 – June 2022 period.

Key priorities looking ahead

- Improve our digital product offering and promote the use of digital channels and platforms as well as enhancing product coverage with targeted cross-selling of key services

- Strengthen the 'Lokal is Beautiful' framework by boosting the value proposition of PUNCH and implementing new schemes as well as other financing solutions

- Pursue efforts to grow the lending business and explore other avenues to support the growth of MSMEs and MMEs leveraging its 'Beyond Banking' vision clustered around a community engagement plan and the provision of value-added services

- Promote tailored solutions to facilitate transactional banking and leverage cross-selling opportunities with Group entities

- Enhance the efficiency of operations underpinned by the optimisation and automation of processes and systems

Delivering on our strategic objectives

Corporate and Institutional Banking

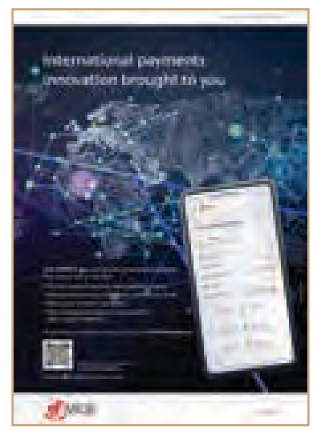
Strategic priorities set for FY 2021/22

- Consolidate our leadership status and reinforce the Bank's contribution to the socio-economic progress of Mauritius through continuous support to the development and modernisation of key sectors
- Strengthen its position as an established financial partner and product specialist across the region, underpinned by (i) increased on-field presence to enhance proximity with clients and their ecosystems; (ii) stronger foothold in target markets through the promotion of the Mauritius International Financial Centre (MIFC) and MCB brand; and (iii) segmented strategy to cater for the differentiated target markets, supported by a customised value proposition
- Uphold its positioning as a prominent, meaningful and trusted player with a solid track record and strong brand in the African Oil & Gas market as well as gradually build a Power & Infrastructure franchise
- Develop stronger business networks with financial institutions, whilst strengthening its position as lead arranger for dedicated deals and boosting its syndication capabilities
- Boost transactional banking through adapted solutions
- Promote operational excellence and innovation to better accompany clients and foster enriched customer service relationships

Main initiatives and achievements during the year under review

- This segment maintained a strong operating performance, driven by its foreign activities and a high growth in non-interest income in line with the objective to strengthen the Bank's strategic positioning in the provision of transaction banking services.
- In Mauritius, MCB reinforced its position as the leading financial player and sustained its support to economic operators in the country amidst a highly volatile operating environment. Reflecting its efforts, the Bank maintained its prominent market positioning in the domestic market, with its market share in respect of credit to corporates standing at around 41% as at June 2022. Through its customised financial solutions, the Mauritian & Regional Corporates team helped corporates build resilience and better navigate ongoing challenges, namely dealing with the ramifications of the pandemic, supply chain disruptions and currency volatility. Concomitantly, the Bank prudently expanded its exposures to various sectors and accompanied its clients in writing their next growth chapter by, notably, supporting them in their capacity building moves, restructuring initiatives and strategic undertakings.
- On the international front, the Bank pursued its growth agenda by selectively exploring business avenues in areas where it has built expertise over time. It thoughtfully entrenched its activities across regional and international market segments backed by customer-centric solutions, regularly-adjusted risk appetite and leveraging a wide network of correspondent banks worldwide (with around 100 in Africa) as well as the Representative Offices in Paris, Johannesburg and Nairobi and the Advisory Office in Dubai. The latter's team is being reinforced following the upgrade of its licence in September 2021 to tap into the opportunities that this new status confers on the Bank given that we can now provide advisory services on financial products and arrange credit, deals in investment and custody facilities, with a particular focus on institutional and corporate clients.
- In line with its aim to connect stakeholders and bolster a network of meaningful relationships with intermediaries and partners, MCB recently became a member of the African Private Equity & Venture Capital Association (AVCA), which is a pan-African industry body championing private investment into Africa, and was also a diamond sponsor in the latest AVCA conference.
- The Bank also leveraged synergies with MCB Group's foreign banking subsidiaries and associates, mainly in Madagascar, Seychelles and Maldives, to better assist existing clients in their endeavours to expand regionally while consolidating its position as a reliable banking partner to international clients operating across the region.
- From a commercial perspective, the Global & International Corporates team made notable inroads regarding its strategy to be the partner of choice for international corporates willing to do business and invest in and across Africa, notably through the development of new relationships with anchor clients such as private equity funds and large regional corporates in Europe and Asia. The unit also sought to facilitate business opportunities across the various trade corridors with Africa – while also helping to unlock synergies of the MIFC with other strategically positioned International Financial Centres such as Dubai IFC – to reinforce MCB's position as a renowned financial partner and established product specialist.

- The Specialised Finance team also delivered on its strategic objectives:
    - o Specifically with regard to the E&C segment, the Bank remained a prominent player in the African Oil & Gas business across downstream, midstream and upstream value chain by nurturing relationships with key clients and building on its expertise, established brand and track record. In line with the organisation's climate commitments, the unit initiated actions towards increasing its presence in the gas trading business in Africa going forward, as the Bank seeks to accompany the region in its energy transition. However, the Bank understands that it is going to take some time for its key African markets to shift to renewable energy, and remains committed to being their partner during this transition.
    - o As for Power & Infrastructure financing, the Bank maintained its efforts to play an increasing role in addressing Africa's infrastructure needs. We thus continued to provide support to clients for their infrastructure investments in the Bank's key geographical markets, including energy projects contributing to the transition towards cleaner energy and improving electrification rate on the continent.
- The Financial Institutions and Syndication team consolidated its syndication offering and strengthened its position as lead arranger with financial institutions. The unit developed stronger business networks with financial institutions, development financial institutions and other partners as well as key intermediaries across African and Asian markets for enhanced market intelligence, enriched value offering and servicing a larger pool of clients.
- MCB has, in close connection with the Group, remained an active promoter of the 'Bank of Banks' initiative as part of its Africa Forward Together (AFT) strategy, which consists of providing a palette of adapted solutions to financial institution counterparts, notably those operating in Africa. The Bank has reviewed its AFT strategy towards working with its network of correspondent banks to enhance its offerings and better service its clients in foreign markets as well as tap into new business opportunities.
- As a key enabler, the coverage teams have strengthened their collaboration with specific product houses, such as Global Markets and Treasury Management team, towards developing customised solutions to meet the sophisticated needs of the international clients, notably to facilitate cross-border trade and business flows.
- The Bank invested in its digital platforms in order to simplify the customer experience with its SmartApprove application – a convenient and secure web-responsive app that allows authorised signatories of companies to approve transactions electronically – now equipped with a cross-border international payment solution, the SWIFT gpi. The latter is a self-service payment tracker which enables our corporate clients to track all their international payments from end-to-end, in real time.
- In the same vein, the Bank has made further headway towards the digitalisation of its workflows and processes to enhance operational efficiency and improve the customer experience.



Key priorities looking ahead

- Help build back Mauritius better through dedicated support to the modernisation of its existing growth pillars and development of emerging sectors with a focus on clean-energy investment to facilitate the transition of the country to a greener economy
- Reinforce the Bank's position as a sustainable financier, through the development of a palette of sustainable financing products and the setting up of an ESG team in collaboration with Risk SBU
- Devote efforts towards becoming a reference bank for funds, regional and international corporates, by leveraging a targeted value proposition, strong network of intermediaries and partners, and an enhanced go-to-market approach
- Uphold its positioning within the Energy & Commodities segment by nurturing existing relationships, consolidating its reputation as a credible and long-term financing partner and enabling energy transition through a gradual and committed focus to gas financing, whilst pursuing its African Power and Infrastructure financing initiatives
- Boost cross-selling opportunities, leveraging organisational synergies at coverage and product level, with a key focus being to position the Bank as a leading transactional banking player
- Develop and nurture a more meaningful network, notably through targeted events and backed by pertinent thought leadership series, towards servicing and bridging stakeholders across the African markets and along the various business corridors with Africa (i.e. Asia, Gulf and Europe)
- Accelerate digital efforts and enhance technical expertise in the analysis, structuring and monitoring of financing solutions

Delivering on our strategic objectives

Product Houses

Main initiatives and achievements during the year under review

Financial Markets

- The unit consolidated its collaboration with the coverage teams to unearth new opportunities and broaden the Bank's customer value proposition to better address customers' needs whether transactional in nature or focused on risk management/hedging or investment solutions.
- Accordingly, the unit has been deploying significant efforts to bolster the Bank's palette of offerings beyond the traditional vanilla foreign exchange products, across asset classes and tailored to each segment. Additionally, the Global Markets Sales and Structuring teams are being reinforced to consolidate the Bank's position as an innovative Financial Markets service provider both locally and in the region.
- On the trading front, the risk management framework has been reinforced and the internal capabilities are being bolstered, underpinned by the upskilling of employees and the strengthening of the unit's research function.
- As a key recent initiative to help the Bank achieve its growth ambitions, a Strategy & Projects Office within the unit has been set up to facilitate its transformation journey, with due emphasis on digitalisation and innovation.

Payments

- The reviewed Payments structure is enabling (i) the emergence of new business models including Payments as a Service; (ii) the set-up of a dedicated product house with a focus on innovative and scalable solutions development and deployment; and (iii) strategic partnerships with fintechs and networks.
- In line with the Bank's aim to help transform Mauritius into a cash-lite society, it geared up its commercial initiatives to push for contactless offerings by actively promoting its convenient and secure digital channels to underpin the conduct of round-the-clock customer transactions. The Bank also encouraged clients' migration to digital through awareness, rewards and incentives programmes. In this respect, MCB recently kicked off the MCB/Visa promotional campaign for the FiFA World Cup in Qatar. For FY 2021/22, the cash to digital payments ratio of its customers was at 44% (FY 2020/21: 50%; FY 2019/20: 57%), representing a significant shift compared to the pre-pandemic period.
- The unit has reinforced its relationship management with key stakeholders in the payments ecosystem alongside increasing its reach and network on the back of a solid brand with stronghold across all business segments of the Bank.

Deployment of payments solutions towards a safer and cash-lite economy

~ 13 million	10,193	+17% y.o.y	+17% y.o.y
Contactless transactions *+151% y.o.y*	Contactless POS enabled *(representing 85% of total POS terminals)*	Merchants offering online payments	Debit cardholders transacting online

Note: Figures relate to FY 2021/22

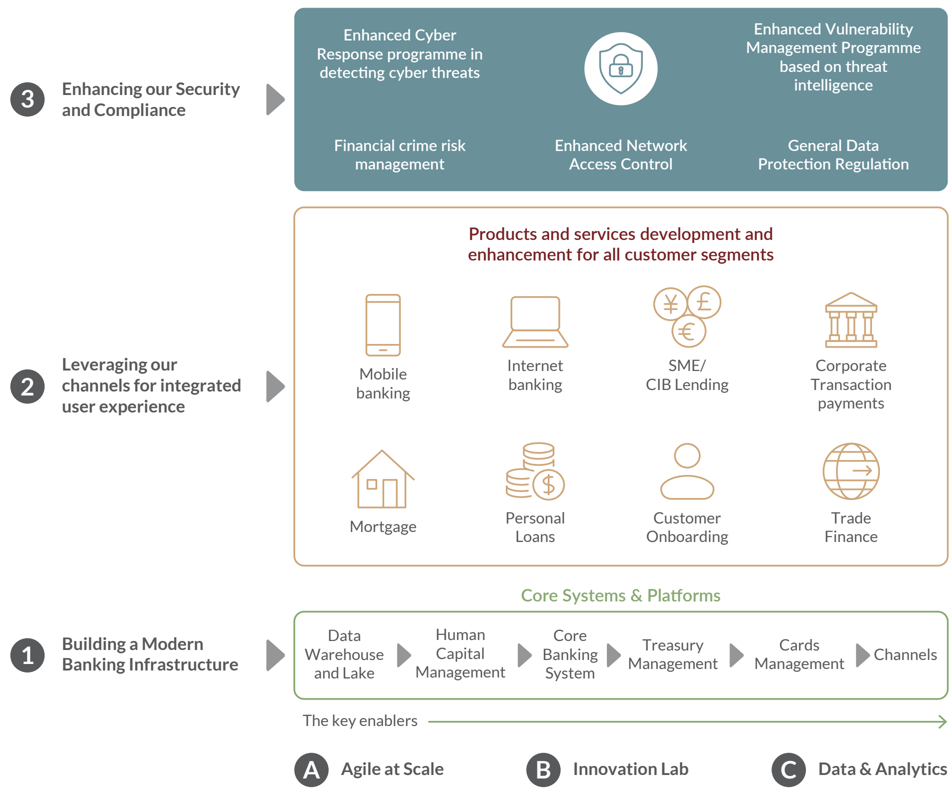
Securities Services

- The unit's value offering was extended with (i) the rolling out of a new pricing model, helping to increase MCB's visibility in some markets; (ii) a revised billing methodology nearing completion, thereby ensuring fairer pricing to both MCB and its clients; and (iii) a rebranding campaign launched with success in January 2022, which started with the enhancement of the Securities Services website. Other marketing actions will follow suit in FY 2022/23 to mark the 30th anniversary of the unit.
- It successfully rolled out its Shadow Revenue Model for CIB and Private Banking and Wealth Management (PBWM) Relationship Managers (RMs) as well as custody services for Financial Institutions clients alongside providing regular support to RMs. Through the sharing of revenue among different BUs, this initiative aims at encouraging RMs to cross-sell Custody Services to their clients.
- Efficiency is being improved with the implementation of a client ticketing tool alongside promoting the use of electronic document exchange both internally and externally. The client ticketing tool allows for traceability in all instructions received and entries made. It should also help the Bank adhere to Service-Level Agreements (SLAs) and improve its service level via analysis of data such as time taken to tackle requests.

2 Deliver a world-class customer experience through digital

General approach

The Bank continued to progress on its digital transformation agenda backed by the implementation of dedicated initiatives with a view to fulfilling the needs of its customers in a fast, convenient and simple fashion. As the foundation of this transformation, MCB is investing to build a modern banking infrastructure, using best-in-class information systems and platforms to underpin business operations. Concomitantly, the Bank is leveraging its channels for an integrated user experience, towards catalysing and encouraging the evolution from physical to digital banking and accompanying the country in its transformation towards a cash-lite economy. Due emphasis is also being laid on enhancing our security and compliance systems and frameworks through the implementation of a secured and robust network architecture. To support its strategic endeavours, the Bank is capitalising on (i) new ways of working by leveraging its Digital Factory experience; (ii) its Innovation Lab to evaluate opportunities and risks in the technology and digitalisation sphere; and (iii) data and analytics to uncover meaningful and actionable insights to improve efficiency and decision-making, manage risks and drive sales and cross-selling.



Main initiatives and achievements during the year under review

Building a modern banking infrastructure

The Bank made further strides towards making its core systems and platforms responsive and scalable as well as supporting Continuous Integration/Continuous Delivery (CI/CD) to improve the time to market. An upgrade of its Core Banking System (Temenos Transact) is underway, while the organisation also aims to have a single Group 'Software as a Service' (SaaS) for enhanced efficiency, improved governance and economies of scale. MCB pursued its omni-channel strategy with the objective of having a unified process for clients when interacting with the Bank, thus enjoying the same customer experience regardless of the entry point or channels. In particular, it upgraded the Backbase platform to the latest version and is migrating its trade finance services on the digital banking platform.

Delivering on our strategic objectives

The omni-channel strategy is expected to result in increased performance capabilities, a seamless user experience and the potential to scale with a range of new features. It will also serve to extend the agile delivery capability of the organisation while enabling improved management of the customer journeys, across all touch-points and for each line of business. The Bank is also in the process of migrating all cards operations to an upgraded version of its Card Management System, which allows for increased integration and efficiency.

Leveraging our channels for integrated user experience

Besides the omni-channel strategy, MCB pursued its efforts to redefine and digitise end-to-end customer journeys, backed by process reviews and reengineering, in line with its objective of improving the customer centricity of its operations across the Bank to capture new growth opportunities and unlock greater value for customers. MCB's recent initiatives and achievements are outlined below.

Key facts and figures on our customer journeys

83%
Weighted average completion rate

22
Planned customer journeys

12
Fully delivered

10
Ongoing
Average completion rate of 62% reached

Mortgage

Customers applying online or in-branch for a housing loan and have full visibility on the status of their home loan through its lifetime

Turnaround time[1] reduced by **18 days**

Customer satisfaction **74%**

Personal Loans

Customers applying online or in-branch for an unsecured personal loan and get same day approval

Turnaround time[1] reduced by **21 days**

Customer satisfaction **90%**

SME Account Opening

Online account opening for SME

Turnaround time[1] reduced by at least **13 days**

Customer satisfaction **78%**

Digital account opening **80%**
Monthly average

SME Lending *(Express Overdraft)*

Digitalisation of the end-to-end journey to ease access to finance for SME clients

Turnaround time[1] reduced by **53 days**

Customer satisfaction **72%**

CIB Lending

A new workflow process in place to improve efficiency of the lending process

Turnaround time[1] reduced by at least **57 days**

Credit requests on new workflow platform **83%**

CIB Transactional Payments

Approval of transactions faster and on the go

76% Digital vs. manual transfer

87% International Funds Transfer Payment STP Rate

1,340 Registered users on SmartApprove *(as at June 2022)*

MCB Juice

Enhancements of the mobile banking app with a wide array of secured banking products and services to be accessed anywhere and at anytime

427,812
No. of subscribers as at June 2022
+8% y.o.y

36 million
Number of transactions
+51% y.o.y

Customer satisfaction **82%**

MCB JuicePro

The mobile banking app on the go for local entrepreneurs

14,537
No. of subscribers as at June 2022
+84% y.o.y

78% Customer satisfaction

458,258
Number of transactions
+266% y.o.y

[1] Turnaround time figures relate to June 2022, include the time taken for customers to respond and exclude outliers
Figures above relate to FY 2021/22, unless otherwise stated

Enhancing our security and compliance

As technology becomes increasingly integrated into the Bank's business fabric, including the adoption of cloud technologies, MCB faces heightened threat exposure and control complexity in the face of the sophistication of cyberattacks. Accordingly, the Bank remains highly focused on identifying, appraising and managing cyber and information security risks to which the organisation is exposed. Concomitantly, the Bank has taken necessary measures to ensure that the organisation is poised to react to the fast-evolving legal and compliance landscape. During the year, the Bank undertook several initiatives to uphold the robustness of its information security systems and frameworks and boost MCB's risk culture. Specifically, the Bank:

- Redefined its security roadmap by evaluating its cyber maturity against well-known security frameworks, best practices and regulatory guidelines
- Is investing in new technologies to better protect/detect cyber threats whilst continuously improving its security hygiene, processes and practices
- Has enhanced its cyber incident management process by contracting out advanced cyber response services, for forensic analysis and legal counsel, to better assist MCB in responding to and recovering from cyberattacks in the most effective and efficient way
- Is building a Human Firewall, underpinned by training, regular awareness campaigns and social engineering simulations
- Has contracted a Red Team to conduct penetration testing activities and identify exploitable vulnerabilities for proactive remediation
- Has implemented a Cyber Threat Intelligence platform to help gather information and data on existing and emerging cyber threats

Read more in the 'Risk and capital management report'

Key enablers

To meaningfully execute our digital transformation, the Bank facilitated a work and culture shift to an agile mindset and operating framework to unlock business potential, break silos and improve operational efficiency. As another key enabler in the digital journey, the Innovation Lab, active in Mauritius and in the region, is continuously looking for new ways to unlock value through emerging technologies and aims to foster an innovative culture and mindset within the Bank. For its part, the Data BU aims to shore up MCB's data management and analytics capabilities towards promoting availability, reusability and integrity of data for users. The objective is to help MCB leverage data as a strategic asset to support its business strategy and foster value creation for customers. The range of use cases delivered so far spans across descriptive to predictive and prescriptive analytics, including *inter alia* (i) analytics-driven support to frontliners to advise clients on potential products adapted to their profiles; (ii) enhancement of AML monitoring processes to improve detection of suspicious transactions; and (iii) development of credit scoring models to support digitalisation of lending processes. The unit has an average completion rate of 68% regarding the integration of data and analytics in the Bank's customer journeys' roadmaps across business lines. To support its endeavours, a Data Committee is in place to oversee the data strategy and the approach to uphold data quality and integrity, with the aim of ensuring a proper governance framework around the use of data.

Priorities looking ahead

- Further upgrade its technology platforms to improve productivity levels and help boost customer satisfaction
- Complete MCB's customer journeys whilst ensuring that set objectives are met
- Continue to reinforce its cyber security to ensure effective resilience of its systems to such attacks
- Pursue its investment in CI/CD and cloud technologies towards further simplifying its operations, boosting the resilience of its systems and ensuring faster response time

Delivering on our strategic objectives

3 Nurture our values and deliver on our brand promise

General approach

The Group is actively engaged in disseminating its core values across different layers of the organisation to foster an alignment of actions being deployed to achieve common goals. As a purpose-driven organisation, we remain committed to integrating our sustainability principles as a key value driver in our strategy and operations. Thus, MCB continued to adopt dedicated initiatives executed under the three pillars, namely: (i) development of vibrant and sustainable local and regional economies; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being.

Main initiatives and achievements during the year under review

- MCB pursued its efforts to support the island's recovery by promoting local entrepreneurship and generating synergies between local SMEs, notably via its digital marketplace, PUNCH. The latter seeks to bring entrepreneurs together so as to find ways and means to grow together, by providing them with the tools and network they need as they set off on their growth journey.

- With the objective of complying with the BoM Guideline on Climate Related and Environmental Financial Risk Management, a project team has been set up comprising different units of the Bank. A Steering Committee has also been put in place to monitor the progress of the implementation of the Guideline (Read more in the 'Risk and capital management report' on page 154).

- In line with MCB's engagement to implement the appropriate risk management system for environmental and social considerations in its banking activities, the Bank reviewed its Environmental and Social Risk Policy. The general structure of the Policy has been upgraded in line with the Equator Principles and international environmental and social standards. The Policy caters for distinct sections covering the following: (i) Scope of Application; (ii) Governance: Integration of environmental and social related risks as part of decision-making process within various units of the Bank and committees; (iii) Roles and responsibilities of stakeholders involved in the Environmental and Social Risk Management (ESRM) process; and (iv) Implications for the Bank's Credit Cycle. The Bank's exclusion list has also been updated to (i) allow for its climate engagements; (ii) align with exclusion lists included in its facility agreements with development financial institutions; and (iii) include measures for environmentally sensitive areas. Additionally, the financial threshold for project to be subject to an ESRM assessment was updated to USD 5 million (total project capital costs). The Bank also reserves the right to apply a lighter ESRM process for projects less than USD 5 million with potential environmental and social risks.

- An international service provider was enlisted to accompany the Group in the development of an adapted sustainable finance framework as part of the organisation's aspiration to position itself as a key sustainable finance player on the domestic and regional fronts. Key priority areas have been identified and an action plan has been elaborated accordingly with all impacted stakeholders.

- Moreover, in alignment with the organisation's ambition to support a just transition to a low-carbon economy, which includes the termination of all new financing of coal infrastructure and trade worldwide as well as new-coal fired power plants in Mauritius as from 2022, MCB is in the process of setting up a task force. The objective is to determine what is required to fully integrate ESG considerations in its financing and risk management frameworks for its local and international portfolios. It is worth noting that the Bank is already more engaged in the financing of sustainable energy projects and aims to increase its participation in such projects that seek to increase living standards whilst promoting both climatic and environment friendliness. Indeed, MCB has recently participated in three landmark projects in Ghana, Rwanda and Senegal. These projects are crucial milestones in the electrification goals of these respective countries and in their transition from fossil energy to more renewable, low-carbon energy sources.

• MCB conducted various training sessions to (i) raise employees' awareness on sustainability; (ii) shed light on the updated ESRM Policy and approach; (iii) describe the Equator Principles; and (iv) outline the roles and responsibilities of employees. ESRM training was provided to some 50 colleagues from different teams including Credit Analysts and the Credit Structuring and the Credit Management team. 'The Climate Fresk' workshops were also held to help staff understand the essential issues of climate change in order to take action.

• The Bank sustained its efforts to promote the well-being of its workforce alongside pursuing initiatives in favour of gender equality. On the latter front, it continued to support the 'Business Without Borders' initiative, a mentoring programme, led by 'Association Mauricienne des Femmes Chefs d'Entreprises', with the second cohort comprising 60 mentors and mentees from Mauritius and the region. The Bank was also the Platinum Sponsor of the 2022 FCEM World Committee Meeting (The Worldwide Network of Women Business Owners) which was held in Mauritius, reinforcing MCB's commitment to support women's economic empowerment in the country.

Key priorities looking ahead

• Promote local entrepreneurship and help boost local production

• Deliver on our ESG agenda and commitments underpinned by a strengthened governance structure and sustainable finance framework as well as compliance with international frameworks, standards and principles; Enrich our sustainable finance offerings

• Continue to implement dedicated initiatives in line with the Group's Gender Equality Charter and promote employee engagement

Read more in the 'Creating value in a sustainable way for our stakeholders' section on page 49 to 62

Read more in the Sustainability Report on our website

Delivering on our strategic objectives

MCB Madagascar

Financial performance

Highlights

0.6%	+8%	+26%	-48%	+6%	+26%
Contribution to MCB Group profits	Operating income	Operating expenses	Impairment charges	Gross loans to customers	Total deposits

Reflecting its ongoing commercial strategy to tap into key corporate players, an increase of 26% was noted in the bank's deposit book. Nonetheless, the deployment of the excess liquidity that was earmarked for productive lending operations and investment in sovereign securities got delayed due to the knock-on effects of the pandemic. As such, gross loans and advances posted a moderate growth of 6%, leading to a decrease of 3% in net interest income. However, operating income increased by 8% on the back of a significant growth of 66% in net fee and commission income resulting from a general pickup in economic activities and business flows. Operating expenses registered an increase of 26% linked to a rise in management fees, higher telecommunication and IT related costs as well as a growth in staff costs due to recent recruitment initiatives. The bank also incurred capital expenditures during the year in respect of the new head office. Overall, after accounting for impairment charges of MGA 2.7 billion (Rs 29 million) comprising mainly specific provisions, attributable profits for the year stood at MGA 6.0 billion (Rs 65 million), with the contribution of MCB Madagascar to Group results amounting to Rs 59 million.

Main initiatives and achievements

MCB Madagascar strived to consolidate its positioning in established market segments. The bank remained an active partner for corporates across sectors including mining, energy, agri-business and real estate. At the same time, it capitalised on enhanced synergies across the organisation to offer unique selling propositions to corporates leveraging the Mauritian International Financial Centre for their growth plans. In the retail segment, the bank's value proposition for individual customers was further enriched with the introduction of two new packages, namely Karibo and Tamotamo, which include card offers and overdraft facilities. To reinforce client proximity and support its business development ambitions, MCB Madagascar relocated its head office to the business centre in the region of Alarobia where it also opened a branch, thereby bringing the total number of branches to 14. The bank also launched 'Juice Madagascar', providing customers with a comprehensive set of mobile banking and payment services while progress is being seen on the 'bank-to-wallet and wallet-to-bank' project which allows customers to conduct transactions from their mobile wallet securely. Additionally, a new Facebook page was created to better engage with customers and attend to their queries. On the capacity-building front, the team was strengthened with recruitments notably for the commercial and front-line functions while various training was dispensed for staff upskilling. Additionally, 18 employees were assigned to the first cohort of the organisation's Grow! Programme, which aims at fostering talent development. Besides, to promote operational efficiency, a new Oracle ERP has been put in place to improve the management of key HR tasks.

MCB Maldives

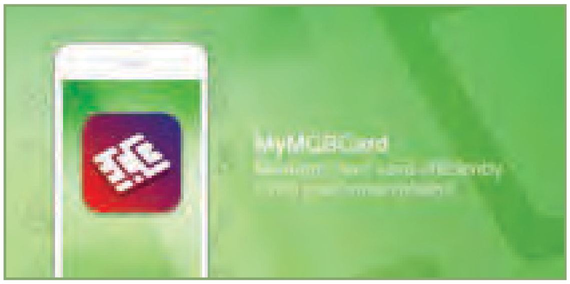
Financial performance

Highlights

1.6%	+24%	+8%	-96%	-5%	+14%
Contribution to MCB Group profits	Operating income	Operating expenses	Impairment charges	Gross loans to customers	Total deposits

MCB Maldives' deposit book grew by 14% on the back of an increase in foreign currency deposits, contributing to a 24% rise in cash and cash equivalents and a 12% growth in investment securities. On the other hand, gross loans and advances registered a contraction of 5% linked to various recoveries and settlement of non-performing loans driven by active recovery efforts. Against this backdrop and taking into account higher releases of interest in suspense compared to the previous year, net interest income was positively impacted and rose by 24%. This led to an equivalent rise in operating income, after also factoring in higher net fee and commission income and increased profit from dealing in foreign currencies following a sustained upturn in tourist arrivals and a general pick-up in economic activities. Operating expenses grew by 8% during the year, driven by a hike in telecommunication expenses on account of a new lease signed with a foreign service provider for increased bandwidth. Notwithstanding additional provisions on existing non-performing facilities, impairment charges declined by 96% with various recoveries noted during the year. Overall, attributable results for the year increased by 137% to stand at MVR 57 million, with MCB Maldives contributing Rs 162 million to MCB Group results.

Main initiatives and achievements



Alongside reinforcing its support to corporates across economic sectors, including those in the tourism, real estate and trading sectors, MCB Maldives pursued efforts to enrich its value proposition towards offering a seamless client experience. The bank introduced the MyMCBCard mobile application, which enables customers to activate, deactivate and generate a PIN code as well as view their card transactions. The bank's Internet Banking platform has been upgraded to enable payments to tax and customs authorities. Moreover, the bank leveraged bulk SMS to interact with clients in a more effective and efficient way to convey key messages and a first customer survey was undertaken during the year. On the operational front, the bank reviewed all of its procedures and worked towards overhauling its IT infrastructure, notably through the upgrade of its equipment and Core Banking System. MCB Maldives adopted dedicated moves to gear up the quality of its human capital. A new HR system has been adopted and key appointments made notably in the retail segment. MCB Maldives also sustained its investment in human capital development by conducting several training and placement programmes while the Grow! Programme was launched as part of the Group's thrust to foster talent management.

Delivering on our strategic objectives

MCB Seychelles

Financial performance

Highlights

5.2% Contribution to MCB Group profits	**+66%** Operating income	**-12%** Operating expenses	**-41%** Impairment charges	**+1%** Gross loans to customers	**+1%** Total deposits

While investment in treasury instruments increased by 38% following the effective deployment of excess liquidity in some high yield securities, a mild growth of 1% was registered at the level of both gross loans and advances as well as the deposit book. Coupled with a drop in interest rates, this contributed to a moderate growth of 5% in net interest income. However, operating income posted a growth of 66%, reflecting a notable pickup from the loss recorded in forex profits amidst wide exchange rate fluctuations in the previous year. Similarly, net fee and commission income registered a significant growth in line with a pickup in economic activities. The bottom line also benefitted from a 12% reduction in operating expenses resulting mainly from a decrease in IT related costs and a fall in general expenses linked with the appreciation of the SCR vis-à-vis the USD. Overall, after accounting for impairment charges of SCR 12 million comprising specific provisions, attributable profits increased by more than six-fold to SCR 161 million. Furthermore, the depreciation of the MUR against the SCR further enhanced the contribution of MCB Seychelles to Group profits to stand at Rs 512 million.

Main initiatives and achievements

MCB Seychelles pursued efforts to boost its competitive positioning across key market segments, with particular emphasis laid on Select Banking and Junior accounts, where the bank continued to grow its client bases. In addition, its refurbishment project was completed, offering a collaborative workspace for staff and a more modern and customer-friendly banking environment. MCB Seychelles also upheld its market visibility, notably, through the launch of a promotional campaign to encourage electronic card usage, with the designated winners each earning a monthly prize money of SCR 5,000 over a year. To support its business strategy, the bank remained focused on improving the efficiency of its operations, with a key initiative being the kick-off of the T24 Transact Migration project. The bank continued its long-term investment in staff development with the deployment of a new Performance Management System designed to better translate the Group's objectives into team and individual metrics. Importantly, the organisation's Grow! Programme was launched in Seychelles and 23 employees were enrolled to develop their competencies in line with MCB's Lead with Impact model.

Banque Française Commerciale Océan Indien (BFCOI)

While both the loan and deposit books of BFCOI registered a slight contraction amidst the challenging operating context, operating income posted a growth of 5% compared to the latter year. This performance was driven mainly by an increase in non-interest income linked to a general pickup in economic activities, namely in Reunion and Mayotte. For its part, operating expenses and impairment charges altogether have been well contained with a slight increase of some 1% over the year. Overall, profits attributable to shareholders increased to EUR 16 million (Rs 802 million) during the financial year, thereby contributing around Rs 401 million (FY 2020/21: Rs 331 million) to MCB Group results. Of note, BFCOI remained comfortably capitalised, with a capital adequacy ratio of 17.4%, of which 15.2% in the form of Tier 1 capital.

Société Générale Moçambique

Société Générale Moçambique posted a significant growth in its operating income, up 54% to MZN 1,597 million (Rs 1,086 million), reflecting a more dynamic commercial and business development strategy as well as the deployment of its excess liquidity into higher yielding treasury bills. Operating expenses climbed by 17% due to measures taken to support the growth strategy, including investment in human capital. For its part, impairment charges remained high at MZN 192 million (Rs 130 million), arising principally from additional specific provisions made on Stage 3 exposures. Against this backdrop, attributable profits noted a significant hike to MZN 316 million (Rs 215 million), with the bank contributing Rs 75 million (FY 2020/21: Rs 6 million) to MCB Group results. Société Générale Moçambique is in a strong position with respect to capital, with both Tier 1 ratio and capital adequacy ratio standing at 20.5% as at 30 June 2022.

Non-banking financial cluster

MCB Capital Markets Ltd and its subsidiaries (MCBCM)

In FY 2021/22, MCBCM's consolidated revenues amounted to Rs 456 million (FY 2020/21: Rs 433 million) while its contribution to Group profits stood at Rs 228 million compared to Rs 248 million for FY 2020/21. Results were driven primarily by an increase in assets under management on the back of net flows of Rs 1.1 billion into MCB funds, new institutional mandates and the market recovery.

Corporate Finance Advisory

Whilst the Corporate Finance Advisory business was impacted by the challenging operating environment, the team successfully completed four debt capital market transactions during the financial year for an aggregate value of approximately Rs 6.8 billion. Looking ahead, we believe that the Corporate Finance Advisory business will continue to be focused on assisting clients on their financing strategy and on executing M&A and debt capital market transactions. During the year, the Corporate Finance Advisory business extended its geographic reach through the recruitment of an experienced investment banker in Johannesburg. We are confident that we will be able to draw upon our relationships to generate more deal flows from the region.

Delivering on our strategic objectives

Investment Management

Revenue crossed the Rs 200 million mark for the first time to reach Rs 220 million in FY 2021/22 (FY 2020/21: Rs 184 million). Whilst global equity markets retreated sharply in the second half of the financial year in the wake of the Russia-Ukraine conflict and the ensuing inflation and recessionary fears, the local equity market sustained a positive performance of 14.2%. Our best performing fund for the year under review was the MCB Domestic Equities Fund, which was up by 16.9% over the period. Fund inflows were heavily skewed towards the MCB Yield Fund, which continued to attract relatively conservative investors looking for higher returns than the bank savings rate. The team successfully pitched for and won mandates from new institutional clients. In spite of the re-opening of our frontiers and resumption of tourism, limited availability of hard currencies constrained the investment team's ability to execute mandates for rupee-based clients seeking to capture investment opportunities in international markets. During the year, the MCB Africa Equity Fund was closed and the proceeds returned to investors. This decision was triggered by a combination of relatively poor fund performance in recent years and the belief that investor appetite for African equities is likely to remain subdued for the next few years. Looking ahead, the team will focus on winning new institutional mandates, broadening the distribution channels and helping international investors access attractive opportunities in Africa through its products. In line with this objective, we have successfully listed our African Domestic Bond Fund ETF on the Botswana Stock Exchange in September 2022, after its primary listing on the Stock Exchange of Mauritius in 2018.

Stockbroking

Activity on the local stock market for the financial year returned to pre-COVID levels and volume traded was up by 22% compared to the previous year, mainly driven by local investors with foreign participation dropping by approximately 14%. MCB Stockbrokers continued to gain market share and brokerage commissions were up 40%, which helped drive total revenues, including distribution fees, higher by 12% to Rs 91 million. MCB Stockbrokers continued to diversify its sources of income with increased focus on distribution of financial products, market making and underwriting activities. Going forward, MCB Stockbrokers expects trading activity to remain flat due to the negative impact of the war on investors' appetite for frontier markets, high inflation and pressure on the local currency. This may be offset partially by the normalisation of economic activity following the relaxation of COVID-19 related restrictions.

Registry & Transfer Agent

After a year of subdued activity, MCB Registry saw a 13% growth in its revenue and a 20% growth in profits. The entity was able to keep its costs under control with total operating expenses falling by 3%. The sustained investment in technology in the past few years is starting to bear fruit in the form of productivity gains and new value-added services to clients. In the context of an improved outlook for economic growth over the next financial year, the entity is well positioned to continue to support its clients while embarking on a medium term project for a complete overhaul of its technology infrastructure.

Private Equity

MCB Equity Fund is the Group's captive USD 100 million evergreen fund that provides expansion capital to established businesses in Africa. The Fund's strategy is to co-invest in equity and quasi-equity alongside like-minded partners, including development financial institutions, private equity firms, family offices and strategic investors while working with them in identifying attractive investment opportunities and creating value post investment. The Fund is managed by MCB Capital Partners Ltd, a wholly owned subsidiary of MCB Capital Markets Ltd.

In June 2022, the Fund, alongside its consortium of co-investors comprising Amethis, DEG and IFC, completed the sale of a 31.5% stake in Naivas International (Mauritius), the holding company of Naivas Limited, the largest supermarket chain in Kenya. The investment in Naivas was made in early 2020 and constituted a rapid and profitable exit for the consortium. During the financial year, the Fund partnered with an investor consortium led by Metier, an Africa focused private equity fund manager, to acquire a minority stake in Africa Mobile Networks Ltd (AMN), an operator of mobile base stations in rural areas across Africa. AMN operates a network of approximately 2,500 towers in rural towns and villages across 12 countries on the continent, and serves approximately 8 million people. MCB Equity Fund, together with co-investors, developed Le Domaine de Grand Baie, a 155-unit senior residence located in the North of Mauritius and managed by AEGIDE-Domitys, a specialist operator of senior residences in France. The residence started operations in October 2021 following the re-opening of the Mauritian frontiers and is performing according to plan. We expect that the property will start generating profits next year. MCB Equity Fund incurred losses of Rs 255 million for the year mostly on account of net fair value losses resulting in its Net Asset Value being reduced to Rs 3.8 billion at year-end.

MCB Leasing Ltd

During the year under review, MCB Leasing's operations have gained traction, supported by the gradual lifting of restrictions to mobility and shift to new ways of working, producing, trading and consuming. The lease portfolio of the entity grew by 1.3% to reach Rs 4,039 million (FY2020/21: Rs 3,986 million), with a slight drop of 3% in the finance lease portfolio to Rs 3,152 million being compensated by a growth in net operating leases of 23% to stand at Rs 887 million. The growth in the lease portfolio was funded by an increase of 6% in fixed deposits from customers to Rs 3,591 million (FY2020/21: Rs 3,395 million). Net interest income declined by 2% with the combined effect of lower finance lease balances and average interest rates more than offsetting the impact of reduced cost of funds. The rise in the operating lease portfolio led to an increase of 11% in other income to Rs 239 million, while correspondingly contributing to a growth of 16% in operating expenses on account of higher depreciation on leased assets. Overall, after accounting for impairment charges of Rs 2 million, net profit after tax improved by 2% to reach Rs 61.8 million for FY2021/22 (FY2020/21: Rs 60.6 million).

MCB Factors Ltd

MCB Factors Ltd is positioned as a prominent player in the field of factoring in Mauritius. In addition to offering full sales ledger administration service to its customers, the entity provides funding against the assignment of trade receivables. On the domestic market, both recourse and non-recourse factoring are proposed, with the latter implying protection against debtors' insolvency. On the international front, Mauritian importers and exporters are offered import and export factoring solutions. Following the re-opening of Mauritius' national borders and the ensuing gradual recovery of business activities, an increase of 25% was recorded in MCB Factors' turnover while contribution to Group results for FY 2021/22 increased by 19%. For FY 2022/23, emphasis is being laid on the full deployment of the newly launched web portal to clients, which aims to provide a round-the-clock and swift customer service.

Delivering on our strategic objectives

MCB Microfinance Ltd

As part of MCB Group's pledge to fostering the financial inclusion and empowerment of small entrepreneurs, MCB Microfinance Ltd was launched in July 2016 as a wholly-owned subsidiary of MCB Group Ltd. Its aim is to facilitate access to business loans for micro-enterprises and self-employed individuals. Clients have access to three types of micro-loans: (i) working capital loans, which aim at meeting the working capital needs such as raw materials or stock; (ii) investment loans, which are targeted to meet the capital spending requirements of businesses; and (iii) since October 2020, start-up loans to help for the setting up of a micro-enterprise. The entity lays due emphasis on customer proximity, with its Relationship Officers dedicated to spending adequate time on the field to suitably understand the characteristics and requirements of clients and offer them customised solutions that suit their repayment capacities.

Since inception, MCB Microfinance has disbursed more than 5,100 loans, corresponding to a gross amount of some Rs 1,039 million, of which 54% relate to investment loans. Of note, since the creation of its office in Rodrigues in March 2017, around 448 micro-loans have been disbursed, corresponding to a gross amount of Rs 64 million. As at 30 June 2022, MCB Microfinance's loans stood at around Rs 367 million. However, the reduced activity levels as a result of the ramifications of the pandemic and higher impairment charges resulting from an increase in Expected Credit Losses led to a loss of Rs 10.3 million for FY 2021/22.

MCB Real Assets Ltd (MCBRA)

MCBRA owns 93.4% in Compagnie des Villages de Vacances de L'Isle de France Limitée (COVIFRA), owner of the Club Med hotel resort located at Pointe aux Canonniers, Mauritius. The Resort, a 394-key property situated on one of the prime beach spots of Mauritius, is managed by Club Med under a long-term lease agreement. The Resort resumed operations on 16 October 2021, after 18 months of closure due to the COVID-19 pandemic, which triggered the resumption of lease payments. Total contribution of MCB Real Assets to Group results amounted to a profit of Rs 279 million (FY 2020/21: Loss of Rs 66 million), including a fair value gain of Rs 204 million arising from the revaluation of the investment property.

Credit Guarantee Insurance Co. Ltd

This associate, in which MCB has a 40% stake, is a joint venture with La Prudence Holding and provides credit insurance services to its customers by ensuring protection in respect of their trade receivables. For the year ended 30 June 2022, the contribution to Group results stood at Rs 11 million.

Other investments cluster

Fincorp Investment Ltd

Fincorp Investment Ltd (Fincorp) is an investment company which is listed on the Official Market of the Stock Exchange of Mauritius Ltd. Its financial performance is directly correlated to that of its main investments, namely MCB Leasing Ltd, a wholly owned subsidiary offering both finance and operating lease services and Promotion and Development Ltd (PAD), an investment company listed on the local bourse in which Fincorp has a 46.4% stake.

Fincorp posted a consolidated profit after tax of Rs 326.7 million for the financial year ended 30 June 2022, up from Rs 164.3 million recorded in FY 2020/21. This enhanced performance was mainly driven by the strong results of PAD, whose contribution to Fincorp results increased to Rs 300.9 million, compared to Rs 64.4 million in FY 2020/21. This was explained by the improved performance from its subsidiary, Caudan Development Ltd (Caudan) and its associates, particularly at the level of Medine Ltd, as well as an increase in investment income of Rs 54.6 million from its listed equity investments portfolio. Medine's results improved significantly in FY 2021/22 on the back of increased profits from the sales of land. While Caudan's performance was impacted by the ongoing challenging context and the fire outbreak which occurred at the craft market of Le Caudan Waterfront in November 2021, its results were boosted by fair value gains in respect of the revaluation of its investment properties.

MCB Consulting Services Ltd (MCBC)

The last financial year has been particularly difficult for MCB Consulting given the challenges of the operating environment. The prolonged inability to travel during the first half of the financial year restrained client interactions, affecting project execution and delivery, while delayed implementations had a bearing on revenue generated during the year. Furthermore, the uncertain global economic environment has had a tendency to delay or even freeze investment decisions, resulting in a slowdown in conversion of prospects into assignments. These unfavourable conditions resulted in reduced or delayed billings for the year, exacerbated by ensuing inefficiencies relating to outsourcing costs. As a result, the company registered a loss of Rs 41 million during FY 2021/22.

Notwithstanding this setback, the company's fundamentals remained robust with its strategic positioning built on solid industry expertise and continuous search for improvement. MCBC pursued the reinforcement of its internal capabilities to boost operational efficiency through adapted tools and technology whilst maintaining investment in human capital backed by adapted recruitment strategies and continuous training for staff.

Whilst business challenges continue to prevail amidst the volatile market environment, the company remains confident in its ability to bounce back. In this respect, it is intent on pursing its business development efforts, leveraging its digital marketing capabilities and network of partners, to augment its palette of offerings around its four pillars of execution, namely, Strategy, Process, Technology and People. In so doing, its recent worldwide accolade from its main business partner Temenos as the Best Regional Delivery Partner should support the company in achieving its objectives.

Delivering on our strategic objectives

MCB Institute of Finance Ltd (MCBIF)

Launched in 2019 through a shared venture of MCB Group and Uniciti Education Hub (UEH), the education arm of the Medine Group, MCBIF positions itself as a curator with a marquee line of specialisation in banking and finance, alongside industry-agnostic courses. Since its inception, MCBIF has built strong partnerships with worldwide training organisations to provide professionals with the most relevant courses that suit their personal and career needs.

During the last years, MCBIF's operations experienced severe disruption as a result of the COVID-19 pandemic. Looking ahead, however, the prospects around the recently-received accreditation of the Executive Master Banking & Finance of Université Paris II Panthéon-Assas together with key partnerships targeted to be finalised soon in different fields of expertise bode well for MCBIF and will provide interesting avenues of growth going forward.

MCB Forward Foundation (MCBFF)

MCBFF is the Group's dedicated vehicle responsible for fulfilling its engagement as a caring corporate citizen. Essentially, its vision is to be instrumental in the creation of sustainable value for the social, environmental and economic well-being of society through the provision of human, logistical and financial resources in support of specific corporate social responsibility initiatives. As per the standard Government policy, 75% of companies' CSR contributions for projects are channelled to the Mauritius Revenue Authority. However, in alignment with the provisions of the amended Income Tax Act 1995, MCB Group Ltd was, for the period under review, authorised by the National Social Inclusion Foundation to retain an additional 25% of its earmarked CSR fund to cater for the implementation of programmes initiated prior to 1 January 2019. For FY 2021/22, an aggregate amount of around Rs 56 million was entrusted to MCBFF, while Rs 30 million of funds that were earmarked for FY 2020/21 but not used because of the pandemic were carried forward. Accordingly, MCBFF spent Rs 63.5 million on 40 projects in FY 2021/22, 20 of which are still ongoing.

Read more on the activities of the MCB Forward Foundation in the 'Creating value in a sustainable way for our stakeholders' section on pages 49 to 62

Blue Penny Museum

This entity manages the museum located at the Caudan Waterfront. As such, it represents one of the contributions of MCB Group Ltd to the promotion of arts and culture, and, more generally, the protection of the national heritage of Mauritius.

Pierre Guy NOEL
Chief Executive

JESSIE
Meet the artist

Group financial performance

MARIANNA
Meet the artist

Group financial performance

Overview of results

The Group profits attributable to ordinary shareholders for the year ended 30 June 2022 grew by 20.2% to Rs 9,637 million, reflecting improved operating results across business clusters as well as lower impairment charges.

Group financial highlights

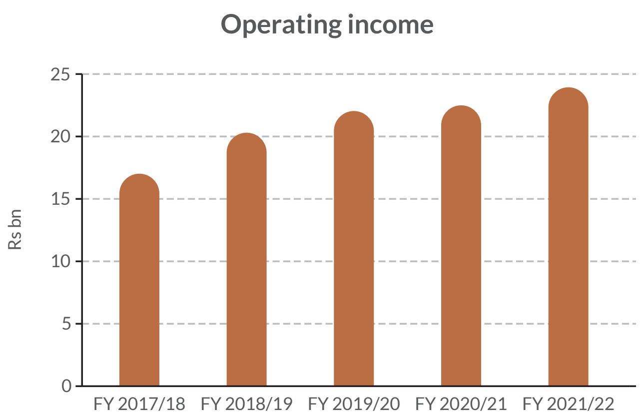
- Operating income grew by 6.4%. Net interest income increased by 3.6% adversely impacted by reduced margins. Despite the poor performance of our equity investments, non-interest income increased by 11.8% supported by an improvement in core earnings.
- Cost to income ratio increased to 38.3%, in line with our capacity-building initiatives as well as the subdued growth in our operating income.
- Cost of risk declined by 53 basis points to 0.86% while gross NPL ratio edged up to 3.7%.
- Share of profit of associates rose by 114.8% to Rs 799 million, notably due to increased contribution from Promotion and Development Ltd and our foreign banking associates.
- Healthy liquidity positions were upheld with a loans to deposits ratio of 68.0% and loans to funding base ratio, when including borrowings, of 57.1%.
- Comfortable capital positions were maintained with both the BIS and Tier 1 ratios above regulatory requirements.

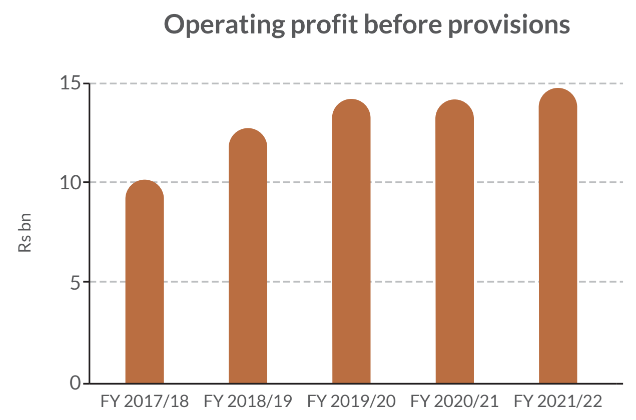
Key figures	
Rs 9,637 million *(Rs 8,019 million)*	**Profit attributable to ordinary shareholders**
Rs 23,845 million *(Rs 22,404 million)*	**Operating income**
38.3% *(36.9%)*	**Cost to income ratio**
Rs 3,481 million *(Rs 4,766 million)*	**Impairment charges**
Rs 12,031 million *(Rs 9,739 million)*	**Profit before tax**
12.8% *(11.8%)*	**ROE ratio**
18.1% *(17.4%)*	**BIS ratio**

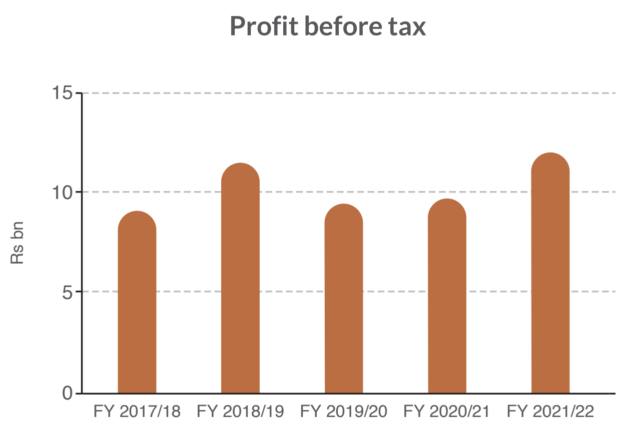
Note: Figures in brackets relate to FY 2020/21

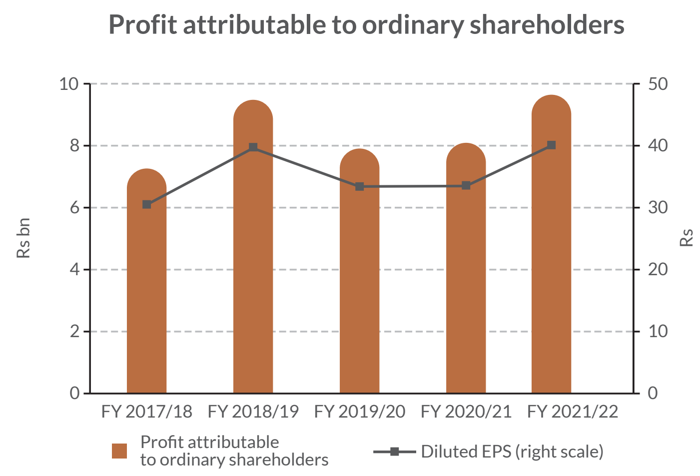
Outlook for FY 2022/23

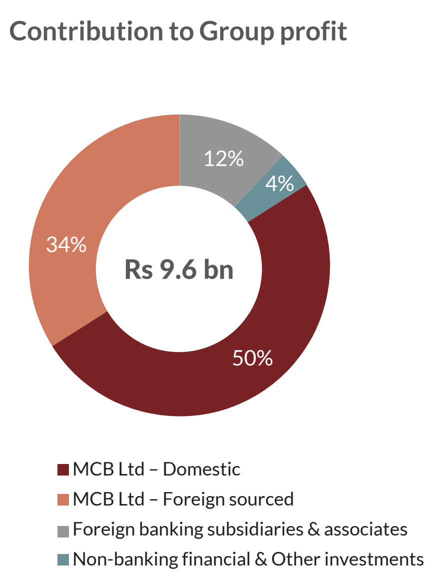
The operating environment remains volatile and uncertain, with the risk of a global recession having increased amidst simultaneous and aggressive interest rate hikes worldwide in response to heightened inflationary pressures resulting from the Ukraine war. Against this backdrop, the economic outlook for countries where we operate remains subject to notable downside risks, although the positive momentum observed on the back of the recovery in tourism is encouraging. Notwithstanding the challenging context and pressures on our cost base linked to the high inflation level, we expect a further improvement in results in FY 2022/23, supported by improving yields on the international markets and the diligent execution of our diversification strategy across markets and products.

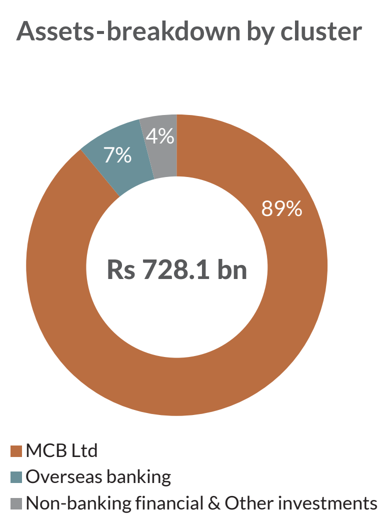

Operating income
Rs bn
25
20
15
10
5
0
FY 2017/18
FY 2018/19
FY 2019/20
FY 2020/21
FY 2021/22


Operating profit before provisions
Rs bn
15
10
5
0
FY 2017/18
FY 2018/19
FY 2019/20
FY 2020/21
FY 2021/22


Profit before tax
Rs bn
15
10
5
0
FY 2017/18
FY 2018/19
FY 2019/20
FY 2020/21
FY 2021/22


Profit attributable to ordinary shareholders
Rs bn
10
8
6
4
2
0
50
40
30
20
10
0
Rs
FY 2017/18
FY 2018/19
FY 2019/20
FY 2020/21
FY 2021/22
Profit attributable to ordinary shareholders
Diluted EPS (right scale)


Contribution to Group profit
12%
4%
34%
Rs 9.6 bn
50%
MCB Ltd – Domestic
MCB Ltd – Foreign sourced
Foreign banking subsidiaries & associates
Non-banking financial & Other investments


Assets-breakdown by cluster
4%
7%
89%
Rs 728.1 bn
MCB Ltd
Overseas banking
Non-banking financial & Other investments

Group financial performance

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 15,191 million	**FY 2020/21**	**FY 2021/22**
(+526 million)	2.8%	2.5%

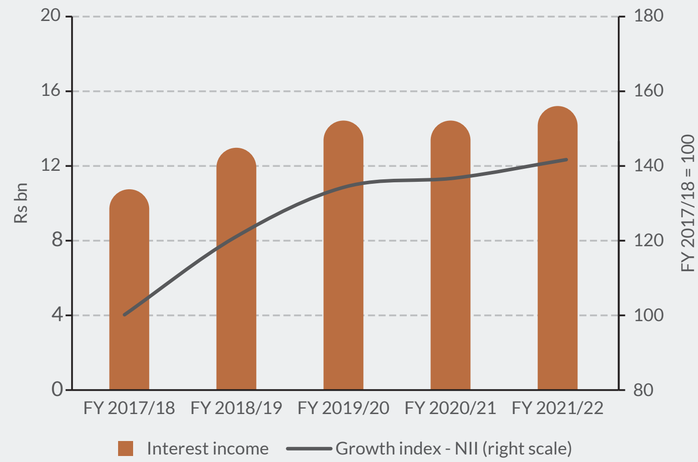
Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on our international loan book amidst a shift in its mix toward the shorter tenor loans.

Non-interest income	As a % of operating income	
Rs 8,654 million	**FY 2020/21**	**FY 2021/22**
(+915 million)	34.5%	36.3%

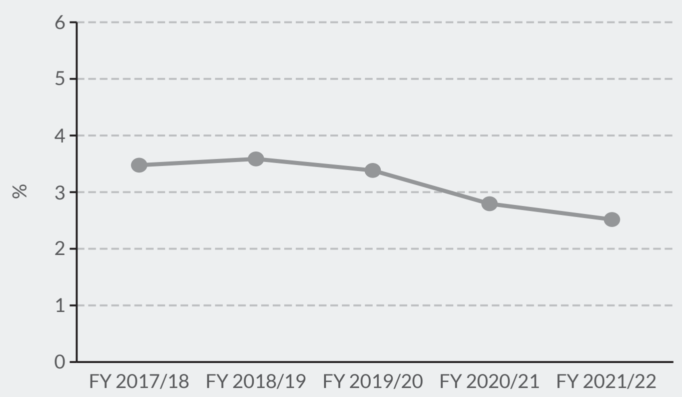
Notwithstanding a net loss from equity financial instruments carried at fair value, amidst market volatility as compared to a significant gain in the previous year, non-interest income went up by 11.8% on the back of:

- A growth of 36.1% in net fee and commission income to Rs 6,070 million, reflecting higher revenues across banking subsidiaries, with notable growth being registered in respect of regional trade financing and payment activities at the level of MCB Ltd;
- A rise of 56.6% in profit arising from dealing in foreign currencies mainly due to the enhanced performance by MCB Ltd, in line with increased business volumes following the opening of the Mauritian borders, and a notable pick-up at the level of MCB Seychelles, which had been adversely impacted by large currency fluctuations in FY 2020/21;
- The resumption of rental income at the level of MCB Real Assets following the reopening of the Mauritius borders in October 2021.

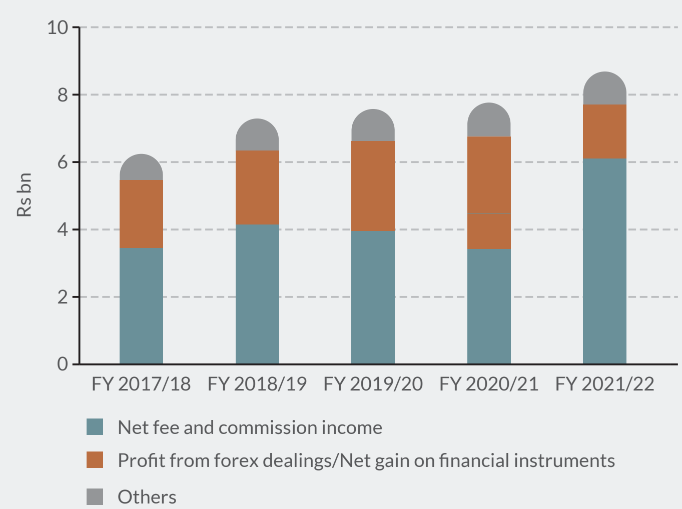
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 9,132 million	FY 2020/21	FY 2021/22
(+861 million)	36.9%	38.3%

Operating expenses increased by 10.4% mainly driven by:
- A rise of 7.7% in staff costs, which represented 54.4% of the cost base, on the back of sustained efforts to reinforce our human capital;
- A growth of 9.5% in depreciation and amortisation costs following continued investment in technology;
- An increase of 16.1% in other expenses, mainly due to the rise in software and IT related costs.

This, combined with a rise of 6.4% in operating income, resulted in the cost to income ratio increasing by 1.4 percentage points to 38.3%.

Impairment charges	As a % of loans and advances	
Rs 3,481 million	FY 2020/21	FY 2021/22
(-1,285 million)	1.39%	0.86%

In spite of an increase in specific provisions net of recoveries, net impairment charge of financial assets declined by 27.0% to Rs 3,481 million. As a result, cost of risk in relation to loans and advances declined by 53 basis points to reach 0.86%.

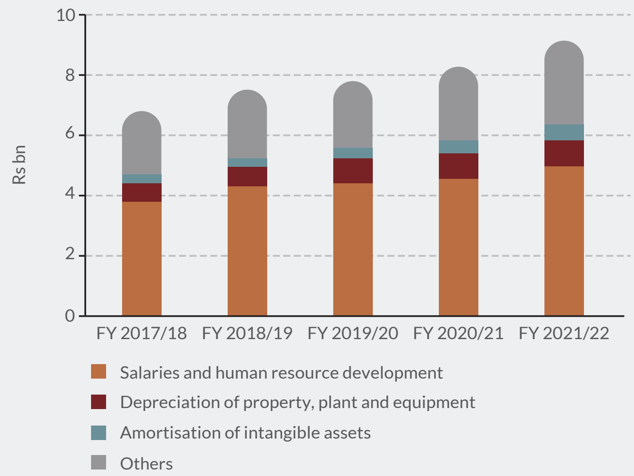
Share of profit of associates	As a % of profit for the year	
Rs 799 million	FY 2020/21	FY 2021/22
(+427 million)	4.5%	8.0%

The share of profit of associates rose by Rs 427 million, due to enhanced performance of Promotion and Development Ltd and our banking associates.

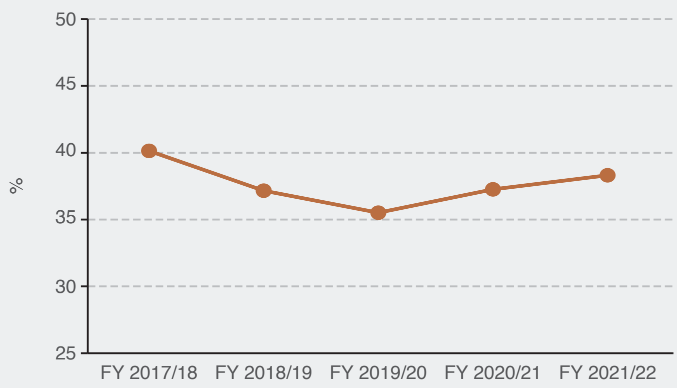
Tax expenses	Effective tax rate	
Rs 2,070 million	FY 2020/21	FY 2021/22
(+570 million)	15.4%	17.2%

Whilst profit before tax rose by 23.5%, tax expenses increased by 38.0%, notably reflecting a higher proportion of earnings from foreign subsidiaries, which bear a relatively higher effective tax rates.

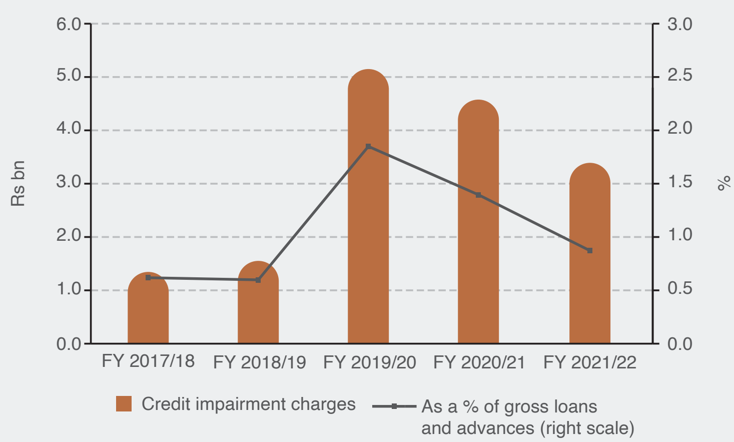
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges



Note: Cost of risk pertains to loans and advances

Group financial performance

Financial position statement analysis

Gross loans	Gross NPL	
	As at 30 Jun 21	As at 30 Jun 22
Rs 357.7 billion (+54.4 billion)	3.6%	3.7%

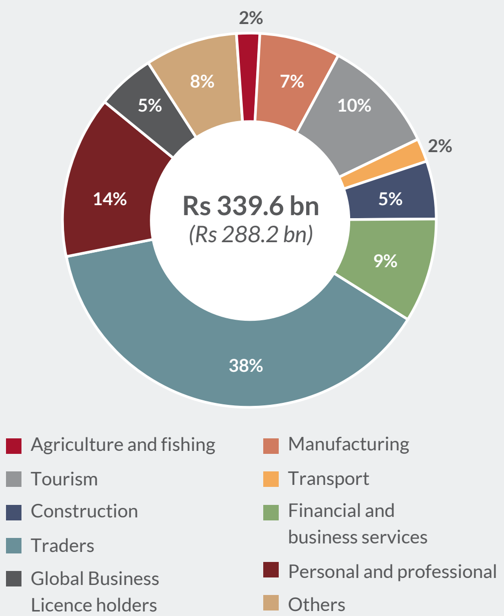
Gross loans of the Group registered a year-on-year growth of 17.9% in FY 2021/22, supported by a similar growth at the level of MCB Ltd. The latter performance was largely explained by the continued expansion in its foreign activities, with related credit to customers increasing by 39.1%, mainly linked to the Energy & Commodities business, while rupee depreciation also weighed in the balance. On the other hand, the loan portfolio at the domestic level remained relatively flat, to some extent, due to the recourse by some operators in the corporate segment to other financial instruments. Indeed, exposures of the Group through corporate notes increased by some 32.4% to Rs 33.7 billion. For its part, lending to individuals increased by only 4.1%, mainly underpinned by growth in mortgages. As regards asset quality, non-performing loan ratio in gross and net terms stood at 3.7% and 2.4% respectively as at June 2022.

Funding base	Loans to funding base ratio	
	As at 30 Jun 21	As at 30 Jun 22
Rs 626.3 billion (+39 billion)	51.7%	57.1%

Total deposits of the Group increased by 4.3% to Rs 525.7 billion as at 30 June 2022. At Bank level, total deposits increased by 3.6% to Rs 492.4 billion, driven by a rise in rupee-denominated deposit. 'Other borrowed funds' went up by 23.2% to stand at Rs 95.0 billion, as a result of the USD 1 billion syndicated term loan facility raised at MCB Ltd level to refinance existing obligations and support the growth of its international activities.

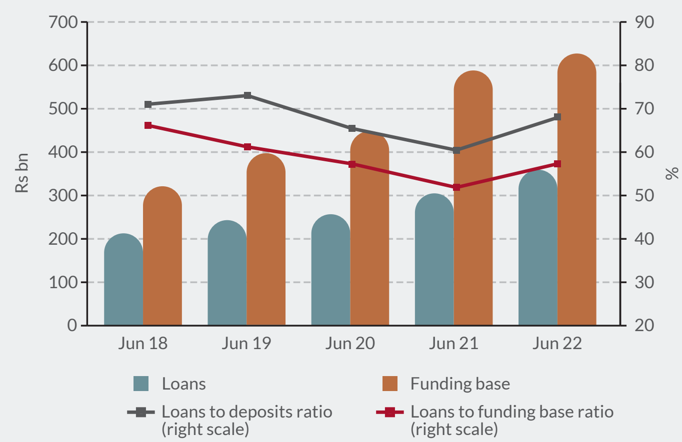
June 2022	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	339,564	17.8
Loans to banks	18,121	20.2
Gross loans	**357,685**	**17.9**
Corporate notes	33,722	32.4
Total loans and advances	**391,407**	**19.0**

Sectorwise distribution of loans to customers



Note: Figures in brackets relate to FY 2020/21

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 303.9 billion	As at 30 Jun 21	As at 30 Jun 22
(-18.6 billion)	47.2%	41.7%

Whilst a rise of Rs 33.2 billion in investment securities was offset by a decrease in cash and cash equivalents, total liquid assets during the last financial year dropped by 5.8%, mainly explained by a decline in placements with banks abroad, in line with the growth in the foreign loan book.

Overall, the liquid assets as a percentage of funding base stood at 48.5% as at 30 June 2022 (FY 2020/21: 54.9%).

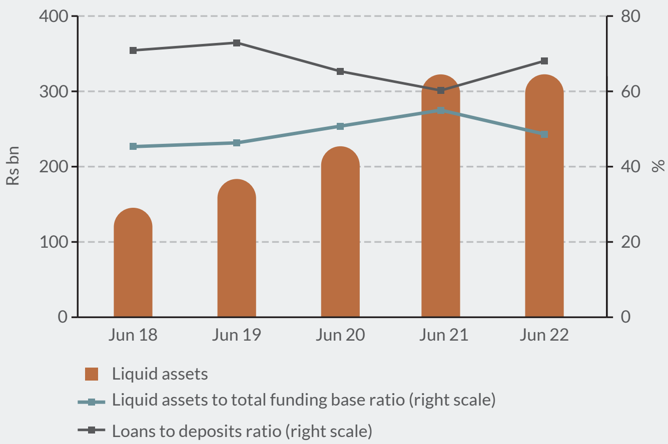
Shareholders' funds	Return on equity	
Rs 77.9 billion	As at 30 Jun 21	As at 30 Jun 22
(+5.0 billion)	11.8%	12.8%

Shareholders' funds increased by 6.9%, resulting from retained profits for the year and the issue of scrip shares in lieu of dividend. The Group maintained comfortable capitalisation levels with the BIS ratio standing at 18.1% as at June 2022, of which 16.8% in terms of Tier 1.

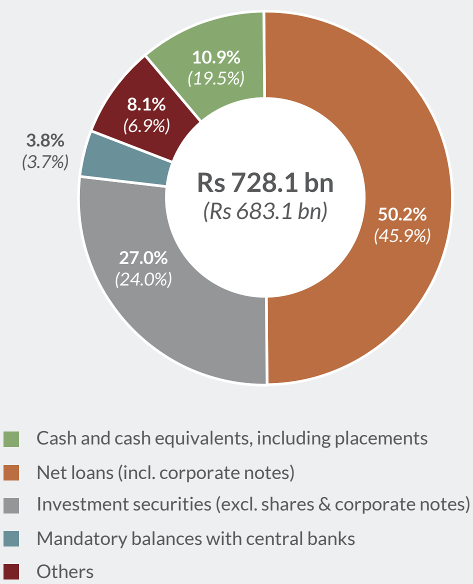
Dividend

A final dividend of Rs 8.00 was declared in September to be payable in December 2022 after an interim of Rs 5.90 paid in July 2022, bringing the total dividend per share to Rs 13.90.

Liquidity position

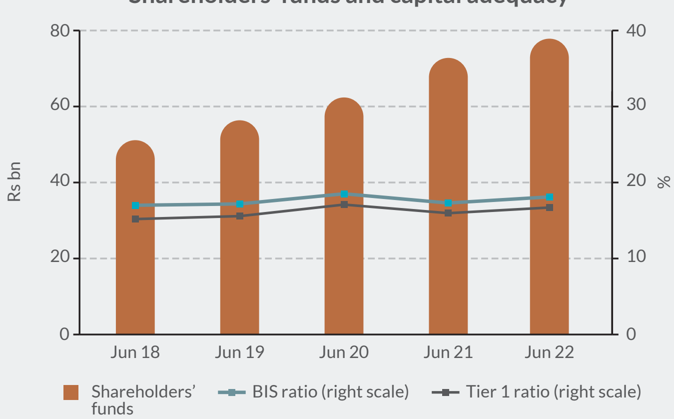


Asset mix as at 30 June 2022



Note: Figures in brackets relate to FY 2020/21

Shareholders' funds and capital adequacy



Note: Capital adequacy figures are based on Basel III

Group financial performance

Group financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun-22	Jun-21	Jun-20	Jun-19	Jun-18
Operating income	23,845	22,404	21,955	20,226	16,951
Operating profit before impairment	14,713	14,133	14,163	12,716	10,149
Operating profit	11,232	9,367	9,087	11,119	8,819
Profit before tax	12,031	9,739	9,488	11,523	9,126
Profit attributable to ordinary equity holders of the parent	9,637	8,019	7,912	9,434	7,221
Statement of financial position (Rs m)					
Total assets	728,128	683,133	532,114	471,418	386,370
Total loans (gross)	357,165	303,319	255,023	241,612	211,054
Investment securities	239,684	198,530	148,858	126,204	88,747
Total deposits	525,656	503,972	390,659	331,500	297,719
Subordinated liabilities	1,793	1,984	2,122	5,572	5,592
Other borrowed funds	94,995	77,136	52,444	56,886	14,373
Shareholders' funds	77,912	72,892	62,545	56,509	51,306
Performance ratios (%)					
Return on average total assets	1.4	1.3	1.6	2.2	2.0
Return on average equity	12.8	11.8	13.3	17.5	14.8
Loans to deposits ratio	68.0	60.2	65.3	72.9	70.9
Cost to income ratio	38.3	36.9	35.5	37.1	40.1
Capital adequacy ratios (%)					
BIS risk adjusted ratio	18.2	17.4	18.6	17.3	17.1
of which Tier 1	*16.8*	*16.1*	*17.2*	*15.7*	*15.3*
Asset quality					
Non-performing loans (Rs m)	14,324	11,878	11,723	10,559	9,734
Gross NPL ratio (%)	3.7	3.6	4.2	4.1	4.5
Cost of risk (%)	0.86	1.39	1.84	0.59	0.61

Notes:
(i) Capital adequacy ratios are based on Basel III
(ii) Cost of risk pertains to loans and advances

JESSIE
Meet the artist

Corporate governance report

EVELYN D.
Meet the artist

Compliance with the National Code of Corporate Governance for Mauritius (2016)

To the best of the Board's knowledge, the Group has adhered, during the year under review, to the requirements and provisions as specified in the National Code of Corporate Governance for Mauritius (2016) (the 'Code') and has explained how these have been applied. In 2021, the Group interacted with members of the National Committee on Corporate Governance in the finalisation of the corporate governance scorecard, a self-assessment tool aimed at reinforcing the application of the principles as set out in the Code.

Disclosures pertaining to the eight principles of the Code have been made in different sections of the Annual Report, as outlined below:

Principles of the Code	Relevant sections of the Annual Report
Principle 1: Governance Structure	• Our corporate profile[1] • Corporate governance report
Principle 2: The Structure of the Board and its Committees	• Corporate governance report
Principle 3: Director Appointment Procedures	• Corporate governance report
Principle 4: Director Duties, Remuneration and Performance	• Corporate governance report
Principle 5: Risk Governance and Internal Control	• Corporate governance report • Risk and capital management report[2]
Principle 6: Reporting with Integrity	• Corporate governance report • Delivering on our strategic objectives[3] • Group financial performance[4] • Sustainability Report[5]
Principle 7: Audit	• Corporate governance report • Risk and capital management report[2]
Principle 8: Relations with Shareholders and Other Key Stakeholders	• Corporate governance report • Delivering on our strategic objectives[3] • Sustainability Report[5]

Notes:

[1] 'Our corporate profile' can be found on pages 23 to 33

[2] 'Risk and capital management report' can be found on pages 150 to 193

[3] 'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 35 to 86

[4] 'Group financial performance' provides an assessment of the Group's results and can be found on pages 88 to 96

[5] 'Sustainability Report' provides an overview of the Group's corporate sustainability agenda and its engagement with various stakeholders and is available on our website

Corporate governance report

Our philosophy

The Board of MCB Group Ltd is committed to applying high standards of corporate governance with a view to upholding the organisation's long-term business sustainability and creating value for all its stakeholders, whilst acting for the good of society. The Board provides purpose-driven and ethical leadership by setting the tone from the top in the way it conducts itself and oversees the operation and management of the Company and of its subsidiaries. It ensures that good governance principles are adopted throughout the organisation, with the aim to uphold ethical and responsible behaviour by all employees in their dealings with stakeholders. Principles of accountability, strong risk management, transparency, and integrity are thus inherent to the Group's values, culture, processes and operating structures. Given the highly challenging operating environment and the dynamic market landscape, including the prominence of ESG issues, the Board continuously monitors developments therein, with a view to refining the Group's governance framework to ensure relevance and sustainability of the organisation's business model. The Group's sound governance standards and practices are anchored on key pillars as highlighted hereunder:

Strong commitment to ethics and values

- Dedicated Board Committee overseeing ethical conduct and sustainability matters across the Group
- Application of the Group's 'Code of Ethics', approved and monitored by the Board
- Whistleblowing Policy allowing employees to report matters of concern in strict confidentiality
- Establishment of a Gender Equality Charter

Strict compliance to rules and regulations

- Adherence by Group entities to the provisions of legislations, rules and regulations in countries where they operate
- Compliance by relevant domestic entities with the National Code of Corporate Governance for Mauritius (2016)
- Compliance with international reporting requirements as applicable
- Adoption of the underlying Basel principles by banking subsidiaries

Approved risk governance and internal control

- Ring-fencing of activities, as gauged by the segregation of banking and non-banking operations
- Board responsible for oversight and monitoring of risk profile against risk appetite
- Strong and transparent governance framework, underpinned by the 'three lines of defence' model
- Provision of independent assurance by both internal and external auditors

Continuous multi-stakeholder engagement

- Ongoing dialogue with the investment community, regulatory bodies and authorities
- Contribution to economic development and resilience by providing adapted financial solutions and support to our customers
- Safeguard of cultural and environmental heritage
- Promotion of community well-being and fostering of staff development and welfare

Corporate governance report

Governance structure

Governance framework

MCB Group Ltd is led by a committed and unitary Board, which has a collective responsibility for the leadership, oversight and long-term success of the organisation. The Group operates within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility, while allowing the Board to retain effective control. The Board is supported by five committees, each mandated to provide counsel, recommendations and specific expert guidance on matters affecting the Group's activities. Acting on the direction set by the Board, Management Executives are entrusted with the operational management of the business, with their performance and effectiveness closely monitored against set objectives and policies. The fundamental relationships among the Board, Board committees and Management Executives as well as their main roles are illustrated in the following diagram.

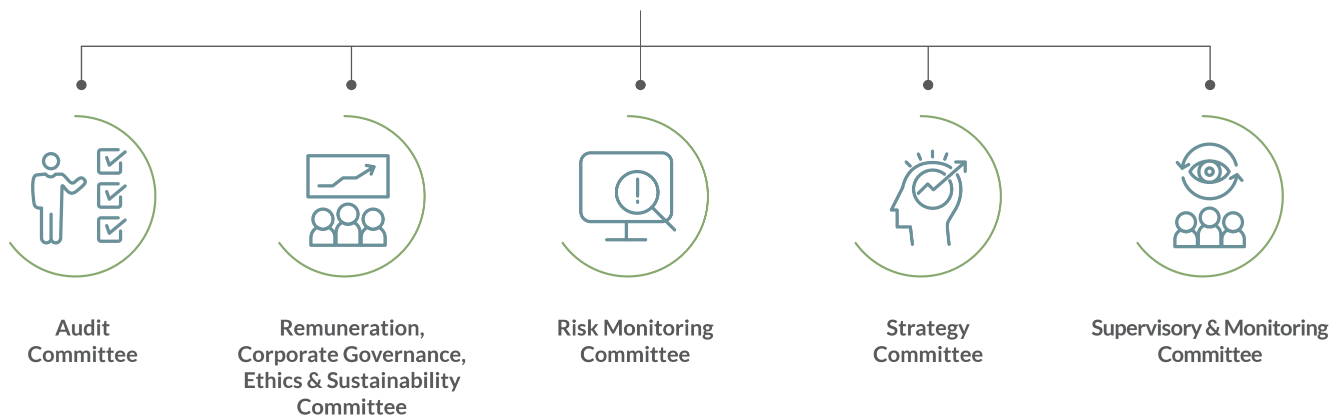
Role of Board

The Board provides effective leadership in the formulation and delivery of the Group's strategy within a framework of robust risk management and sound internal controls, alongside ensuring adherence by the Company and its subsidiaries to relevant legislations, policies and norms, including sustainability principles.

Board of Directors

Role of Board Committees

Board Committees facilitate the discharge of the Board's responsibilities and provide in-depth focus on specific areas. In fulfilling their role of providing oversight and guidance, Chairpersons of Board Committees escalate all significant matters impacting the Group to the Board.



Management Executives

Role of Management Executives

Management Executives are responsible for strategy execution and the day-to-day running of the business, with well-defined accountabilities as endorsed by the Board. They regularly report to the Board on the operational and financial performance of the Group.

More information on Board and Committee Charters is available on the website

The roles and responsibilities of the Chairperson, executive and non-executive directors as well as the Company Secretary are clearly defined in the Board Charter and Position Statements, which have been approved and are regularly reviewed by the Board. The role of the Chairperson is distinct and separate from that of the Chief Executive. There is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive managing the Group's business on a day-to-day basis. The Board ensures that the external obligations of the non-executive directors do not hinder the discharge of their duties and responsibilities. In this respect, it is worth noting that the external commitments of the Chairperson did not change during the financial year under review.

Key roles and responsibilities

Chairperson	Chief Executive	Directors
• Provides overall leadership to the Board • Ensures that the Board is effective in its duties of setting out and overseeing the implementation of the Group's strategy, alongside exercising oversight of the Group's ethics performance • Ensures that committees are properly structured with appropriate terms of reference • Presides and conducts meetings effectively • Advises and provides support and supervision to the Chief Executive • Ensures that directors receive accurate, timely and clear information • Ensures that development needs of the directors are identified and that appropriate training is provided with a view to continuously updating their skills and knowledge • Oversees the succession planning process at Board and senior executive level • Maintains sound relations with stakeholders	• Manages the day-to-day operations • Develops and executes the plans and strategy of the business, in line with the policies set by the Board • Consults regularly the Chairperson and Board on matters which may have a material impact on the Group • Acts as a liaison between Management and the Board • Provides leadership and direction to Senior Management • Builds, protects and enhances the Group's brand value • Ensures that the Group's corporate culture and values are embraced throughout the organisation • Ensures the Group has implemented the necessary frameworks and structures to identify, assess and mitigate risks • Ensures the maintenance of a sound internal control system	• Contribute to the development of the Group's strategy • Analyse and monitor the performance of Management Executives against the set objectives • Ensure that the Group has adequate and proper internal controls as well as a robust system of risk management • Ensure that financial information released to markets and shareholders is accurate • Participate actively in Board decision-making and constructively challenge, if necessary, proposals presented by Management Executives • Provide specialist knowledge and experience to the Board • Remain permanently bound by fiduciary duties which include duties of loyalty, care and disclosure

Company Secretary
• Ensures compliance with all relevant statutory and regulatory requirements
• Develops and circulates the agenda for Board meetings
• Ensures good information flows and provides practical support to directors
• Facilitates induction of directors and provides guidance to them in terms of their roles and responsibilities
• Assists the Chairperson in governance processes such as Board and Committee evaluation
• Ensures effective communication with shareholders and guarantees that shareholders' interests are duly taken care of

More information on the above key roles is available on the website

Constitution of MCB Group Limited

The Constitution of MCB Group Ltd conforms to the provisions of the Companies Act 2001 of Mauritius and the Listing Rules of the Stock Exchange of Mauritius Ltd. There are no clauses of the Constitution deemed material enough for specific disclosure. A copy of the Constitution is available on the website.

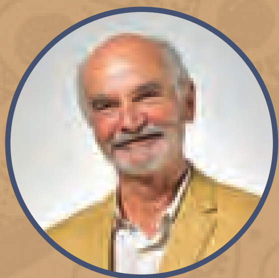
The Board

Didier HAREL
Chairperson
Independent Non-Executive Director
(7 years on the Board)

Pierre Guy NOEL
Chief Executive - MCB Group Ltd
Executive Director
(8 years on the Board)

Jean Michel NG TSEUNG
Chief Executive Officer - MCB Investment Holding Ltd
Chief Executive Designate - MCB Group Ltd*
Executive Director
(6 years on the Board)

Gilbert GNANY
Chief Strategy Officer - MCB Group Ltd
Executive Director
(8 years on the Board)



Jean-Philippe COULIER
Independent Non-Executive Director
(2 years on the Board)

Karuna BHOOJEDHUR–OBEEGADOO
Independent Non-Executive Director
(7 years on the Board)

Constantine CHIKOSI
Independent Non-Executive Director
(3 years on the Board)

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE
Independent Non-Executive Director
(8 years on the Board)

Georges Michael David LISING
Independent Non-Executive Director
(4 years on the Board)

Stephen DAVIDSON
Independent Non-Executive Director
(2 years on the Board)

Alain REY
Independent Non-Executive Director
(7 years on the Board)

San T SINGARAVELLOO
Independent Non-Executive Director
(4 years on the Board)

Changes during the year

Status change

Jean Michel NG TSEUNG

Following his appointment as Chief Executive Designate effective 1 September 2021, the Board status of Jean Michel changed to Executive Director from Non-Executive Director, a position he held during the previous 5 years.

Re-elected during the Annual Meeting of Shareholders held in December 2021

- Karuna BHOOJEDHUR-OBEEGADOO
- Jean-Philippe COULIER
- Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE
- Didier HAREL
- Georges Michael David LISING
- San T SINGARAVELLOO

Directors' profiles

The Board comprises 12 directors who have a proven track record in various fields. The names of the directors who held office at the end of the financial year, together with details of their position, qualifications, experience and directorships in other listed companies in Mauritius (where applicable) are set out hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

Didier HAREL - Age 70

RCGESC	RMC	SC	SMC
C	M	C	C

POSITION:
Chairperson, Independent Non-Executive Director

Non-Executive Director since November 2015 and Chairperson as from September 2016. Didier is the Chairperson of the Remuneration, Corporate Governance, Ethics & Sustainability Committee, Strategy Committee and Supervisory & Monitoring Committee and is a member of the Risk Monitoring Committee.

QUALIFICATIONS:
BSc in Chemical Engineering and Chemical Technology (UK) and MBA (INSEAD – France)

SKILLS AND EXPERIENCE:
Didier has a track record of over forty years in the downstream sector of the oil industry, having worked for the EXXON and TOTAL Groups. He started his career with Esso in Mauritius in 1974 and was appointed as Managing Director of Esso Réunion in 1982. He was then transferred to the Esso Europe-Africa Services Headquarters in London to head the Supply & International Sales Division from 1985 to 1988. He joined the TOTAL Group in 1988 where he was entrusted several international assignments, initially as Managing Director of TOTAL in Zambia and in Zimbabwe and subsequently, as Managing Director and Chief Executive Officer of major TOTAL Refining & Marketing subsidiaries in South Africa and in the United Kingdom. He also shouldered an array of senior executive positions in the marketing and logistics arena at TOTAL's Africa and Middle East Head Office in Paris and within TOTAL France, the home-based marketing and distribution company of the group. He was seconded in 2012 by TOTAL S.A as Chairperson and CEO of Société Anonyme de Gestion des Stocks Stratégiques, the national oil compulsory stock obligation entity for France.

DIRECTORSHIP IN OTHER LISTED COMPANIES:
Terra Mauricia Ltd

Pierre Guy NOEL - Age 66

RCGESC M | RMC M | SC M | SMC M

POSITION:
Chief Executive and Executive Director

Executive Director since April 2014. Pierre Guy is a member of the Remuneration, Corporate Governance, Ethics & Sustainability Committee, Risk Monitoring Committee, Strategy Committee and the Supervisory & Monitoring Committee. He is also a member of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics and Sustainability Committee).

QUALIFICATIONS:
BSc (Honours) in Economics and Chartered Accountant (UK)

SKILLS AND EXPERIENCE:
From 1981 to 1991, Pierre Guy worked at De Chazal Du Mée & Co. where he became a partner in financial consultancy. He joined MCB in 1992 as Planning and Development Consultant before being appointed General Manager of the Bank in 1996. Following the organisation's restructuring, he became the Chief Executive of MCB Group Ltd in April 2014. He is a Board member of several companies within the Group namely Banque Française Commerciale Océan Indien, MCB Madagascar, MCB Seychelles, MCB Maldives, MCB Capital Markets Ltd, MCB Equity Fund Ltd, MCB Consulting Services Ltd, MCB Factors Ltd, Credit Guarantee Insurance Co. Ltd, MCB Microfinance Ltd and MCB Institute of Finance Ltd, amongst others, acting either as Chairperson or Director.

He was appointed to the Board of MCB Ltd in 2005 and was a director thereof until March 2014 when he joined the Board of MCB Group Ltd following the Group's restructuring exercise. Having reached the retirement age of 65 in August 2021, he has been asked to stay as Chief Executive on an ad-hoc, short-term basis, in order to ensure a smooth transition.

DIRECTORSHIP IN OTHER LISTED COMPANIES:
Compagnie Des Villages De Vacances De L'Isle De France Limitée (COVIFRA)

Jean Michel NG TSEUNG - Age 54

RMC M | SMC M

POSITION:
Chief Executive Designate and Executive Director

Executive Director as from September 2021 after having been a Non-Executive Director since November 2016. Jean Michel is a member and the Secretary of the Risk Monitoring Committee and Supervisory & Monitoring Committee. He is also a member of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics and Sustainability Committee).

QUALIFICATIONS:
BSc (Honours) in Mathematics and Chartered Accountant (UK)

SKILLS AND EXPERIENCE:
Jean Michel joined MCB Ltd in January 2004 and was Head of Corporate Banking of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and subsequently of Ernst & Young in Mauritius. He is currently a Board member of several companies within the Group namely MCB Investment Holding Ltd, MCB Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar, Banque Française Commerciale Océan Indien and MCB Leasing Ltd, amongst others. Moreover, he sits on the Risk Monitoring Committee of MCB Ltd.

AC	Audit Committee
RCGESC	Remuneration, Corporate Governance, Ethics & Sustainability Committee
RMC	Risk Monitoring Committee
SC	Strategy Committee
SMC	Supervisory & Monitoring Committee
C	Committee Chair
M	Committee Member

Gilbert GNANY - Age 60

RMC M | SC M

POSITION:
Chief Strategy Officer and Executive Director

Executive Director since April 2014. Gilbert is a member of the Risk Monitoring Committee as well as the Strategy Committee on which he also acts as Secretary.

QUALIFICATIONS:
'Licence ès Sciences Economiques (Economie Mathématique)', 'Maîtrise en Econométrie' and 'DESS en Méthodes Scientifiques de Gestion et Calcul Economique Approfondi' (France)

SKILLS AND EXPERIENCE:
Gilbert previously worked as Senior Advisor on the World Bank Group's Executive Board where he was responsible for issues relating mainly to the International Finance Corporation and the private and financial sectors. Prior to joining the World Bank, he was the MCB Group Chief Economist and Group Head of Strategy, Research & Development after having been the Economic Advisor to the Minister of Finance in Mauritius. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius Ltd, the Statistics Advisory Council and the Statistics Board of Mauritius as well as having been a member of the Board of Governors of the Mauritius Offshore Business Activities Authority, a director of the Board of Investment and of the Mauritius Sugar Authority. He was also a member of the IMF Advisory Group for sub-Saharan Africa and a member of the Senate of the University of Mauritius. He is currently a Board member of several companies within the Group. On the institutional side, he is an external IMF expert in statistics, in particular, on data dissemination standards and strategy. Moreover, he is a member of the Financial Services Consultative Council. He also acts as Chairperson of the Economic Commission of Business Mauritius which serves, *inter alia*, as a platform for public-private sector dialogue.

DIRECTORSHIPS IN OTHER LISTED COMPANIES:
Promotion and Development Ltd; Caudan Development Ltd; COVIFRA; Medine Ltd

Karuna BHOOJEDHUR – OBEEGADOO - Age 61

AC M | RCGESC M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2015. Karuna is a member of the Audit Committee and Remuneration, Corporate Governance, Ethics & Sustainability Committee.

QUALIFICATIONS:
BSc (Honours) in Actuarial Science and Fellow of the Institute and Faculty of Actuaries (UK)

SKILLS AND EXPERIENCE:
Karuna started her career at the M&G Reinsurance Company in London (now Swiss Re) in 1985. She joined the State Insurance Company of Mauritius Ltd (SICOM) as Actuary and Manager of the Life, Pensions and Actuarial departments in 1990 when she was also appointed Actuarial Advisor to the National Pensions Fund and member of its Investment Committee.

She has been the Chief Executive of the SICOM Group from 1996 to 2017 and is currently the Chairperson thereof. She is also a Board member of several companies within the SICOM Group, acting either as chairperson or director. In the past, she has served as Director on the board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and of the Board of Investment. She is currently a Director of MCB Equity Fund Ltd, a subsidiary of MCB Group Ltd.

Constantine CHIKOSI - Age 67

SC
M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2019. Constantine is a member of the Strategy Committee.

QUALIFICATIONS:
LLB, MSc in Economics and Chartered Management Accountant (UK)

SKILLS AND EXPERIENCE:
In a career spanning over 19 years with the World Bank Group, Constantine has held various operational, strategy and management roles, delivering development solutions for the bank's client countries through analytical work and high level policy dialogue with governments while advising the board on internal corporate strategy and forward-looking initiatives. He oversaw a threefold growth of the World Bank's investment portfolio in South East Asia and a forty percent improvement in its performance as Chairperson of committees that shaped the bank's operational strategy and investment portfolios in Cambodia, Laos, Malaysia, Myanmar and Thailand.

Constantine led the opening of the World Bank Office in Mauritius where he assisted the Government in developing policy responses to the 2008 global financial crisis and streamlining the country's business regulation to reduce the cost of regulatory compliance. Prior to joining the World Bank, Constantine worked as Business Development Executive for a global mining company and as Company Secretary for a conglomerate listed on the Johannesburg Stock Exchange.

Non-Resident

Jean-Philippe COULIER - Age 73

RMC
C

POSITION:
Independent Non-Executive Director

Non-Executive Director since December 2020. Jean-Philippe is Chairperson of the Risk Monitoring Committee.

QUALIFICATIONS:
'Diplôme d'Études Supérieures en Droit' and 'Diplôme de l'Institut d'Études Politiques de Paris' (France)

SKILLS AND EXPERIENCE:
During his career, Jean-Philippe has accumulated extensive experience in the banking sector, having worked for the Société Générale Group for some 40 years. Over this period, he has assumed a range of high-level responsibilities within the group, acting as Director, Chief Operating Officer and Chief Executive Officer in its various offices based worldwide. Before his retirement from Société Générale in early 2013, he was the Vice Chairperson and Managing Director of the National Société Générale Bank in Cairo, Egypt. He was a Board member of MCB Ltd from 2012 to 2018 and was appointed Chairperson thereof for the last 4 years. He is currently a Board member in several companies within the Group namely MCB Factors Ltd, MCB Microfinance Ltd and Fincorp Investment Ltd.

DIRECTORSHIPS IN OTHER LISTED COMPANIES:
Promotion and Development Ltd *(Chairperson)*; Caudan Development Ltd *(Chairperson)*; Constance Hotel Services Ltd; Fincorp Investment Ltd

AC	Audit Committee
RCGESC	Remuneration, Corporate Governance, Ethics & Sustainability Committee
RMC	Risk Monitoring Committee
SC	Strategy Committee
SMC	Supervisory & Monitoring Committee
C	Committee Chair
M	Committee Member

Stephen DAVIDSON - Age 67

AC — M
RCGESC — M

POSITION:
Independent Non-Executive Director

Non-Executive Director since December 2020. Stephen is a member of the Audit Committee and Remuneration, Corporate Governance, Ethics & Sustainability Committee.

QUALIFICATIONS:
MA in Mathematics and Statistics (Scotland)

SKILLS AND EXPERIENCE:
Stephen pursued an executive career in investment banking and in the technology, media and telecommunications (TMT) sector in the UK and in the USA. He held investment banking roles in Rothschild, Chemical Bank (now JP Morgan) and WestLB Panmure, a British corporate and institutional investment bank. He was the Chief Financial Officer before being appointed as Chief Executive Officer of Telewest plc, a cable & broadband internet, telephone carrier & cable television provider, listed on the London Stock Exchange (LSE). He has had an extensive and rich non-executive career over the last 20 years, sitting on 14 Boards, of which 11 were listed companies, including 2 FTSE 100 listed companies and he held multiple chairmanships of nomination and remuneration, audit and corporate governance committees thereon. He is currently the Chairperson of PRS for Music Ltd, a British music copyright collective, undertaking collective rights management for musical works, while being a director of Datatec Ltd (listed on the Johannesburg Stock Exchange) and Actual Experience plc (quoted on the Alternative Investment Market (AIM) of the LSE). He has been appointed recently as Chairperson of Calnex Solutions plc, a UK-based company, which designs, produces and markets test and measurement instrumentation and solutions for the telecoms and cloud computing industries.

Non-Resident

Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE - Age 71

RCGESC — M
SC — M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2014. Jean-Jacques is a member of the Strategy Committee and the Remuneration, Corporate Governance, Ethics & Sustainability Committee. He is also the Chairperson of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics & Sustainability Committee).

QUALIFICATIONS:
'Diplôme de l'Institut d'Etudes Politiques de Paris – Section Economique et Financière' (France) and MBA in Finance (USA)

SKILLS AND EXPERIENCE:
Jean-Jacques started his career in 1977 as Financial Advisor at Deep River Beau Champ Limited (currently CIEL Limited, involved notably in sugar, textiles and finance) prior to joining the World Bank Group in 1980 under the Young Professionals Program. He integrated the International Finance Corporation where he worked on financing of agro-industrial projects in several countries in West Africa. Since 1987, he acted as Principal Operations Officer within the World Bank successively for the Latin America, Europe and Central Asia and Africa regions. Moreover, he was appointed Cluster Leader of the World Bank's HNP Division for West Africa in 2008 before acting as Sector Manager for the African region in 2011-2012. He was also a member of the Health, Nutrition and Population worldwide Sector Board.

Non-Resident

Georges Michael David LISING - Age 50

SC
M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2018. Michael is a member of the Strategy Committee.

QUALIFICATIONS:
BSc (Honours) in Accounting and Financial Analysis and Chartered Accountant (UK)

SKILLS AND EXPERIENCE:
Michael has a long experience in the retail industry. He currently heads the Lising Group and occupies the position of Managing Director. Prior to joining the Lising Group, Michael has worked for Ernst & Young (UK) and De Chazal Du Mée & Co. (Mauritius) where he was responsible for various consultancy projects and conducted assignments for the World Bank in Rwanda, Tanzania, Madagascar and Burkina Faso.

He previously sat on the Council of the University of Mauritius and was a member of the Executive Committee of Young Presidents Organisation. He is also a Director of MCB Factors Ltd, a subsidiary of MCB Group Ltd.

Alain REY - Age 63

RMC
M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2015. Alain is a member of the Risk Monitoring Committee.

QUALIFICATIONS:
BSc (Honours) in Economics and Chartered Accountant (UK)

SKILLS AND EXPERIENCE:
Alain has acquired wide financial experience, having been Manager at Citibank NA (Paris) and Regional Corporate Manager at Barclays Plc in Mauritius. He also has a long experience in the textile industry and was namely Financial Director at Corotex, General Manager at Shape Fabrics Ltd and has served as Senior Vice President and Chief Financial Officer at Novel Denim Holdings Ltd, a NASDAQ listed company. He has also been the Chief Executive Officer at Compagnie de Mont Choisy Ltée, a company involved in agricultural and property development activities. He was previously a director of AfrAsia Bank Ltd, State Bank of Mauritius Ltd and SBM Holdings Ltd.

DIRECTORSHIPS IN OTHER LISTED COMPANIES:
Terra Mauricia Ltd; New Mauritius Hotels Ltd

AC	Audit Committee
RCGESC	Remuneration, Corporate Governance, Ethics & Sustainability Committee
RMC	Risk Monitoring Committee
SC	Strategy Committee
SMC	Supervisory & Monitoring Committee
C	Committee Chair
M	Committee Member

San T SINGARAVELLOO - Age 49

AC

C

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2018. San is Chairperson of the Audit Committee.

QUALIFICATIONS:
BSc in Economics and Statistics (South Africa), BSc (Honours) Operation Research (South Africa), LLM International Business Law (France) and Fellow of the Institute of Faculty of Actuaries (UK)

SKILLS AND EXPERIENCE:
San is a qualified actuary with over 23 years of experience across the sub-Saharan Africa region, the UK and the Netherlands. Her experience spans an array of disciplines in the insurance fields with particular interest in developing markets. She has worked for various regional and international companies including Old Mutual (Cape Town), and PwC (London and Amsterdam). She currently heads the Aon Global Benefits Africa Unit. She is the Chairperson of Anglo African Investments Ltd and is a director on Happy World Property Ltd.

Mandate of the Board

The Board defines the Group's purpose, strategy and values and determines all matters relating to the directions, policies, practices, management and operations of the Company and all its subsidiaries locally and abroad. The Board thereafter ensures that the Group is being managed in accordance with its directions and delegations.

Key facts (FY 2021/22)

12	75%	5.2	95%
Number of directors	Independent directors	Average length of tenure (years)	Average meeting attendance

Responsibilities

The methods through which the Board exercises its powers and discharges its responsibilities are set out in the Board Charter of MCB Group Ltd, which provides, *inter alia*, for the following:

- the composition of the Board with an appropriate balance of executive, non-executive and independent directors;
- the Chairperson of the Board who may be an independent non-executive director;
- the setting-up of Board committees;
- the approval of strategic objectives, policies and corporate culture and values as well as their communication throughout the organisation;
- the monitoring of Management Executives in respect of the implementation of Board plans and strategies, and compliance with set policies;
- the existence of clear lines of responsibility and accountability throughout the organisation and compliance with all relevant laws, regulations and codes of business practice;
- a formal and transparent directors' remuneration policy;
- the oversight of the Group's ethics performance;
- the review of procedures and practices to ensure soundness and effectiveness of the Group's internal control systems;
- the establishment of a robust Enterprise Risk Management system, with a view to ensuring that key risks across each Group entity are effectively addressed and that risk discussions are duly elevated to Board level;
- the setting of principal guidelines and policies in respect of risk management and conduct of business for the Company; and
- the provision of timely and accurate information to shareholders, relevant authorities and the public.

Approval of the Board is specifically required for, amongst other important matters, modifying the Company's Constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associates, making appointments of senior officers, and establishing the remuneration of executive and non-executive directors and chief executives.

Corporate governance report

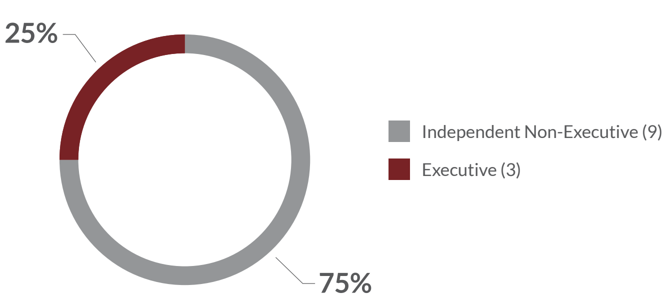
Composition and meetings

Composition

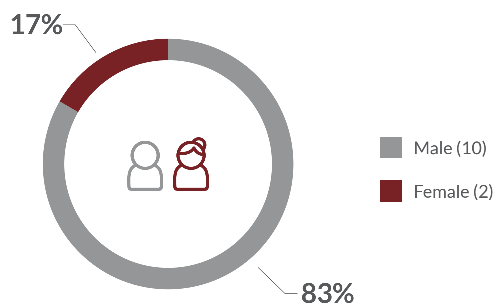
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors, with at least two executive directors and two independent directors. The Chairperson of the Board may be independent. The Board, assisted by the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC), regularly reviews its size and composition, including the independence status of the non-executive directors.

As at 30 June 2022, the Board consisted of 12 members, with a diverse mix of skills, knowledge and experience. The average age of Board members stood at around 63 years. The Board composition for the year under review is shown hereafter.

Composition

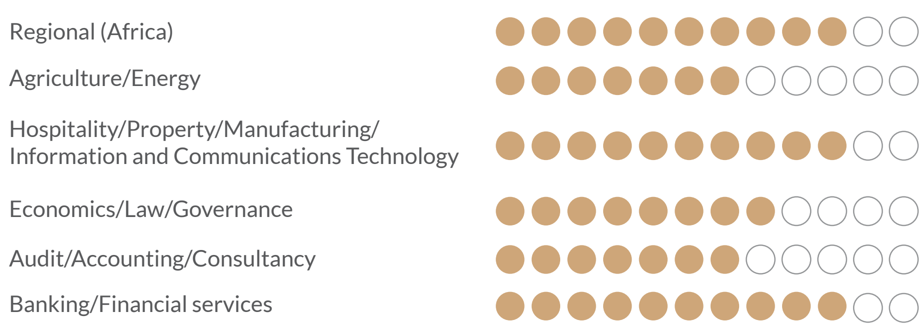


Gender



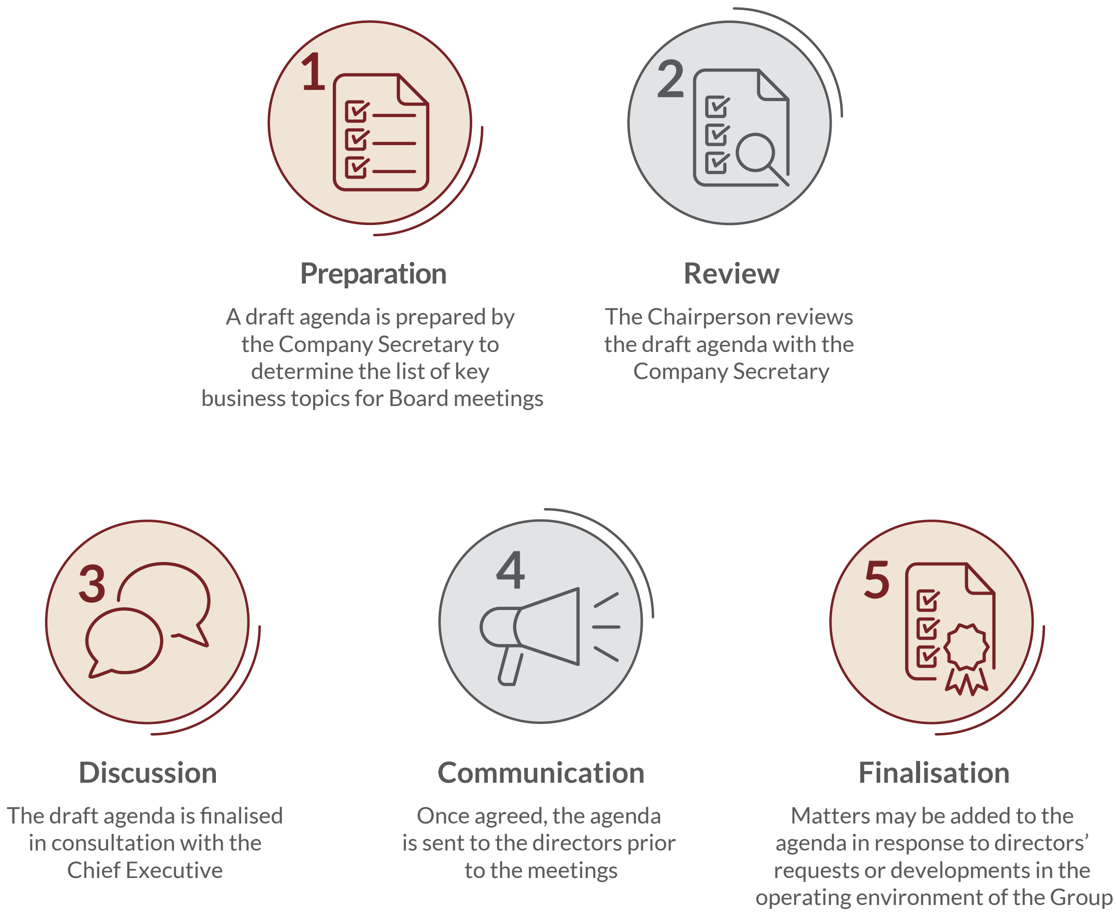
Length of tenure

Mix of skills and experience



Meetings

The Board determines the frequency of Board meetings in such a way as to ensure that it can focus on and deal with important matters in a timely and efficient manner. In this respect, the Board Charter requires that meetings be conducted at least on a quarterly basis. Although Board meetings follow an annually scheduled calendar and a provisional agenda of items for discussions, the latter remains sufficiently flexible to include new topics while additional meetings are also called upon to effectively respond to new business needs. In general, meetings are convened so that directors are able to attend and participate in person. In case personal attendance by a director is not possible, the latter can still join the meeting by video conference. In the financial year under review, the Board has resumed holding onsite meetings whilst adhering to the COVID-19 social distancing measures, with the possibility for directors to participate virtually. Directors receive Board papers in a timely manner to facilitate discussions and help make informed decisions at the meetings. All materials for Board meetings are uploaded onto a secure portal, which can be accessed by directors on tablet devices. Of note, members of the Management team and/or external advisors are sometimes invited to attend meetings to discuss topical issues identified by the Board. The Chairperson presides over the Board meetings to ensure their smooth functioning and promotes open discussions and debates with the objective of maximising participation and, as a result, upholding the quality of decision-making. The Company Secretary attends Board meetings and prepares minutes to record deliberations and decisions taken during meetings. The agenda-setting process is described in the diagram hereafter.



Corporate governance report

Board focus areas

A summary of the main undertakings of the Board during the financial year is provided below:

STRATEGY AND PERFORMANCE

- Updated on the global and regional economic and operating context as well as their impact on the Mauritian economy and Group activities
- Assessed the implications for MCB Ltd of Moody's potential ratings downgrade of Mauritius
- Reviewed and endorsed the strategic plans and budgets of all the banking and non-banking subsidiaries of the Group
- Examined the progress made on the growth pillars of MCB Group and MCB Ltd
- Apprised of initiatives as part of the Group's corporate sustainability agenda and briefed on the Group's sustainable finance strategy and proposed governance framework based on the recommendations of an external consultant
- Monitored the progress of the Digital and HR Transformation projects
- Discussed the strategic orientations of MCB's Global & International Corporates segment and the review of its Global Markets Treasury Management function
- Updated on the mandate and strategic orientations of MCB's Dubai office following its new licence to operate as an advisory office
- Apprised of the role of the Customer Lab function and briefed on the results from the assessment of customer experiences

FINANCIAL

- Assessed and monitored the Group's financial performance against budget
- Approved the implementation of a Scrip Dividend Scheme
- Discussed the Group's long term capital requirements
- Approved the modalities of the conversion of preference shares
- Approved the financial budget

GOVERNANCE AND RISK

- Reviewed and approved the structure, size and composition of the Board and Board committees
- Reviewed the Board and Committee Charters and other constitutive documents
- Approved the recommendations of the Board evaluation exercise and monitored the implementation of the updated action plan
- Reviewed and approved the succession plan at senior executive level as well as the composition of the Leadership talent pipeline and list of high potentials
- Approved the setting up of a Group Executive Coordination Committee upon the recommendation of the RCGESC
- Reviewed and approved the Risk Heat Map of the Group
- Reviewed the cybersecurity framework and monitored ongoing initiatives aiming at progressively improving the maturity assessment of the cybersecurity function within the Group

RECURRENT AGENDA ITEMS

- Approved the minutes of proceedings
- Reviewed reports from Chairpersons of Board committees
- Approved Communiques/Announcements as required by the relevant rules and regulations
- Reviewed and approved the Group's consolidated accounts on a quarterly basis
- Approved the issue of share options under the Group Employee Share Option Scheme
- Debriefed on the Annual Meeting of Shareholders
- Updated on trends and developments in the operating environment

Corporate governance report

Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2021/22 are provided in the following table:

Members	Board member since	Board status as at 30 June 2022	Meeting attendance
Didier HAREL *(Chairperson as from September 2016)*	**November 2015**	**Independent Non-Executive Director**	**10/10**
Karuna BHOOJEDHUR-OBEEGADOO	November 2015	Independent Non-Executive Director	10/10
Constantine CHIKOSI	November 2019	Independent Non-Executive Director	7/10
Jean-Philippe COULIER	December 2020	Independent Non-Executive Director	9/10
Stephen DAVIDSON	December 2020	Independent Non-Executive Director	10/10
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	November 2014	Independent Non-Executive Director	10/10
Georges Michael David LISING	November 2018	Independent Non-Executive Director	10/10
Alain REY	November 2015	Independent Non-Executive Director	10/10
San T SINGARAVELLOO	November 2018	Independent Non-Executive Director	10/10
Gilbert GNANY	April 2014	Executive Director	9/10
Jean Michel NG TSEUNG	November 2016	Executive Director	10/10
Pierre Guy NOEL	April 2014	Executive Director	9/10

Secretary to the Board: MCB Group Corporate Services Ltd (represented by Marivonne OXENHAM)

Remuneration philosophy

With human capital viewed as critical to the development of its strategy, the Group lays significant emphasis on employing the right people with the right skills and behaviours while rewarding them adequately. A summary of the remuneration philosophy of employees and directors is provided hereafter.

Employees

Fair remuneration

The Group aims at promoting a fair and competitive remuneration that encourages performance and assists in attracting and retaining talent.
Our remuneration policy is based on meritocracy and ensures that:

- Comprehensive protection is provided, at the lower end of the income ladder, against cost of living increases
- Fairness and equity are promoted throughout the organisation
- Opportunity is given to employees to benefit from the financial results and development of the Group:
    - o Staff members of the Group receive an annual bonus based on the Group's performance as well as an assessment of their contribution thereto and for demonstrating behaviours in line with the Group's values
    - o Staff members have the added possibility to benefit from a share option scheme

Remuneration package

Generally, the remuneration package is anchored on a range of factors including qualifications, skills scarcity, past performance, individual potential, market practices, responsibilities shouldered and experience.
With a view to defining appropriate remuneration levels, the Group is also guided by the following considerations:

- Market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive
- Superior team performance is highly encouraged and rewarded with adequate incentives
- Remuneration practices are regularly reviewed to reflect the current context while putting due emphasis on both individual and team performances

Employee benefits

The Group provides a range of fringe and other benefits to its employees to promote their well-being and to help them grow in their personal life. Examples of such benefits at the level of MCB Ltd are as follows:

- The Bank currently makes a pension contribution, representing 18.1% of employees' basic salaries, with the possibility for employees under the Defined Contribution Scheme to opt, depending on their age group, to receive part thereof, up to a threshold, by way of a cash supplement;
- The Bank provides employees with loans under preferential conditions;
- The Bank grants employees a monthly travelling allowance, with the amount varying according to their job grades; and
- The Bank also provides a contributory medical coverage for all employees and their dependents.

Group Employee Share Option Scheme

The Group Employee Share Option Scheme (GESOS) in place provides eligible employees with the opportunity to partake in the growth and prosperity of the Group through the acquisition of shares in MCB Group Ltd. This acts as an additional lever to promote a performance culture alongside upholding staff motivation and commitment across the organisation. Under the scheme, employees are granted non-transferable options to buy MCB Group Ltd shares with up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount of 10% is applied. Management is, however, not entitled to such discount. Once issued, the shares rank *pari passu* as to dividend, capital, voting rights and in all other respects with the existing shares of MCB Group Ltd. The following table gives details of the options granted to and exercised by employees of the Group in the last financial year.

	Management	Other employees	Total
Number of options granted in October 2021	**122,992**	**519,526**	**642,518**
Initial option price (Rs)	299.00	269.25	-
Number of options exercised to date	36,258	109,895	146,153
Value (Rs)*	10,841,142	29,589,229	40,430,371
Percentage exercised	29%	21%	23%
Number of employees	11	557	568
Available for the 4th window and expiring in mid-October 2022	**86,734**	**409,631**	**496,365**

**Based on initial option price*

Directors

Executive directors

In line with the policy for employees, remuneration for executive directors consists of a base salary and short-term benefits, which reflect their respective responsibilities and experience, as well as a variable element in the form of an annual bonus, determined by the financial performance of the Group, on the one hand, and their individual performance appraisal, on the other. The remuneration modalities are aimed at motivating and retaining top-level talents, in key senior executive positions.

Non-executive directors

The Group's remuneration philosophy concerning non-executive directors, who do not hold an executive position within the Group, is summarised as follows:

- There is a basic retainer fee for each individual non-executive director reflecting the workload, size and complexity (national/international) of the business as well as the responsibility involved;
- The basic retainer fee paid to the non-executive Chairperson commensurately reflects the fact that he has a wider scope of responsibilities and a heavier workload, compared to other non-executive directors;
- Board committee basic retainer fees also apply to non-executive directors, with the fees differing in accordance with the time required for preparation, the frequency and the duration of committee meetings. Chairpersons of committees are paid a higher basic retainer fee than members, in line with the rationale outlined in the previous point;
- There is, in addition, an attendance fee for non-executive directors in respect of their presence at meetings of the Board, respective Board committees, as well as Annual Meeting of Shareholders; and
- No share option or bonus is granted to non-executive directors.

The following table highlights the remuneration and benefits received by the directors during the financial year.

Remuneration and benefits received (Rs '000)	From the holding company	From subsidiaries	Total
Didier HAREL	3,843	-	**3,843**
Karuna BHOOJEDHUR-OBEEGADOO	916	109	**1,025**
Constantine CHIKOSI	593	-	**593**
Jean-Philippe COULIER	876	491	**1,366**
Stephen DAVIDSON	943	-	**943**
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	890	-	**890**
George Michael David LISING	632	138	**770**
Alain REY	645	94	**739**
San T SINGARAVELLOO	996	-	**996**
Total Non-Executive	***10,333***	***832***	***11,165***
Pierre Guy NOEL	32,553	-	**32,553**
Gilbert GNANY	21,330	-	**21,330**
Jean Michel NG TSEUNG	11,615	15,756	**27,371**
Total Executive	***65,498***	***15,756***	***81,254***
Total (Non-Executive and Executive)	**75,831**	**16,588**	**92,419**

Note: Figures may not tally due to rounding

Directors' interests and dealings in securities

With regard to directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the 'Model Code for Securities Transactions by Directors of Listed Companies' as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests of directors, which is available for consultation to shareholders upon written request to the Company Secretary. Upon their appointment, all new directors are required to notify in writing to the Company Secretary their holdings as well as the holdings of their closely related parties in the Group's securities.

Corporate governance report

The following tables itemise the interests of the directors in the Group's listed securities as at 30 June 2022 as well as related transactions effected by the directors during the financial year. None of the directors had any interest in the securities of the subsidiaries of MCB Group Ltd other than in the equity of Fincorp Investment Ltd.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2022	Number of Ordinary shares	
	Direct	Indirect
Jean-Philippe COULIER	20,500	19,500
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	88	-
Gilbert GNANY	293,423	87,608
Georges Michael David LISING	11,722	45,245
Jean Michel NG TSEUNG	53,391	-
Pierre Guy NOEL	1,449,479	1,040
Alain REY	6,172	-
San T SINGARAVELLOO	-	5,000

Transactions during the year	Number of Ordinary shares					
	Purchased		Sold		Others	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Gilbert GNANY	15,943	2,608	-	-	-	-
Jean Michel NG TSEUNG	16,708	-	-	-	-	-
Pierre Guy NOEL	121,877	-	-	-	-	-
Alain REY	-	-	-	-	1,332	-

Interests in MCB Group Ltd Preference shares as at 30 June 2022	Number of Preference shares	
	Direct	Indirect
Gilbert GNANY	-	20,000

Interests in MCB Group Ltd Senior Unsecured Floating Rate Notes as at 30 June 2022	Number of Notes	
	Direct	Indirect
Jean-Philippe COULIER	-	4,000

Interests in MCB Group Ltd Unsecured Floating Rate Notes as at 30 June 2022	Number of Notes	
	Direct	Indirect
Georges Michael David LISING	-	3,000

Interests in Fincorp Investment Ltd as at 30 June 2022	Number of shares	
	Direct	Indirect
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	550	-
Gilbert GNANY	69,000	-
Pierre Guy NOEL	782,416	-

Directors' service contracts

There was no service contracts between the Company and its directors during the financial year.

Related party transactions

The Board is ultimately responsible for establishing and implementing appropriate policies on conflicts of interests and related party transactions and for administering the process for handling such transactions within the Group. Assisted by the Remuneration, Corporate Governance, Ethics and Sustainability Committee, the Board exercises this responsibility, through:

- monitoring and reporting by Senior Management within the Company and its subsidiaries in respect of related party transactions;
- regular review of related party exposures, including those pertaining to Senior Management at the level of the Company and its subsidiaries; and
- formal review and ratification of the Conflicts of Interest and Related Party Transactions Policy as applicable.

Related party transactions of the Group were conducted in line with relevant internal policies and guidelines. For related party transactions, please refer to Note 39 of the Financial Statements.

More information on the 'Conflicts of Interest and Related Party Transactions Policy' is available on the website

Board committees

The Board has delegated authority to various Board committees to provide specialist guidance and make recommendations, through established reporting mechanisms, on areas and matters entrusted to them. Each committee has its own charter, as approved by the Board and reviewed as required, which sets out, *inter alia*, its roles, responsibilities, composition and meeting requirements. The mandate, composition and focus areas covered during the financial year of the five Committees namely: (i) Audit Committee; (ii) Remuneration, Corporate Governance, Ethics and Sustainability Committee; (iii) Risk Monitoring Committee; (iv) Strategy Committee; and (v) Supervisory and Monitoring Committee, are set out hereafter.

Audit Committee (AC)

Mandate

The AC assists the Board in the oversight of MCB Group Ltd and its subsidiaries on matters relating to the safeguarding of assets, the monitoring of internal control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

Key facts (FY 2021/22)

3	2.2	8	96%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the AC shall consist of a minimum of three non-executive members, with a majority of independent directors from whom the Chairperson shall be nominated. The Chairperson of the Board and the Chief Executive shall not be a member of the AC. The Committee meets at least four times a year corresponding to the Company's quarterly reporting cycle and on an ad hoc basis when required. A member of the Risk Monitoring Committee may be requested to attend the AC whenever deemed appropriate. The Committee also holds consultations with the Chairpersons of Audit Committees of subsidiaries as deemed appropriate. The directors who served on the AC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
San T SINGARAVELLOO *(Chairperson)*	**December 2018**	**Independent Non-Executive Director**	**8/8**
Karuna BHOOJEDHUR-OBEEGADOO	January 2021	Independent Non-Executive Director	7/8
Stephen DAVIDSON	January 2021	Independent Non-Executive Director	8/8

Secretary: MCB Group Corporate Services Ltd (represented by Marivonne OXENHAM)

Focus areas in FY 2021/22

Key topics discussed

- Interim and audited consolidated financial statements published by the Group with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Internal and external audit reports of all subsidiaries
- Compliance plans and reports of all subsidiaries
- Permanent supervision review
- Operational risk review
- Cyber & information security review
- HR risk review
- Adequacy of allowance for credit impairment
- Audit plans of internal and external auditors

More information on the Audit Committee Charter is available on the website

Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC)

Mandate

The RCGESC assists the Board with respect to all remuneration aspects, corporate governance matters and nomination of directors and senior executives of MCB Group Ltd and all its subsidiaries. Moreover, it oversees the succession planning exercise as regards Group senior executives as well as key management positions and reviews the list of high potential managers within the Group, on an annual basis. The RCGESC through its sub-committee, MCB Group Corporate Sustainability Committee, which also includes directors from MCB Ltd, monitors the implementation of the Group's corporate sustainability agenda.

Key facts (FY 2021/22)

5	5.1	4	90%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the RCGESC shall consist of at least three members, the majority of whom shall be independent non-executive directors. The Chairperson shall be an independent non-executive director and shall normally be the Chairperson of the Board. The Chief Executive may be a member of the Committee. The Committee meets at least twice a year and on an ad hoc basis when required. The directors who served on the RCGESC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Didier HAREL *(Chairperson)*	**September 2016**	**Independent Non-Executive Director**	**4/4**
Karuna BHOOJEDHUR-OBEEGADOO	February 2016	Independent Non-Executive Director	3/4
Stephen DAVIDSON	January 2021	Independent Non-Executive Director	4/4
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	January 2019	Independent Non-Executive Director	3/4
Pierre Guy NOEL	July 2014	Executive Director	4/4

Secretary: MCB Group Corporate Services Ltd (represented by Marivonne OXENHAM)

Focus areas in FY 2021/22

Key topics discussed

- Re-election of directors as Board members
- Board and Board committees composition
- Appointment of senior executives and Board members at subsidiaries' level
- Succession plan for leadership roles within the organisation
- Group's general remuneration policy
- Directors' fees for Board and Board committees
- Sustainable finance strategy and related governance framework
- Setting up of a Group Executive Coordination Committee
- Review of the 'Corporate Governance Report' forming part of the Annual Report
- Review of the Board evaluation assessment
- Review of Board/Committee Charters and other constitutive documents

More information on the Remuneration, Corporate Governance, Ethics and Sustainability Committee Charter is available on the website

Risk Monitoring Committee (RMC)

Mandate

The RMC assists the Board in setting the tone from the top so as to embed and maintain an appropriate risk culture. It guides the elaboration of risk mitigation strategies and exercises oversight on how this is operationalised across all the subsidiaries of MCB Group. It also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite of the subsidiaries.

Key facts (FY 2021/22)

6	4.8	4	100%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the RMC shall consist of at least three members, including the Chief Executive, with a majority of non-executive directors. The Chairperson of the Committee shall be a non-executive director and shall not be the Chairperson of the Board. The RMC meets at least quarterly and on an ad hoc basis when required. The directors who served on the RMC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Jean-Philippe COULIER *(Chairperson)*	**January 2021**	**Independent Non-Executive Director**	**4/4**
Didier HAREL	February 2016	Independent Non-Executive Director	4/4
Alain REY	January 2021	Independent Non-Executive Director	4/4
Jean Michel NG TSEUNG *(also acts as Secretary)*	January 2019	Executive Director	4/4
Gilbert GNANY	July 2014	Executive Director	4/4
Pierre Guy NOEL	July 2014	Executive Director	4/4

Focus areas in FY 2021/22

Key topics discussed

- Impact of COVID-19 on asset quality, provisioning, expected credit losses and risk appetite of the Group
- COVID-19: Forward-looking analysis on deferments and moratoriums granted to clients
- Impact of the Ukraine-Russia conflict on the global and regional scenes and their repercussions on the economies where the Group operates
- The Group's risk appetite, especially in view of the surge in oil prices as a consequence of the Ukraine-Russia conflict
- Risk management framework and risk policies of the Group and its subsidiaries
- Reports from the Group's banking entities and non-banking subsidiaries covering the principal risks (notably credit, market, liquidity) and actions taken to mitigate them
- Adequacy of capital, funding and liquidity requirements of the Group and of the banking subsidiaries, including stress testing of financial soundness under different scenarios
- Risk portfolios of the banking subsidiaries against set limits
- Key risks of specific non-banking subsidiaries
- Implementation of the Enterprise Risk Management framework within the Group
- Review of Risk Heat Maps, covering strategic, financial , operational and compliance risks
- Asset quality metrics of the Group
- Review of economic and operating environment locally and in presence countries

More information on the Risk Monitoring Committee Charter is available on the website

Strategy Committee (SC)

Mandate

The SC assists the Board in overseeing the business strategy of MCB Group Ltd and its subsidiaries and measures the latter's performance against set objectives whilst ensuring that capital allocation is appropriate. In addition, it helps the Board in assessing major financial and investment plans and other material issues that affect the development of the Group.

Key facts (FY 2021/22)

6	4.4	3	100%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the SC shall consist of at least five members with a majority of non-executive directors. The Chief Executive shall also be a member of the Committee. The Chairperson of the Committee shall be a non-executive director and shall normally be the Chairperson of the Board. The Committee meets at least four times in a year and on an ad hoc basis when required. The Chairperson of MCB Ltd and Chief Executives of entities of the Group may be invited to attend SC's meetings as and when required. The directors who served on the SC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Didier HAREL *(Chairperson)*	**November 2016**	**Independent Non-Executive Director**	**3/3**
Constantine CHIKOSI	January 2020	Independent Non-Executive Director	3/3
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE	November 2016	Independent Non-Executive Director	3/3
Georges Michael David LISING	January 2021	Independent Non-Executive Director	3/3
Gilbert GNANY *(also acts as Secretary)*	November 2016	Executive Director	3/3
Pierre Guy NOEL	November 2016	Executive Director	3/3

Focus areas in FY 2021/22

Key topics discussed

- Progress on key strategic initiatives across the Group
- Implications of the Ukraine-Russia conflict on the business activities of the Group
- Latest credit opinion by Moody's for Mauritius and implications for MCB Ltd of Moody's potential ratings downgrade of the country
- Funding and capital adequacy of the Group to support its growth
- Leveraging Dubai's International Finance Centre in furtherance of the Group's international footprint
- Scrip dividend scheme and related considerations/implications
- Update on the Group's long-term strategy exercise, investment opportunities and way forward
- Career architecture and remuneration framework being elaborated to better serve the Group's ambitions
- Review of the Strategy Committee charter
- Strategic orientations of MCB's Global & International Corporates segment

More information on the Strategy Committee Charter is available on the website

Corporate governance report

Supervisory and Monitoring Committee (SMC)

Mandate

The SMC assists the Board in overseeing the overall management of MCB Group Ltd and its subsidiaries as well as in providing direction and guidance on major policy matters. It also monitors and measures the Group's performance against set objectives, in line with the strategic orientations.

Key facts (FY 2021/22)

3	5.0	11	97%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the SMC shall consist of a minimum of three members, including the Chairperson, the Chief Executive and any other executive director of the Company. Chief Executives of the subsidiaries of MCB Group Ltd may be invited to attend SMC's meetings as required. The SMC shall meet regularly and on an ad hoc basis when required. The directors who served on the SMC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Didier HAREL *(Chairperson)*	**July 2017**	**Independent Non-Executive Director**	**11/11**
Jean Michel NG TSEUNG *(also acts as Secretary)*	July 2017	Executive Director	10/11
Pierre Guy NOEL	July 2017	Executive Director	11/11

Focus areas in FY 2021/22

Key topics discussed

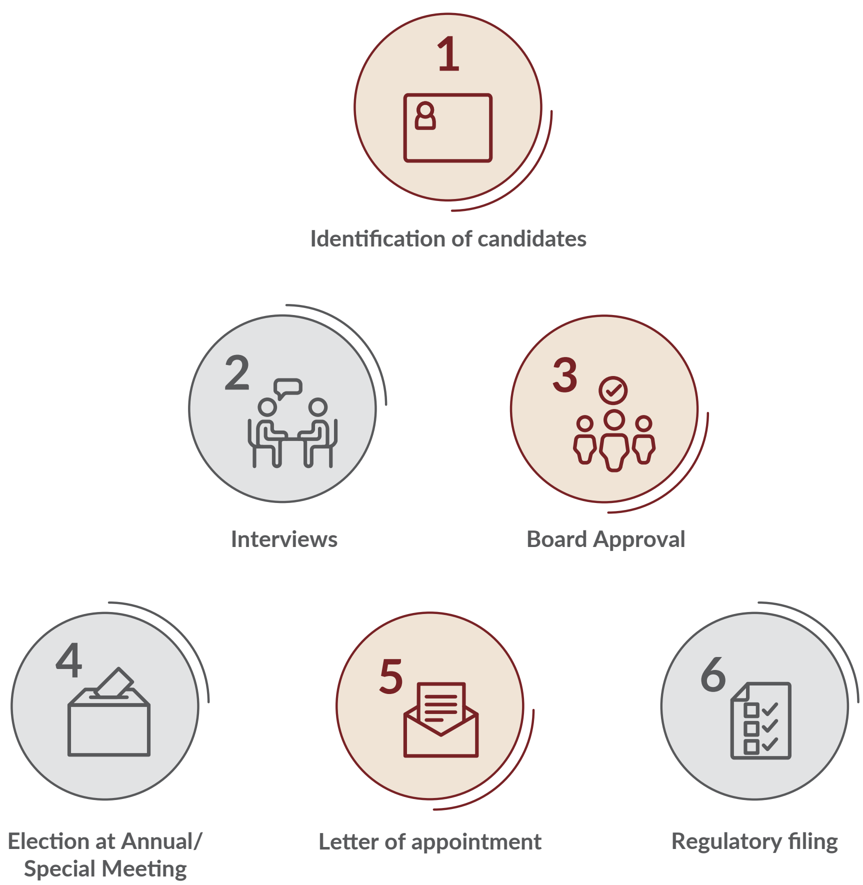
- Impact of COVID-19 and Ukraine-Russia conflict on the strategy, financial performance and operations of the Group
- Implementation of approved strategies and major policies
- Progress made on major transformation projects
- Capital adequacy considerations at both Group and Bank levels and relevance of hybrid capitals (additional Tier 1 and Tier 2) to address increasing Risk Weighted Assets
- Review of the general economic conditions and specific market trends locally and abroad as well as the evolution of key sectors amidst the challenging and volatile context
- Impact of inflation on cost of living and implications in relation to salary review policy
- Implications for MCB Ltd of Moody's potential ratings downgrade of Mauritius
- Dividend pay-out proposal of the Group for approval by the Board
- Recruitment of potential candidates in senior executive positions within the Group as well as resignations and movements of key senior personnel
- Culture Alignment programme
- Major litigations and market movements that can have a material/significant impact on the Group
- Insurance coverage review for the Bank and the Group
- Legal, operational and compliance matters impacting MCB Group
- Follow-up on the recommendations of the various Board committees
- Benchmarking of the Bank's and Group's performance with other local and international banks
- Corporate sustainability initiatives
- Transition plan between the CE and CE Designate, including the review of Group executive forums

More information on the Supervisory and Monitoring Committee Charter is available on the website

Board effectiveness

Nomination process

The Board has a formal and transparent process in place for the nomination and appointment of directors. In fulfilling this duty, the Board is supported by the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC), which is responsible for overseeing Board directorship's renewal and succession planning. The RCGESC reviews the size, structure and composition of the Board on an annual basis or whenever appointments are considered. In so doing, it seeks to promote diversity of perspectives to enable a smooth execution of the Group's strategy in a dynamic operating environment. The RCGESC is responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. The selection criteria used to assess prospective candidates relate, amongst others, to their background, specific skills, expertise, knowledge and experience, including the value the individual can bring to the overall Board performance. The RCGESC also considers gender diversity, time commitment and independence in the assessment of candidates. The nomination and appointment process of directors for the Board is highlighted in the diagram below.



Whilst seeking to retain a core set of directors with long-standing knowledge, the Board recognises the importance of rotation of Board members to ensure that there is a good balance between continuity and fresh perspectives on the Board. It is worth highlighting that at each Annual Meeting, one third of Board members, notably those who have been longest in office, are required to retire, while being eligible to stand for re-election.

More information on the nomination and appointment process is available on the website

Board induction and training

All new directors, upon joining the Board, receive a comprehensive induction programme tailored to their specific requirements. The training seeks, *inter alia*, to make them aware of their legal duties and facilitate their understanding of the Group's business strategy, governance, business operations as well as the key issues that it faces. The programme's objective is to enable directors to be well equipped from the outset to effectively contribute to strategic discussions and oversight of the Group.

Continuous development of directors is deemed essential to maintaining a highly engaged, well-informed and effective Board. In this respect, the Board has established an ongoing training and development programme for directors, which is reviewed on a regular basis to ensure its pertinence. A training log is maintained for each director by the Company Secretary. During the year under review, directors participated in a workshop titled 'Board-Level Strategies for Managing Cyber Risk Effectively', in collaboration with the Mauritius Institute of Directors, which provided them with some insights into the appropriate structures and processes to deal effectively with cyber risks. They also attended an in-house e-learning course on general security awareness in relation to cyber-attacks and threats, including an online test to assess their understanding. In the same vein, directors participated in an in-house e-learning course on data confidentiality and information security, notably pertaining to the applicable legislative framework in Mauritius and MCB's internal procedures. In view of the 2021 UN Climate Change Conference (COP26), the directors attended a webinar delivered by a specialist in the field, enabling them to have an overview of the main commitments taken at COP26 and their repercussions on small island states, as well as the role of financial institutions in tackling climate change. An outline of the induction and training programme is set out in the diagram hereafter.

1 Induction pack

Includes information on a broad range of matters relating to the role of the directors, Company's Constitution, Board and Board committees Charters, recent Board papers, disclosure requirements with respect to directors' interests

2 One-on-one briefings

Provide directors with the opportunity to interact with the Chairperson, Company Secretary and senior executives across the Group with the nature and extent of these consultations depending on the specific needs of the directors

3 Presentation sessions

Provide directors with an overview of the Group's organisational structure, financial performance and strategic orientations, activities of the different business segments as well as specific areas of interest of the directors

4 Ongoing professional development & training

Enable directors to update their skills and knowledge by providing insight into specific areas of strategic focus and current topics of interest as well as other training with respect to specific requirements of directors

Note: Briefing and reading materials are made available on the Board Portal for consultation.

Board/Directors' performance

The Board recognises the need to undertake a regular review of its performance and effectiveness, as well as those of its committees and individual members. The last evaluation was undertaken with the support of an independent external facilitator under the oversight of the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC). The latter decided to reappoint Ernst and Young Ltd in June 2022 to undertake a refreshed Board evaluation exercise based on the governance topics assessed in their previous exercise in 2019. In this respect, a refresher interview was carried out with directors who participated in the last exercise, notably in terms of progress made, whilst a full interview was conducted with new directors to obtain their insights on the same governance matters. The outcome of the assessment concluded that the Board and its committees are operating effectively and that directors continue to fulfil their roles as required. The report, which was presented to the Board, also identified a few areas for improvement, with an action plan subsequently agreed upon. The Chairperson of the Board, with the support of the RCGESC, has been monitoring the implementation of the action plan to ensure that issues identified are given due consideration within a reasonable timeframe.

An outline of the evaluation process methodology used in FY 2021/22 is provided in the diagram hereafter.

Corporate governance report

Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain an effective risk management and internal control system, which it regularly reviews to cater for the principal and emerging risks that may affect the achievement of the Group's strategic objectives. Supported by the Risk Monitoring Committee, the Board ensures that the necessary structures, processes and methods for identification, evaluation and monitoring of the principal risks faced by the Group are integrated into the latter's overall risk governance framework. In this respect, during the year, the Group has consolidated the Enterprise Risk Management framework across relevant subsidiaries. The Board has received assurance, through the regular reporting by the Chairpersons of relevant committees, on the adequacy of the risk management processes and systems in place over the period under review.

The Board, assisted by the Audit Committee, ensures that the internal control framework in place results in an acceptable level of risk exposure while guaranteeing compliance with established internal policies and procedures and relevant laws and regulations. The Internal Audit, Compliance and Risk (for non-financial risk matters) functions regularly report to the Audit Committee. In addition to feedback from Audit Committees of subsidiaries, the Audit Committee receives feedback from the Company's external auditor and engages with the latter in the absence of Management Executives to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management Executives and regular reporting from the Chairperson of the Audit Committee, the Board satisfies itself that the internal control systems are adequate and effective.

Information governance

The Group places significant emphasis on the confidentiality, integrity and availability of information. It ensures that a robust framework is maintained to protect its information asset and uphold the security and performance of information and Information Technology (IT) systems. The Board is responsible for setting up and regularly reviewing relevant policies and for ensuring that they are appropriately implemented through adequate structures and processes. In this respect, access to information is only available to authorised parties. Physical and logical access controls are in place at all times with staff being regularly made aware of relevant requirements. The Group continues to invest in technology to enhance its operational resilience with significant investments monitored by the Board. During the year, we undertook several initiatives to further enhance the robustness of the cyber and information security framework, in the process leveraging external expertise and subject matter specialists to reinforce our cyber response capabilities. Internal Audit provides independent assurance on the suitability of the Group entities' information and IT policies while the Audit Committee evaluates the effectiveness of related internal control systems.

More details on information governance is available in the 'Information, Information Technology and Information Security Governance Policy' on the website

More information is available in the 'Risk and capital management report' on pages 150 to 193

Internal audit

The primary role of Internal Audit is to assist the Board in upholding the assets and reputation of the Group. The aim of internal audit is to assess the policies, methods and procedures in place at the organisation in order to cater for their adequate application. It is responsible for independently assessing the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the Audit Committee with a view to strengthening the internal control framework. Whilst the Internal Audit SBU of MCB Ltd provides independent assurance over the internal control systems at Bank level, its scope of activity also encompasses other Group entities in line with its Group wide mandate. In this respect, it reports to the Audit Committee and/or Board of each subsidiary as well as to the Audit Committee of the Group, which acts as the overarching authority.

More information is available in the 'Risk and capital management report' on pages 150 to 193

External auditors

With a view to ensuring the overall adequacy of the Group's internal control framework, the Audit Committee evaluates the independence, effectiveness and eligibility of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. The proposal to reappoint Deloitte, which was first appointed in December 2020 as external auditor, was approved at the Annual Meeting of Shareholders of MCB Group Ltd, held in December 2021. As regards the timeframe, the total duration of the audit assignment is for a period of one year with the possibility of reappointing the selected firm annually, subject to regulatory provisions and approval at the Annual Meeting of Shareholders of MCB Group Ltd.

Non-audit services

MCB Group Ltd, via the Audit Committee, has a process in place to ensure that there is no threat to the objectivity and independence of external auditors in the conduct of the audit that could result from the provision of non-audit services by them. As such, non-audit services, which are limited to ad hoc advice and other assurance-related services, are pre-approved by the Audit Committee.

Auditors' fees and fees for other services

	2022		2021	
	The Group	The Company	The Group	The Company
	Rs '000	Rs '000	Rs '000	Rs '000
Audit, Quarterly Review and Internal Control Review fees paid to:				
Deloitte Mauritius	21,755	1,064	18,234	1,000
BDO & Co	7,608	-	6,976	-
Other firms	3,256	-	1,687	-
Fees for other services provided by:				
Deloitte Mauritius	2,099	-	3,450	-
Other firms	252	-	147	-

Note that the fees for other services relate to comfort on dividend, comfort on transfer pricing and AML/CFT review.

Corporate governance report

Directors of MCB Group Ltd subsidiaries

The Board composition of the subsidiaries is given hereafter, with the corresponding Chairpersons as well as Chief Executives or Managing Directors (where applicable) sitting on the respective Boards being mentioned. Changes in the Board composition during the FY 2021/22 and to date are also highlighted.

Subsidiary	Cluster	Directors
MCB Investment Holding Ltd	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Jean Michel NG TSEUNG *(Chief Executive)* Margaret WONG PING LUN
The Mauritius Commercial Bank Ltd	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Uday Kumar GUJADHUR Johanne JOSEPH *(as from January 2022)* Philippe LEDESMA Alain LAW MIN *(Chief Executive Officer)* Jean Michel NG TSEUNG Su Lin ONG Simon WALKER
MCB Madagascar SA	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Gilbert GNANY Patrick LE GUEN *(Deputy Managing Director)* Jean Michel NG TSEUNG Pierre Guy NOEL Rony RADAYLALL *(Managing Director)* Patrick RAZAFINDRAFITO
MCB (Maldives) Private Ltd	Banking	**Pierre Guy NOEL *(Chairperson)*** Jean-François DESVAUX DE MARIGNY Gilbert GNANY Désiré LEO *(Managing Director up to August 2022)* Laila MANIK Jean Michel NG TSEUNG Marcello Chee Yan LEUNG HING WAH *(as from November 2021)*
MCB Seychelles Ltd	Banking	**Pierre Guy NOEL *(Chairperson)*** Regis BISTOQUET *(Deputy Managing Director)* Jean-François DESVAUX DE MARIGNY Gilbert GNANY Bernard JACKSON *(Managing Director)* Jean Michel NG TSEUNG

Subsidiary	Cluster	Directors
MCB Capital Markets Ltd *(MCBCM)*	Non-Banking Financial	**Pierre Guy NOEL *(Chairperson)*** Couldip BASANTA LALA Bertrand DE CHAZAL Gilbert GNANY Rony LAM YAN FOON *(Chief Executive Officer)* Jeremy PAULSON-ELLIS Catherine SWANEPOEL Gilles TRANCART
MCB Investment Services Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Rony LAM YAN FOON Akesh UMANEE
MCB Registry & Securities Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Rony LAM YAN FOON Marivonne OXENHAM Vimal ORI
MCB Stockbrokers Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Rony LAM YAN FOON Jeremy PAULSON-ELLIS Shivraj RANGASAMI *(Managing Director)*
MCB Capital Partners Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Couldip BASANTA LALA Rony LAM YAN FOON Catherine SWANEPOEL
MCB Investment Management Co. Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Couldip BASANTA LALA Ameenah IBRAHIM *(Managing Director)* Rony LAM YAN FOON Michaël NAAMEH Jeremy PAULSON-ELLIS Catherine SWANEPOEL Gilles TRANCART
MCB Structured Solutions Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Feriel AUMEERALLY *(as from December 2021)* Divya BASANTA LALA *(until August 2021)* Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI
CM Diversified Credit Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Feriel AUMEERALLY (as from December 2021) Divya BASANTA LALA (until August 2021) Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI

Corporate governance report

Subsidiary	Cluster	Directors
CM Structured Finance Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Divya BASANTA LALA *(until August 2021)* Rony LAM YAN FOON Anish GOORAH Vimal ORI
CM Structured Products Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Divya BASANTA LALA *(until August 2021)* Feriel AUMEERALLY *(as from December 2021)* Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI
MCB Leveraged Solutions Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Rony LAM YAN FOON Shivraj RANGASAMI
MCB Financial Advisers *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Rony LAM YAN FOON
MCB Equity Fund Ltd	Non-Banking Financial	**Bertrand DE CHAZAL *(Chairperson)*** Karuna BHOOJEDHUR-OBEEGADOO Pierre Guy NOEL
MCB Leasing Ltd *(a subsidiary of Fincorp Investment Ltd)*	Non-Banking Financial	**Simon Pierre REY *(Chairperson)*** Raj GUNGAH *(Managing Director)* Martine IP MIN WAN Johanne JOSEPH Jean Michel NG TSEUNG Anju UMROWSING-RAMTOHUL
MCB Factors Ltd	Non-Banking Financial	**Margaret WONG PING LUN *(Chairperson)*** Jean-Philippe COULIER Koomaren CUNNOOSAMY Jean-Mée ERNEST *(Managing Director)* Michael LISING Pierre Guy NOEL
MCB Microfinance Ltd	Non-Banking Financial	**Pierre Guy NOEL *(Chairperson)*** Paul CORSON Jean-Philippe COULIER Gilbert GNANY Aurélie LECLEZIO *(Chief Executive Officer)* Alain REY

Subsidiary	Cluster	Directors
MCB Real Assets Ltd *(MCBRA)*	Non-Banking Financial	**Margaret WONG PING LUN *(Chairperson)*** Pierre Guy NOEL Gilbert GNANY
Compagnie des Villages de Vacances de L'Isle de France Ltée *(a subsidiary of MCBRA)*	Other Investments	**Margaret WONG PING LUN *(Chairperson)*** Gilbert GNANY Robert IP MIN WAN Pierre Guy NOEL Jean Marc ULCOQ
Fincorp Investment Ltd	Other Investments	**Jean-Pierre MONTOCCHIO *(Chairperson)*** Sunil BANYMANDHUB Jean-Philippe COULIER Marivonne OXENHAM Margaret WONG PING LUN
MCB Properties Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson)*** Gilbert GNANY
MCB Consulting Services Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson)*** Jean-Michel FELIX *(Chief Executive Officer)* Gilbert GNANY
MCB Institute of Finance Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson)*** Marc DESMARAIS Jean-Michel FELIX Gilbert GNANY Dhiren PONNUSAMY
MCB Group Corporate Services Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson)*** Gilbert GNANY Marivonne OXENHAM *(Managing Director)*
Mascareignes Properties Ltd *(Incorporated in Seychelles)*	Other Investments	**Pierre Guy NOEL *(Chairperson)*** Regis BISTOQUET Jean-François DESVAUX DE MARIGNY Gilbert GNANY Bernard JACKSON Jean Michel NG TSEUNG

Corporate governance report

Subsidiary	Cluster	Directors
MCB International Services Ltd *(Incorporated in Seychelles)*	Other Investments	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Regis BISTOQUET Gilbert GNANY Bernard JACKSON Jean Michel NG TSEUNG
MCB Forward Foundation	Other Investments	**Didier HAREL *(Chairperson)*** Jean-François DESVAUX DE MARIGNY Gilbert GNANY Alain LAW MIN Madeleine DE MARASSE ENOUF Pierre Guy NOEL
Blue Penny Museum	Other Investments	Pierre Guy NOEL ***(Chairperson) (as from November 2021)*** Jean-François DESVAUX DE MARIGNY Vanessa DOGER DE SPEVILLE Damien MAMET

Directors of subsidiaries' remuneration

The remuneration and benefits paid to directors of subsidiaries, who did not sit on the Board of MCB Group Ltd during the financial year, are shown below.

Remuneration and benefits received (Rs '000)	2022	2021
Executive (Full-time)	172,162	179,173
Non-executive	13,238	14,028
Total	**185,400**	**193,201**

Shareholder relations and communication

The Board is committed to promoting an open and transparent communication in relation to its engagement with shareholders with a view to building trust and maintaining strong relationships with them. The Group upholds an ongoing dialogue with shareholders and provides them with clear, accurate and relevant information to help them make informed decisions, while also providing them with the opportunity to share their views through different forums. Shareholders are kept abreast of all material business developments that influence the Group in a transparent and timely manner through various communication channels. In addition to official press announcements and occasional press conferences, the Group website provides for an adapted and comprehensive self-service interface. The 'Investor Centre' section, regarded as the primary source of information for investors, enables shareholders to have access to a range of corporate documents and publications, e.g. quarterly financial results and related reports briefing as well as earnings calls, analyst meetings and roadshow presentations, amongst others. In addition, in order to receive updates on major corporate events and announcements instantly, shareholders are able to register for email alerts directly on the website. There is also an 'Investor Enquiry' section on the website, offering shareholders the opportunity to post their queries online. Complementing information on the 'Investor Centre', the corporate website also provides for a 'Sustainability' section where shareholders are kept informed of initiatives undertaken as part of the Group's corporate sustainability agenda, 'Success Beyond Numbers'. Considering its diverse range of shareholders and investors with different communication and engagement needs, there are dedicated teams within the Group to attend to their requirements.

Individual shareholders

The Group's Company Secretary oversees communication with retail shareholders, in collaboration with the Group's Registrar and Transfer Agent, MCB Registry and Securities Ltd. The latter caters for the information needs of retail shareholders that range from sending relevant correspondences to responding to their queries in a timely manner, in strict compliance with applicable rules and regulations. The Company Secretary escalates, as and when necessary, feedback from retail shareholders to the Board.

Institutional investors

The Group's Investor Relations (IR) Unit acts as the point of contact for institutional investors and is responsible for managing and developing relationships with existing and potential investors, with a view to achieving a stable and diversified shareholder base while supporting high liquidity in and fair valuation of MCB Group shares. During the financial year, the IR Unit has maintained a comprehensive Investor Relations engagement programme in order to provide investors with timely updates on the Group's strategy and financial performance as well as latest developments in the operating context. In addition to quarterly interactions with investors through, *inter alia*, results briefings and online earnings calls, the Group engaged with investors mostly via conference calls whilst also resuming on-site one-on-one meetings. In view of the prevalence of the COVID-19 pandemic, the Group's Executives participated in an international virtual roadshow, which was attended by institutional investors across different countries. The IR Unit keeps the Board up to date on key market trends as well as investor views and sentiment. An outline of the Group's engagement programme during the last financial year is set out hereafter.

Our engagement with investors during FY 2021/22

VIRTUAL EFG HERMES ROADSHOW

- Participated in virtual EFG Hermes roadshow (Dubai) in March 2022
- Interacted with some **20** international institutional investors and active fund managers

QUARTERLY EARNINGS CALLS/ ANALYST MEETINGS

- Some **40** participants on average interacted with MCB Group Executives
- Due to the COVID-19 prevailing sanitary protocols, analyst meetings were not held on-site and analysts were invited to participate in quarterly earnings calls

ANNUAL MEETING OF SHAREHOLDERS

- Annual Meeting of Shareholders held in December 2021
  - Whilst adhering to the COVID-19 prevailing sanitary protocols, the meeting was held on-site in two dedicated meeting rooms with virtual connectivity facilities in order to cater for a maximum number of shareholders
  - Shareholders who attended, were given the opportunity to express their views, ask questions and receive feedback directly from Board members

In FY 2021/22, the key topics discussed between Group Executives and investors revolved around, but were not limited to the following themes.

Operating environment

- Outlook for the tourism sector
- Implications of Moody's potential ratings downgrade of Mauritius on Group's business activities
- General economic conditions given the difficult global context
- Evolution of the Mauritian rupee against the main currencies
- Status of Bank of Mauritius (BoM) and Government support measures to individuals
- Relevant measures of the National Budget 2022-2023
- Expectations on BoM Key Repo Rate

MCB Group

- Financial performance and outlook
- Progress on strategic objectives
- Impact of the Ukraine-Russia conflict on Group activities
- Expected Credit Losses evolution
- Funding and liquidity position in foreign currency
- International loan book expansion
- Energy & Commodities business segment
- Dividend payment
- Restructured loans and moratoriums
- Asset quality
- Updates on the Group's Corporate Sustainability strategy

Shareholder information

Shareholding profile

Ordinary shareholders

The Group has a diversified ownership base of over 22,000 shareholders, with foreign shareholding accounting for around 9% of the total. As at 30 June 2022, outstanding ordinary issued capital of MCB Group Ltd amounted to Rs 3.1 billion, comprising 240.6 million ordinary shares. The following tables set out the 10 largest shareholders and ownership of ordinary share capital by size and type as at 30 June 2022.

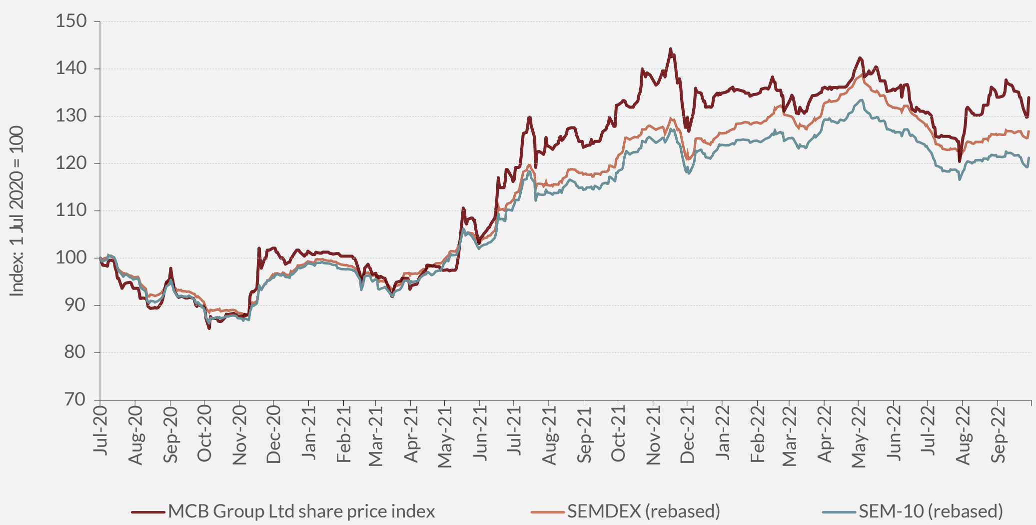
Largest shareholders	Number of shares owned	*% Holding*
National Pensions Fund	17,615,285	*7.3*
State Insurance Company of Mauritius Ltd	8,527,630	*3.5*
Swan Life Ltd	8,168,159	*3.4*
Promotion and Development Limited	7,190,573	*3.0*
BNYM SA/NV A/C Eastpring Investments SICAV-FIS	3,531,955	*1.5*
MUA Life Ltd	2,862,923	*1.2*
The Mauritius Commercial Bank Ltd Superannuation Fund	2,847,986	*1.2*
National Savings Fund	2,480,313	*1.0*
SSL C/O SSB Boston A/C Russell Investment Company PLC	2,088,831	*0.9*
New Mauritius Hotels Group Superannuation Fund	1,804,673	*0.8*

Size of shareholding	Number of shareholders	*% Holding*	Number of shares owned	*% Holding*
1-500 shares	14,494	*64.9*	1,585,847	*0.7*
501-1,000 shares	1,674	*7.5*	1,233,099	*0.5*
1,001-5,000 shares	2,998	*13.4*	7,330,181	*3.0*
5,001-10,000 shares	990	*4.4*	7,076,591	*2.9*
10,001-50,000 shares	1,463	*6.6*	32,990,184	*13.7*
50,001-100,000 shares	313	*1.4*	22,318,564	*9.3*
Above 100,000 shares	402	*1.8*	168,033,847	*69.8*
Total	**22,334**	***100.0***	**240,568,313**	***100.0***

Category	Number of shareholders	*% Holding*	Number of shares owned	*% Holding*
Individuals	21,178	*94.8*	122,427,435	*50.9*
Pension and Provident Funds	81	*0.4*	35,669,998	*14.8*
Investment and Trust Companies	129	*0.6*	24,420,158	*10.2*
Insurance and Assurance Companies	20	*0.1*	13,478,433	*5.6*
Other Corporate Bodies	926	*4.1*	44,572,289	*18.5*
Total	**22,334**	***100.0***	**240,568,313**	***100.0***

Performance of MCB Group

Performance of MCB Group share price against the market



Year ending June	2020	2021	2022
MCB Group			
Share price (Rs)			
High	350.00	279.00	339.00
Low	180.00	200.00	274.00
Average	285.57	228.92	311.62
Closing - Year end	236.00	273.00	307.50
Market capitalisation as at 30 June (Rs m)	56,464	65,381	73,975
Market capitalisation as % of SEMDEX[1]	28.0	28.9	27.2
Value of shares traded (Rs m)	4,951	4,100	4,770
MCB market share[2] (%)	49	49	45
Earnings per share - Basic (Rs)	33.09	33.51	40.14
Price/NAV ratio (times)	0.9	0.9	0.9
Price earnings ratio (times)	7.1	8.1	7.7
Earnings yield (%)	14.0	12.3	13.1

[1] *excludes foreign currency denominated, GBC1 and international companies*

[2] *excludes one-off transactions*

Corporate governance report

Preference shareholders

As at 30 June 2022, MCB Group had 339,622,500 preference shares in issue, which were entitled to a fixed dividend of 4.7% per annum, payable in June and December of every year.

Holders of such preference shares also benefit from an option to have those shares converted into ordinary shares of the Group at various dividend payment dates. The first such conversion window occurred with the payment of the June 2022 preference dividend, whereby 70,734,772 preference shares were converted into 2,297,945 ordinary shares.

The next conversion window for the outstanding preference shares will occur with the payment of the December 2022 preference dividend.

Scrip dividend scheme

In September 2021, the Group launched its Scrip dividend scheme (the Scheme) with a view to further consolidating its capital base to support its future expansion and/or to provide the Group with additional capacity to improve its dividend pay-out. As part of the Scheme, ordinary shareholders are given the option of receiving their ordinary dividends, or part thereof, by way of ordinary shares of MCB Group Ltd (Scrip shares).

In relation to the ordinary dividends declared during the course of this financial year, shareholders elected to receive Scrip shares as follows:

Dividend payment date	Conversion rate (%)	Scrip share Rs million
December 2021	10.9	247.5
July 2022	16.5	234.1

Dividend policy

MCB Group Ltd normally seeks to distribute around one third of its profits in the form of dividends.

Taking into account the Earnings Per Share of Rs 40.13 for the financial year under review, the Board decided to apply part of the proceeds from the Scrip shares of Rs 481.6 million and declared a final dividend of Rs 8.00. This, together with the interim dividend per share of Rs 5.90 paid in July 2022, resulted in a total dividend pay-out of Rs 13.90 per share.

Shareholders agreements

There is currently no shareholders agreement affecting the governance of the Company by the Board.

Shareholders' diary

- **November 2022** – Release of Q1 results to 30 September 2022
- **December 2022** – Annual Meeting of Shareholders
- **December 2022** – Payment of final dividend
- **February 2023** – Release of half-year results
- **May 2023** – Release of results for the 9 months to 31 March 2023
- **May 2023** – Declaration of interim dividend
- **July 2023** – Payment of interim dividend
- **September 2023** – Release of full year results to 30 June 2023
- **September 2023** – Declaration of final dividend
- **November 2023** – Release of Q1 results to 30 September 2023
- **November 2023** – Annual Meeting of Shareholders
- **December 2023** – Payment of final dividend

Statement of Directors' responsibilities

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Group.

In preparing those Financial Statements, the directors are required to:

- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been adhered to, subject to any material departures disclosed, explained and quantified in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and the Company while ensuring that the Financial Statements fairly present the state of affairs of the Group and the Company, as at the financial year end, and the results of their operations and cash flows for that period; and
- ensure that the Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards, the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The directors confirm that they have complied with the above requirements in preparing the Financial Statements. The directors are also responsible for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

The directors hereby report that:

- adequate accounting records and an effective internal control system and risk management framework have been maintained;
- the Financial Statements fairly present the state of affairs of the Group and the Company, as at the financial year end, and the results of their operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used;
- the Financial Statements have been prepared in accordance with International Financial Reporting Standards, the Mauritius Companies Act 2001 and the Financial Reporting Act 2004; and
- the Financial Statements have been prepared on the going concern basis.

On behalf of the Board

M G Didier HAREL
Chairperson

Pierre Guy NOEL
Chief Executive

Statement of compliance

(Section 75(3) of the Financial Reporting Act)

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2021 to 30 June 2022

We, the Directors of MCB Group Limited, confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the National Code of Corporate Governance (2016).

M G Didier HAREL Chairperson	**Pierre Guy NOEL** Chief Executive

28 September 2022

Company Secretary's certificate

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2021 to 30 June 2022

In our capacity as Company Secretary, we hereby certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 of Mauritius in terms of section 166(d).

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

28 September 2022

JESSIE
Meet the artist

Risk and capital management report

PIERRE D.
Meet the artist

Risk and capital management report

Highlights

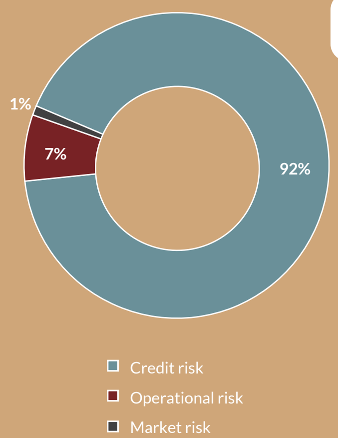
Despite the impact of the unsteady operating context on our business and operations, we continued to manage our financial and non-financial risks effectively which helped us preserve our financial soundness and uphold the brand value of the organisation. MCB Group remained adequately capitalised and had sufficient liquidity to comply with minimum regulatory requirements and stay within our internal risk appetite as shown below.

Financial metrics as at June 2022

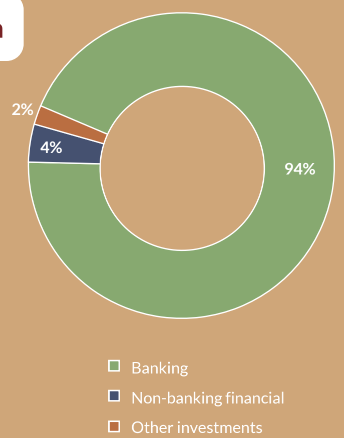
Risk-weighted assets

Rs 462 bn

By type of risk



By cluster



Capital adequacy ratio

18.1%

Jun 21: 17.4%
Jun 20: 18.6%

Tier 1 capital ratio

16.8%

Jun 21: 16.1%
Jun 20: 17.2%

Loan to deposit ratio

68.0%

Jun 21: 60.2%
Jun 20: 65.3%

Gross NPL ratio

3.7%

Jun 21: 3.6%
Jun 20: 4.2%

Cost of risk

0.9%

Jun 21: 1.4%
Jun 20: 1.8%

Liquid asset to deposit ratio

57.8%

Jun 21: 64.0%
Jun 20: 58.0%

Coverage ratio

Expected Credit Loss

2.0%

Jun 21: 2.6%
Jun 20: 2.2%

Specific[1]

37.7%

Jun 21: 39.7%
Jun 20: 32.8%

[1]The remaining portion is more than adequately covered by collateral

Notes:
(i) Cost of risk pertains to loans and advances
(ii) Liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds
(iii) Expected Credit Loss coverage ratio pertains to stage 1 and stage 2 loans and advances only, while specific coverage ratio is computed as a percentage of stage 3 exposures

The year in review from a risk perspective

In FY 2021/22, the Group continued to face a challenging external risk environment, with the ramifications of the Russia-Ukraine conflict impacting the ongoing recovery from the pandemic across markets. Primarily, we continued to actively manage the risks resulting from the pandemic alongside focusing our attention on enhancing our risk management in key areas. Risk culture, cybersecurity, compliance risk as well as sustainability and climate risk were themes which ranked high on the organisation's agenda, in addition to our ongoing efforts to maintain sound risk metrics. At the level of MCB Ltd, it is comforting to note that Moody's Investors Service has, in July 2022, maintained MCB's long-term deposit and issuer ratings at Baa3 while upgrading their outlook to stable, reflecting the Bank's resilient financial profile amidst strong liquidity and solid capital buffers with profitability set to rebound following the pandemic.

Key external risk factors

- Challenging economic conditions impacting income levels
- Heightened market and FX volatilities
- Regulatory change, risk management and governance
- Digital disruptions and higher cybersecurity risks
- Increased prominence of ESG considerations
- Increased health and safety risks and changing world of work

Read more in the 'Our operating context' section on pages 40 to 43

Our key focus areas in FY 2021/22

We pursued our agenda to reinforce the risk management and compliance set-up in support of our growth ambitions while ensuring alignment with regulatory norms and developments. Key initiatives we undertook are provided below.

Bolstering our risk management framework and internal control mechanisms

- Launched the Risk Culture Programme which aims at ensuring the right balance between business ambitions and the management of risks by fostering proper risk-related attitudes, behaviours and collective ownership from the entire workforce. The Programme has been initiated at the level of MCB Ltd and will be gradually extended across the other Group entities

- Implemented the Enterprise Risk Management framework within the Group and reviewed the risk heat maps, including the identification of new/emerging risks; Launched a review of the Operational Risk Cartography to ensure that appropriate risk controls are in place

- Continued to focus on building our human capital through the upskilling of our employees with a view to better equip them to respond to the evolving business environment, while contributing to their personal development

Enhancing information and cybersecurity capabilities

- Set up a dedicated Red Team to further enhance our cybersecurity detection and response capabilities; Commissioned a recognised consultancy firm to undertake a Cybersecurity Maturity Assessment following the one conducted some years back; Undertook regular independent penetration testing and vulnerability assessments by leveraging external expertise as appropriate; Implemented a Data Loss Prevention tool; Ran security awareness training sessions to promote the adoption of best practices in terms of cybersecurity risk management; Performed regular reporting on risk findings, recommendations and assessments to various executive committees and the Audit Committee, with an emphasis on cybersecurity matters

- MCB Ltd: Initiated steps to enhance the cybersecurity maturity and ensure compliance with the requirements of the upcoming Bank of Mauritius Guideline on Cyber & Technology Risk Management; Restructured the Information Risk Management Business Unit which is now referred to as the Cyber & Information Security Business Unit, to bring more focus to the specific risk areas of cybersecurity, information security, data privacy and technology risk; Recruited a Cyber & Technology Risk Manager with international exposure

Read more on pages 184 to 185 of this report and the 'Delivering on our strategic objectives' section on pages 73 to 75

Strengthening management of key risks

Compliance and financial crime risks

- Continued to gear up our overall compliance framework and enhanced our policies, procedures and controls to meet heightened regulatory requirements and underpin the deployment of our activities; Set up Compliance awareness and training programmes to ensure that the Board members and employees are aware of and understand key policies, laws and regulations in accordance with their daily responsibilities

- MCB Ltd: Leveraged machine learning analytics in a phased approach within its Financial Crime Risk Management (FCRM) system to reduce false positive alerts and deliver more pertinent alerts for investigation alongside putting in place initiatives to further shore up the customer on-boarding policy and processes as well as embarking on a eKYC journey; Migrated the screening of transactions and customers to the FCRM tool, and enhanced our screening process

- MCB Madagascar: Set up a 'Direction Juridique et Conformité' unit – responsible for the supervision of compliance and legal matters – with the objective of responding to the increasingly stringent regulatory requirements; Continued bolstering of internal controls with deployment of compliance certificates alongside adopting the permanent control philosophy

- MCB Capital Markets: Strengthened its compliance culture via the design and implementation of classroom and online training programmes including training for directors; Performed system enhancements linked to its anti-money laundering framework

Climate-related risks

- Set up a project team by MCB Ltd to craft a roadmap for the development of an internal framework for climate-related and environmental risks, with the objective of fulfilling our ESG commitments and meeting the requirements of the Bank of Mauritius Guideline on Climate-related and Environmental Financial Risk Management

- MCB Ltd: Reviewed and enhanced its Environmental and Social Risk Policy which was validated by the Corporate Sustainability Committee of MCB Group, in line with our objective to implement the appropriate risk management system for environmental and social considerations in its banking activities

Other risks

- Strengthened our modelling capabilities through the development/refinement of credit models to enhance our predictive accuracy whilst making adjustments to reflect the ongoing uncertainty in the operating environment

- MCB Seychelles: Initiated the review of its risk management policies around market and credit risk, towards adopting new best practices and ensuring alignment with the Central Bank of Seychelles Risk Management Guidelines

- MCB Capital Markets: Strengthened the policies and procedures linked to its operational risk management framework including complaints handling and incident reporting alongside reviewing and, where necessary, amending key processes

Preparing for the London Interbank Offered Rate (LIBOR) transition

- Successfully implemented the LIBOR transition programme with the UK's Financial Conduct Authority no longer requiring panel banks to submit rates for the LIBOR after 2021 for all currencies except for specific US dollar settings for which the transition period would run until June 2023. Dedicated teams were set up to deliver on the four work streams of the programme, pertaining to (i) contracts alignment; (ii) using new reference rates; (iii) system and operational capabilities; and (iv) the communication plan for our people and clients. Internally, several intensive awareness, training, webinars and preparatory workshops were held towards preparing our teams across the value chain to evolve in a new world without LIBOR. In order to better accompany our customers, we have actively engaged with our legacy clients to provide any clarification and advice on the transition while ensuring alignment of our contracts with international recommendations and practices including the usage of appropriate fallbacks clauses. We also continued to work closely with regulators and leveraged our large network of international partners in different markets, in order to provide our clients with the latest information and ensure a smooth transition.

Looking ahead: Key priorities to anchor sound and stable operations and business growth

- Enhance the risk culture across the organisation with the operationalisation of the Risk Culture Programme

- Monitor the risks identified as part of our risk heat maps so that they remain within the limits of our set risk appetites whilst ensuring proper ring fencing of the risks falling outside the set risk appetites

- Support our sustainability ambitions through the deployment of Environmental and Social Risk Management guidelines

- Ensure that our business development endeavours across geographies materialise in a disciplined manner on the back of effective risk oversight

- Uphold the soundness of our key financial metrics, backed by the further strengthening of our risk management and compliance mechanisms, aided by continuous upgrades to relevant policies, practices and processes; Maintain close discussions and interactions with Moody's Investors Service to relay our efforts to uphold sound fundamentals at the level of MCB Ltd

- Further reinforce the inherent capabilities and operating models of Group entities, including continued upskilling of staff

- Increase collaboration between Group entities, notably for information sharing purposes and fostering the smooth replication of risk management practices wherever required, alongside ensuring organisation-wide alignment of policies and processes

To achieve our strategic objectives, we will continue to leverage our robust risk management and compliance framework. Details of the latter are provided hereafter with the following sections organised around: (i) the key foundations and principles including our governance set-up; (ii) management of key risks faced and our positioning; and (iii) capital management.

Risk and capital management report

Our risk management strategy and framework

Our risk management philosophy

Our general approach

The conduct of our businesses and activities inherently exposes our organisation to risks. Managing risks effectively is fundamental to the successful execution of our strategy and delivery of sustainable value to our multiple stakeholders.

Key objectives

Alongside complying with industry best practices, good corporate governance standards and applicable statutory and regulatory requirements, the Group places prudent and informed risk-taking at the centre of each decision. It ensures that the risks faced are effectively identified, assessed and monitored, while being managed within acceptable levels. We seek to uphold or improve the risk-return profile of our activities, while creating conducive conditions for tapping into market development opportunities.

Our risk management set-up

While entities are accountable to manage the risks they face at their respective levels, the risk management framework of MCB Group Ltd provides guidance for achieving sustainable business growth within the precinct of the Group-wide risk appetite.

The framework – which sets requirements in terms of responsibility, accountability, independence and transparency – ensures that a holistic, coordinated and disciplined approach to risk management is adopted across the organisation.

Key directions formulated by the Group for its entities

- Articulating an overall framework that calibrates risk management policies and processes
- Providing guidance on the adoption of a dependable and coherent approach to identify, mitigate and manage risk
- Promoting the general alignment of methodologies used to manage risks faced
- Ensuring alignment in terms of the attitudes and behaviours of employees towards assuming and managing risk

Foundations and focus areas

General orientations

- Ensuring that our risk management principles are anchored on advocated norms and principles
- Upholding sound risk metrics by entities
- Adoption of strong governance frameworks, including clear lines of defence, with well-defined and segregated authorities, accountabilities and responsibilities for taking on and managing risk
- Establishment of clear risk appetite which sets out the types and levels of risk that the Group is willing to take
- Availing strong, coherent and harmonised risk management processes, policies, limits and targets
- Catering for an adequate balance between risk and reward considerations

Governance framework

- Ultimate responsibility of the Board of MCB Group Ltd for risk management, with specific responsibilities delegated to its sub committees
- Direct oversight exercised by the Boards of entities and their relevant committees
- Effective delegation of authority from the Board of each entity to its management and risk functions, with the scope of the latter depending on the nature and depth of relevant operations and activities
- Well-defined intra-Group service delivery and collaboration in support of effective risk management, as gauged by MCB Ltd providing *inter alia* internal audit, risk management and compliance services to other entities where appropriate

Other key foundations

- Regular review and update of risk management practices to ensure consistency with business activities and relevance to financial strategies, while catering for changes in the economic, market and regulatory landscapes
- Adoption of policies and processes that are clear and simple to be understood and executed, alongside ensuring that they are well-documented and disseminated across all layers of the Group
- Adherence to a common set of behaviours, attitudes, skills and guiding courses of action that are integrated throughout the Group in support of coherent decision-taking
- Ensuring that the price charged for solutions is reasonable in relation to the relative riskiness of the exposure

Financial soundness

- Complying with applicable regulatory requirements at all times
- Ensuring that subsidiaries of the Group are adequately capitalised to help achieve sound and sustained business growth and upholding adequate buffers to confront any untoward circumstances
- Maintaining appropriate discipline over the nature and extent of our market development initiatives, with due focus on optimising the allocation of capital across businesses
- Preserving the soundness of our exposures with emphasis laid on healthy loan portfolios through strong credit discipline, prudent market development approach and sensible strategy execution, cautious loan origination and disbursements, and active efforts for debt collection and recovery
- Keeping sound funding and liquidity positions in support of our business development ambitions

Risk and capital management report

Key elements of our risk management set-up

Operating within the directions set by the Board of the Group, individual entities have their own arrangements to manage risks faced. The following illustration provides an overview of the underlying set-up being generally adopted by entities of the Group, with the scale of structures in place differing as per the nature of each entity's activities.

The Board has the ultimate responsibility to ensure that risks are properly identified, measured, monitored, mitigated and managed	**Board**	As a major objective, the Board sets the organisation's risk appetite that eventually underpins the formulation of strategic business decisions which are cascaded to business lines
The Board has the authority and mandate to delegate duties for risk identification, monitoring and management	**Board committees**	The committees act upon the specific responsibilities and accountabilities delegated to them by the Board
Entities ensure that risks are managed in line with the set risk appetite, supported by the risk management framework	**Risk appetite**	The agreed risk appetite is considered in key decision-taking processes to foster the soundness of activities
Risk management is underpinned by dedicated teams and resources with clear mandates	**Governance set-up**	Responsibilities are clearly defined for identifying, assessing, measuring, mitigating, monitoring and managing risks faced at different levels
Responsibilities for risk oversight and assurance are effectively segregated	**Three lines of defence**	Dedicated functions cater for risk control and management, alongside overseeing recovery operations
Policies and standards are clearly defined to measure and monitor risks faced	**Risk measurement and monitoring** / **Risk mitigation and management**	Defined processes are in place to mitigate observed risks, with actions taken based on informed and robust grounds
We aim to embed risk identification and management in our thinking, attitudes and behaviours	**Risk philosophy** / **Risk resources and capabilities**	Our human capital, processes and systems are continuously upgraded for judicious risk management
	Identification of risks	

Governance and oversight

To ensure that key risks faced by its entities are properly identified, measured and monitored, the Group adopts a robust governance framework, backed by the articulation of coherent responsibilities, reporting lines and oversight across the organisation. The risk management framework of the Group provides high-level direction for each entity on how to manage risks in a consistent and interactive manner, underpinned by broad synchronisation in respect of the approach and methodology used. The allocation of responsibilities across the Group ensures that decisions are taken at the right levels, in alignment with the mandates of internal stakeholders and the strategic orientations pursued by the organisation. Overall, the governance set-up of the Group seeks to provide the organisation with optimal resources to foster a sound financial performance and stakeholder value creation. At individual entity level, each subsidiary of the Group is endowed with the autonomy and flexibility to determine and apply its own governance framework, in line with Group-level orientations, its inherent specificities and prevalent market realities.

At Group Level

Board

- In alignment with its business development orientations, the Board of MCB Group Ltd determines the principal strategies in respect of the risk management of the Company and its subsidiaries, while ensuring that all laws, regulations and codes of business practice are adhered to.

- Through the establishment and enforcement of clear lines of responsibility and accountability across the organisation, it ensures that relevant procedures and practices are in place in order to protect the Company's assets and reputation. For the discharge of its duties, the Board is assisted by committees which enable it to properly formulate, review and approve policies on monitoring and managing risk exposures.

Risk Monitoring Committee

- The Risk Monitoring Committee (RMC) advises the Board on risk issues and the monitoring of portfolios against the formulated risk appetite, in particular for the banking subsidiaries. While assigning relevant responsibilities and accountability lines, it ensures that rigorous internal processes and controls are implemented to identify, monitor, measure and report different types of risks.

- The RMC monitors risk portfolios against set limits with respect to, *inter alia*, risk concentration, asset quality, large and foreign country exposures, in compliance with regulations and internal policies. It also oversees the adequacy of the capital, liquidity and funding positions, including under stressed conditions.

Other committees

- The Audit Committee caters for the monitoring of internal control processes, while ensuring the preparation of accurate financial reporting and statements in compliance with applicable legal requirements and accounting standards. It also reviews operational and information risks and the actions taken to mitigate them.

- The Supervisory and Monitoring Committee continuously oversees the overall management of the Group and is also responsible for the ongoing monitoring of the Group's performance against set objectives in line with the strategic orientations of the Group.

- The Strategy Committee oversees the business strategy of the Group and its subsidiaries and measures the latter's performance against set objectives whilst ensuring that capital allocation is appropriate.

Read more on the key mandates and focus areas of the Board committees of MCB Group Ltd in the 'Corporate Governance Report' on pages 123 to 128

At entity level

The entities of the Group adhere to the overall risk management principles and frameworks validated by the Board of MCB Group Ltd. These entities are monitored in this respect by the Risk Monitoring Committee of the latter.

Board

- Functioning in alignment with the Group's objectives and targets, the Board of each entity supervises its overall risk management, alongside overseeing the establishment of relevant policies, controls, standards, practices and processes, in alignment with the inherent realities of the business. It also acts as the focal point of contact for shaping the relationship with MCB Group Ltd.

- The Board is responsible for strategy formulation in respect of risk-taking, risk appetite and policy setting. It ensures that its business strategies are clearly linked to its risk appetite and tolerance level. The aim is to ensure that the organisation manages its capital resources at an optimal level in support of growth-related objectives.

- In discharging its duties, the Board demonstrates, to the satisfaction of regulatory authorities and other stakeholders, that clear structure of policy and control systems is adopted to identify and manage the risk inherent in activities.

Delegation of duties	Control processes
For each entity, risk governance is executed through the delegation of authority and responsibilities from its Board to dedicated committees and/or the Management.	The types of risk infrastructure and control processes that are adopted by each entity is a function of the nature, size and complexity of the risks involved.
Control processes and reporting lines have been put into place to foster the coherent and sound segregation of duties with regard to risk taking, processing and control.	The approach and practices embraced by entities to fulfill their risk management obligations are shaped up by the following factors: (i) advocated corporate governance and risk management principles; (ii) the risk-return profiles of markets in which they are involved; (iii) the opportunities and challenges characterising the economic environment; and (iv) relevant legal and regulatory requirements as well as local and international codes and standards impacting the industries and countries in which businesses are carried out.

Intra-Group initiatives

Group entities leverage the core competencies and synergies available throughout the organisation in line with the concept of Group Shared Services. Specific business units of MCB Ltd are engaged in the provision of intra-Group services to the foreign banking subsidiaries as well as non-banking entities of the Group, backed by the elaboration of clear guidelines and mandates. As per the modalities set out in Service Level Agreements (SLAs), business units of the Bank, including Risk, Compliance, Internal Audit and Legal SBUs, provide technical and advisory assistance to support the operation and functioning of the local and foreign subsidiaries as per their respective areas of competence. For example, MCB Ltd leads or assists other entities of the Group in the development and implementation of risk policies and other risk-related matters.

MCB Investment Holding Ltd seeks to foster more focused and integrated stewardship with regard to the operations and performance of the Group's foreign banking subsidiaries. Its Finance & Risk team supports the conduct of risk management activities, with the Risk SBU of MCB Ltd being involved wherever appropriate. The team engages in risk reporting to the RMC of the respective foreign banking subsidiaries as well as that of MCB Group Ltd. It also leads or assists foreign subsidiaries in the development and implementation of risk policies and other risk-related matters. It assists overseas banking subsidiaries as regards credit risk management, notably by reviewing credit files with exposure amounts exceeding a specific threshold, helping to structure or restructure complex credit files and monitoring out-of-order customer files. Moreover, the Operations team provides assistance in terms of project management, alongside offering guidance in respect of the execution and monitoring of risk- and compliance-related initiatives. It also contributes to and monitors the implementation of internal and external audit recommendations.

<table>
<tr><th colspan="3">Key committees by entity</th></tr>
<tr><th colspan="2">Banking cluster</th><th>Non-banking financial cluster</th></tr>
<tr><th>MCB Ltd</th><th>Foreign Banking Subsidiaries</th><th>MCB Capital Markets (MCBCM) and its subsidiaries</th></tr>
<tr><th colspan="3">Board committees</th></tr>
<tr><td>Risk Monitoring Committee</td><td>Risk Monitoring Committee</td><td rowspan="2">Risk & Audit Committee (MCBCM)</td></tr>
<tr><td>Audit Committee</td><td>Audit Committee</td></tr>
<tr><td>Supervisory and Monitoring Committee</td><td></td><td rowspan="4">Financial Products Supervisory Committee (MCBCM)
• The committee comprising all independent directors, with international expertise, of MCB Investment Management Ltd, is responsible to oversee all new product launches</td></tr>
<tr><th colspan="2">Executive committees</th></tr>
<tr><td colspan="2">Financial risk: Credit risk</td></tr>
<tr><td>Executive Credit Committees (ECC)
• The ECC (A) sanctions/declines credit applications where customer group total commitment exceeds Rs 150 million
• The ECC (B) sanctions/declines credit applications with total client commitment of up to Rs 150 million</td><td rowspan="3">Subsidiary Credit Committee (SCC)
• The SCC sanctions/declines credit applications for customers with exposures of up to USD 150,000. Exposures from USD 150,000 to USD 1.5 million are approved by a joint MCB Ltd Committee and SCC. Facilities above this level are channeled to the Executive Credit Committee of MCB Ltd before a final decision is reached</td></tr>
<tr><td>Credit Committees (CC)
• The CC sanctions/declines credit applications where customer group total commitment is up to Rs 50 million for retail clients and Rs 60 million for corporate clients</td><td rowspan="7">MCB Investment Management (MCBIM):
CIS Supervisory Committee
• The committee is responsible for the review and assessment of all aspects relating to CIS management, including risk, investment and administration
Investment Committee
• The Investment Committee, chaired by an independent director, meets on a quarterly basis and scrutinises the portfolios and processes of MCBIM</td></tr>
<tr><td>Country Risk Committee</td></tr>
<tr><td colspan="2">Financial risk: Market risk</td></tr>
<tr><td>Asset and Liability Committee</td><td>Asset and Liability Committee</td></tr>
<tr><td colspan="2">Non-financial risks</td></tr>
<tr><td>Information and Operational Risk Committee</td><td rowspan="2">Overseas Subsidiary Information Risk Management, Operational Risk and Compliance Committee</td></tr>
<tr><td>Compliance, Anti-Money Laundering and Legal Committee</td></tr>
<tr><th colspan="3">‘Non-banking financial’ and ‘Other investments’ clusters: Other entities</th></tr>
<tr><td colspan="3">In line with principles determined at Group level, risk management policies and structures have been designed in order to ensure that business activities are carried out in a sound manner, depending on the types of market undertakings being engaged into as well as the range and depth of risks faced. The Board of each entity has the ultimate responsibility to ensure that risks are properly identified and managed, with relevant functions being mandated to provide clear and coherent assistance to help it in the fulfillment of its duties.</td></tr>
</table>

Risk and capital management report

Adherence to the three lines of defence approach

The risk control framework of the Group's entities is anchored on the three lines of defence approach, which promotes transparency, accountability and consistency through the proactive identification and segregation of actual and potential risks across the entities.

1

1st line of defence

Adopts adequate processes and mechanisms to suitably manage risks faced and escalates knowledge of risks identified in the course of activities for appropriate mitigating actions

Risk ownership

- The first line owns risks emanating from deployed business activities
- Employees engaged in client-facing divisions and support functions as well as business line managers have the first-level responsibility for day-to-day risk management in the interest of the organisation

2

2nd line of defence

Establishes the limits, rules and constraints under which the first line activities shall be performed

Risk control and compliance

- The Group has relevant independent risk control and compliance functions across entities for effective risk management which also provide advice and guidance in relation to the risk
- At the level of MCB Ltd, the Risk SBU establishes methodologies and activities for risk measurement and regularly monitors and reports risk exposures and profiles, whilst the Compliance SBU ensures compliance with applicable laws, regulations, guidelines, codes of conduct and standards of good practice. Independent teams oversee the legal and physical security functions
- The Risk SBU, Compliance SBU and Legal SBU of MCB Ltd are engaged in the provision of intra-Group services to the other Group entities in line with the concept of Group Shared Services

3

3rd line of defence

Evaluates and provides independent assurance on the effectiveness of the risk governance, control environment and risk management processes and mechanisms, in tune with business strategies and the evolving external environment

Risk assurance

- The Internal Audit function provides independent assurance that the control objectives are achieved by the first and second lines of defence in line with the set risk appetite
- The Internal Audit SBU of MCB Ltd provides assurance over controls systems and reports on those via the Audit Committee and/or Board of each entity. The findings are consolidated and presented to the MCB Group Audit Committee for an integrated view of the effectiveness of risk management, control and governance processes

Key tenets of our risk management strategy

Risk Capacity

The Group determines the level of risk that it can assume given its current level of resources, relevant regulatory dispositions and stakeholder requirements, to the extent that these dynamics tend to influence their ability to take risk.

Risk Appetite

Group entities ensure that their activities are undertaken within the parameters of their risk appetite. The latter is subject to constraints, such as the need to *inter alia* uphold their financial soundness and foster sound and sustainable revenue growth.

Risk Tolerance

Group entities establish the maximum level of risk that they are willing to tolerate for a particular risk category or specific initiative, while ensuring that they achieve their business strategies and operate within their broader-level risk appetite.

Risk Profile

Expressed in terms of quantitative indicators and qualitative assessments, each entity's risk profile refers to its current net risk exposures for different risk categories. Amidst an evolving operating environment, Group entities regularly monitor their risk profile , thereby helping to prevent the level of risk from going beyond the set risk appetite.

Risk Control

To maintain the size of the entities' risk profile within their risk appetite, risk control tools and mechanisms are leveraged. Control activities are notably underpinned by target market criteria and risk limits which place practical constraints on their activities.

Risk and capital management report

Our risk appetite framework

A key objective of the Group's risk management strategy is to determine the level and type of risk that the organisation is able and willing to take when executing its business strategies. The risk appetite is established by means of a complementary set of statements that are determined at Group level and cascaded throughout the entities and their business segments. Qualitative statements seek to make sure that the desired risk culture is adhered to across entities. Quantitative statements seek to shield the organisation from potential adverse events in the operating environment. While ensuring congruence with directions established at Group level as well as relevant mandatory requirements, Group entities set their own risk appetite, control and tolerance levels and mechanisms, which they continuously monitor and, if necessary, update to reflect the optimal level of risk that they are willing to take for the sound execution of their short and medium term business strategies.

As a case in point, key considerations that guide the Group's main subsidiary, i.e. MCB Ltd, for the identification and quantification of risks are as follows:

Framework

The framework provides an informed guidance for the management and monitoring of its risk profile in relation to the defined risk appetite.

- The Bank articulates and monitors its risk appetite, which is the reasonable quantity and type of risk that it is broadly able and willing to take in the pursuit of its strategic/financial objectives.
- The purpose of setting risk appetite is not necessarily to limit-risk taking, but to align the Bank's risk profile and strategic orientations.
- Its risk appetite is updated at least annually or on an ad-hoc basis in order to reflect stakeholder aspirations and the context.

Key underpinnings

MCB Ltd *inter alia* defines its risk appetite for (i) credit risk in terms of allocation of range targets for domestic and international credit exposures, exposures by sectors as well as risk profiles and asset quality of portfolios; and (ii) market risk in terms of the splits between domestic and international markets, foreign currency and interest rate exposures, exposure allocation for position-taking and target splits in terms of exposure maturities.

For proper risk identification and quantification, the Bank caters for:

- Continuous monitoring of risk targets
- Quarterly risk reporting to RMC
- Preparation of risk reports for capital management
- Use of internally-generated and externally-sourced rating tools
- Application of a stress-testing framework

The size of the internal risk limits is a function of regulatory requirements and the risk appetite set by the Board of MCB Ltd, after making allowance for the relevant economic and market environments. In its day-to-day business, the Bank makes use of internally-generated and externally-sourced rating tools for the purpose of risk identification, quantification and monitoring.

Limit structure of MCB Ltd

Regulatory

- Capital adequacy ratios
- Credit concentration limits
- Macroprudential limits
- Related party lending and limits
- Cash reserve ratio
- Liquidity coverage ratio
- Open FX position

Internal limits and desired risk profile

- Country limit
- Bank limit
- Sectorial concentration targets
- Portfolio risk profile
- Counterparty credit risk limit, Valuation limit, Daily settlement limit

Rating tools

Internally-developed model

- **Country** — **Country rating model** (used when ratings from external rating agencies are not available)
  The rating monitors macroeconomic performance , political and institutional developments, evolution of fiscal metrics, social unrest, and currency movements, amongst others
- **Banks** — **Bank rating model**
  The credit worthiness is assessed by assigning a score based on the bank's financial strength, the probability of receiving affiliate and/or Government support in case of financial stress as well as the sovereign risk of the country in which the institution operates
- **Corporate clients** — **Customer rating software**
  It evaluates the counterparty's financial position and uses MCB's historical default experience to generate ratings and probability of defaults

External rating agencies

- **Country and banks** — **International ratings**
  Moody's Investors Service, Fitch Ratings, Standard & Poor's and others as deemed appropriate
- **Corporate clients** — **International rating agencies including CARE Ratings (Africa) Private Limited (CRAF) and Global Credit Rating Co Ltd (GCR Ratings)**
  Financial obligations subscribed by the Bank in favour of domestic corporate customers can be rated by CRAF and GCR Ratings, with capital relief being applicable on investment-grade ratings

Risk and capital management report

Key risk areas: Overview and management

Main risks faced

The symbols in the table below indicate the perceived change in risk profile (inherent risk) of the main risks faced during FY 2021/22, in light of prevailing economic and market dynamics.

Increasing Decreasing Stable

General definitions	Key objectives	Risk trend
Financial principal risks		
Credit risk		
The risk of financial loss should borrowers or counterparties fail to fulfil their financial or contractual obligations as and when they fall due; Credit risk includes counterparty risk, settlement risk and concentration risk (excessive build-up of exposures to a counterparty, industry, market or product, amongst others)	• To foster sound credit risk management principles • To uphold a well-diversified credit portfolio consistent with the risk profiles defined in the risk appetite as well as the broad characteristics set out in target market criteria • To achieve the targeted risk-return profile of the portfolio • To promote, monitor and manage the quality of the credit portfolio	
Country risk		
The risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet their financial obligations	• To provide for a comprehensive framework and adequate control processes for assessing country risk, determining risk tolerance and allocating exposures across geographies	
Market risk		
Market risk is the potential for losses arising from changes in the value of assets and liabilities resulting from changes in market variables such as interest rates and foreign exchange rates. Market risk emanates from trading and non-trading portfolios	• To monitor, report and control the overall market risk exposures, including market-contingent risks such as counterparty credit risk as well as profit and loss risks arising from market risk activities • To manage the impact of interest rate changes on the overall risk profile both from an earnings and economic value perspective • To detect and manage the impact of currency fluctuations, alongside properly managing the net open positions	
Funding and liquidity risk		
Funding risk: The risk linked to a relative lack of availability of funds or the risk that a maturing liability or class of liabilities may not be able to be refinanced (without additional relative cost) over any given period of time *Liquidity risk:* The risk arising from insufficient realisable financial assets to meet the financial commitment as and when they fall due	• To maintain adequate liquidity levels and have access to diversified funding sources to rapidly and effectively respond to the demands of clients and support business development	
Equity investment risk		
The risk of gain or loss arising from adverse changes in the fair value of an investment in a company, fund or any financial instrument, whether listed or unlisted	• To protect the Group's value by aligning timing and size of investment to applicable risk appetite	
Model risk		
The risk of losses as a consequence of decisions being based on the output of models that are flawed or inaccurate	• To establish transparent model development, alongside consistently performing model validation	

General definitions	Key objectives	Risk trend
Non-financial principal risks		
Operational risk		
The risk of loss resulting from human factors, inadequate or failed internal processes and systems or external events. It includes fraud and criminal activity, project risk, information and IT risk, etc	• To identify, mitigate and manage the Group's operational risks in line with acceptable tolerance limits and with the aim to provide our customers with seamless services and foster an adequate risk culture within the organisation	
Business continuity risk		
The risk of being unable to continue the delivery of products and services within acceptable time frames at predefined capacity during a disruption	• To adopt an effective plan for and respond to business disruptions in order to maintain the availability of key critical business activities at acceptable pre-defined service levels	
Cyber and information security risk		
The risk of accidental or intentional unauthorised use, modification, disclosure, destruction or breach of information resources/systems that may have an adverse effect on the confidentiality, availability, or integrity of information or information systems	• To maintain the confidentiality, integrity, security and availability of information assets stored, processed and transmitted throughout the organisation • To handle and mitigate cyber risks and establish a strong IT platform to aid the delivery of the organisation's strategic objectives, while protecting confidentiality, preventing misuse of systems and business disruptions and strengthening the effectiveness and adequacy of human firewalls	
Regulatory and compliance risk		
The risk arising from changes in legislation, regulations and advocated norms on the operation and functioning of the Group. It is the risk of sanctions and material financial loss or reputational damage	• To comply with all relevant stipulations in force and advocated norms to safeguard the assets of the organisation and shield it from legal and regulatory sanctions and financial / reputation losses	
Environmental and social risk		
The risk that unforeseen events stemming from changes in our environment and society will result in disruptions in business activities as well as impact our customers and counterparties, while influencing our internal operations	• To mitigate and manage environmental and societal impact on our operations by properly evaluating and deploying an effective approach and strategy, while, in parallel, managing our footprint through environment-friendly and sustainable practices and products	
Strategic and business risk		
The risk arising from inappropriate business decisions or strategies in relation to the operating environment. The risk is linked to changes in the business environment, regulatory decisions, client behaviours and technological progress, as well as Group-specific factors such as poor choice of strategy and inflexible cost structures	• To set out and deploy our strategic orientations in a judicious and well-thought manner, remain attentive to changes in the operating environment and pay close attention to the current/future exigencies of our stakeholders	
Reputation risk		
The risk arising from the damage to the Group's image caused by negative media coverage, compliance failures, pending litigations or underperformance. Such damage may result in a breakdown of trust, confidence and business relationships, which may impair the Group's ability to retain and generate business	• To bolster our brand image and values and ensure that our actions and behaviours are in line with best practice standards and advocated principles	

Risk and capital management report

Our risk management lifecycle

The risk management lifestyle is a continuous process of strategic importance to the Group, notably due to the broadening palette of its offerings and its expanding market footprint. The overall risk management process in place, which cuts across the entire cycle, allows for the proactive and disciplined identification, measurement, monitoring, mitigation, management and reporting of risks.

1 Identification

Identification of internal and external risks related to the Group, which may directly or indirectly influence our business performance, our ability to achieve set targets as well as our overall v iability over time

2 Measurement

Assessment, by means of proven methodologies, of the likelihood of identified risks to materialise (under existing or stressed conditions) as well as their likely impact and materiality under different scenarios; review of the default rates in respect of specific products; determination of capital requirements across risk types

3 Monitoring

Analysis of the sources and specificities of risks faced; appraisal of outcomes posted following the management of risks faced, while factoring in the risk appetite and set KPIs; verifying whether risk controls are efficient in both their design and operation; finding ways and means to further enhance the efficiency of risk assessment and mitigation

4 Mitigation

Adoption/enhancement of measures to reduce the level of risks faced, while deploying actions that minimise the impact should there be adverse events; establishment of an appropriate internal control framework to deal with specific risk situations

5 Management and reporting

Stress testing the resilience of selected portfolios and ensuring that sufficient capital is available to withstand potential losses; regular elaboration of accurate and relevant information on pertinent risk characteristics and trends; ensuring urgent escalation of observed events and outcomes internally and to the authorities, wherever applicable

Our processes, methodologies and positioning by risk type

Credit risk

General approach and objectives

Credit risk represents the main risk type to which the Group is exposed in view of the nature of our main operations and activities. We ensure that sound credit risk management principles are adopted to uphold quality and well-diversified portfolios that are aligned with the set risk appetite and help to meet targeted risk-return considerations. Both counterparty and concentration risks are duly managed, backed by market vigilance, the adoption of effective control mechanisms and the judicious diversification of portfolios across customer and industry groups, product types, maturity levels and geographies. MCB Group strives to adopt a strong culture of responsible lending and debt recovery, while leveraging a robust risk management and control framework. We continuously reassess risk profiles in the face of the changing operating context and monitor the exposures against regulatory as well as internal limits and targets.

The Credit Risk Policy of applicable Group entities, which is approved and reviewed by their respective Boards and relevant sub-committees, sets forth the principles by which they conduct their credit risk management activities. The Policy formulates the roles and responsibilities whereby credit risk is to be managed across business segments. It provides guidance in the formulation of appropriate structures and architectures that work towards ensuring that business generation is harmonised with the established target market criteria. The *modus operandi* shaping up the credit risk management set-up is governed by rules set out in Central Bank Guidelines.

Measurement and monitoring

Credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of likely future behaviours of existing accounts. Credit facilities granted are guided by the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle, we do not generally grant credit facilities solely on the basis of the collateral provided. Collateral is taken whenever possible to mitigate the credit risk assumed with periodic monitoring being performed depending on the type, liquidity and volatility of the collateral value.

Ultimately, we assess whether individual business areas provide sufficient contribution to the targeted risk-return profile. The aim is to ensure that capital allocation generates an optimum return. This is achieved by channelling risk capital from low-return to high-return business areas, commensurate with risks shouldered. We measure credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with regulatory requirements. In this respect, MCB Ltd has established credit rating frameworks that enable the extensive usage of ratings for its portfolios. Indeed, these ratings are leveraged not only in respect of loan approval, but also credit review, monitoring of risk profiles and determination of business strategies. They are also used for the purpose of the stress testing and limits determination exercises. The relevant credit risk metrics of the Group entities are measured and reviewed against set limits by the respective Boards and/or RMCs on a quarterly and ad hoc basis. The objective is to ensure that the entities, at all times, maintain adequate capital to provide for their growth and to support a reasonable measure of unexpected losses.

Risk-weighted assets for credit risk

Risk-weighted on-balance sheet assets	Jun 22			Jun 21
	Amount	Weight	Weighted Assets	Weighted Assets
	Rs m	%	Rs m	Rs m
Cash items	3,667	0 - 20	71	76
Claims on sovereigns	196,810	0 - 100	8,126	5,165
Claims on central banks	86,956	0 - 100	12,693	11,310
Claims on banks	39,116	20 - 100	22,312	46,594
Claims on non-central government public sector entities	53	0 - 100	1	0
Claims on corporates	262,610	20 - 150	245,924	204,780
Claims on retail segment	14,039	75	9,364	9,232
Claims secured by residential property	37,450	35 - 125	15,128	14,116
Claims secured by commercial real estate	16,391	100 - 125	19,167	21,748
Fixed assets/other assets	40,511	100 - 250	46,130	47,914
Past due claims	11,433	50 - 150	15,084	15,435
Total			**393,999**	**376,370**

Non-market related off-balance sheet risk-weighted assets	Jun 22					Jun 21
	Nominal Amount	Credit Conversion Factor	Credit Equivalent Amount	Weight	Weighted Amount	Weighted Amount
	Rs m	%	Rs m	%	Rs m	Rs m
Direct credit substitutes	2,768	100	2,726	0 - 100	2,654	3,382
Transaction-related contingent items	33,750	50	15,537	0 - 100	12,613	12,006
Trade related contingencies	61,993	20 - 100	11,570	0 - 100	10,150	13,785
Outstanding loans commitment	11,105	20 - 50	5,402	0 - 100	5,402	2,848
Total					**30,818**	**32,021**

Market-related off-balance sheet risk-weighted assets	Jun 22						Jun 21
	Nominal Amount	Credit Conversion Factor	Potential Future Exposure	Current Exposure	Credit Equivalent Amount	Weighted Assets	Weighted Assets
	Rs m	%	Rs m	Rs m	Rs m	Rs m	Rs m
Interest rate contracts	2,211	0 - 1.5	11	44	55	18	560
Foreign exchange contracts	18,032	1 - 7.5	191	351	542	307	324
Other commodity contracts (other than precious metals)	1,104	10 - 15	110	14	124	59	0
Total						**384**	**883**

	Jun 22	Jun 21
	Rs m	Rs m
Total credit risk-weighted assets	**425,201**	**409,274**

Note: Figures may not add up to totals due to rounding

Mitigation and management

The credit risk management framework enables Group entities to manage credit risk within the limits of their defined risk appetite, to develop risk-response strategies and to optimise risk-taking by anticipating and acting on potential opportunities or threats. This framework encompasses the following: (i) comprehensive credit policies; (ii) clear segregation of the decision-making authority for the approval of loans; (iii) effective identification, measurement and management of credit risk; (iv) portfolio management to ensure capital adequacy; and (v) regular reporting to Management and committees on pertinent risk characteristics/trends.

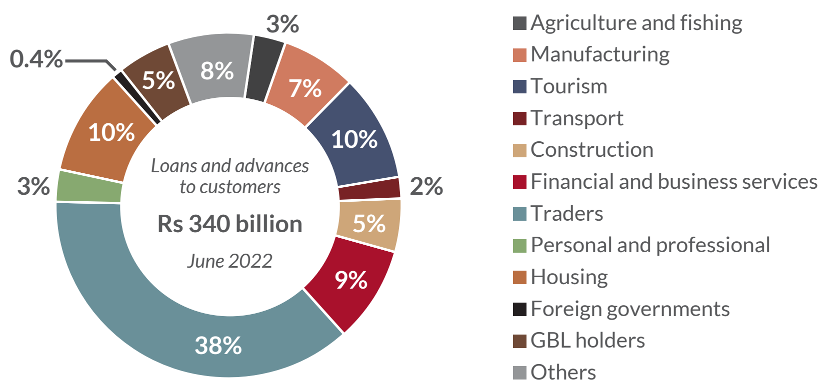
Credit risk exposures are managed through robust credit assessments, structuring and monitoring processes. The latter involves the daily monitoring of credit limit excesses as well as the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list for closer scrutiny where appropriate. Several credit mitigation techniques are adopted by the banking entities in the course of their activities. These include security/collateral, netting, guarantees, credit insurance and political risk covers. Exposures arising from foreign exchange and derivatives are mainly mitigated through agreements e.g. the International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) documentation.

We are intent on diversifying our lending portfolios by setting relevant exposure limits to ensure that our performance is not negatively impacted, for instance, by a large sectoral exposure default. It is the policy of the Group's entities to limit credit risk exposures and concentrations within the constraints of their capital base, while complying with regulatory stipulations, notably relating to aggregate large exposures and single borrower limits. Stress tests are, in some instances, performed on portfolios to ensure that sufficient capital is held to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers.

Loans and advances by customer segment

** Entities outside Mauritius pertain to MCB Ltd's cross-border activities*

Loans and advances by sector



Concentration of exposures at MCB Ltd

Bank of Mauritius Guideline on Credit Concentration Risk

Credit concentration limits (% of Bank's Tier 1 capital)	Regulatory requirements	MCB Ltd 30 June 2022
Aggregate credit exposure to any single customer	Not exceed 25%	18.5%
Aggregate credit exposure to any group of connected counterparties	Not exceed 40%	26.3%
Aggregate large credit exposures* to all customers and groups of connected counterparties	Not exceed 800%	513.9%

*Note: *Refer to exposures over 10% of the financial institution's Tier 1 capital*

Gross exposure as at 30 June 2022	Total gross exposure	Risk capital consumed	*Risk capital consumed as a % of total credit risk capital*
	Rs bn	Rs bn	%
Top 5 customers / customer groups	73.8	5.8	10.7
Total large credit exposures	324.0	17.7	32.7

Restructuring of facilities

Loan restructuring takes place at the request of the client to align expected cash flows to debt servicing. The restructuring exercise is done to cater for cases of financial distress faced by relevant clients and is also linked to commercial developments and occurrences of a strategic nature. It is carried out on a case-by-case basis with both quantitative and qualitative information taken into consideration. The restructuring follows the normal credit origination process under the same standards of rigorous analysis and presentation as a wholly new application. Restructuring decisions taken are normally guided by rational expectations that the financial conditions of the client will remain adequate or can be reasonably improved in the foreseeable future. The form in which the restructuring exercise takes place will depend on the situation in which the client finds itself. This might entail an extension of the facility's maturity, a moratorium on capital repayment or complete restructuring. In some instances, the restructuring has been linked to injection of equity and debt management programmes adopted by the clients, notably bonds and rights issues. The Risk functions of Group entities perform independent assessments of distressed restructurings for staging purposes and to determine economic gains or losses.

Determination and review of impairment and provisioning

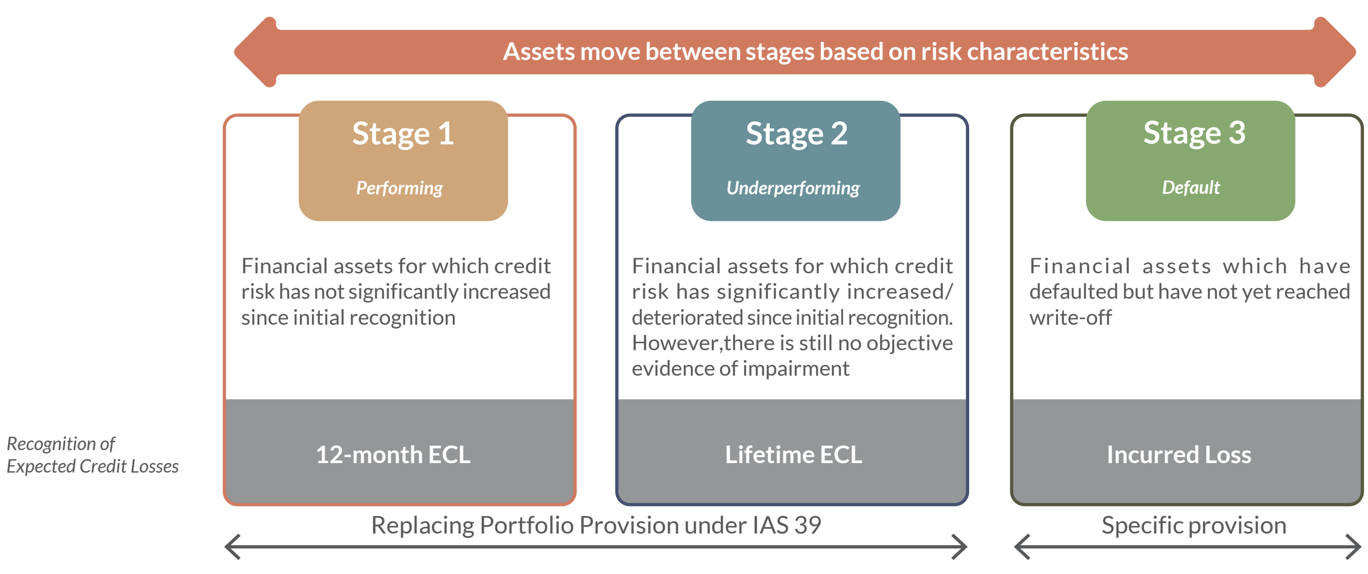
With regard to the determination and review of impairment and provisioning levels, Group entities undertake their respective exercises on a regular basis. The entities adhere to relevant regulatory stipulations, alongside aligning themselves to other advocated standards. At the level of MCB Ltd, this exercise is undertaken on a quarterly basis and involves the collaboration of several stakeholders across the organisation. After being reviewed and agreed upon by the RMC as well as validated by the Board, the figures are submitted to the Bank of Mauritius (BoM). The BoM Guideline on Credit Impairment Measurement and Income Recognition aims at aligning regulatory prudential rules as regard asset classification and provisioning requirements with international accounting norms (i.e. IFRS 9). The objective is to ensure that financial institutions have adequate processes for determining allowance for credit losses in a timely manner and the carrying amounts of credit portfolio recoverable values. While ensuring adherence to prudential norms, which define credit as impaired if it is past due for more than 90 days, the Bank also assesses facilities granted to clients as being impaired on a case-by-case basis above a certain materiality threshold. Furthermore, loans are written off by the Bank when the prospect of recovery is poor and the loss can be reasonably determined, with MCB complying with the BoM Guideline for the write-off of non-performing assets.

Adherence to IFRS 9 requirements

In measuring Expected Credit Losses (ECL), three main parameters are considered and estimated, namely: (i) Probability of Default (PD), which represents the likelihood of a default event occurring; (ii) Loss Given Default (LGD), which denotes the estimated losses in the event that a default event occurs; and (iii) Exposure at Default (EAD), which reflects the exposure at risk at a point of default. In addition, IFRS 9 requires that allowance be made of forward-looking information in the calculation of ECL, taking into consideration past, actual and future insights on customer behaviours and macroeconomic indicators.

A three-stage approach to the impairment calculation of financial assets is applied under IFRS 9. To determine the staging status of the asset, IFRS 9 requires an assessment of whether or not there has been a significant increase in credit risk since initial recognition. This dictates the basis on which its ECL is calculated, as illustrated below.

Our staged approach



In determining whether there has been significant increase in credit risk or credit deterioration, an entity considers reasonable and supportable information that is relevant and available without undue cost or effort. Within the Group, quantitative and qualitative information are taken into account, based on historical customer experience and credit risk assessment. A financial asset is credit impaired and is in Stage 3 when (i) contractual payments or accounts in excess are past due by more than 90 days; and/or (ii) other quantitative and qualitative factors indicate that the obligor is unlikely to honour its credit obligations.

Relevant entities of the Group calculate ECL parameters for the retail segment on a portfolio basis, i.e. facilities having homogeneous characteristics are assumed to have similar risk behaviours and can reasonably be assigned same parameter values. As for wholesale portfolios pertaining to corporate, financial institutions and sovereign amongst others, they use a combination of internal models and external benchmarking for the calculation of PDs, LGDs and EADs.

Formulation of Expected Credit Losses for FY 2021/22

Reflecting the proactive and prudent approach being endorsed by the Group to hold adequate provisioning levels in light of the impact of the pandemic on our business activities and in view of the still unsteady operating environment, we maintained comfortable levels of ECL during FY 2021/22, underpinned by informed analyses, conservative assumptions and modelling exercises.

In addition to the recalibration of models and review of forward-looking indicators, the entities applied additional overlays when the calculated ECLs were deemed insufficient. For instance, MCB Ltd applied an additional overlay on its retail portfolio for each quarter whilst conducting an in-depth individual analysis of clients with an exposure amount of Rs 100 million or more for its wholesale portfolio, which resulted in rating overlays or staging overlays (i.e. moving some clients of stage 1 to stage 2) where necessary.

As at 30 June 2022, total ECL on stage 1 and stage 2 financial assets amounted to Rs 8.0 billion with an ECL coverage ratio of 1.0%. The ECL coverage ratio pertaining to stage 1 and stage 2 loans and advances only stood at 2.0%.

MCB Ltd: Provisions as at 30 June 2022

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institutions	Project finance	Sovereign	Energy & Commodities
	Rs m	*Rs m*	*Rs m*	*Rs m*	*Rs m*	*Rs m*
Stage 1						
Exposures	51,316	171,051	48,985	8,537	262,503	193,208
Expected Credit Losses	319	3,136	515	172	102	358
Coverage ratio (%)	0.6	1.8	1.1	2.0	0.0	0.2
Stage 2						
Exposures	843	11,989	0	421	0	3,974
Expected Credit Losses	395	2,202	0	85	0	357
Coverage ratio (%)	46.8	18.4	0.0	20.2	0.0	9.0
Stage 3						
Exposures	1,211	9,455	0	0	71	1,647
Incurred losses	358	3,203	0	0	7	754
Coverage ratio (%)	29.6	33.9	0.0	0.0	9.3	45.8

MCB Ltd: Provisions as at 30 June 2021

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institutions	Project finance	Sovereign	Energy & Commodities
	Rs m	*Rs m*	*Rs m*	*Rs m*	*Rs m*	*Rs m*
Stage 1						
Exposures	49,870	145,436	131,252	8,380	170,653	130,152
Expected Credit Losses	220	2,442	319	299	38	312
Coverage ratio (%)	0.4	1.7	0.2	3.6	0.0	0.2
Stage 2						
Exposures	874	27,889	0	0	0	6,946
Expected Credit Losses	475	3,871	0	0	0	473
Coverage ratio (%)	54.3	13.9	0.0	0.0	0.0	6.8
Stage 3						
Exposures	1,912	6,417	3	295	128	1,014
Incurred losses	575	2,326	1	253	3	626
Coverage ratio (%)	30.1	36.2	33.3	85.8	2.3	61.7

Notes:

(i) Figures may not add up to totals due to rounding

(ii) Stage 1 comprises both on- and off-balance sheet exposures while stages 2 and 3 comprise only on-balance sheet exposures

(iii) Incurred losses do not include interest in suspense on loans and overdrafts

(iv) Figures exclude investments fair valued through other comprehensive income

Foreign banking subsidiaries: Provisions as at 30 June 2021

Foreign banking subsidiaries	Retail	Corporate	Financial institutions	Sovereign
	Rs m	*Rs m*	*Rs m*	*Rs m*
Stage 1				
Exposures	2,942	14,397	5,163	16,298
Expected Credit Losses	27	158	3	22
Coverage ratio (%)	0.9	1.1	0.0	0.1
Stage 2				
Exposures	519	630	0	0
Expected Credit Losses	64	52	0	0
Coverage ratio (%)	12.3	8.2	-	-
Stage 3				
Exposures	521	1,412	0	3
Incurred losses	232	396	0	3
Coverage ratio (%)	44.6	28.1	-	-

Foreign banking subsidiaries: Provisions as at 30 June 2022

Foreign banking subsidiaries	Retail	Corporate	Financial institutions	Sovereign
	Rs m	*Rs m*	*Rs m*	*Rs m*
Stage 1				
Exposures	3,874	16,315	5,707	20,690
Expected Credit Losses	29	179	6	49
Coverage ratio (%)	0.7	1.1	0.1	0.2
Stage 2				
Exposures	191	295	0	0
Expected Credit Losses	16	26	0	0
Coverage ratio (%)	8.4	8.8	-	-
Stage 3				
Exposures	546	1,364	0	3
Incurred losses	256	525	0	3
Coverage ratio (%)	47.0	38.5	-	-

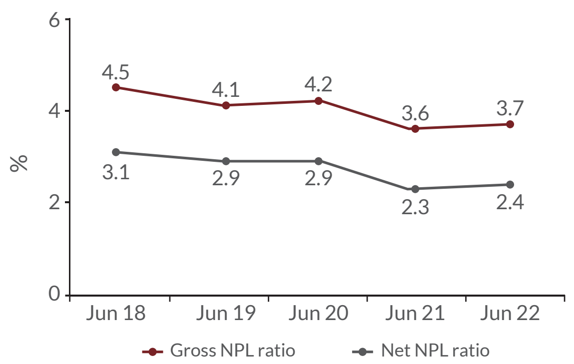
Asset quality

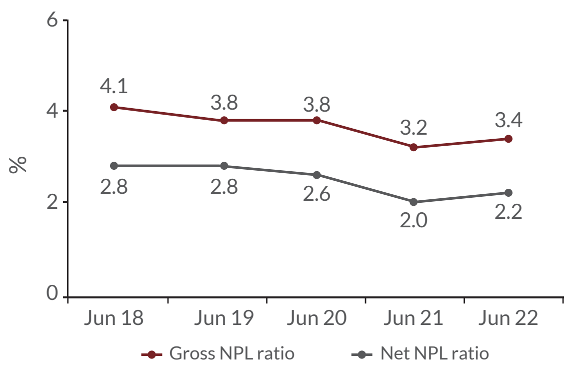
While remaining exposed to a challenging context, we managed to uphold the general quality of our portfolio on the back of careful market endeavours and dedicated measures taken. Our gross and net NPL ratios stood at 3.7% and 2.4% respectively. The Group's specific coverage ratio dropped slightly to 37.7%, with the remaining portion being adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time.

Risk and capital management report

In response to COVID-19 and its wide-ranging ramifications on economic operators, and in line with central banks' support measures, the Group provided moratoriums on loans in respect of capital repayment as well as interest payment with a view to alleviating our customers' financial burden and helping them sustain their activities. Such support measures were provided to fundamentally sound business model that were experiencing temporary difficulties with the aim of maximising the customers' repayment ability. With the improvement in economic conditions, clients increasingly resumed their loan repayments with loans under moratoriums of the banking entities standing at only 1% of the loan book as at 30 June 2022, down from 9% in the previous year.

Quality of exposures





Note: The net NPL ratio is computed by dividing total NPLs net of specific provisions by net loans (gross loans net of total provisions)

June 2022	**Non-performing loans (NPLs)**		**Allowances for credit impairment**	
MCB Group	**Rs m**	***% of loans***	**Expected Credit Loss**	**Specific provisions**
Loans to customers	**14,331**	***4.2***	**6,552**	**7,399**
Agriculture and fishing	903	*10.5*	265	590
Manufacturing	514	*2.3*	421	279
of which EPZ	*3*	*0.1*	*175*	*3*
Tourism	452	*1.3*	2,342	285
Transport	287	*4.3*	194	357
Construction *(including property development)*	759	*4.7*	289	402
Financial and business services	277	*0.9*	506	143
Traders	2,232	*1.7*	1,025	1,513
Personal and professional	1,154	*2.4*	318	564
of which credit cards	*27*	*2.9*	*12*	*23*
of which housing	*678*	*1.9*	*127*	*216*
Global Business Licence holders	7,414	*47.4*	167	3,080
Others	339	*1.2*	1,025	186
Corporate notes	**0**	***0.0***	**362**	**0**
Loans to banks	**0**	***0.0***	**472**	**0**
Total	**14,331**	***3.7***	**7,386**	**7,399**

Notes:
(i) For the computation of asset quality ratios, total exposure include corporate notes and exclude interest in suspense on loans
(ii) Figures may not add up to totals due to rounding

Country risk management at MCB Ltd

General approach

MCB applies a coherent and comprehensive approach and framework to formulate its risk tolerance and determine exposures assigned to markets, alongside adhering to the BoM Guideline on Country Risk Management and the Guideline on Cross-Border Exposure. The RMC is entrusted with the task of evaluating risks and opportunities relating to setting and reviewing the country risk framework and country risk appetite parameters. The RMC meets at least quarterly to monitor the performance of the Bank's cross-border exposures, including compliance with the risk appetite, risk limits and overall requirements set out in the framework on cross-border exposure.

Measurement and monitoring

MCB articulates a cogent risk appetite framework, with business units guided by clearly established parameters and limits to assist them tap into markets. Target risk profiles are set at Bank level as well as for each portfolio and are complemented by target maturity profiles, consequently ensuring that our credit exposure portfolio is at all times balanced in terms of its risk profile.

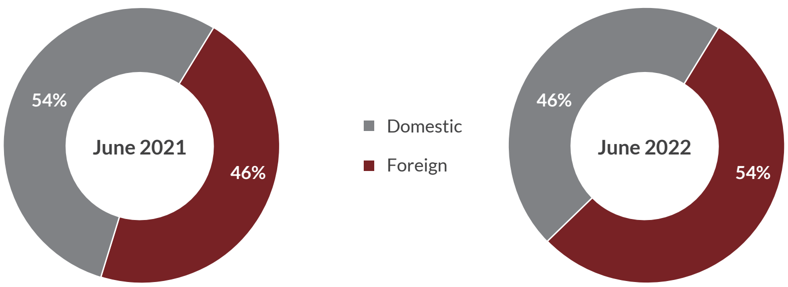
We carefully monitor country risk events, including macroeconomic developments, sovereign credit worthiness, and specific occurrences such as social unrest, nationalisation and expropriation of assets, foreign exchange controls and currency depreciation/devaluation. Foreign country exposure limits are set by the Bank on the basis of (i) its current exposures and growth ambitions; (ii) assigned capital for international exposures; (iii) the prevailing economic and market environments as well as the size of economies under review; (iv) sovereign ratings; (v) its areas of expertise as far as its business involvement is concerned; and (vi) its knowledge of the economies. The Bank ensures the proactive monitoring of country risk exposures against country limits and sub-limits that have been set, while promptly reviewing such levels in case of unexpected events. MCB established a list of 'priority countries' to focus on appealing business opportunities identified therein. The Bank has also set up a list of 'restricted countries'. No limits are established for the latter countries, with activities only conducted with approval of the RMC.

Mitigation and management

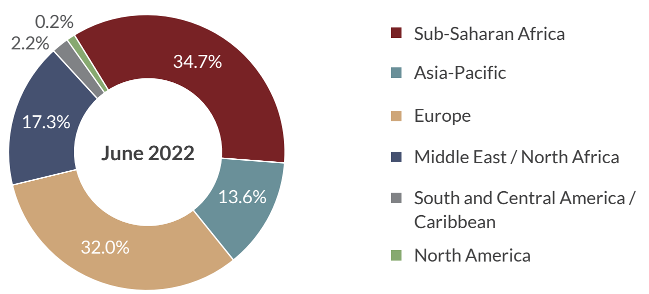
With a view to fostering sound country risk management, we lay emphasis on (i) thoughtful and regular determination and review of our risk appetite, after making allowance for the evolving operating environment and our strategic ambitions; (ii) diversified exposures across countries and sectors; (iii) undertaking activities in a selective and, in some cases, opportunistic manner, while favouring areas that we are well accustomed to and for which we nurture strategic competencies and technical expertise; and (iv) ensuring that our deals are appropriately selected, structured and ring-fenced (with area specialists handling complex deals), backed by the application of a series of risk mitigants and robust methodologies.

Diversification of exposures

Distribution of customer loan portfolio

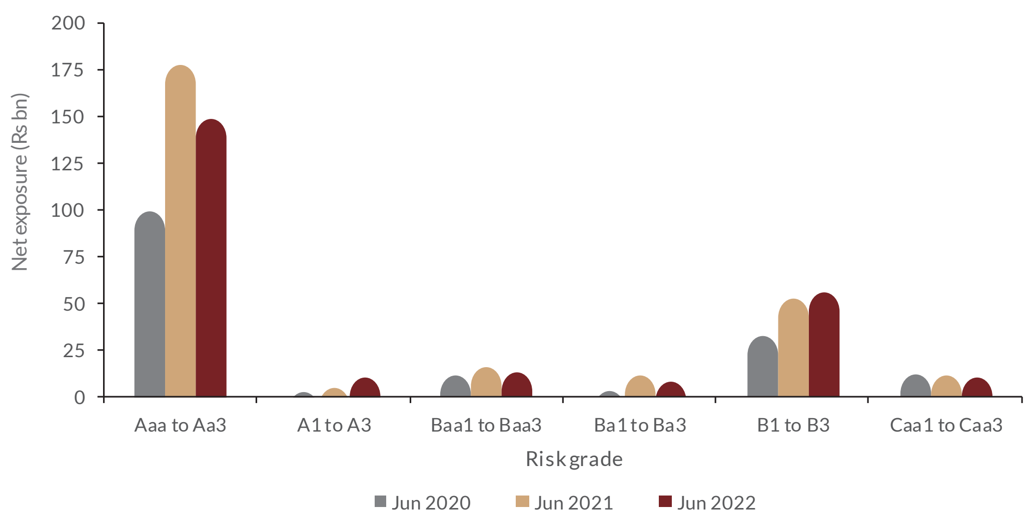


Total risk-weighted exposures by region
(Excluding Mauritius)



Note: Risk-weighted exposures include funded and unfunded financing exposures as well as treasury activities

Risk profile of exposures: Country risk exposures



Notes:
(i) Exposures pertain to funded and unfunded financing activities as well as treasury activities
(ii) For each country, the worst of the ratings assigned by Moody's, Standard & Poor's and Fitch Ratings has been selected and converted into a Moody's equivalent rating

Financial risks at MCB Capital Markets (MCBCM)

By virtue of their activities, MCBCM and its subsidiaries are exposed to financial risks. Through its brokerage business, MCB Stockbrokers, MCBCM acts as market-maker or liquidity provider in respect of certain securities listed on the Stock Exchange of Mauritius. Relevant safeguards have been implemented to ensure that any risks arising from this activity are properly mitigated. MCB Stockbrokers also offers underwriting services to corporate clients and is thus subject to financial risks. Such risks are managed by a formal process that involves: (i) a technical assessment of all requests for underwriting by a group comprising MCBCM's Chief Financial Officer, Head of Risk and Compliance, Head of Legal and the Managing Director of MCB Stockbrokers; and (ii) a two-tiered approval process, with the first level approval being provided jointly by the Chief Executive Officer of MCBCM and the Chairperson of the Board of MCB Stockbrokers, and the second level approval provided by the Management of MCB Group.

Moreover, MCBCM is involved in the structuring, issuance and management of Credit Linked Notes. The latter are long-dated debt instruments but have been structured so as to provide targeted investors with regular exit windows, hence improving the liquidity of these financial products. Associated financial risks being borne by MCBCM also require some degree of active funding and liquidity management, mainly through adequate levels of capitalisation and access to appropriate funding and credit lines.

Via its private equity arm, MCB Equity Fund, MCBCM is exposed to financial risks and, as such, ensures that it has the appropriate framework in place to manage and mitigate those risks.

Market risk

General approach

The Group seeks to minimise the risk of losses in on- and off-balance sheet positions arising from activities undertaken in or impacted by financial markets. We ensure that an appropriate framework is in place to systematically identify, assess, monitor, control and report, within pre-defined limits, the market risk exposures across their trading and banking books.

At the level of MCB Ltd, the market risk management approach and framework is aligned with applicable Bank of Mauritius Guidelines, namely the Guideline on Measurement and Management of Market Risk and the Guideline on Liquidity Risk Management, as well as internationally recommended practices. The Bank clearly defines its appetite in respect of market risk and manages its exposure through risk limits, both at a dealer level on individual trading activities and overall entity level, and risk targets in the case of structural market risks. In line with relevant guidelines, the Market Risk Policy, which covers both the trading and banking books, ensures that market risk origination, settlement and control are appropriately segregated. The Market Risk & Product Control BU (MRPC BU) undertakes the monitoring and management of market risks, while providing financial position and risk analysis information to the Asset and Liability Committee (ALCO) and RMC. The RMC reviews market risk and liquidity risk exposures and metrics, while also assessing regulatory and other developments.

Our foreign banking subsidiaries operate within the precinct of their Market Risk Policies, which put forward the relevant processes and controls to mitigate interest rate, foreign exchange as well as funding and liquidity risks faced. Market risk sanctioning mandates are delegated to Management for the conduct and monitoring of relevant day-to-day operations and activities. They are assisted by the Global Markets and Treasury Management unit of MCB Ltd's Financial Markets SBU in the deployment of their undertakings. The latter function services both their foreign exchange and money market requirements by delivering advisory services through direct access to its traders, who share their views about market trends and provide notifications on relevant updates.

Risk measurement and management

Interest rate risk

In the banking book, the Group is mainly exposed to repricing risk on account of the reset date of its on- and off-balance sheet assets not coinciding exactly with that of its on- and off-balance sheet liabilities. The resulting mismatch is monitored through the conduct of interest rate risk gap analysis on both an earnings and economic value impact basis. It limits this source of risk through the application, in most cases, of floating interest rates that are linked to benchmark rates.

MCB Ltd also incurs interest rate risk in the trading book by virtue of: (i) its primary dealership status in the local Government and/or BoM securities market; (ii) its trading positions in international fixed income securities; and (iii) the holding of net open positions in derivatives that are subject to daily fluctuation in rates and yields. To constrain its exposure to interest rate risk in the trading book, the Bank resorts to hedging techniques or ensures that certain exposures are conducted on a back-to-back basis. It also sets several sensitivity limits on outstanding positions. Basically, the limit, which is a measure of the impact of price volatility on portfolio value, aims at limiting the loss of a parallel upward shift of one basis point in applicable interest rates. Such sensitivity limits are calculated by an engine on both the exposure and its hedge, and monitored by the MRPC BU.

To further improve its monitoring of trading risk, the MRPC BU, through its Product Control function, monitors the daily Profit or Loss changes arising on both realised and open positions with the ultimate objective of limiting downside exposure.

Foreign exchange risk

The Group is subject to foreign exchange (FX) risk from an on-balance sheet perspective, i.e. as a result of imbalances witnessed between the foreign currency composition of our assets and liabilities. The risk to which we are exposed can also be viewed from an off-balance sheet angle through our outstanding positions, mainly in respect of foreign exchange forwards. Exposure to FX risk is monitored against both regulatory stipulations and internal targets, which are, especially, applied to metrics such as the net foreign risk exposure in any single currency and the aggregation of the net foreign exchange risk exposure. In addition, we determine prudential trading, transactional and daily stop-loss limits as applicable.

Liquidity and funding risk

General approach

The Group seeks to keep sound funding and liquidity positions in support of its business development ambitions. While accessing wholesale markets as and when required, the Group maintains cost-efficient, diversified and stable sources of funding which predominantly comprise customer deposits. Furthermore, an appropriate level of liquid assets is kept to ensure that obligations can be met within a reasonable time-frame.

The ALCO of the banking subsidiaries oversee the management of liquidity and funding risk in line with regulatory requirements and internationally recommended practices. The ALCO has set robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons. The RMC also reviews a summary of liquidity risk exposures and metrics, while assessing regulatory and other developments affecting the entities in this respect. The Market Risk Policy ensures that liquidity risk oversight is conducted independently of the risk-taking units.

Measurement and monitoring

Funding and liquidity risk is measured and monitored separately for each material currency and on a consolidated level. The Group assesses funding and liquidity positions with respect to obligations under both Business As Usual (BAU) and stressed conditions. At the level of MCB Ltd, it sets internal targets on key regulatory measures such as the liquidity coverage ratio (LCR) at currency level, whilst monitoring other ratios and Early Warning Indicators to assess its liquidity situation. The key actions undertaken to ensure that funding and liquidity risk is effectively measured and monitored at the Bank include the following:

- Robust Contingency Funding Plan in place which *inter alia* provides for active monitoring and reporting of Early Warning Indicators and courses of action under a liquidity stress; Scenario analysis conducted by simulating withdrawal of funds e.g. withdrawal of USD current accounts under severe stress scenario; Uncommitted money and short-term forex swap and repo lines regularly tested for liquidity depth

- Maintenance of adequate high-quality liquid assets (HQLA) buffer as well as achievement of conservative maturity transformation and operational deposit optimisation to ensure compliance with the liquidity coverage ratio (LCR) with monitoring/reporting for assets and liabilities denominated in significant currencies; Close monitoring of the LCR and circulation of the ratio to Management on a daily basis. LCR, along with other liquidity indicators, such as gap analysis and BIS net stable funding ratio (NSFR), are presented to the ALCO on monthly basis and to the RMC on a quarterly basis; Carrying out of frequent simulation on LCR, based on what-if investment in HQLA and renewal of wholesale market funding

- Diversification of balance sheet funding sources with a mix of internal treasury surplus, institutional lines of credit and trade refinancing lines

- Active monitoring and management of daily liquidity through a daily Operational Cash Flow model, which provides the Bank with daily cash flow projection over different time bands under various scenarios

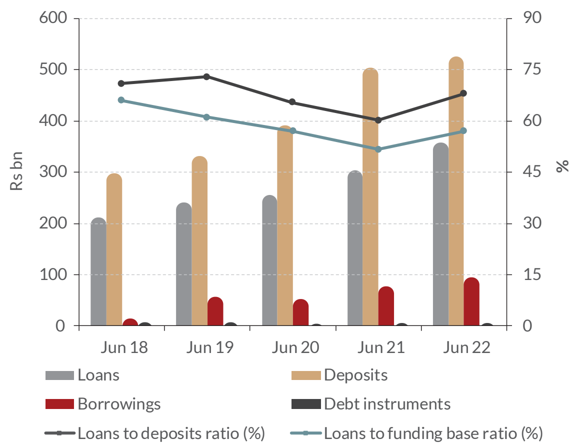
Mitigation and management

The Group diligently manages and diversifies the funding and maturity profile of the balance sheet in order to ensure that we can successfully deploy our strategic endeavours over the short and longer runs.

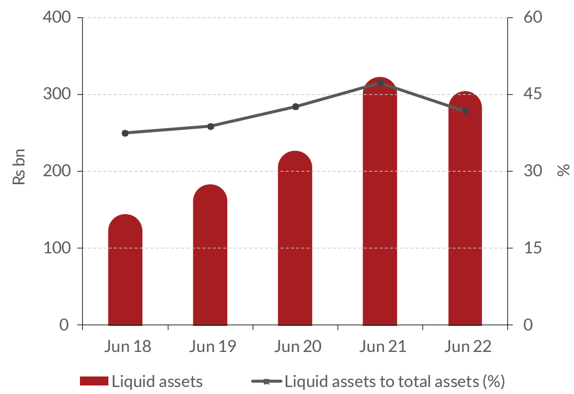
Banking entities of the Group create a time ladder of continuous assets and liabilities cash flows, while avoiding undue accumulation of cash flows in any time segment, especially those expected to fall due in the near future. They use cash and liquidity gap profiles in both local and significant foreign currencies to monitor the impact of projected disbursements by lines of business. They also undertakes the behavioural analysis of non-maturity current and savings accounts balances so as to assign an actuarial maturity profile, which reflects the stickiness of such account balances. The stock of liquid assets is proactively managed to cover day-to-day cash management and, in the case of MCB Ltd, provide for an adequate coverage of the risk-weighted cash outflows associated with the standardised crisis scenario under the Basel III framework for liquidity coverage ratio. The components of the liquid assets buffer are also managed from a viewpoint of market risk volatility, and taking into account the credit risk weighting and the low returns usually linked with the cost of holding these highly liquid assets.

During the year under review, the Group continued to be exposed to uncertain liquidity conditions. Against this backdrop and after making allowance for proactive steps taken to maintain comfortable buffers in the wake of the current economic environment, we continued to display strong funding and liquidity positions in FY 2021/22. Indeed, we have been active across markets to uphold sufficient funding resources to help our customers ride through the difficult conditions and support our growth ambitions. MCB Ltd thus leveraged placements from banks and repurchasing agreements. During the year, the Bank has, in particular, successfully raised a USD 1 billion syndicated facility to repay the Tranche B of its existing Dual Tranche Syndicated Term Loan Facility amounting to USD 560 million and to pursue its strategic growth.

Loan and funding base

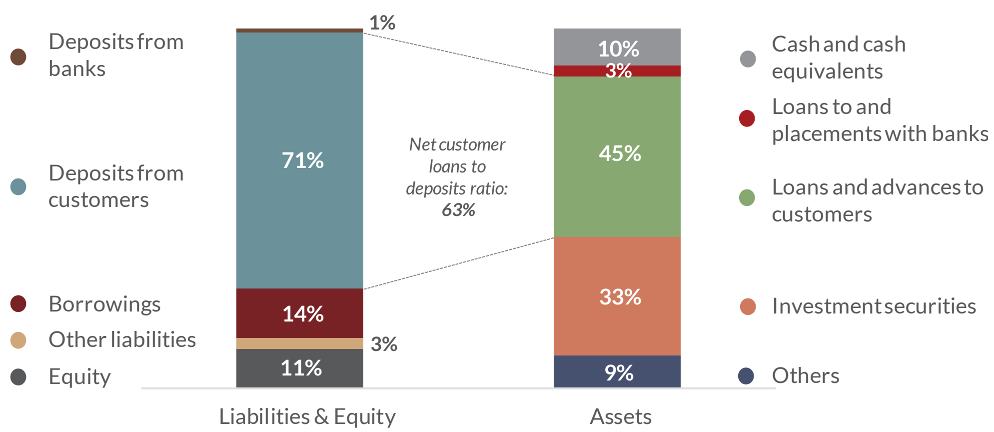


Liquid assets



Note: Liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds

Asset funding structure as at June 2022



Risk and capital management report

MCB Ltd: Key liquidity ratios

Liquidity coverage ratio (LCR)

In alignment with Basel III rules, the objective of the LCR is to promote the short-term resilience of a bank to liquidity shocks by ensuring that it maintains an adequate reserve of unencumbered high-quality liquid assets (HQLA) in order to survive a period of significant liquidity stress lasting 30 calendar days. As per regulatory stipulations in the Mauritian banking system, the LCR is computed as the ratio of the stock of unencumbered HQLA to the net cash outflows over the next 30 days in the event of an acute liquidity stress scenario. Since 31 January 2020, the minimum regulatory ratio rose to 100% for MUR, material foreign currencies, and consolidated LCR. Furthermore, in September 2020, the Guideline on Liquidity Risk Management was revised to include that banks shall immediately notify the Bank of Mauritius of the use of HQLA denominated in major currencies that are freely convertible, transferable and actively traded in global foreign exchange markets to cover liquidity needs in other such major currencies, amongst others.

As at 30 June 2022, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 412%, which is equivalent to a surplus of some Rs 130 billion over stressed total net cash outflows. At currency level, MCB also exceeded the mandatory LCR limits relating to rupee and significant foreign currencies. The Bank posted a comfortable liquidity position in US dollar terms with the corresponding LCR standing at 209% as at 30 June 2022. It can be noted that HQLA eligible for the purpose of calculating the LCR as per set rules consists of cash or assets that can be converted into cash at little or no loss of value in markets. In this light, MCB maintained suitable levels of investment in sovereign, high-quality corporate and cash liquid assets.

Net stable funding ratio (NSFR)

Under Basel III, the NSFR aims to promote the resilience of a bank over a longer time horizon by requiring the latter to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities so as to mitigate any future funding stress. The NSFR effectively recognises a bank's maturity transformation role in the credit creation and resource allocation process. It seeks to limit the bank's over-reliance on short-term wholesale funding or the running of large funding gaps meant to sustain rapid balance sheet growth. Though not yet a regulatory standard in Mauritius, MCB regularly monitors its performance in terms of NSFR, which requires an amount of available stable funding to be maintained. As at 30 June 2022, MCB Ltd reported an NSFR of 137%, which exceeds the minimum level recommended by Basel III, itself set to at least 100% on an ongoing basis.

Operational risk

General approach

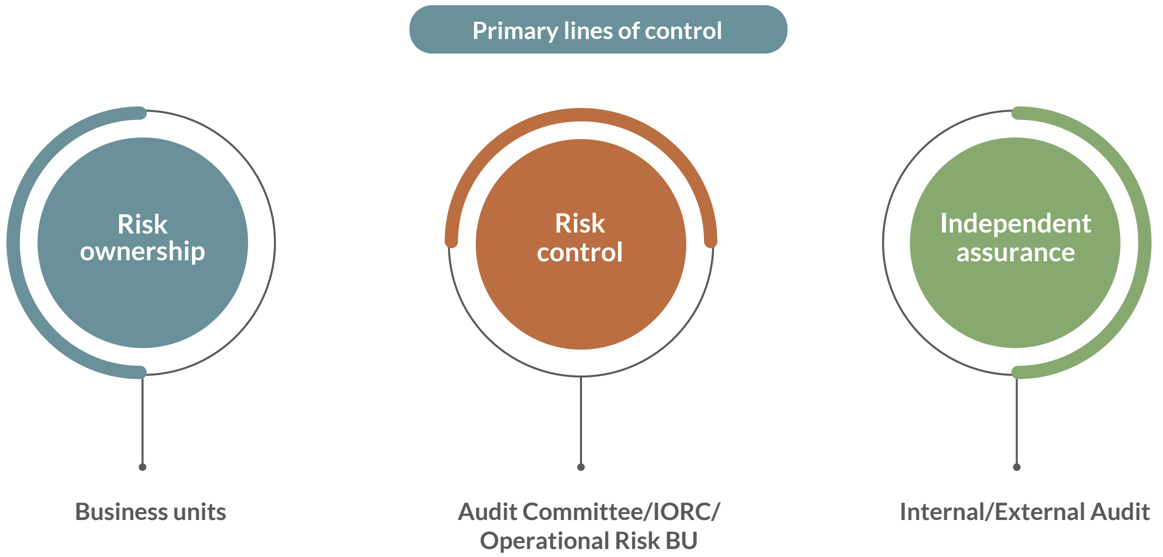
The Group aims to identify, mitigate and manage operational risks across activities, processes and systems in line with the defined risk tolerance. The objective is to underpin the continuity of our operations and anchor a solid platform to provide customers with seamless services. Towards determining the operational risk tolerance levels, we set risk acceptance and mitigation limits in respect of the principal categories of operational risk as appropriate. Operational risk sanctioning mandates and day-to-day oversight responsibilities are entrusted to the Management of Group entities. The latter are responsible for the application and effectiveness of their respective Operational Risk Policy as approved by the Audit Committee. The operational risk policies formulate the principles and methodologies for the management of operational risk. They set out a framework which is aligned with best practices and standards, advocated rules and norms on the local and international fronts, while setting out the relevant roles and responsibilities within the entity. As part of their responsibility to implement the operational risk management framework, Management has to (i) ensure compliance with underlying objectives set in terms of the management of such types of risk; and (ii) foster the development, implementation and documentation of internal controls and processes.

Risk measurement and monitoring

The determination of the risk exposures is anchored on the regular review of operational risks inherent in internal processes and client solutions, with monitoring thereof performed against acceptable tolerance limits. MCB Ltd applies the Alternative Standardised Approach for calculating and reporting its operational risk capital charge whilst the other entities apply the Basic Indicator Approach. Information on operational risk events is recorded in centralised databases, which enables systematic root cause and trend analysis for necessary corrective actions.

Risk mitigation and management

Operational risk mitigation relies on appropriate processes and systems, backed by the clear segregation of duties, dual control as well as the regular verification and reconciliation of transactions. The control environment is based on the appropriate risk culture, fostered through risk awareness sessions targeting relevant audiences. For example, an overview of both Operational Risk and Business Continuity Management is provided – in the form of a dedicated induction course – to new employees joining MCB Ltd. The latter's Operational Risk Management Framework relies on three primary lines of control, as shown below.



- Implement internal control procedures
- Identify inherent risks in products, activities, processes and systems
- Initiate actions and apply mitigation strategies
- Report risk incidents

- Oversee the implementation of policy
- Implement integrated risk framework
- Report on inherent and residual risks
- Monitor corrective actions
- Promote operational risk culture across the Bank

- Verify the effectiveness of the overall operational risk framework

Whilst the Operational Risk BU is responsible for the identification, assessment and management of related risks, operational risk management forms part of the day-to-day responsibilities of Management and employees. The Operational Risk Cartography is leveraged for the assessment of operational risks and the implementation of relevant controls.

The management of operational risks by the foreign banking entities is also underpinned by recourse to specific tools and systems that are adopted by MCB Ltd, notably the incident reporting system, as tailored to the subsidiaries' business realities. In addition, staff are offered training courses from MCB Ltd to ensure that they are well prepared to deal with specific risk management needs.

At MCB Capital Markets, the initial stage for the management of operational risks includes formal reviews of procedures and processes, analysis of complaints and incident reports as well as review of new products and services. The output is then used to update MCBCM's risk maps, which address all material risks faced by the business and their pre-control ratings. These risks are eventually re-assessed taking into account existing and additional controls that are required to arrive at a post-control rating. Any residual post-control risks deemed material will lead to a re-design of the relevant controls until such risks are adequately addressed, mitigated or eliminated.

Health and safety

The Group ensures the highest standards of safety and health across all our business activities and on our premises. Towards this end, it complies with the provisions of relevant legislations, including the Occupational Safety and Health Act in Mauritius and other associated laws and regulations. Risk control measures are implemented through safety and health audits carried out during on-site inspections, with the latter aimed at identifying hazards and risk factors that have the potential to cause harm to the safety and health of people on our premises. The audits also seek to determine the appropriate ways to eliminate such hazards in order to protect our staff and clients.

Business continuity risk

General approach

The Group adopts a robust and proactive approach to Business Continuity Management (BCM) to ensure that its entities continue to conduct their operations and deliver products and services in case of unforeseen events or business disruptions at acceptable pre-defined levels. We aim to minimise the potential damage that such disruptions can cause to people and business activities, while setting forward to safeguard their reputation and the interests of key stakeholders by effectively planning for and responding to incidents.

Mitigation and management

The Business Continuity Management framework of the Group is encapsulated in the entities' respective BCM policies. The latter outline the applicable governance structure as well as the roles and responsibilities of each actor involved in the BCM programme. As an integral part of the Operational Risk Management Framework in place, the BCM framework is centrally coordinated and controlled by the entities' risk functions, in collaboration with relevant support functions. A dedicated Crisis Management Team consisting of key members of Management shoulders central command during a crisis. Specific business segments, through designated business continuity champions, are the BCM process owners and are responsible for designing, reviewing and maintaining up-to-date recovery plans at their respective levels, in alignment with entities' specificities.

In the wake of the pandemic, MCB Group's approach to business continuity management continues to evolve to focus on building resiliency in our operations, to better prepare for, and respond to, unforeseen events and successfully recover from the impacts of disruptive events or crisis. Contingency strategies have also been refreshed to respond to an evolving landscape encompassing potential disruptions due to cyber threats, climate risks and third-party or supplier dependencies together with the more traditional business continuity risks such as technological outages and site unavailability disruptions. In this respect, banking entities in particular conduct regular Disaster Recovery (DR) simulation exercises to test the operability of critical systems hosted on servers that are located at dedicated sites. During the year, whilst carrying out its planned annual concurrent DR simulation to confirm the operability of its DR site in the event of a major technological outage, MCB Ltd also successfully executed an unplanned DR exercise to test the actual readiness of its technical teams, thereby reaching a major milestone in its DR resilience journey.

Cyber and information security risk

General approach

The Group adopts a dedicated approach to safeguard its information security, alongside complying with applicable regulatory requirements on data protection and ensuring that we are prepared to respond to potential cyber-attacks and threats to our information assets in a timely and effective manner.

Risk mitigation and management

Risk management implies the regular conduct of information risk assessments so as to identify issues that can potentially harm the organisation's information assets and recommend adequate mitigating controls. At MCB Ltd, the Cyber & Information Security Risk Business Unit (CIS BU) is responsible for developing and maintaining cyber, technology and information risk policies, in line with the evolving operating and threat landscapes, as well as requirements set by authorities and other stakeholders. The key objective is to ensure that an adequate level of security is maintained to protect private, confidential, personal and any other sensitive information held by the Bank. To mitigate and manage information risks, several processes are in place to assist in identifying and analysing the business need to access logical information, restrict the information deployed to what is strictly required as well as monitor and control access to such information. CIS BU's findings, recommendations and assessments are regularly reported to various executive committees and the Audit Committee, with an emphasis on cybersecurity and data protection matters.

From a broader perspective, the Group's entities are guided by roadmaps that have been developed in order to ensure that policies and processes are continuously geared up to effectively cope with growing challenges posed by cyber threats. As such, several initiatives have been deployed to strengthen and ensure the robustness of the entities' information security including regular independent Penetration Testing and Vulnerability Assessments by leveraging external expertise. Further details on moves undertaken by MCB Ltd are provided below:

Recent initiatives at MCB Ltd

In addition to initiatives already highlighted, MCB has deployed several initiatives to uphold the robustness of its information risk and privacy framework:

- The Bank's risk assessment framework and information security management systems and processes were upgraded to foster alignment with internationally-recognised standards
- The Bank's critical infrastructure (which includes customer-facing applications) has been independently tested and assessed from a cybersecurity perspective
- The Bank on-boarded advanced Cyber Response and Legal Advisory services
- The Bank's capability to monitor and respond to cyber threats has been improved through the use of Cyber Threat Intelligence to collect and analyse data about threats
- The set of critical controls underpinning our cybersecurity resilience is being continuously monitored and our cyber incident response framework has been reviewed
- The security events monitoring capability of our Security Operations Centre (SOC) is continuously being refined and augmented with new use cases
- Compliance with laws and regulations relating to data protection has been assessed with a view to identifying any gaps and gearing up our capabilities to adhere to relevant stipulations, with necessary steps undertaken to fill gaps identified
- Various actions, including security awareness sessions, are continuously taken to enhance our employees' alertness to cybersecurity, with a focus on social engineering
- General awareness on data privacy matters has been enhanced, with particular attention paid to ensure that privacy and security by design concepts become embedded within the Bank's culture

Compliance risk

General approach and objectives

The compliance strategy of the Group seeks to ensure consistency between the conduct of business operations and the observance of relevant laws, rules and standards of good market practices, through continued identification of compliance-related risks, and ongoing assessments and understanding of such risks as well as the design of adequate controls. The aim is to shield the organisation from legal/regulatory sanctions as well as financial/reputation losses.

Forming part of the Group's second line of defence for managing risks by virtue of its role, the relevant Compliance functions (i) are duty-bound to provide to the Board and Management of the Group the necessary assistance to ensure that business activities are conducted in strict compliance with the applicable laws, rules, regulations, industry codes of conduct, policies, standards, good governance practices and procedures; and (ii) help to protect the Group's reputation and to minimise the risk of investigation, prosecution, regulatory sanctions and penalties.

The approach is to foster a compliance-oriented culture with a view to supporting business lines in delivering fair outcomes for customers and preserving the organisation's reputation, while helping to achieve business development objectives.

Risk and capital management report

Risk mitigation and management

The Group seeks to ensure that our core values and standards of professional conduct are maintained at every level and within all our activities and operations. Towards this end, Group entities adhere to the organisation's policies while also ensuring they comply with all relevant local legal requirements. They adopt dedicated systems and processes in order to properly identify and prevent any risks of non-compliance while ensuring that they are sufficiently equipped in order to respond to the increasingly stringent regulatory environment and effectively cope with greater scrutiny by regulators and law enforcement authorities. Towards guaranteeing that their objectives are met in a consistent and judicious manner, they perform regular monitoring exercises, to ensure compliance with policies and procedures and ascertain that controls are operating in a sound and effective way. For instance, recognising the need to adhere to international governance codes and standards, MCB Capital Markets has put in place a framework to manage its compliance and regulatory risks which encompasses:

- regular review of applicable laws and regulations to identify compliance gaps;
- active involvement of MCBCM's Risk & Compliance function and legal teams in the development of new products and services to ensure that they are in compliance with applicable laws and regulations prior to being launched;
- monitoring of changes to the legal and regulatory frameworks and initiation of corrective actions as necessary; and
- bi-annual monitoring exercises undertaken by the Risk & Compliance team to assess the level of compliance with laws and regulations, particularly with respect to anti-money laundering and financing of terrorism.

From a holistic perspective, compliance risk management at the Group is anchored in the following core principles:

- Driving and embedding a culture of compliance throughout the Group
- Paying continuous attention to and undertaking regular reviews of ongoing developments as regard laws, regulations, guidelines and standards of good practice, accurately understanding their impact and coming up with necessary responses so that the Group can effectively address the risks arising from such changes
- Fostering a coherent compliance control mechanism within the Group to pave the way for standardised processes and operations
- Maintaining a set of policies and procedures to promote strong ethical behaviour amongst employees as well as to prevent and manage any potential conflicts of interests
- Promoting the awareness of Management, directors and employees on the requirements arising out of new/amendments to laws and regulations and other compliance-related matters
- Providing adequate and dedicated training to the Group's directors, compliance officers and employees to ensure that they have the necessary knowledge and skills to fulfil their duties
- Maintaining close working arrangements and communication with business lines through the dissemination of compliance-related information and provision of advisory services
- Using state-of-the-art technology to monitor adherence to set norms so as to provide assurance to Management and the Board, through the Audit Committee, as regards the state of compliance
- Fostering trusted relationships with regulatory and supervisory bodies by sustaining productive and value-adding dialogue with them to uphold effective two-way communication
- Proactively identifying compliance and Money Laundering/Terrorist Financing/Proliferation Financing related-risks and assessing its residual likelihood and impact based on the controls in place – corrective measures are taken and monitored to minimise the likelihood of the risks materialising

In relation to Anti-Money Laundering/Combating the Financing of Terrorism/Proliferation Financing (AML/CFT/PF) obligations, the entities of the Group ensure that adequate processes, systems and controls are in place to render their services inaccessible to criminals, including money launderers and terrorists or their financiers, as applicable, alongside paving the way for detecting suspicious activities. While fostering continuous employee awareness, the entities *inter alia* ensure that employees are given appropriate training on AML/CFT to help them identify suspicious transactions. Moreover, the entities adhere to a Group Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage. The Whistleblowing Framework at the organisation is designed to assist employees deemed to have discovered malpractices or impropriety.

Key areas of support extended by MCB Ltd to Group entities

MCB Ltd provides dedicated support to entities of the Group whilst taking into due consideration the intrinsic specific legislative and regulatory requirements which need to be fulfilled by these entities.

- Compliance risk assessments: It extends support to the Compliance Officers of the Group entities in the performance of compliance risk assessments and through compliance-related training provided to them
- Enterprise Wide Risk Assessment (EWRA): It assists in the conduct of the EWRA and builds internal capacity for selected entities of the MCB Group
- Advisory services: It maintains an open line of communication with afore-mentioned Compliance Officers and encourages them to seek advice/guidance whenever they are in need of same
- Employee training: It provides AML/CFT training to employees of the entities when called for, in addition to reviewing materials that the Compliance Officers have prepared for the purpose of employee training execution; It assists entities embarking on the implementation of IT tools to ensure compliance risk management
- Other areas: It reviews operational procedures to ensure that they meet set standards and that all applicable legal and regulatory requirements are incorporated therein. Its services are also solicited for the implementation of international applicable legal requirements and the resolution of regulatory-related matters. Moreover, it provides technology related assistance for compliance linked systems

Zoom on our Permanent Supervision framework

The Group has adopted the Permanent Supervision methodology across banking entities so as to reinforce independent controls within its second line of defence. The permanent control approach is governed by several rules and standards prevailing locally, notably (i) regulatory requirements and guidelines; (ii) relevant Basel requirements; and (iii) guidance provided and principles formulated by the Committee of Sponsoring Organisation of the Treadway Commission, which is a joint initiative to combat corporate fraud and was established in the US by private sector organisations. The banking entities adhere to dedicated internal control policies, which formulate the key principles and underlying governance framework underpinning the efficient development, deployment and monitoring of control activities undertaken by different sections of the organisation. The applicable framework sets out the relevant roles, responsibilities and reporting mechanisms to assist in fostering sound and stable operations within the entity.

The Group applies a series of operational controls with respect to internal processes and client solutions. Such controls are regularly reviewed and actively monitored in order to gauge the applicability and effectiveness of actions taken. Internal control forms part of the day-to-day responsibilities of Management and all employees. Specifically at MCB Ltd, while the former is responsible to implement the internal control framework, the Risk SBU, through Risk & Control Executives, is responsible for ensuring the proper functioning of the internal control system. The dedicated team of Risk & Control Executives across key SBUs regularly report the main risks and control events observed, while ensuring timely escalation of findings to Heads of host SBUs, the IORC and the Audit Committee as appropriate. Of note, with a view to further enhancing the risk management and control framework, the span of Risk & Control Executives is being broadened to cover all the major activities of the Bank, including support functions as well as non-financial risks (information risk, including cyber risk, and compliance risk). Identified internal control deficiencies are managed in a timely and effective manner through adherence to established procedures and proper monitoring of the implementation of reinforcement measures.

Risk and capital management report

Risk assurance: Internal audit

General approach

The aim of internal audit at the Group level is to assess the policies, methods and procedures in place at the organisation in order to cater for their adequate application. The Internal Audit function is responsible for independently assessing the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the respective Audit Committee and/or Board, thus helping to protect the organisation and its reputation. The established framework of the internal audit activity is risk-based. As a key thrust, the entities aim to gather the necessary audit and risk insights in order to support their strategic orientations.

Strategy and objectives

The Internal Audit SBU of MCB Ltd provides independent assurance to its Audit Committee and the Board by conducting reviews and engaging with committees and executive management, providing opinion and advice on risk matters and on the control environment. The function – which includes professionals with a broad range of audit, industry and broader experience, including risk management, compliance and IT security expertise – provides assurance over control systems to the other Group entities in line with its Group wide mandate. It reports to the Audit Committee of the Group and the Audit Committees of the subsidiaries, where they are constituted, with the Audit Committee of the Group acting as the overarching authority.

In this respect, the foreign banking entities leverage the services provided by the Internal Audit SBU of MCB Ltd alongside relying on their locally-based internal auditors, alongside leveraging to, amongst others, disseminate internal audit best practices and standardise the quality of related audit work. With international travel restricted during part of the year, the Internal Audit SBU relied on the work done by the locally-based internal auditors whilst focussing on the areas posing higher risks when assisting the foreign banking entities to better manage their risks as well as improve the quality of their control systems and processes. The use of data analytics as part of the audit execution exercise has been intensified, and the interactions with the locally-based internal auditors have been strengthened to ensure adequate expertise and coverage.

Based on its assessments, the Internal Audit function is presently not aware of any significant area of the Group where there are inadequate internal controls. The function does not believe that there are deficiencies in internal controls that could give rise to risks that could eventually jeopardise the operations of the Group.

Capital management

The framework

In line with regulatory rules, Basel requirements and industry best practices, the capital management objective of the Group is to ensure that adequate capital resources are available to operate effectively, foster sustained business growth, preserve or enhance credit ratings and cope with adverse situations. Capital management policies and practices of the Group entities aim to maintain a strong capital position that is consistent with stakeholder expectations and requirements.

Backed by the adoption of a forward-looking approach and a sensible governance framework, the entities determine the level and composition of capital after making allowance for multiple factors. They include the legal and regulatory landscape across countries, the business environments, conditions prevailing across economies and financial markets, the Group's strategic orientations, etc.

Our process

Commensurate with the strategic orientations, risk appetite and risk management framework approved by the Board of MCB Group Ltd, the entities, in particular within the banking cluster, abide by their internal policies and practices for undertaking their capital management initiatives. The latter includes (i) capital planning and allocation across business segments and geographies wherever applicable; (ii) capital reporting, budgeting and analysis; and (iii) management of capital consumption against budgets. For instance, MCB Ltd is guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining the capital planning exercise and formulating the risk appetite. This provides the framework to ensure that adequate capital is kept beyond core minimum requirements to support business activities.

Internal Capital Adequacy Assessment Process of MCB Ltd

Framework	MCB is guided by its Internal Capital Adequacy Assessment Process (ICAAP) when determining its capital planning and formulating its risk appetite process. The ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius (BoM) Guideline on Supervisory Review Process in April 2010. The ICAAP document, which is reviewed periodically, delineates the process through which the Bank assesses the required minimum capital to support its activities. It seeks to ensure that MCB remains well capitalised after considering material risks.
Objectives	To provide an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks; and To make sure that adequate capital resources are kept to support risks faced beyond core minimum requirements
Assessment and planning	Through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise, while financial year risk appetite limits are set by the Board. As for the Bank's exposures, they are monitored on a quarterly basis against those limits, with related insights being reported to the RMC. The capital plan includes a crisis management plan. The latter makes allowance for various measures that should help to rapidly mobilise additional capital if the need arises, with discussions thereon being held at Board level.

Stress testing at MCB Ltd

Stress testing is a key risk management tool used by the Bank and is an integral part of its ICAAP. The aim of the Bank's stress testing framework is to identity, quantify, evaluate and make sense of the potential impact of specific changes in risk factors on the business development and financial strength of the Bank. MCB applies the stress testing principles set out under the new BoM Guideline on Stress Testing issued in June 2022. Forecasts are made over a 3-year horizon, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational and market risks) and Pillar II risk types (i.e. concentration, liquidity, interest rate, strategic risks, etc.). These assessments are undertaken to understand the sensitivity of the key assumptions of the capital plan with regard to the realisation of plausible stress scenarios. This helps MCB to evaluate how it can maintain adequate capital under such scenarios. The stress testing framework is outlined below.

Risk identification	• To detect and address existing or potential vulnerabilities such as unidentified and Bank-wide risk concentrations or interactions among various types of risk, many of which may be overlooked when relying purely on statistical risk management tools based on historical data
Risk assessment	• To promote a deep understanding of organisational vulnerabilities on the back of forward-looking risk assessments; this helps to make risk more transparent via an estimation of scenario-based losses and to prevent the development of any false sense of security about the Bank's resilience • To evaluate the significance of risk faced during different phases, notably during periods of: (i) favourable economic and financial conditions given the subsequent lack of visibility over potentially negative future developments; and (ii) business expansion when innovation leads to new products and services for which no historical data is available for forecasting future trends
Risk mitigation	• To facilitate development of risk mitigation or contingency plans across stressed conditions • To stimulate debates and raise awareness on the various risk aspects of our client portfolios among Management, helped by (i) a well organised surveying of the operating context; (ii) an identification of the most important risk factors; and (iii) a scanning of the horizon for potential stressful events

Stress testing results

In FY 2021/22, the Bank conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on key metrics. We have used the 3-year budget forecasts to conduct our different stress tests. We assumed that the stress scenarios take place in the middle of FY 2021/22, i.e. at the beginning of January 2022, and we then measured the relevant impacts accordingly. The scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Bank's risk profile, activities as well as prevailing and forecasted economic conditions. We measured potential impacts on the following metrics: (i) Solvency: Capital adequacy ratio and Tier 1 ratio; (ii) Profitability: Net Profit After tax; (iii) Asset quality: NPL ratio and cost of risk; and (iv) Liquidity: LCR, NSFR, Net Present Value (NPV) of Trading and Fair Value Through Other Comprehensive Income (FVTOCI) portfolio. The stress test results are reported and discussed at the RMC and the Board prior to being submitted to the BoM. Barring extreme cases, our recent analyses revealed that the Bank's capital adequacy ratio does not fall below the regulatory requirements in any of the 3 scenarios described hereunder, which also catered for the impact of heightened price volatility given the inflationary environment.

Mild scenario	Due to variants of the COVID-19 virus still circulating and social distancing measures in place in airplanes and hotels, the number of tourist arrivals is less than expected – Tourist arrivals are such that only 50% of planned arrivals occur in 2022, 75% in 2023 and 100% in 2024
Medium scenario	A recurrence of COVID-19 results in an even lesser number of tourist arrivals such that only 25% of planned arrivals occur in 2022, 50% in 2023 and 75% in 2024 In addition, due to the extended impact of COVID-19 in FY 2022/23, there is a decrease in global oil demand which leads to an oil shock and a decrease in oil prices by 50% in FY 2022/23
Severe scenario	The shocks to the number of tourist arrivals is even more severe such that only 10% of planned arrivals occurring in 2022, 25% in 2023 and 50% in 2024 We assume an even more severe shock to the oil market with a decrease in oil prices of 75% in FY 2022/23

Internal Capital Adequacy Assessment Process of MCB Seychelles

During the year under review, MCB Seychelles has submitted its second annual ICAAP document, which was subject to an independent review by the Internal Audit SBU of MCB Ltd. MCB Seychelles demonstrated that it had a robust internal assessment process for capital adequacy towards Pillar II risk types to which it is exposed, as well as external risk factors.

Stress testing results

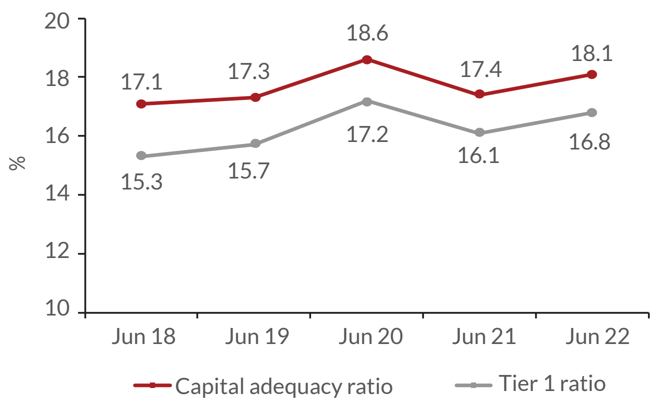
The bank conducted stress tests under various scenarios to assess the impact of unfavourable events on its capital position. Barring extremely unrealistic events, its capital adequacy ratios remained within the regulatory thresholds within the envisaged scenarios.

Scenario 1	A global recession due to world economic crisis resulting in defaults on exposures of vulnerable sectors
Scenario 2	Credit defaults by three large conglomerates
Scenario 3	Reputational risks impacting the deposit base and liquidity position of the bank coupled with a significant deterioration in its non-performing loans

Capital position for FY 2021/22

The Group has, on a consolidated basis, maintained comfortable capitalisation levels, being upheld by our resilient financial performance and sound dividend policy as well as the issue of Scrip shares. Indeed, the BIS and Tier 1 capital ratios stood at 18.1% and 16.8% respectively as at 30 June 2022. The predominant contribution thereto has emanated from the banking entities of the Group, for which maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. Risk-weighted assets of the Group stood at Rs 462 billion as at 30 June 2022, out of which 94% was accounted for by the banking cluster with MCB Ltd representing 84% of the overall risk-weighted assets.

Capital adequacy and Tier 1 ratios



Zoom on the banking cluster

Regulatory requirements

The banking entities of the Group foster strict compliance with mandatory stipulations set by the regulators in their respective jurisdictions. In respect of MCB Ltd, the Bank uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Alternative Standardised Approach used for operational risk. As for determination of its capital resources, the Bank adheres to the BoM Guideline on Scope of Application of Basel III and Eligible Capital. It also complies with the Guideline for dealing with Domestic-Systemically Important Banks (D-SIB). Under the latter, banks are required to hold a capital surcharge or D-SIB buffer ranging from 1.0% to 2.5% of their risk-weighted assets depending on their systemic importance. The assessment for determining domestic-systemically important banks is carried out on a yearly basis on end-June figures. As per the assessment carried out by the BoM, MCB Ltd features among the five banks that have been determined to be systemically important in our jurisdiction, based on the assessment of five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability.

In May 2020, to provide additional flexibility to banks to support economic stakeholders, households and individuals impacted by the COVID-19 outbreak, the BoM deferred the Capital Conservation Buffer (CCB) of 2.5%, which was effective as from 1 January 2020, to 1 January 2021 such that banks were required to maintain a Capital Conservation Buffer of 1.875% until 31 December 2020. This was further deferred such that banks were required to maintain a Capital Conservation Buffer of 1.875% until 31 March 2022. In addition, the regulatory risk weights on certain categories of exposures including retail and residential mortgages were reviewed. The CCB was subsequently raised to 2.5% as from 1 April 2022, implying that the minimum regulatory Tier 1 and capital adequacy ratios currently applicable to MCB Ltd stand at 13.0% and 15.0% respectively. As for the foreign banking entities, they are guided by the minimum regulatory ratios set out in the table below.

Minimum regulatory ratios

	MCB Ltd	MCB Seychelles	MCB Maldives	MCB Madagascar
As at 30 June 2022	%	%	%	%
Capital adequacy ratio	15.0	12.0	12.0	8.0
Tier 1 ratio	*13.0*	*6.0*	*6.0*	-

Risk and capital management report

Performance for FY 2021/22

The capital adequacy ratio of the banking cluster – as measured at the level of MCB Investment Holding Ltd on a consolidated basis – stood at 16.5% as at 30 June 2022. The capital base was primarily made up of core capital, with the Tier 1 ratio standing at 15.4%. The following illustrations depict the capital adequacy ratios posted by the banking cluster.

Banking cluster: Capital adequacy ratios

Capital adequacy	MCB Group		Banking cluster	
	Jun 21	Jun 22	Jun 21	Jun 22
Capital base	Rs m	Rs m	Rs m	Rs m
Ordinary shares (paid-up) capital	2,775	3,109	8,880	8,880
Retained earnings	58,640	67,545	48,966	52,250
Accumulated other comprehensive income and other disclosed reserves	11,464	7,539	9,333	10,322
Common Equity Tier 1 capital before regulatory adjustments	**72,879**	**78,192**	**67,178**	**71,451**
Regulatory adjustments				
Goodwill and other intangible assets	(2,146)	(2,545)	(1,720)	(2,107)
Deferred tax assets	(1,179)	(1,600)	(1,509)	(2,166)
Defined benefit pension fund assets	(1,212)	-	(1,212)	-
Common Equity Tier 1 capital (CET1)	**68,342**	**74,048**	**62,737**	**67,178**
Additional Tier 1 capital (AT1)	3,396	3,396	-	-
Tier 1 capital (T1 = CET1 + AT1)	**71,739**	**77,444**	**62,737**	**67,178**
Capital instruments	397	179	175	68
Provisions or loan-loss reserves	5,116	5,315	4,816	5,016
45% of surplus arising from revaluation of land and buildings	1,303	1,282	-	-
Tier 2 capital before regulatory adjustments	**6,816**	**6,776**	**4,991**	**5,084**
Regulatory adjustments	(903)	(516)	(517)	(514)
Tier 2 capital (T2)	**5,913**	**6,260**	**4,474**	**4,570**
Total capital (T1 + T2)	**77,651**	**83,704**	**67,211**	**71,748**
Risk-weighted assets	Rs m	Rs m	Rs m	Rs m
Weighted amount of on-balance sheet assets	376,370	393,999	352,566	370,310
Weighted amount of off-balance sheet exposures	32,904	31,202	32,720	30,962
Weighted risk assets for operational risk	32,164	34,249	30,122	32,256
Aggregate net open foreign exchange position	5,324	2,410	1,417	1,477
Total risk-weighted assets	**446,762**	**461,859**	**416,825**	**435,006**
Capital adequacy ratios (%)	**Jun 21**	**Jun 22**	**Jun 21**	**Jun 22**
BIS risk adjusted ratio	**17.4**	**18.1**	**16.1**	**16.5**
of which Tier 1	***16.1***	***16.8***	***15.1***	***15.4***

Note: Figures may not add up to totals due to rounding

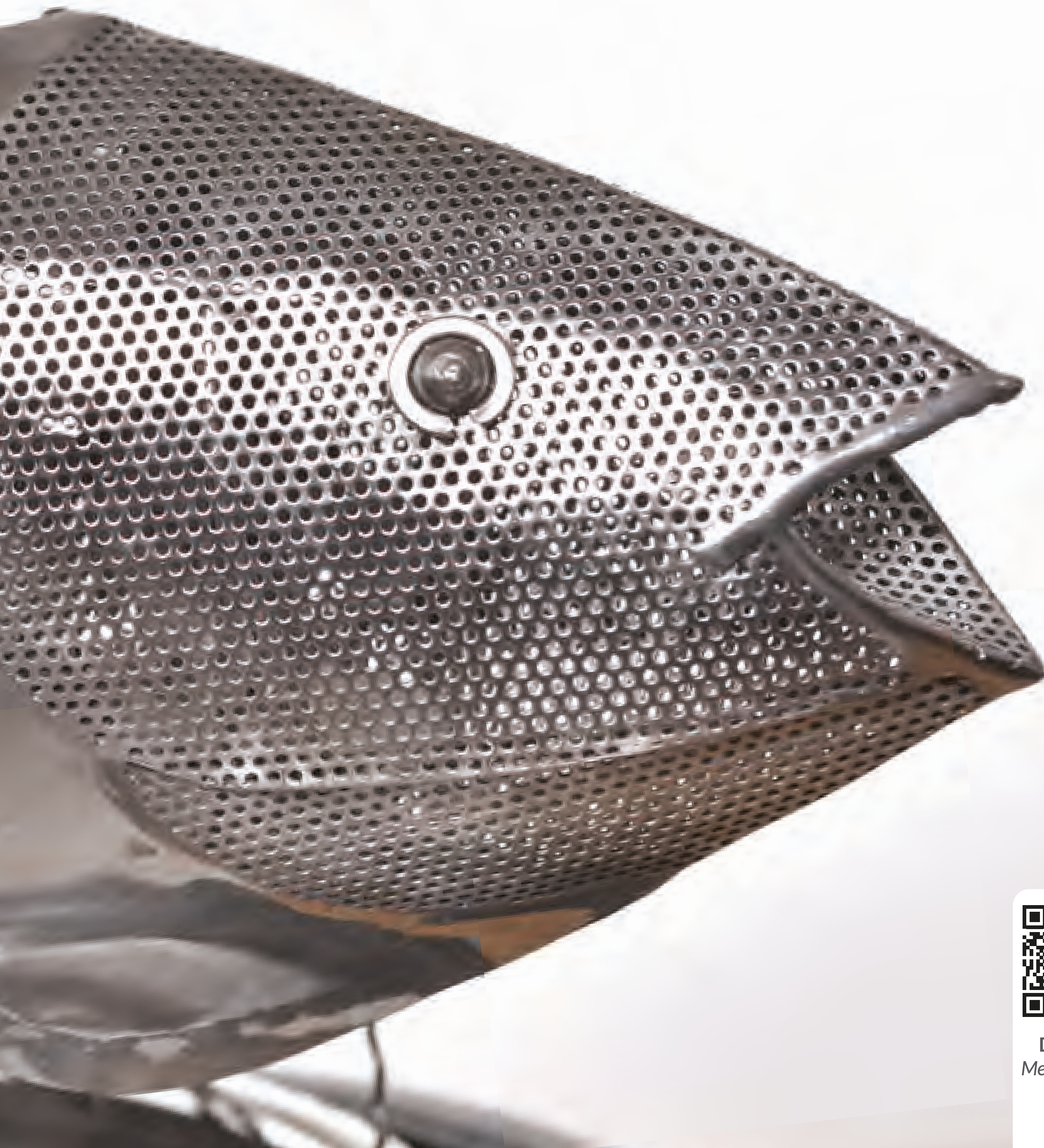
	MCB Ltd	MCB Seychelles	MCB Maldives	MCB Madagascar
	%	%	%	%
Capital adequacy ratio				
As at 30 June 2021	16.8	14.9	56.2	14.0
As at 30 June 2022	17.2	18.5	74.3	13.7
Tier 1 ratio				
As at 30 June 2021	15.8	14.3	43.1	11.3
As at 30 June 2022	16.3	15.9	58.1	10.9

Note: Figures are as per the banking entities' respective regulatory norms

Jean-Philippe COULIER
Director
Chairperson Risk Monitoring Committee

Pierre Guy NOEL
Chief Executive

Financial statements



DENIS A.
Meet the artist

Independent auditor's report to the Shareholders of MCB Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **MCB Group Limited** (the "Company" and the "Public Interest Entity") and its subsidiaries (the ''Group'') set out on pages 202 to 304, which comprise the consolidated and separate statements of financial position as at 30 June 2022, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2022, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters described below relate to the consolidated financial statements and no key audit matter was identified on the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
IFRS 9 requires the Group to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • **Model estimations** - the Group has used the Run-off triangle model to estimate ECLs for the Retail portfolio, which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). For the Wholesale portfolio, statistical models were employed for estimating the PD and LGD. The PD and LGD models used are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing a sample of the rating reports derived from the internal rating system;

Independent auditor's report to the Shareholders of MCB Group Limited (Cont'd)

Report on the audit of the consolidated and separate financial statements (Cont'd)

Key audit matters (Con'td)

Key audit matter | **How our audit addressed the key audit matter**

Provision for expected credit losses - Financial assets which are not credit impaired (cont'd)

- **Significant Increase in Credit Risk ('SICR')** - Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR- These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months.
- **Macro-Economic Forecasts** - IFRS 9 requires the measurement of ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions. Variables that were used to estimate future changes in the macro-economic environment were the credit index, the real Gross Domestic Product and the Consumer Price Index.
- **Economic scenarios** – For the wholesale portfolio, the Group has used a range of future economic conditions in light of the global pandemic of COVID-19. Three forward-looking scenarios (bull, bear and base) were probability weighted by management to determine the ECL. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment.

- Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology;
- Assessing the appropriateness of the macro- economic forecasts used;
- Independently assess probability of default, loss given default and exposure at default assumptions;
- Testing the accuracy and completeness of ECL by reperformance; and
- Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Provision for expected credit losses - Financial assets which are credit impaired

Provision for expected credit losses on credit-impaired loans and advances to customers at 30 June 2022 amount to MUR 7,399 million and the charge to profit or loss for the year amount to MUR 3,777 million.

The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment.

The details of allowance for credit impairment on loans and advances to customers are disclosed in Note 6(b)(iv) to the financial statements.

The most significant judgements are:

- whether impairment events have occurred
- valuation of collateral and future cash flows
- management judgements and assumptions used

Our audit procedures included amongst others:

- Obtaining audit evidence in respect of key controls over the processes for impairment events identification of impaired assets and impairment assessment;
- Inspecting the minutes of Impairment Management Committee, Credit Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment;
- Challenging the methodologies applied by using our industry knowledge and experience;
- Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach;

Report on the audit of the consolidated and separate financial statements (Cont'd)

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are credit impaired (Cont'd)	
	• Independently recalculate the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers.

Other information

The directors are responsible for the other information. The other information comprises the below sections:

- MCB Group at a glance;
- Reflections from the Chairperson;
- Board of Directors and Committees of the Board;
- About this report;
- Our corporate profile;
- Delivering on our strategic objectives;
- Group financial performance;
- Corporate governance report, including the Statement of directors' responsibilities and Statement of compliance;
- Company Secretary's certificate;
- Risk and capital management report; and
- Administrative information

The other information does not include the financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the Shareholders of MCB Group Limited (Cont'd)

Report on the audit of the consolidated and separate financial statements (Cont'd)

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on the audit of the consolidated and separate financial statements (Cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Financial Reporting Act 2004

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Use of this report

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Chartered Accountants

28 September 2022

Agrawal.

Vishal Agrawal, FCA
Licensed by FRC

JESSIE
Meet the artist

Statements of financial position

as at 30 June 2022

	Notes	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
ASSETS					
Cash and cash equivalents	4	**73,294**	108,706	**1,188**	588
Derivative financial instruments	5	**477**	1,083	-	-
Loans to and placements with banks	6(a)	**23,375**	39,579	-	-
Loans and advances to customers	6(b)	**325,613**	273,399	-	-
Investment securities	7	**239,684**	198,530	**440**	669
Investments in associates	8	**12,356**	12,525	**147**	147
Investments in subsidiaries	9	-	-	**13,401**	13,225
Investment properties	10	**4,799**	5,032	-	-
Goodwill and other intangible assets	11	**2,488**	2,089	-	-
Property, plant and equipment	12	**7,329**	7,199	**225**	226
Deferred tax assets	13	**2,181**	1,519	-	-
Post employee benefit asset	20	-	1,218	-	-
Other assets	14	**36,532**	32,254	**1,764**	2,000
Total assets		**728,128**	683,133	**17,165**	16,855
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	15(a)	**6,979**	18,069	-	-
Deposits from customers	15(b)	**518,677**	485,903	-	-
Derivative financial instruments	5	**536**	1,454	-	-
Other borrowed funds	16	**94,995**	77,136	-	-
Debt securities	17	**3,848**	4,007	**4,008**	4,007
Subordinated liabilities	18	**1,793**	1,984	**1,109**	1,109
Preference shares	19	**3,396**	3,396	**3,396**	3,396
Current tax liabilities		**1,295**	1,097	-	-
Deferred tax liabilities	13	**386**	347	-	-
Post employee benefit liability	20	**460**	-	-	-
Other liabilities	21	**14,721**	13,944	**1,635**	1,818
Total liabilities		**647,086**	607,337	**10,148**	10,330
Shareholders' equity					
Stated capital	22	**3,109**	2,776	**3,109**	2,776
Retained earnings		**61,612**	57,746	**3,872**	3,686
Other components of equity		**13,191**	12,370	**36**	63
Equity attributable to the equity holders of the parent		**77,912**	72,892	**7,017**	6,525
Non-controlling interests		**3,130**	2,904	-	-
Total equity		**81,042**	75,796	**7,017**	6,525
Total equity and liabilities		**728,128**	683,133	**17,165**	16,855
CONTINGENT LIABILITIES (NET)	23	**126,118**	123,001		

These financial statements were approved by the Board of Directors and authorised for issue on the 28 September 2022.

Pierre Guy NOEL
Director
Chief Executive

Didier HAREL
Director
Chairperson-Board of Directors

San T SINGARAVELLOO
Director
Chairperson-Audit Committee

The notes on pages 214 to 304 form part of these financial statements.
Auditor's report on pages 196 to 200.

Statements of profit or loss

for the year ended 30 June 2022

	Notes	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Interest income using the effective interest method	24	**18,455**	17,148	**1**	3
Interest expense	25	**(3,264)**	(2,483)	**(129)**	(72)
Net interest income		**15,191**	14,665	**(128)**	(69)
Fee and commission income	26	**8,584**	5,828	**-**	-
Fee and commission expense	27	**(2,514)**	(1,368)	**-**	-
Net fee and commission income		**6,070**	4,460	**-**	-
Profit arising from dealing in foreign currencies		**2,130**	1,360	**1**	30
Net (loss)/gain from equity financial instruments carried at fair value through profit or loss		**(518)**	919	**-**	-
Net gain from other financial instruments carried at fair value	28	**160**	223	**-**	5
Dividend income	29	**113**	104	**4,100**	2,191
Other operating income		**699**	673	**-**	356
		2,584	3,279	**4,101**	2,582
Operating income		**23,845**	22,404	**3,973**	2,513
Non-interest expense					
Salaries and human resource costs	30(a)	**(4,972)**	(4,616)	**(93)**	(85)
Depreciation of property, plant and equipment	12	**(855)**	(839)	**(1)**	(1)
Amortisation of intangible assets	11	**(525)**	(421)	**-**	-
Other	30(b)	**(2,780)**	(2,395)	**(71)**	(62)
		(9,132)	(8,271)	**(165)**	(148)
Operating profit before impairment		**14,713**	14,133	**3,808**	2,365
Net impairment of financial assets	31	**(3,481)**	(4,766)	**-**	-
Operating profit		**11,232**	9,367	**3,808**	2,365
Share of profit of associates		**799**	372	**-**	-
Profit before tax		**12,031**	9,739	**3,808**	2,365
Income tax expense	32	**(2,070)**	(1,500)	**-**	-
Profit for the year		**9,961**	8,239	**3,808**	2,365
Profit for the year attributable to:					
Ordinary equity holders of the parent		**9,637**	8,019	**3,648**	2,205
Preference shareholders		**160**	160	**160**	160
Non-controlling interests		**164**	60	**-**	-
		9,961	8,239	**3,808**	2,365
Earnings per share:					
Basic (Rs)	34(a)	**40.14**	33.51		
Diluted (Rs)	34(b)	**40.13**	33.48		

The notes on pages 214 to 304 form part of these financial statements.
Auditor's report on pages 196 to 200.

Statements of comprehensive income

for the year ended 30 June 2022

	Note	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Profit for the year		**9,961**	8,239	**3,808**	2,365
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss:					
Net fair value (loss)/gain on equity instruments		**(73)**	197	**(27)**	21
Reclassification adjustments on disposal of investments at fair value		**-**	(1)	**-**	-
Remeasurement of defined benefit pension plan, net of deferred tax	32(b)	**(1,529)**	2,108	**-**	-
Share of other comprehensive income of associates		**242**	782	**-**	-
		(1,360)	3,086	**(27)**	21
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(20)**	1,380	**-**	-
Reclassification adjustments on disposal of investments at fair value		**7**	-	**-**	-
Net fair value loss on debt instruments		**(23)**	(108)	**-**	-
Share of other comprehensive income of associates		**2**	-	**-**	-
		(34)	1,272	**-**	-
Other comprehensive (expense)/income for the year		**(1,394)**	4,358	**(27)**	21
Total comprehensive income for the year		**8,567**	12,597	**3,781**	2,386
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**8,150**	12,033	**3,621**	2,226
Preference shareholders		**160**	160	**160**	160
Non-controlling interests		**257**	404	**-**	-
		8,567	12,597	**3,781**	2,386

The notes on pages 214 to 304 form part of these financial statements.
Auditor's report on pages 196 to 200.

Statements of changes in equity

for the year ended 30 June 2022

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	Total RS'M	Non-Controlling Interests RS'M	Total Equity RS'M
		Attributable to equity holders of the parent							
GROUP									
At 1 July 2020		**2,719**	**50,460**	**2,226**	**193**	**6,947**	**62,545**	**2,549**	**65,094**
Profit for the year		-	8,179	-	-	-	8,179	60	8,239
Other comprehensive income for the year		-	2,108	544	1,362	-	4,014	344	4,358
Total comprehensive income for the year		-	10,287	544	1,362	-	12,193	404	12,597
Dividends to ordinary shareholders	33	-	(1,736)	-	-	-	(1,736)	(22)	(1,758)
Dividends to preference shareholders	33	-	(160)	-	-	-	(160)	-	(160)
Impact of disposal of subsidiary		-	-	-	-	-	-	(21)	(21)
Issue of shares following the exercise of Group Employee Share Options Scheme	22	57	-	-	-	-	57	-	57
Transactions with owners		57	(1,896)	-	-	-	(1,839)	(43)	(1,882)
Share of transfer by associate		-	16	(16)	-	-	-	-	-
Share of other movements in reserves of associate		-	(7)	-	-	-	(7)	(6)	(13)
Transfer to statutory reserve		-	(1,114)	-	-	1,114	-	-	-
At 30 June 2021		**2,776**	**57,746**	**2,754**	**1,555**	**8,061**	**72,892**	**2,904**	**75,796**
Profit for the year		-	**9,797**	-	-	-	**9,797**	**164**	**9,961**
Other comprehensive (expense)/income for the year		-	**(1,506)**	**24**	**(5)**	-	**(1,487)**	**93**	**(1,394)**
Total comprehensive income/(expense) for the year		-	**8,291**	**24**	**(5)**	-	**8,310**	**257**	**8,567**
Dividends to ordinary shareholders	33	-	**(3,462)**	-	-	-	**(3,462)**	**(32)**	**(3,494)**
Dividends to preference shareholders	33	-	**(160)**	-	-	-	**(160)**	-	**(160)**
Shares issued under the Scrip Dividend Scheme	22	**247**	-	-	-	-	**247**	-	**247**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**86**	-	-	-	-	**86**	-	**86**
Transactions with owners		**333**	**(3,622)**	-	-	-	**(3,289)**	**(32)**	**(3,321)**
Share of other movements in reserves of associate		-	**93**	**(94)**	-	-	**(1)**	**1**	-
Transfer to statutory reserve		-	**(896)**	-	-	**896**	-	-	-
At 30 June 2022		**3,109**	**61,612**	**2,684**	**1,550**	**8,957**	**77,912**	**3,130**	**81,042**

The notes on pages 214 to 304 form part of these financial statements.
Auditor's report on pages 196 to 200.

Statements of changes in equity

for the year ended 30 June 2022 (Cont'd)

COMPANY	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Total Equity RS'M
At 1 July 2020		**2,719**	**3,217**	**42**	**5,978**
Profit for the year		-	2,365	-	2,365
Other comprehensive income for the year		-	-	21	21
Total comprehensive income for the year		-	2,365	21	2,386
Dividends to ordinary shareholders	33	-	(1,736)	-	(1,736)
Dividends to preference shareholders	33	-	(160)	-	(160)
Issue of shares following the exercise of Group Employee Share Options Scheme	22	57	-	-	57
Transactions with owners		57	(1,896)	-	(1,839)
At 30 June 2021		**2,776**	**3,686**	**63**	**6,525**
Profit for the year		-	3,808	-	3,808
Other comprehensive expense for the year		-	-	(27)	(27)
Total comprehensive income/(expense) for the year		-	3,808	(27)	3,781
Dividends to ordinary shareholders	33	-	(3,462)	-	(3,462)
Dividends to preference shareholders	33	-	(160)	-	(160)
Shares issued under the Scrip Dividend Scheme	22	247	-	-	247
Issue of shares following the exercise of Group Employee Share Options Scheme	22	86	-	-	86
Transactions with owners		333	(3,622)	-	(3,289)
At 30 June 2022		**3,109**	**3,872**	**36**	**7,017**

The notes on pages 214 to 304 form part of these financial statements.
Auditor's report on pages 196 to 200.

Statements of cash flows

for the year ended 30 June 2022

	Notes	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Operating activities					
Net cash flows from trading activities	36	**31,772**	2,848	**4,413**	42
Net cash flows from other operating activities	37	**(63,231)**	35,533	**-**	-
Dividends received from associates		**457**	134	**-**	-
Dividends paid to ordinary shareholders		**(3,765)**	-	**(3,765)**	-
Dividends paid to preference shareholders		**(160)**	(160)	**(160)**	(160)
Dividends paid to non-controlling interests in subsidiaries		**(32)**	(22)	**-**	-
Income tax paid		**(2,247)**	(2,341)	**-**	(1)
Net cash flows from operating activities		**(37,206)**	35,992	**488**	(119)
Investing activities					
Net refund of subordinated loan by associate		**346**	-	**-**	-
Investment in associate		**-**	(4)	**-**	(4)
Additions to investment property		**-**	(1)	**-**	-
Purchase of property, plant and equipment		**(1,079)**	(1,013)	**-**	-
Purchase of intangible assets		**(999)**	(786)	**-**	-
Proceeds from sale of property, plant and equipment		**82**	123	**-**	-
Disposal of subsidiary, net of cash disposed		**-**	371	**-**	-
Consideration received on disposal of subsidiary		**-**	-	**-**	436
Investment in subsidiary	9(b)	**-**	-	**-**	(2,000)
Net subordinated loan granted to subsidiaries		**-**	-	**(176)**	(154)
Net investment in securities		**-**	-	**202**	231
Net cash flows from investing activities		**(1,650)**	(1,310)	**26**	(1,491)
Net cash flows before financing activities		**(38,856)**	34,682	**514**	(1,610)
Financing activities					
Employee share options exercised	22	**86**	57	**86**	57
Issue of floating rate notes	17	**-**	2,000	**-**	2,000
Repayment of lease liabilities		**(72)**	(69)	**-**	-
Refund of subordinated liability	18	**(225)**	(179)	**-**	-
Net cash flows from financing activities		**(211)**	1,809	**86**	2,057
(Decrease)/Increase in cash and cash equivalents		**(39,067)**	36,491	**600**	447
Net cash and cash equivalents at 1 July		**108,768**	71,141	**588**	141
Effect of foreign exchange rate changes		**1,073**	1,136	**-**	-
Net cash and cash equivalents at 30 June	4	**70,774**	108,768	**1,188**	588

The notes on pages 214 to 304 form part of these financial statements.
Auditor's report on pages 196 to 200.

General information

MCB Group Limited ("the Company") was incorporated as a public company limited by shares on 5 August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The Company is listed on the Official Market of the Stock Exchange of Mauritius.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of banking and financial services in the Indian Ocean region and beyond.

Index to notes to the financial statements

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Act 2004 and in compliance with the Mauritian Companies Act 2001.

The Board at the time of approving the financial statements is not aware of any uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis.

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

The financial statements include the consolidated financial statements of the parent company MCB Group Limited and its subsidiary companies (The Group) and the separate financial statements of the parent company (The Company).

The financial statements have been prepared under the historical cost convention, except for certain specific classes of Property, Plant and Equipment, namely agricultural land and factory buildings, which are carried at revalued amounts/deemed costs.

New and amended standards adopted by the Group

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 July 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Group in the current reporting period. For this financial year, the following has been adopted:

Interest Rate Benchmark Reform Phase 2

Following the decision to replace the IBOR with alternative risk free rates in 2018, the IASB has undertaken a two phased project. The phase 1 amendments provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by IBOR reform. This was not applicable to the Group.

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 that addresses issues that arise from the implementation of the reforms and the replacement of one benchmark with another nearly risk free rate. The amendments apply only to changes required by the reform to the financial instruments and hedging relationships. It addresses the effects of the reform on a company's financial statements that arise when for example an interest rate benchmark used to calculate interest on a financial instrument is replaced with an alternative benchmark rate.

The amendments affect the following key areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform
- Relief from specific hedge accounting requirements (Not applicable to the Group)
- Disclosure requirements

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform

The Group will apply the practical expedient as prescribed in the amendment to IFRS 9. In other words, for instruments measured at amortised cost, the Group will account for a change in the basis for determining the contractual cash flows as a result of the IBOR reform by updating the effective interest rate. As a result no gain or loss is recognised. It applies only to change as a direct consequence of the IBOR reform and the new basis is economically equivalent to the previous basis.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

Interest Rate Benchmark Reform Phase 2 (Cont'd)

Disclosure requirements

IFRS 7 was amended to require a company to make additional disclosures in its financial statements so that investors can better understand the reform's effect on the company. The Group is required to disclose:

- How it is managing the transition, its progress at the reporting date and the risks it is exposed to arising from the financial instruments as a result of the transition.
- Quantitative information about derivatives and non-derivatives that have yet to transition to an alternative benchmark rate as at the reporting date.
- A description of any changes to the risk management strategy as a result of IBOR reform.

Impact of the reform on the Group

- A LIBOR Transition Steering Committee, made up of Directors and Senior Executives of the Group was set up to oversee the smooth transition to an alternative rate and to ensure all risks associated with the migration are properly identified and managed.
- Subcommittees of the LIBOR Transition Steering Committee were also set up to review and execute required changes to IT systems and operational processes.
- Training, communication and client engagement were conducted to facilitate appropriate selection of new rates and products.
- Dedicated teams have been put in place to support the transition.
- Legacy contracts referencing LIBOR settings that were demised by end-2021 were successfully transitioned.
- Issuance of Libor-based contracts were ceased as from January 2022.
- Risks arising from Ibor transition are continuously assessed, monitor and dynamically manage, and mitigating controls are implemented as and when required.

Transition of legacy contracts

All IBOR lending contracts in Pounds Sterling, Swiss Franc, Euro and Japanese Yen have successfully transited to a new Risk Free Rate via appropriate fallback mechanism. The transition of USD contracts will follow the same principle. The Group will continue to communicate with its customers and investors in a structured manner for the remaining contracts that are yet to be transited to the new rate.

Note 40 provides the required disclosures related to these amendments.

Amendment effective as at 1 January 2021 but which is not applicable to the Group

- IFRS 16 Leases - Covid 19 Related Rent Concessions amendments.

New and revised standards in issue but not yet effective

Amendments to IAS 1- Classification of Liabilities as Current or Non-current

The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

Amendment effective as at 1 January 2021 but which is not applicable to the Group (Cont')

Amendments to IFRS 3 - Business combinations regarding the definition of a business

The Amendments to IFRS 3 intends to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework). The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It further clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whilst changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 12 - Deferred Tax related to assets and liabilities arising from a single transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments resulting from annual improvements 2018 - 2020 Cycle for the following standards

The following changes are effective for annual reporting periods beginning on or after 1 January 2022:

IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

These amendments will be applied in the financial statements for the annual periods beginning on the respective dates.

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting

(1) (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities and contingent liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiaries companies are carried at cost. In subsequent years, the carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests without loss of control are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting (Cont'd)

(2) Associates

An associate is an entity over which the Group has significant influence but no control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the separate financial statements of the Company, the investments in associates are carried at cost (which includes transaction costs). In subsequent years, the carrying amount is reduced to recognise any impairment in the value of the individual companies.

(c) Foreign currency translation

The foreign subsidiaries' statement of financial position are translated to Mauritian Rupees at the closing rate at the end of the reporting period. Their statements of profit or loss, comprehensive income and cash flows are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency

Items included in the financial statement of Group are measured using the currency of the primary economic environment in which the Group operates ("functional currency"). The consolidated and separate financial statements are presented in Mauritian Rupees ("Rs"), which is the Company's functional currency. All amounts are in million except as otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are remeasured.

1. Significant accounting policies (Cont'd)

(c) Foreign currency translation (Cont'd)

(ii) Transactions and balances (Cont'd)

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(d) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates, commodities or other indices. Derivatives are recognised initially at fair value and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Interest income

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for :

(i) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(g) Fees and commissions

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1. Significant accounting policies (Cont'd)

(h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the repos agreements using the effective interest method.

(i) Investments, other financial assets and financial liabilities

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investment in debt instruments measured at fair value through other comprehensive income, as described in note 7, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the differences as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, treasury bills, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments.

Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured at amortised cost, and
- those to be measured subsequently at fair value (either through OCI or through profit or loss).

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Amortised cost and effective interest rate

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition- the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in net gain from other financial instruments carried at fair value. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans originated by the Group by providing money directly to the borrower (at draw-down) are categorized as loans by the Group and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the fair value are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net gain from other financial instruments carried at fair value. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in profit arising from dealing in foreign currencies in the statement of profit or loss and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in net gain from other financial instruments carried at fair value in the statement of profit or loss in the year in which it arises.

Debt instruments

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows, that is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

For assets measured at fair value, all gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through comprehensive income. The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established.

Gains or losses on equity investments at FVPL are included in the 'Net (loss)/gain from equity financial instruments carried at fair value through profit or loss' line in the statement of profit or loss.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors:

(i) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

(ii) Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

(iii) Significant extension of the loan term when the borrower is not in financial difficulty.

(iv) Significant change in the interest rate.

(v) Change in the currency the loan is denominated in.

(vi) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Modification of loans (Cont'd)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss in net impairment of financial assets.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership nor the Group has retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial instruments, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit and loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of profit or loss (the remaining amount of change in the fair value of the liability.) This is applicable unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in statement of profit or loss;

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Financial Liabilities (Cont'd)

(i) Classification and subsequent measurement (Cont'd)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as describe in note 23). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instruments.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(j) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

1. Significant accounting policies (Cont'd)

(j) Impairment of financial assets (Cont'd)

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Write off Policy

Financial Assets are written off either partially or in its entirety when the Group has no reasonable expectations of recovering them. This occurs when the Group determines that the customer does not have the capacity to repay the amount due or the collateral given by the customer is not sufficient to cover the exposure. The write off does not mean that the Group has forfeited its legal right to claim the sums due. The Group retains the right to proceed with enforcement actions under the Group's recovery procedure and any recovery will be recognised in the statement of profit or loss under 'Net impairment of financial assets' as recoveries of advances written off.

Definition of Default

The definition of default is critical to the determination of the ECL. It is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.
The Group considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Group; or
- The borrower is unlikely to pay its credit obligations in full to the Group

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or accounts are overdrawn for more than 90 days. When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as breach of covenants and financial performance. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources such as BOM guidelines on impairment.

(k) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Investment property comprise of hotel property that is occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income. The building is substantially rented to a tenant and is not intended to be sold in the ordinary course of business. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

For the purpose of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

1. Significant accounting policies (Cont'd)

(l) Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill on acquisition of associates is included in investments in associates. According to IAS 36, goodwill is tested for impairment on an annual basis, or more frequently when there are indications that an impairment may have occurred. Impairment is tested by comparing the carrying amount of the cash-generating unit (CGU), including the goodwill, with the recoverable amount of the CGU. If the recoverable amount of the CGU exceeds its carrying amount, the CGU and the goodwill allocated to that CGU is not impaired. If the carrying amount of the CGU exceeds the recoverable amount of the CGU, the Group recognises an impairment loss. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

(m) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated to write down the cost of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and other equipment	5-10 years
Furniture, fittings and vehicles	5-15 years

Land and work in progress are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their disposal proceeds and their carrying amounts and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(n) Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- The directors intend to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of ten years.

1. Significant accounting policies (Cont'd)

(o) Leases

Assets acquired under finance leases are accounted for at inception, at fair value, or if lower at the present value of the minimum lease payments and depreciated over their estimated useful lives. A corresponding liability is recorded as outstanding lease obligations.

Lease payments are apportioned between the liability and the finance charge so as to achieve a constant periodic rate of interest on the outstanding lease obligations.

Leased assets are depreciated over the shorter of the useful life of the asset and the lease terms.

In applying IFRS 16 , the Group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(p) Accounting for leases - where the subsidiary is the lessor

Finance leases

The Group's subsidiary is engaged in the provision of leases to both individuals and corporates. The portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Group, the risks associated with the lease portfolio was monitored through rigorous credit assessment, determining the financed amount as part of the cost of the asset based on the customers' credit risk profile, setting up buy back agreements with suppliers for assets with high residual values, amongst others.

(i) Recognition and initial measurement

When assets are leased out under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and interest income to reimburse and reward the lessor for its investment and services.
Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. The Group aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's finance lease receivable.
Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Estimated unguaranteed residual values used in computing the Group's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised and any reduction in respect of amounts accrued is recognised immediately.

(q) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise unrestricted cash and balances with Central Bank, treasury bills and amounts due to and from other banks which are short term, highly liquid with original maturities of 90 days or less, and borrowings of original maturities of 90 days or less that can fluctuate in value changing from an asset to a liability and vice versa across periods. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

1. Significant accounting policies (Cont'd)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(s) Deposits from banks and customers

Deposits from banks and customers are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

(t) Employee benefits

The Group operates a number of defined benefit and defined contribution plans and provides for the requirements under the Workers' Rights Act (WRA) 2019. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commercial Bank Limited Superannuation Fund.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the notes.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

As from 1 July 2015, the Group has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees.
With the introduction of DCCB, new employees automatically join the DCCB scheme, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

Option A: To stay in the Defined Benefit (DB) scheme for all service.

Option B: To keep the accrued past pension benefits until 30 June 2015 in the DB scheme and join the DCCB scheme as from 1 July 2015.

Option C: To join the DCCB scheme as from 1 July 2015 and transfer the total accrued benefits as at 30 June 2015 from the DB scheme into the DCCB scheme.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 20 to the financial statements.

1. Significant accounting policies (Cont'd)

(t) Employee benefits (Cont'd)

(ii) Defined benefit plans (Cont'd)

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

(iii) Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers' Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

(iv) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary difference can be utilised.

1. Significant accounting policies (Cont'd)

(v) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(w) Dividend declared and unpaid

Dividend declared and unpaid to the Company's shareholders at reporting date is recognised as a liability in the period in which dividend is declared.

(x) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to segments and assess their performance, and for which discrete financial information are available.

Detailed analysis of segment reporting is shown in note 38 to the financial statements.

(z) Stated capital

(i) Ordinary shares are classified as equity.

(ii) Share issue costs are incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

(ab) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1. Significant accounting policies (Cont'd)

(ac) Share-based payments

Share-based compensation benefits are provided to all employees via the Group Employee Share Option Scheme (GESOS). Information relating to this scheme is set out in note 30 (c).

The fair value of options granted under the GESOS is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

(ad) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the reporting year.

2. Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the directors consider the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Additional disclosure on pension benefits are shown in Note 20.

(b) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets. The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(d) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the Risk and Capital Management report, which also sets out the key sensitivities of the ECL to changes in those elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

2. Critical accounting estimates and judgements (Cont'd)

(d) Measurement of expected credit loss allowance (Cont'd)

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward looking scenarios for each type of market and associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

Detailed information about the judgements and estimates made by the Group in above areas is set out in the Risk and Capital Management report.

Impact of COVID-19

The ECL models set up by the Group are driven by internal and external data and this required significant judgements and estimates in relation to the determination of forward-looking information, defining elements of a significant increase in credit risk and staging of financial instruments.

The economic outlook of the markets in which the Group is present has been impacted by the ongoing COVID-19 pandemic. The consequent impact on the Group is uncertain, thereby increasing the degree of judgement required to be exercised in calculating ECL:

- Models used to calculate ECL are inherently complex and judgement is applied in determining the appropriateness of the ECL model.

- A number of inputs assumptions are made by the Group concerning the values of inputs to the models and how the inputs correlate with one another; including the incorporation of the current macro-economic scenario through the forward-looking information.

- Evidence of significant increase in credit risk and hence the relevant staging and credit ratings of the Group's clients. These were analysed either by industry sector and nature of business activities at the level of each individual client to reflect the more pervasive impact of COVID-19, data and model limitations.

The Group also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event, the amount and timing of their expected future cashflows as well as the determination of the value of collaterals, when taking into account the impact of COVID-19.

(e) Significant influence in Banque Française Commerciale Ocean Indien

The Group holds 49.99% of Banque Française Commerciale Ocean Indien (BFCOI) and it is considered as an associate. The directors consider that the Group only has significant influence over BFCOI since it does not have the practical ability to control the relevant activities of BFCOI.

(f) Property valuation

In arriving at the fair value of the properties, which was determined on an income approach basis, the directors in consultation with the independent valuers had to make assumptions and estimates that were mainly based on market conditions existing at 30 June 2022. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

(g) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value of the recoverable amount.

3. Financial risk management

(a) Financial risk management

The Group is actively engaged in delivery of financial services, which includes retail and commercial banking, treasury services, custody, credit card. Managing financial risk is a fundamental part of its business activity. The main sources of financial risk that the Group faces arise from financial instruments, which are fundamental to the Group's business and constitute the core of its operations.

The Group has exposure to the following risks from financial instruments:
(i) Credit Risk
(ii) Liquidity Risk
(iii) Market risk (including interest rate and foreign currency risk)

The Group devotes considerable resources to measure, manage, mitigate and control each of these risks and ensures that its risk management systems and procedures are fitted to meet the needs of the business. The Group's risk management policies and processes are designed to identify and analyse these risks, set appropriate risk appetites, limits and controls and to constantly monitor the risks and adherence to limits.

Given that The Mauritius Commercial Bank Limited (the Bank) comprises a significant portion of the Group, the details provided below relate mainly to the Bank, unless otherwise stated.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfil their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality

The following tables set out the credit quality of exposures measured at amortised cost by different segments.

At 30 June 2022

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Portfolio										
Retail	51,316	319	50,997	843	395	448	1,211	358	143	853
Wholesale	684,284	4,283	680,001	16,384	2,644	13,740	11,173	3,964	1,120	7,209
Total	735,600	4,602	730,998	17,227	3,039	14,188	12,384	4,322	1,263	8,062
Retail										
Housing loans	33,522	96	33,426	582	248	334	643	179	35	464
Small and medium enterprise	8,668	80	8,588	78	38	40	296	75	33	221
Unsecured and revolving	4,477	91	4,386	86	62	24	124	79	14	45
Other secured loans	4,649	52	4,597	97	47	50	148	25	61	123
Total retail	51,316	319	50,997	843	395	448	1,211	358	143	853
Wholesale										
Sovereign	262,503	102	262,401	-	-	-	71	7	3	64
Financial institutions	48,985	515	48,470	-	-	-	-	-	-	-
Project finance	8,537	172	8,365	421	85	336	-	-	-	-
Energy & Commodities	193,208	358	192,850	3,974	357	3,617	1,647	754	67	893
Corporate	171,051	3,136	167,915	11,989	2,202	9,787	9,455	3,203	1,050	6,252
Total wholesale	684,284	4,283	680,001	16,384	2,644	13,740	11,173	3,964	1,120	7,209

The Bank allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement. For the wholesale portfolio, credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of the borrower. It involves assigning a rating to each counterparty according to an internal scale of 1 to 20.

The following table presents the Bank's internal rating scale and the corresponding scale of Moody's Investors Service.

Internal rating	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Moody's equivalent rating	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	D

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below:

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Total Wholesale									
2	48,490	-	-	1	-	-	48,489	-	-
3	13,684	-	-	-	-	-	13,684	-	-
4	9,140	-	-	-	-	-	9,140	-	-
5	9,680	-	-	4	-	-	9,676	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	206,315	-	-	45	-	-	206,270	-	-
9	309	-	-	1	-	-	308	-	-
10	11,626	-	-	2	-	-	11,624	-	-
11	10,182	66	-	84	1	-	10,098	65	-
12	77,477	81	-	379	2	-	77,098	79	-
13	62,705	35	-	358	1	-	62,347	34	-
14	145,611	3,188	-	1,371	224	-	144,240	2,964	-
15	63,219	3,567	-	1,299	315	-	61,920	3,252	-
16	14,649	3,610	-	622	922	-	14,027	2,688	-
17	2,320	3,989	-	73	680	-	2,247	3,309	-
18	1,649	907	-	34	197	-	1,615	710	-
19	5	941	-	-	302	-	5	639	-
20	-	-	11,173	-	-	3,964	-	-	7,209
Total	684,284	16,384	11,173	4,283	2,644	3,964	680,001	13,740	7,209
Sovereign									
2	48,490	-	-	1	-	-	48,489	-	-
3	8,377	-	-	-	-	-	8,377	-	-
4	1,355	-	-	-	-	-	1,355	-	-
8	202,632	-	-	43	-	-	202,589	-	-
14	223	-	-	1	-	-	222	-	-
17	1,426	-	-	57	-	-	1,369	-	-
20	-	-	71	-	-	7	-	-	64
Total	262,503	-	71	102	-	7	262,401	-	64

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Financial Institutions									
3	388	-	-	-	-	-	388	-	-
4	23	-	-	-	-	-	23	-	-
5	3,405	-	-	3	-	-	3,402	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	3,683	-	-	2	-	-	3,681	-	-
9	309	-	-	1	-	-	308	-	-
10	11,486	-	-	1	-	-	11,485	-	-
11	1,402	-	-	3	-	-	1,399	-	-
12	478	-	-	3	-	-	475	-	-
13	2,822	-	-	31	-	-	2,791	-	-
14	3	-	-	-	-	-	3	-	-
15	8,882	-	-	189	-	-	8,693	-	-
16	7,406	-	-	261	-	-	7,145	-	-
18	1,470	-	-	11	-	-	1,459	-	-
19	5	-	-	-	-	-	5	-	-
20	-	-	-	-	-	-	-	-	-
Total	48,985	-	-	515	-	-	48,470	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
12	2,746	-	-	29	-	-	2,717	-	-
13	2,731	-	-	15	-	-	2,716	-	-
14	2,212	-	-	60	-	-	2,152	-	-
15	149	-	-	3	-	-	146	-	-
16	523	-	-	43	-	-	480	-	-
17	-	421	-	-	85	-	-	336	-
18	176	-	-	22	-	-	154	-	-
Total	8,537	421	-	172	85	-	8,365	336	-

	Gross exposure			Expected credit loss			Net exposure		
Energy & Commodities									
3	4,919	-	-	-	-	-	4,919	-	-
4	7,762	-	-	-	-	-	7,762	-	-
5	6,275	-	-	1	-	-	6,274	-	-
12	29,790	-	-	54	-	-	29,736	-	-
13	31,630	-	-	24	-	-	31,606	-	-
14	80,781	1,756	-	165	88	-	80,616	1,668	-
15	28,731	-	-	49	-	-	28,682	-	-
16	2,426	-	-	49	-	-	2,377	-	-
17	894	2,218	-	16	269	-	878	1,949	-
20	-	-	1,647	-	-	754	-	-	893
Total	193,208	3,974	1,647	358	357	754	192,850	3,617	893

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Corporate									
10	140	-	-	1	-	-	139	-	-
11	8,780	66	-	81	1	-	8,699	65	-
12	44,463	81	-	293	2	-	44,170	79	-
13	25,522	35	-	288	1	-	25,234	34	-
14	62,392	1,432	-	1,145	136	-	61,247	1,296	-
15	25,457	3,567	-	1,058	315	-	24,399	3,252	-
16	4,294	3,610	-	269	922	-	4,025	2,688	-
17	-	1,350	-	-	326	-	-	1,024	-
18	3	907	-	1	197	-	2	710	-
19	-	941	-	-	302	-	-	639	-
20	-	-	9,455	-	-	3,203	-	-	6,252
Total	171,051	11,989	9,455	3,136	2,202	3,203	167,915	9,787	6,252

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

The following tables set out the credit quality of exposures measured at amortised costs by different segments.

At 30 June 2021

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Portfolio										
Retail	49,870	220	49,650	874	475	399	1,912	575	224	1,337
Wholesale	585,873	3,410	582,463	34,835	4,344	30,491	7,857	3,209	1,624	4,648
Total	**635,743**	**3,630**	**632,113**	**35,709**	**4,819**	**30,890**	**9,769**	**3,784**	**1,848**	**5,985**
Retail										
Housing loans	31,377	54	31,323	427	223	204	797	208	52	589
Small and medium enterprise	8,983	48	8,935	189	102	87	642	210	84	432
Unsecured and revolving	4,734	100	4,634	99	68	31	187	104	21	83
Other secured loans	4,776	18	4,758	159	82	77	286	53	67	233
Total retail	**49,870**	**220**	**49,650**	**874**	**475**	**399**	**1,912**	**575**	**224**	**1,337**
Wholesale										
Sovereign	170,653	38	170,615	-	-	-	128	3	1	125
Financial institutions	131,252	319	130,933	-	-	-	3	1	-	2
Project finance	8,380	299	8,081	-	-	-	295	253	1	42
Energy & Commodities	130,152	312	129,840	6,946	473	6,473	1,014	626	251	388
Corporate	145,436	2,442	142,994	27,889	3,871	24,018	6,417	2,326	1,371	4,091
Total wholesale	**585,873**	**3,410**	**582,463**	**34,835**	**4,344**	**30,491**	**7,857**	**3,209**	**1,624**	**4,648**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below:

At 30 June 2021

	Gross exposure			Expected credit loss			Net exposure		
	12 months RS'M	Lifetime not credit impaired RS'M	Lifetime credit impaired RS'M	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	12 months RS'M	Lifetime not credit impaired RS'M	Lifetime credit impaired RS'M
Internal Rating									
Total Wholesale									
2	21,690	-	-	1	-	-	21,689	-	-
3	16,422	-	-	2	-	-	16,420	-	-
4	5	-	-	-	-	-	5	-	-
5	59,267	-	-	33	-	-	59,234	-	-
6	4,968	-	-	1	-	-	4,967	-	-
7	142,813	-	-	27	-	-	142,786	-	-
8	6,536	-	-	2	-	-	6,534	-	-
9	10,820	-	-	6	-	-	10,814	-	-
10	6,583	-	-	1	-	-	6,582	-	-
11	1,195	1	-	4	-	-	1,191	1	-
12	23,134	8	-	89	-	-	23,045	8	-
13	97,928	819	-	423	41	-	97,505	778	-
14	63,512	2,027	-	468	99	-	63,044	1,928	-
15	100,147	11,684	-	1,334	684	-	98,813	11,000	-
16	19,931	6,806	-	610	1,001	-	19,321	5,805	-
17	6,385	9,706	-	309	1,742	-	6,076	7,964	-
18	4,343	2,205	-	75	415	-	4,268	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	7,857	-	-	3,209	-	-	4,648
Total	**585,873**	**34,835**	**7,857**	**3,410**	**4,344**	**3,209**	**582,463**	**30,491**	**4,648**
Sovereign									
2	21,690	-	-	1	-	-	21,689	-	-
3	7,559	-	-	-	-	-	7,559	-	-
7	140,500	-	-	24	-	-	140,476	-	-
15	472	-	-	4	-	-	468	-	-
16	432	-	-	9	-	-	423	-	-
20	-	-	128	-	-	3	-	-	125
Total	**170,653**	**-**	**128**	**38**	**-**	**3**	**170,615**	**-**	**125**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2021

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Financial Institutions									
3	8,863	-	-	2	-	-	8,861	-	-
4	5	-	-	-	-	-	5	-	-
5	59,267	-	-	33	-	-	59,234	-	-
6	4,968	-	-	1	-	-	4,967	-	-
7	2,313	-	-	3	-	-	2,310	-	-
8	6,536	-	-	2	-	-	6,534	-	-
9	10,820	-	-	6	-	-	10,814	-	-
10	5,879	-	-	-	-	-	5,879	-	-
11	766	-	-	2	-	-	764	-	-
12	1,271	-	-	2	-	-	1,269	-	-
13	13,551	-	-	28	-	-	13,523	-	-
14	145	-	-	2	-	-	143	-	-
15	9,028	-	-	142	-	-	8,886	-	-
16	3,830	-	-	50	-	-	3,780	-	-
18	4,010	-	-	46	-	-	3,964	-	-
20	-	-	3	-	-	1	-	-	2
Total	**131,252**	**-**	**3**	**319**	**-**	**1**	**130,933**	**-**	**2**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2021

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
13	3,348	-	-	18	-	-	3,330	-	-
14	182	-	-	2	-	-	180	-	-
15	1,332	-	-	27	-	-	1,305	-	-
16	2,910	-	-	194	-	-	2,716	-	-
17	394	-	-	39	-	-	355	-	-
18	214	-	-	19	-	-	195	-	-
20	-	-	295	-	-	253	-	-	42
Total	**8,380**	**-**	**295**	**299**	**-**	**253**	**8,081**	**-**	**42**
Energy & Commodities									
12	4,474	-	-	-	-	-	4,474	-	-
13	36,687	439	-	50	22	-	36,637	417	-
14	29,434	1,323	-	20	66	-	29,414	1,257	-
15	55,615	2,854	-	165	52	-	55,450	2,802	-
16	780	-	-	14	-	-	766	-	-
17	3,162	2,330	-	63	333	-	3,099	1,997	-
20	-	-	1,014	-	-	626	-	-	388
Total	**130,152**	**6,946**	**1,014**	**312**	**473**	**626**	**129,840**	**6,473**	**388**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2021

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Corporate									
10	704	-	-	1	-	-	703	-	-
11	429	1	-	2	-	-	427	1	-
12	17,389	8	-	87	-	-	17,302	8	-
13	44,342	380	-	327	19	-	44,015	361	-
14	33,751	704	-	444	33	-	33,307	671	-
15	33,700	8,830	-	996	632	-	32,704	8,198	-
16	11,979	6,806	-	343	1,001	-	11,636	5,805	-
17	2,829	7,376	-	207	1,409	-	2,622	5,967	-
18	119	2,205	-	10	415	-	109	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	6,417	-	-	2,326	-	-	4,091
Total	**145,436**	**27,889**	**6,417**	**2,442**	**3,871**	**2,326**	**142,994**	**24,018**	**4,091**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

The Bank defines "rescheduling" as any amendment to restructuring or rescheduling of any exposure and includes concession, relaxation, forgiveness or postponement of any material term or condition of the original sanction. The underlying allowance for credit loss is realised wherever there is a material economic loss.

The following table provides information on financial assets which were restructured while they had a loss allowance measured at an amount equal to lifetime ECL.

	2022 RS'M	2021 RS'M
Amortised cost before restructure	**24**	741
Net modification gain or loss	**3**	44
Gross carrying amount at the end of the reporting year when the loss allowance was measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the year to an amount of 12 months ECL	**7**	2

Assets obtained by taking possession of collateral

Details of assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at 30 June are shown below:

	2022 RS'M	2021 RS'M
Property	**101**	79

Maximum exposure to credit risk - Financial instruments measured at fair value through profit or loss:

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. fair value through profit or loss).

	GROUP	
	2022 RS'M	2021 RS'M
Derivative financial instruments	**477**	1,083
Investment securities	**2,077**	19,571

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

The Group`s potential credit losses are mitigated through a range of instruments including collaterals and credit protection such as cash, real estate, marketable securities, inventories, standby letters of credit and other physical and/or financial collateral.

Credit risk policies are in place to determine the eligibility of collateral to mitigate the credit risk assumed and appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature, quality and liquidity of the collateral.

In the event of default, the Group has the ability to call on the different types of collaterals which in turn are driven by portfolio, product or counterparty type.

Fixed and floating charges on properties and other assets constitute the bulk of our collateral while cash and marketable securities are immaterial.

Long-term finance and lending to corporate entities are generally secured whilst revolving individual credit facilities are generally unsecured. When the borrower's credit worthiness is not sufficient to justify an extension of credit, corporate guarantees are required.

In extending credit facilities to small and medium sized enterprises, the Group often takes continuing guarantees as a form of moral support from the principal directors. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities.

For derivatives, repurchase agreements with financial market counterparties, collateral arrangements are covered under market-standard documentation such as International Swaps and Derivatives Association Agreements (ISDA) and Master Repurchase Agreements.

Sensitivity analysis

As part of IFRS 9, the Group needs to convert the Through The Circle (TTC) PDs to Point In Time (PIT) PDs.

This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

Macroeconomic variables used for the Forward-Looking PDs (Probability of Default)

<u>Wholesale Portfolio</u>

The variables used for the inclusion of forward-looking aspects to our PDs i.e. for the conversion of TTC PDs to PIT PDs are as follows:

- Credit index (-2)*
- Credit index (-1)*
- GDP growth
- ln (lending rate)

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Sensitivity analysis (Cont'd)

Retail Portfolio

The retail portfolio is broken into SME, housing, secured and unsecured.
The following macroeconomic variables have been used for the respective portfolio:

(a) SME	Ln (GDP at basic prices) Average Lending rate
(b) Housing	Ln (GDP at basic prices) Unemployment rate for the year
(c) Secured	Ln (GDP at market prices) Average lending rate
(d) Unsecured	Ln (GDP at basic prices) Average CPI Average lending rate

Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Group to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital, classified by industry sectors.

	GROUP	
	2022 RS'M	2021 RS'M
Agriculture and fishing	**342**	275
Manufacturing	**9,787**	916
of which EPZ	***80***	*74*
Tourism	**13,413**	12,924
Transport	**242**	9,080
Construction	**6,431**	10,589
Financial and business services	**8,784**	31,188
Traders	**220,054**	53,168
Global Business Licence holders	**8,193**	8,788
Others	**8,808**	8,444
	276,054	135,372

3. Financial risk management (Cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and market credit spreads will affect the Bank's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The market risk management policies at the Bank are set by the Board Risk Monitoring Committee and executive management of this class of risk is delegated to the Risk BU and Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

(i) Price risk

The Group is exposed to equity securities price risk because of investments held and classified as FVOCI and FVPL financial assets. The table below summarises the impact of increases/decreases in fair value of the investments on the Group's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP	
	2022 RS'M	2021 RS'M
Financial assets at fair value through other comprehensive income	243	463
Financial assets at fair value through profit or loss	379	1,276
	622	1,739

(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Group's foreign currency positions. Exposure resulting from trading activities is monitored through the use of limits. Limits are given to the individual trader and monitored by the Head of Financial Markets. Such limits include daily stop-loss and position limits. Overall exposure to foreign exchange including those resulting from non-trading activities is monitored against both the regulatory guideline and an internal target validated by ALCO.

The Group uses the Value-at-Risk (VaR) to measure its market price risk. VaR is the statistical representation of financial risk, expressed as a number, based on consistent modelling of past data and/or simulation of possible future movements, applied to a particular risk position, asset or portfolio.

The VaR model used by the Group is based upon a 99 percent one-tailed confidence level and assumes a ten-day holding period, with market data taken from the previous one year.

VaR Analysis - Foreign Exchange Risk	GROUP			
	As at 30 June	Average	Maximum	Minimum
2022 (RS'M)	**(29)**	**(35)**	**(53)**	**(18)**
2021 (RS'M)	(37)	(37)	(92)	(13)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP
At 30 June 2022

	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	11,785	13,432	4,805	32,072	2,540	64,634
Derivative financial instruments	71	-	-	367	-	438
Loans to and placements with banks	1,723	21,941	-	(29)	772	24,407
Loans and advances to customers	26,512	174,088	436	117,231	253	318,520
Investment securities	9,150	52,751	1,355	159,924	-	223,180
Other financial assets	1,374	2,586	228	20,800	314	25,302
	50,615	264,798	6,824	330,365	3,879	656,481
Less allowances for credit impairment						(12,742)
						643,739
Subsidiaries, net of eliminations						48,359
Total						692,098
Financial liabilities						
Deposits from banks	1,246	9,064	256	707	45	11,318
Deposits from customers	44,522	162,839	6,578	262,134	5,030	481,103
Derivative financial instruments	-	87	-	410	-	497
Other borrowed funds	1,853	90,718	-	-	184	92,755
Debt securities	-	-	-	3,848	-	3,848
Subordinated liabilities	-	684	-	1,109	-	1,793
Preference shares	-	-	-	3,396	-	3,396
Other financial liabilities	160	328	51	1,966	32	2,537
	47,781	263,720	6,885	273,570	5,291	597,247
Subsidiaries, net of eliminations						38,817
Total						636,064
Net on-balance sheet position	2,834	1,078	(61)	56,795	(1,412)	59,234
Less allowances for credit impairment						(12,742)
Subsidiaries, net of eliminations						9,542
						56,034
Off balance sheet net notional position	6,835	11,512	603	-	1,081	20,031
Credit commitments	4,075	95,811	67	19,047	1,441	120,441
Subsidiaries						12,382

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP
At 30 June 2021

	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	19,678	44,865	4,825	22,901	8,942	101,211
Derivative financial instruments	513	242	-	280	-	1,035
Loans to and placements with banks	2,117	39,009	-	-	-	41,126
Loans and advances to customers	30,402	120,149	481	118,615	123	269,770
Investment securities	8,877	28,421	1	146,619	-	183,918
Other financial assets	1,121	2,283	196	20,269	113	23,982
	62,708	234,969	5,503	308,684	9,178	621,042
Less allowances for credit impairment						(13,692)
						607,350
Subsidiaries, net of eliminations						43,028
Total						**650,378**
Financial liabilities						
Deposits from banks	1,364	19,400	182	617	93	21,656
Deposits from customers	44,048	144,928	6,164	242,070	16,618	453,828
Derivative financial instruments	6	888	-	512	-	1,406
Other borrowed funds	1,728	72,896	-	-	2	74,626
Debt securities	-	-	-	4,007	-	4,007
Subordinated liabilities	-	875	-	1,109	-	1,984
Preference shares	-	-	-	3,396	-	3,396
Other financial liabilities	205	337	50	1,243	30	1,865
	47,351	239,324	6,396	252,954	16,743	562,768
Subsidiaries, net of eliminations						34,344
Total						**597,112**
Net on-balance sheet position	15,357	(4,355)	(893)	55,730	(7,565)	58,274
Less allowances for credit impairment						(13,692)
Subsidiaries, net of eliminations						8,684
						53,266
Off balance sheet net notional position	21,332	50,198	302	-	557	72,389
Credit commitments	4,134	94,150	161	17,320	1,947	117,712
Subsidiaries						6,997

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk in the banking book is the risk of an adverse impact to earnings due to changes in market interest rates. It arises on non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent. The Asset and Liability Management BU, within Finance SBU, uses a number of levers to manage interest risk in the banking book whilst Market Risk & Product Control BU independently measures and monitors the latter.

Net interest income (NII) sensitivity measures the sensitivity of expected net interest income under various interest rate scenarios, where all other economic variables are held constant. The net interest income sensitivity is closely monitored by ALCO.

The NII sensitivity calculations assume that interest rates for all maturities move by the same amount in the 'up-shock' scenario. The sensitivity calculations in the 'down-shock' scenarios assume rate are floored at zero, except if market rates are already negative, as in the case of Euro.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amount by the earlier of contractual re-pricing or maturity dates.

Interest Rate Risk Earnings Impact Analysis

The Group incurs interest rate risk (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown below to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as shown below.

	GROUP	
	2022 RS'M	2021 RS'M
Impact on Earnings	328	391

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At 30 June 2022	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-interest bearing RS'M	Total RS'M
Financial assets								
Cash and cash equivalents	6,315	16	-	-	-	-	58,303	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	5,302	11,302	2,950	4,677	74	46	56	24,407
Loans and advances to customers	200,775	31,870	26,169	17,193	15,863	13,934	12,716	318,520
Investment securities	4,071	11,408	16,131	18,598	83,688	83,882	5,402	223,180
Other financial assets	-	-	-	-	-	-	25,302	25,302
	216,463	54,596	45,250	40,468	99,625	97,862	102,217	656,481
Less allowances for credit impairment								(12,742)
								643,739
Subsidiaries, net of eliminations								48,359
Total								692,098
Financial liabilities								
Deposits from banks	4,169	3,455	-	1,796	-	-	1,898	11,318
Deposits from customers	256,189	6,125	3,064	4,143	2,230	250	209,102	481,103
Derivative financial instruments	-	1	1	2	8	(3)	488	497
Other borrowed funds	9,473	25,143	34,943	5,075	11,312	4,512	2,297	92,755
Debt securities	-	-	-	2,008	-	1,840	-	3,848
Subordinated liabilities	-	674	-	-	1,109	-	10	1,793
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
	269,831	35,398	38,008	13,024	14,659	6,599	219,728	597,247
Subsidiaries net of eliminations								38,817
Total								636,064
On balance sheet interest sensitivity gap	(53,368)	19,198	7,242	27,444	84,966	91,263	(117,511)	59,234
Less allowances for credit impairment								(12,742)
Subsidiaries, net of eliminations								9,542
								56,034

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP At 30 June 2021	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-interest bearing RS'M	Total RS'M
Financial assets								
Cash and cash equivalents	12,667	457	-	-	-	-	88,087	101,211
Derivative financial instruments	-	-	1	1	4	14	1,015	1,035
Inflow	*2*	*2*	*7*	*14*	*50*	*173*	*1,015*	*1,263*
(Outflow)	*(2)*	*(2)*	*(6)*	*(13)*	*(46)*	*(159)*	*-*	*(228)*
Loans to and placements with banks	18,870	16,314	4,053	189	1,635	-	65	41,126
Loans and advances to customers	179,926	24,175	28,726	14,852	4,676	6,266	11,149	269,770
Investment securities	419	13,341	10,409	14,514	59,247	80,614	5,374	183,918
Other financial assets	-	-	-	-	-	-	23,982	23,982
	211,882	54,287	43,189	29,556	65,562	86,894	129,672	621,042
Less allowances for credit impairment								(13,692)
								607,350
Subsidiaries, net of eliminations								43,028
Total								**650,378**
Financial liabilities								
Deposits from banks	7,764	893	1,663	426	-	-	10,910	21,656
Deposits from customers	263,365	5,157	2,335	3,661	147	31,700	147,463	453,828
Derivative financial instruments	-	-	-	-	-	-	1,406	1,406
Other borrowed funds	4,904	26,077	12,092	14,008	9,982	7,320	243	74,626
Debt securities	-	-	-	-	2,007	2,000	-	4,007
Subordinated liabilities	-	864	-	-	1,109	-	11	1,984
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
	276,033	32,991	16,090	18,095	13,245	41,020	165,294	562,768
Subsidiaries, net of eliminations								34,344
Total								**597,112**
On balance sheet interest sensitivity gap	(64,151)	21,296	27,099	11,461	52,317	45,874	(35,622)	58,274
Less allowances for credit impairment								(13,692)
Subsidiaries, net of eliminations								8,684
								53,266

(iv) Liquidity risk

Liquidity risk is the risk of being unable to raise liquid funds to meet immediate or short term obligations in a cost-effective way. The efficient management of liquidity is essential to the Group for maintaining market confidence and ensuring that business is sustainable.

Liquidity and funding risk are dynamically managed through a robust internal ecosystem comprising of Risk, Finance and Treasury Management, under the oversight of ALCO. The Group has implemented the following key strategies for management of liquidity risk:

- Project future cash flows and make plans to address normal operating requirements and some variable scenarios and contingencies
- Manage day-to-day liquidity, by monitoring intra-day liquidity and forecasting future cash flows to ensure that all outflows of funds can be met

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

- Maintenance of stock of liquid assets that can be used in case of unexpected outflows of cash
- Maintaining a diverse and stable funding base
- Monitoring of a set of liquidity early warning indicators
- Contingency funding plan.

The table below presents the breakdown of financial assets and liabilities by remaining contractual maturities at end of reporting period.

The amounts disclosed in the following table are undiscounted.

Maturities of assets and liabilities

GROUP At 30 June 2022	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Financial assets								
Cash and cash equivalents	14,505	12	-	-	-	-	50,117	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	4,429	6,092	3,443	8,642	2,069	264	(34)	24,905
Loans and advances to customers	105,865	23,319	22,492	21,230	65,706	111,169	11,875	361,656
Investment securities	4,762	12,047	22,123	15,689	89,745	93,423	4,123	241,912
Other financial assets	-	-	-	-	-	-	25,302	25,302
	129,561	41,470	48,058	45,561	157,520	204,856	91,821	718,847
Less allowances for credit impairment								(12,742)
								706,105
Subsidiaries, net of eliminations								48,359
Total								754,464
Financial liabilities								
Deposits from banks	6,060	3,426	-	1,826	45	-	-	11,357
Deposits from customers	507,072	7,367	4,451	6,939	8,594	3,523	520	538,466
Derivative financial instruments	-	1	1	2	8	8	487	507
Other borrowed funds	11,613	3,166	11,766	1,376	62,866	8,190	145	99,122
Debt securities	-	-	-	2,008	-	1,840	-	3,848
Subordinated liabilities	-	349	-	-	1,467	-	-	1,816
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
Lease liabilities	-	-	-	-	-	-	*163*	*163*
	524,745	14,309	16,218	12,151	72,980	13,561	7,248	661,212
Subsidiaries, net of eliminations								38,817
Total								700,029
Net liquidity gap	(395,184)	27,161	31,840	33,410	84,540	191,295	84,573	57,635
Less allowances for credit impairment								(12,742)
Subsidiaries, net of eliminations								9,542
								54,435
Off balance sheet net notional position	155	6,033	301	361	1,527	330,475	-	338,852
Credit commitments	10,428	17,844	29,273	40,677	7,337	14,882	-	120,441

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

GROUP At 30 June 2021	Up to 1 month RS'M	1-3 months RS'M	3-6 months RS'M	6-12 months RS'M	1-3 years RS'M	Over 3 years RS'M	Non-maturity items RS'M	Total RS'M
Financial assets								
Cash and cash equivalents	85,675	1,417	-	-	-	-	14,117	101,209
Derivative financial instruments	-	-	-	(1)	(2)	11	956	964
Loans to and placements with banks	17,555	12,631	5,639	2,200	2,984	342	-	41,351
Loans and advances to customers	62,626	20,198	21,436	20,704	62,230	105,469	9,591	302,254
Investment securities	1,435	12,400	10,412	14,503	59,283	80,406	4,535	182,974
Other financial assets	-	-	-	-	-	-	23,982	23,982
	167,291	46,646	37,487	37,406	124,495	186,228	53,181	652,734
Less allowances for credit impairment								(13,692)
								639,042
Subsidiaries, net of eliminations								43,028
Total								**682,070**
Financial liabilities								
Deposits from banks	18,672	853	1,665	428	1	41	-	21,660
Deposits from customers	425,192	6,623	4,024	7,408	7,363	3,680	173	454,463
Derivative financial instruments	-	-	-	-	-	-	1,355	1,355
Other borrowed funds	688	6,663	1,297	38,271	17,902	10,673	-	75,494
Debt securities	-	-	-	-	2,007	2,000	-	4,007
Subordinated liabilities	-	230	-	227	1,527	-	-	1,984
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
	444,552	14,369	6,986	46,334	28,800	16,394	6,789	564,224
Subsidiaries, net of eliminations								34,344
Total								**598,568**
Net liquidity gap	(277,261)	32,277	30,501	(8,928)	95,695	169,834	46,392	88,510
Less allowances for credit impairment								(13,692)
Subsidiaries, net of eliminations								8,684
								83,502

3. Financial risk management (Cont'd)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying value of the assets kept at amortised cost approximates their fair values.

(e) Capital risk management

Disclosures relating to capital and management are available in the Risk and Capital Management Report.

3. Financial risk management (Cont'd)

(f) Financial instruments by category:

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
At 30 June 2022						
Financial assets						
Cash and cash equivalents	73,294	-	-	-	-	73,294
Derivative financial instruments	-	-	477	-	-	477
Loans to and placements with banks	23,375	-	-	-	-	23,375
Loans and advances to customers	325,613	-	-	-	-	325,613
Investment securities	227,241	7,587	-	2,377	2,479	239,684
Other financial assets	29,655	-	-	-	-	29,655
Total	679,178	7,587	477	2,377	2,479	692,098
Financial liabilities						
Deposits from banks	6,979	-	-	-	-	6,979
Deposits from customers	518,677	-	-	-	-	518,677
Derivative financial instruments	-	-	536	-	-	536
Other borrowed funds	94,995	-	-	-	-	94,995
Debt securities	3,848	-	-	-	-	3,848
Subordinated liabilities	1,793	-	-	-	-	1,793
Preference shares	3,396	-	-	-	-	3,396
Other financial liabilities	5,840	-	-	-	-	5,840
Total	635,528	-	536	-	-	636,064
Net on-balance sheet position	43,650	7,587	(59)	2,377	2,479	56,034

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd):

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP						
At 30 June 2021						
Financial assets						
Cash and cash equivalents	108,706	-	-	-	-	108,706
Derivative financial instruments	-	-	1,083	-	-	1,083
Loans to and placements with banks	39,579	-	-	-	-	39,579
Loans and advances to customers	273,399	-	-	-	-	273,399
Investment securities	163,758	25,519	-	6,868	2,385	198,530
Other financial assets	29,081	-	-	-	-	29,081
Total	**614,523**	**25,519**	**1,083**	**6,868**	**2,385**	**650,378**
Financial liabilities						
Deposits from banks	18,069	-	-	-	-	18,069
Deposits from customers	485,903	-	-	-	-	485,903
Derivative financial instruments	-	-	1,454	-	-	1,454
Other borrowed funds	77,136	-	-	-	-	77,136
Debt securities	4,007	-	-	-	-	4,007
Subordinated liabilities	1,984	-	-	-	-	1,984
Preference shares	3,396	-	-	-	-	3,396
Other financial liabilities	5,163	-	-	-	-	5,163
Total	**595,658**	**-**	**1,454**	**-**	**-**	**597,112**
Net on-balance sheet position	**18,865**	**25,519**	**(371)**	**6,868**	**2,385**	**53,266**

4. Cash and cash equivalents

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Cash in hand	**3,447**	3,047	**1,188**	588
Foreign currency notes and coins	**285**	668	-	-
Unrestricted balances with Central Banks*	**56,212**	18,258	-	-
Balances due in clearing	**364**	381	-	-
Treasury bills	**200**	5,091	-	-
Money market placements	**3,306**	5,608	-	-
Balances with banks abroad	**8,721**	74,387	-	-
Interbank loans	**815**	1,330	-	-
	73,350	108,770	**1,188**	588
Allowances for credit impairment (12 months expected credit loss)	**(56)**	(64)	-	-
	73,294	108,706	**1,188**	588

* Unrestricted balances with Central Banks represent amounts above the minimum cash reserve requirements.

Money market placements, balances with banks abroad and interbank loans represent loans to and placements with banks with original maturity less than three months.

The elements within cash and cash equivalents are classified as current assets.

(i) Allowances for credit impairment

	GROUP
	12 months expected credit loss RS'M
At 1 July 2021	**64**
Provision for credit impairment for the year	**31**
Provision released during the year	**(73)**
Changes in models/risk parameters	**34**
At 30 June 2022	**56**
At 1 July 2020	18
Provision for credit impairment for the year	19
Provision released during the year	(3)
Changes in models/risk parameters	30
At 30 June 2021	64

(ii) Cash and cash equivalents as shown in the statements of cash flows:

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Cash and cash equivalents as per above	**73,350**	108,770	**1,188**	588
Other borrowed funds (note 16)	**(2,577)**	(2)	-	-
Net cash and cash equivalents	**70,773**	108,768	**1,188**	588
Change in year	**(37,995)**	37,627	**600**	447
Effect of foreign exchange rate changes	**(1,073)**	(1,136)	-	-
(Decrease)/Increase in cash and cash equivalents as per the statements of cash flows	**(39,068)**	36,491	**600**	447

5. Derivative financial instruments

The Group utilises the following derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk:

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date.

Commodity options provide the buyer, for a premium, the right, but not the obligation, either to purchase or sell a fixed quantity of a certain commodity at a specified price on or before a future date. All commodity contracts are fully back-to-back transactions such that the Group is not exposed to market risks.

The fair values of derivative instruments held are set out below:

	GROUP		
	Contractual/ Nominal Amount RS'M	Fair value assets RS'M	Fair value liabilities RS'M
Fair value through profit or loss - Level 2*			
Derivative Instruments			
At 30 June 2022			
Currency forwards	**10,499**	**244**	**255**
Interest rate swaps	**2,069**	**44**	**64**
Currency swaps	**11,476**	**123**	**164**
Warrants	**488**	**39**	**39**
Commodities	**2,209**	**14**	**14**
Others	**13**	**13**	**-**
	26,754	**477**	**536**
At 30 June 2021			
Currency forwards	9,378	143	98
Interest rate swaps	31,830	733	895
Currency swaps	32,672	158	413
Warrants	-	48	48
Others	235	1	-
	74,115	1,083	1,454

*Refer to definition of level 2 in note 7
The derivative financial instruments are classified as non-current assets/liabilities.

6. Loans

(a) Loans to and placements with banks

	GROUP	
	2022 RS'M	2021 RS'M
(i) Loans to and placements with banks		
in Mauritius	952	178
outside Mauritius	35,738	120,983
	36,690	121,161
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(12,842)	(81,325)
	23,848	39,836
Less:		
Allowances for credit impairment	(473)	(257)
	23,375	39,579
(ii) Remaining term to maturity		
Up to 3 months	8,856	28,599
Over 3 months and up to 6 months	2,753	5,248
Over 6 months and up to 1 year	8,651	1,014
Over 1 year and up to 5 years	3,588	4,965
Over 5 years	-	10
	23,848	39,836

(iii) Reconciliation of gross carrying amount

	GROUP		
	12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	39,835	1	39,836
New loans and placements with banks, originated or purchase	21,008	-	21,008
Loans and placements with banks derecognised or repaid (excluding write off)	(36,995)	(1)	(36,996)
At 30 June 2022	23,848	-	23,848
At 1 July 2020	18,126	12	18,138
New loans and placements with banks, originated or purchase	40,824	1	40,825
Loans and placements with banks derecognised or repaid (excluding write off)	(19,115)	(12)	(19,127)
At 30 June 2021	39,835	1	39,836

(iv) Allowances for credit impairment

At 1 July 2021	255	1	256
Provision for credit impairment for the year	239	-	239
Provision released during the year	(45)	(1)	(46)
Financial assets that have been derecognised	(113)	-	(113)
Changes in models/risk parameters	137	-	137
Provision at 30 June 2022	473	-	473
At 1 July 2020	10	-	10
Provision for credit impairment for the year	146	1	147
Financial assets that have been derecognised	(11)	-	(11)
Changes in models/risk parameters	110	-	110
At 30 June 2021	255	1	256
Interest in suspense	-	1	1
Provision and interest in suspense at 30 June 2021	255	2	257

There were no non performing loans (NPL) under Loans to and placements with banks in 2022. (2021: NPL Rs 1M/Provision Rs 1M)

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP	
	2022 RS'M	2021 RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**972**	872
Mortgages	**35,683**	33,441
Other retail loans	**11,969**	12,426
Corporate customers	**135,743**	136,650
Governments	**1,314**	1,454
Entities outside Mauritius	**153,883**	103,395
	339,564	288,238
Less:		
Allowances for credit impairment	**(13,951)**	(14,839)
	325,613	273,399

Finance lease receivable included in Group loans amounts to Rs 3,076M (2021:Rs 3,162M) net of unearned future finance income on finance leases of Rs 413M (2021:Rs 462M).

(ii) Remaining term to maturity

	2022 RS'M	2021 RS'M
Up to 3 months	**133,874**	87,283
Over 3 months and up to 6 months	**14,322**	5,615
Over 6 months and up to 1 year	**8,631**	16,419
Over 1 year and up to 5 years	**89,695**	83,277
Over 5 years	**93,042**	95,644
	339,564	288,238

(iii) Reconciliation of gross carrying amount

	GROUP			
	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**238,778**	**35,095**	**14,365**	**288,238**
Exchange adjustment	**1,493**	**110**	**167**	**1,770**
Transfer to 12 months ECL	**10,245**	**(9,504)**	**(741)**	**-**
Transfer to lifetime ECL not credit impaired	**(3,059)**	**3,662**	**(603)**	**-**
Transfer to lifetime ECL credit impaired	**(514)**	**(8,726)**	**9,240**	**-**
New loans and advances to customers, originated or purchase	**163,803**	**4,087**	**3,841**	**171,731**
Loans and advances to customers derecognised or repaid (excluding write off)	**(105,454)**	**(6,931)**	**(4,318)**	**(116,703)**
Write offs	**-**	**-**	**(5,472)**	**(5,472)**
At 30 June 2022	**305,292**	**17,793**	**16,479**	**339,564**
At 1 July 2020	206,170	32,632	13,331	252,133
Exchange adjustment	2,194	237	254	2,685
Transfer to 12 months ECL	2,990	(2,332)	(658)	-
Transfer to lifetime ECL not credit impaired	(7,443)	7,911	(468)	-
Transfer to lifetime ECL credit impaired	(1,492)	(2,515)	4,007	-
New loans and advances to customers, originated or purchase	112,366	10,130	2,564	125,060
Loans and advances to customers derecognised or repaid (excluding write off)	(76,007)	(10,968)	(2,648)	(89,623)
Write offs	-	-	(2,017)	(2,017)
At 30 June 2021	238,778	35,095	14,365	288,238

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2021	2,873	4,851	4,501	12,225
Exchange adjustment	2	16	162	180
Transfer to 12 months ECL	1,124	(938)	(186)	-
Transfer to lifetime ECL not credit impaired	(150)	240	(90)	-
Transfer to lifetime ECL credit impaired	(12)	(1,178)	1,190	-
Provision for credit impairment for the year	1,891	571	5,064	7,526
Provision released during the year	(1,594)	(959)	(408)	(2,961)
Financial assets that have been derecognised	(361)	(300)	(879)	(1,540)
Write offs	-	-	(4,137)	(4,137)
Changes in models /risk parameters	(312)	788	-	476
At 30 June 2022	3,461	3,091	5,217	11,769
Interest in suspense	-	-	2,182	2,182
Provision and interest in suspense at 30 June 2022	3,461	3,091	7,399	13,951
At 1 July 2020	1,874	3,528	3,571	8,973
Exchange adjustment	19	21	144	184
Transfer to 12 months ECL	385	(261)	(124)	-
Transfer to lifetime ECL not credit impaired	(236)	282	(46)	-
Transfer to lifetime ECL credit impaired	(46)	(177)	223	-
Provision for credit impairment for the year	1,133	1,849	2,772	5,754
Provision released during the year	(778)	(844)	(363)	(1,985)
Financial assets that have been derecognised	(145)	(439)	(197)	(781)
Write offs	-	-	(1,479)	(1,479)
Changes in models /risk parameters	667	892	-	1,559
At 30 June 2021	2,873	4,851	4,501	12,225
Interest in suspense	-	-	2,614	2,614
Provision and interest in suspense at 30 June 2021	2,873	4,851	7,115	14,839

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(v) Allowances for credit impairment by industry sectors

	GROUP 2022					
	Gross amount of loans RS'M	*Non performing loans RS'M	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total provision RS'M
Agriculture and fishing	**8,904**	**903**	**134**	**131**	**590**	**855**
Manufacturing	**22,923**	**514**	**210**	**211**	**279**	**700**
of which EPZ	***2,867***	***3***	***42***	***133***	***3***	***178***
Tourism	**34,696**	**452**	**905**	**1,437**	**285**	**2,627**
Transport	**6,770**	**287**	**190**	**4**	**357**	**551**
Construction	**16,319**	**759**	**255**	**34**	**402**	**691**
Financial and business services	**29,594**	**277**	**337**	**169**	**143**	**649**
Traders	**128,384**	**2,232**	**634**	**391**	**1,513**	**2,538**
Personal	**46,414**	**1,049**	**232**	**70**	**491**	**793**
of which credit cards	***926***	***27***	***11***	***1***	***23***	***35***
of which housing	***35,683***	***678***	***99***	***28***	***216***	***343***
Professional	**1,335**	**105**	**14**	**2**	**73**	**89**
Foreign governments	**1,314**	**-**	**3**	**-**	**-**	**3**
Global Business Licence holders	**16,175**	**7,414**	**142**	**25**	**3,080**	**3,247**
Others	**26,736**	**339**	**405**	**617**	**186**	**1,208**
	339,564	**14,331**	**3,461**	**3,091**	**7,399**	**13,951**

	GROUP 2021					
	Gross amount of loans RS'M	*Non performing loans RS'M	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total provision RS'M
Agriculture and fishing	8,409	1,403	138	18	1,252	1,408
Manufacturing	16,680	682	203	281	385	869
of which EPZ	*2,830*	*159*	*27*	*152*	*139*	*318*
Tourism	32,638	1,053	472	1,670	358	2,500
Transport	9,652	362	62	198	346	606
Construction	19,777	1,446	304	33	909	1,246
Financial and business services	50,808	1,171	654	250	729	1,633
Traders	67,663	2,062	445	528	1,806	2,779
Personal	44,617	1,357	164	48	537	749
of which credit cards	*830*	*25*	*13*	*1*	*22*	*36*
of which housing	*33,441*	*859*	*57*	*20*	*261*	*338*
Professional	1,433	133	12	6	78	96
Foreign governments	1,454	-	1	-	-	1
Global Business Licence holders	19,770	1,809	208	1,216	569	1,993
Others	15,337	297	210	603	146	959
	288,238	11,775	2,873	4,851	7,115	14,839

*Non performing loans excludes interest in suspense.

7. Investment securities

(a) Investment securities

	GROUP 2022 RS'M	GROUP 2021 RS'M
Securities at amortised cost	227,630	164,129
Less:		
Allowances for credit impairment	(389)	(371)
	227,241	163,758
Fair value through other comprehensive income	4,856	9,253
Fair value through profit or loss	7,587	25,519
	239,684	198,530

As at 30 June 2022, there were no credit impaired investments fair valued through other comprehensive income.

(**Credit Impaired** - 2021: Rs 101M/Provision Rs 11M)
(**12 months expected credit loss** - 2021: Rs 8M)

Investment securities can be classified as:		
Current	53,177	44,490
Non-current	186,896	154,411

	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Fair value through other comprehensive income		
Non-voting non-cumulative preference shares issued by MCB Leasing Limited	200	200
Shares - Quoted level 1	240	248
	440	448
Fair value through profit or loss		
Credit linked note	-	221
	440	669

(b) Securities at amortised cost

	GROUP 2022 RS'M	GROUP 2021 RS'M
Government of Mauritius and Bank of Mauritius bonds	112,800	103,844
Treasury bills	24,869	12,823
Foreign bonds	55,855	21,602
Notes	33,722	25,479
Index linked note	384	381
	227,630	164,129

(i) Remaining term to maturity

	2022					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	8,688	4,923	7,253	73,034	18,902	112,800
Treasury bills	10,135	7,781	6,953	-	-	24,869
Foreign bonds	-	2,245	1,372	36,101	16,137	55,855
Notes	304	1,453	1,372	17,679	12,914	33,722
Index linked note	-	-	-	207	177	384
	19,127	16,402	16,950	127,021	48,130	227,630

	2021					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	327	3,688	9,457	71,357	19,015	103,844
Treasury bills	10,355	1,149	1,075	244	-	12,823
Foreign bonds	-	-	14	8,533	13,055	21,602
Notes	-	407	-	15,643	9,429	25,479
Index linked note	-	-	-	204	177	381
	10,682	5,244	10,546	95,981	41,676	164,129

7. Investment securities (Cont'd)

(b) Securities at amortised cost (Cont'd)

(ii) Reconciliation of gross carrying amount

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2021	**162,217**	**1,912**	**164,129**
Transfer to 12 months ECL	**1,505**	**(1,505)**	**-**
Investments originated or purchase	**89,273**	**-**	**89,273**
Investments derecognised or repaid (excluding write off)	**(25,947)**	**(407)**	**(26,354)**
Exchange adjustment	**582**	**-**	**582**
At 30 June 2022	**227,630**	**-**	**227,630**
At 1 July 2020	105,126	3,150	108,276
Transfer to lifetime ECL not credit impaired	1,080	(1,080)	-
Investments originated or purchase	81,140	46	81,186
Investments derecognised or repaid (excluding write off)	(26,280)	(204)	(26,484)
Exchange adjustment	1,151	-	1,151
At 30 June 2021	162,217	1,912	164,129

(iii) Allowances for credit impairment

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2021	**265**	**106**	**371**
Transfer to 12 months ECL	**102**	**(102)**	**-**
Exchange adjustment	**1**	**-**	**1**
Provision for credit impairment for the year	**158**	**-**	**158**
Provision released during the year	**(107)**	**-**	**(107)**
Financial assets that have been derecognised	**(62)**	**(3)**	**(65)**
Changes in models/risk parameters	**31**	**-**	**31**
At 30 June 2022	**388**	**1**	**389**
At 1 July 2020	101	267	368
Transfer to 12 months ECL	133	(133)	-
Exchange adjustment	1	-	1
Provision for credit impairment for the year	40	-	40
Provision released during the year	(87)	(43)	(130)
Financial assets that have been derecognised	(8)	(5)	(13)
Changes in models/risk parameters	85	20	105
At 30 June 2021	265	106	371

7. Investment securities (Cont'd)

(c) Fair value through other comprehensive income by levels

	GROUP	
	2022 RS'M	2021 RS'M
Quoted - Level 1		
Official list: shares (equity instrument)	1,245	1,045
Bonds (debt instrument)	1,662	6,182
Foreign shares	524	623
	3,431	7,850
Unquoted - Level 2		
Investment fund (debt instrument)	715	686
Shares (equity instrument)	121	138
	836	824
Unquoted - Level 3		
Shares (equity instrument)	589	579
	589	579
	4,856	9,253

Reconciliation of level 3 fair value measurements

	GROUP	
	2022 RS'M	2021 RS'M
At 1 July	579	548
Additions	17	99
Disposals	-	(101)
Movement in fair value	(7)	16
Exchange adjustments	-	17
At 30 June	589	579

(d) Fair value through profit or loss by levels

	GROUP	
	2022 RS'M	2021 RS'M
Quoted - Level 1		
Local bonds	110	371
Local shares	1,221	1,106
Foreign bonds	-	1
Foreign shares	2,412	2,703
	3,743	4,181
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	196	1,251
Treasury bills	502	16,767
Investment funds	756	682
	1,454	18,700
Unquoted - Level 3		
Local shares	1,618	1,931
Foreign shares	259	208
Debt	513	499
	2,390	2,638
	7,587	25,519

Reconciliation of level 3 fair value measurements

	GROUP	
	2022 RS'M	2021 RS'M
At 1 July	2,638	2,444
Additions	170	490
Disposals	(36)	(23)
Transfers	(66)	-
Movement in fair value	(316)	(273)
At 30 June	2,390	2,638

7. Investment securities (Cont'd)

(d) Fair value through profit or loss by levels (Cont'd)

Fair value hierarchy

The Group uses a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable.

Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 : Quoted prices (unadjusted) for identical assets. This level includes listed equity securities.

Level 2 : Inputs other than quoted prices that are observable for the assets.

Level 3 : Inputs for the assets that are not based on observable market data.

Valuation techniques used to estimate the fair values of unquoted equity securities include models based on earnings/dividend growth, discounted cash flows and net asset values, whichever is considered to be appropriate. The Group has made certain assumptions for inputs in the models, including earnings before interest, depreciation, tax and amortisation (EBIDTA), risk free rate, risk premium, dividend growth rate, weighted average cost of capital, appropriate discounts for lack of liquidity and expected cash flows which may be different from actual. As such, fair value estimates may differ given the subjectivity of underlying assumptions used as model inputs. Inputs were based on information available at the reporting date.

Unquoted shares

The Group holds shares in several investments where the fair value is determined as a percentage of the net asset value using latest available audited accounts and in some cases latest available management accounts. There are also some investments which are fair valued using the latest share prices which were available upon recent events, e.g. rights issue.

8. Investments in associates

(a) The Group's interests in its associates are as follows:

	Nature of business	Principal place of business	Country of incorporation	Holding % Direct	Holding % Indirect
2022					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Réunion**	**Réunion**	**-**	**49.99**
Société Générale Moçambique	**Banking & financial services**	**Mozambique**	**Mozambique**	**-**	**35.00**
Promotion and Development Ltd	**Investment and property development**	**Mauritius**	**Republic of Mauritius**	**0.13**	**46.34**
Caudan Development Ltd	**Property development, investment and provision of security services**	**Mauritius**	**Republic of Mauritius**	**6.29**	**38.06**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
2021					
Banque Française Commerciale Ocean Indien	Banking & financial services	Réunion	Réunion	-	49.99
Société Générale Moçambique	Banking & financial services	Mozambique	Mozambique	-	35.00
Promotion and Development Ltd	Investment and property development	Mauritius	Republic of Mauritius	0.13	46.36
Caudan Development Ltd	Property development, investment and provision of security services	Mauritius	Republic of Mauritius	6.29	38.08
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Republic of Mauritius	40.00	-

(i) The above associates are accounted for using the equity method.

(ii) Except for Credit Guarantee Insurance Co Ltd, the other above associates are held through subsidiaries.

(iii) Banque Française Commerciale Ocean Indien, Société Générale Moçambique and Credit Guarantee Co Ltd are unquoted.
The other associates are quoted and the Group's interest in the quoted associates based on SEM bid price at 30 June are as follows:
Promotion and Development Ltd : Rs 1,810M (2021: Rs 1,474M)
Caudan Development Ltd : Rs 754M (2021: Rs 874M)

	GROUP 2022 RS'M	GROUP 2021 RS'M
Group's share of net assets	**11,786**	11,565
Goodwill	**57**	57
Subordinated loans to associate	**513**	903
	12,356	12,525

The directors are satisfied that there are no indications requiring an impairment of the Group's investments in associates.

(b) Summarised financial information in respect of material entities, included for Group reporting

Banque Française Commerciale Ocean Indien

(i) Summarised statement of financial position:

	2022	2021
Current assets	**11,607**	17,753
Non current assets	**88,224**	97,111
Current liabilities	**21,276**	25,362
Non current liabilities	**69,681**	79,955

(ii) Summarised statement of profit or loss and other comprehensive income:

	2022	2021
Revenue	**4,853**	4,547
Profit	**801**	662
Other comprehensive income	**47**	-
Total comprehensive income	**848**	662

	2022	2021
(iii) Dividend received during the year	**383**	134

8. Investments in associates (Cont'd)

(b) Summarised financial information in respect of material entities, included for Group reporting (Cont'd)

Promotion and Development Ltd

(i) Summarised statement of financial position:

	GROUP	
	2022 RS'M	2021 RS'M
Current assets	254	185
Non current assets	16,788	15,678
Current liabilities	932	833
Non current liabilities	1,386	1,324
Non-controlling interest	1,268	1,222
(ii) Summarised statement of profit or loss and other comprehensive income:		
Revenue	603	544
Profit	630	67
Other comprehensive income	469	1,683
Total comprehensive income	1,099	1,750
(iii) Dividend received during the year	73	-

(c) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets RS'M	Profit RS'M	Other comprehensive income RS'M	Other movements in reserves RS'M	Dividend RS'M	Closing net assets RS'M	Ownership interest %	Interest in associates RS'M	Goodwill RS'M	Subordinated loan RS'M	Carrying value RS'M
2022											
Banque Française Commerciale Ocean Indien	9,547	801	47	(775)	(746)	8,874	49.99%	4,436	57	513	5,006
Promotion and Development Limited	12,484	630	469	31	(158)	13,456	46.47%	6,253	-	-	6,253
2021											
Banque Française Commerciale Ocean Indien	8,115	662	-	1,038	(268)	9,547	49.99%	4,773	57	903	5,733
Promotion and Development Limited	10,825	67	1,683	(52)	(39)	12,484	46.49%	5,804	-	-	5,804

8. Investments in associates (Cont'd)

(d) Aggregate information of associates that are not individually material

	GROUP	
	2022 RS'M	2021 RS'M
Carrying amount of interests	1,097	988
Share of profit	106	10
Share of other comprehensive expense	3	-

AT COST

	COMPANY	
	2022 RS'M	2021 RS'M
At 1 July	147	143
Additions	-	4
At 30 June	147	147

Investments in associates are classified as non-current asset.

9. Investments in subsidiaries

(a) The Group has the following subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Effective Holding 2021 %	Proportion of ownership interests held by non-controlling interests 2021 %	Cost of Investment COMPANY 2022 RS'M	Cost of Investment COMPANY 2021 RS'M
BANKING										
Direct										
MCB Investment Holding Ltd	Republic of Mauritius	Activities of holding companies, without managing	Rs'M	8,880	100.00	-	100.00	-	**8,880**	8,880
Indirect										
The Mauritius Commercial Bank Limited	Republic of Mauritius	Banking & Financial services	Rs'M	8,880	100.00	-	100.00	-	-	-
MCB Seychelles Ltd	Seychelles	Banking & Financial services	SRS'M	20	100.00	-	100.00	-	-	-
MCB Madagascar SA	Madagascar	Banking & Financial services	MGA'BN	14	90.00	10.00	90.00	10.00	-	-
MCB Maldives Private Ltd	Republic of Maldives	Banking & Financial services	MVR'M	150	100.00	-	100.00	-	-	-
NON-BANKING FINANCIAL										
Direct										
MCB Equity Fund Ltd	Republic of Mauritius	Private Equity Fund	Rs'M	2,084	100.00	-	100.00	-	**2,084**	2,084
MCB Capital Markets Ltd	Republic of Mauritius	Investment Holding Company	Rs'M	73	100.00	-	100.00	-	**73**	73
MCB Factors Ltd	Republic of Mauritius	Factoring	Rs'M	50	100.00	-	100.00	-	**50**	50
MCB Microfinance Ltd	Republic of Mauritius	Credit Finance	Rs'M	125	100.00	-	100.00	-	**125**	125
MCB Real Assets Ltd*	Republic of Mauritius	Investment Holding Company	Rs'M	-	100.00	-	100.00	-	-	-
Indirect										
MCB Financial Advisers	Republic of Mauritius	Investment Advisory	Rs'M	2	100.00	-	100.00	-	-	-
MCB Registry and Securities Ltd	Republic of Mauritius	Share and Unit Registrar services	Rs'M	12	100.00	-	100.00	-	-	-
MCB Investment Management Co. Ltd	Republic of Mauritius	Investment Advisory and CIS Manager	Rs'M	5	100.00	-	100.00	-	-	-
MCB Capital Partners Ltd	Republic of Mauritius	Asset Management	Rs'M	1	100.00	-	100.00	-	-	-
MCB Stockbrokers Ltd	Republic of Mauritius	Investment Dealer	Rs'M	1	100.00	-	100.00	-	-	-
MCB Investment Services Ltd	Republic of Mauritius	Shared Services	Rs'M	20	100.00	-	100.00	-	-	-
MCB Investment Services (Rwanda) Ltd	Rwanda	Investment Advisory	RWF	5	100.00	-	100.00	-	-	-
MCB Structured Solutions Ltd*	Republic of Mauritius	Investment Product Structuring	Rs'M	-	100.00	-	100.00	-	-	-
CM Structured Products (1) Ltd*	Republic of Mauritius	Investment Product Structuring	Rs'M	-	100.00	-	100.00	-	-	-
CM Structured Products (2) Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	15	100.00	-	100.00	-	-	-
CM Structured Finance (1) Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	69	100.00	-	100.00	-	-	-
CM Structured Finance (2) Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	14	100.00	-	100.00	-	-	-
CM Diversified Credit Ltd	Republic of Mauritius	Investment Product Structuring	Rs'M	118	100.00	-	100.00	-	-	-
MCB Leasing Ltd*	Republic of Mauritius	Leasing	Rs'M	-	57.73	42.27	57.73	42.27	-	-

9. Investments in subsidiaries (Cont'd)

(a) The Group has the following subsidiaries (Cont'd):

	Country of incorporation/ operation	Principal activities	Stated capital	Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Effective Holding 2021 %	Proportion of ownership interests held by non-controlling interests 2021 %	Cost of Investment COMPANY 2022 RS'M	Cost of Investment COMPANY 2021 RS'M
OTHER INVESTMENTS									
Direct									
Fincorp Investment Ltd	Republic of Mauritius	Investment Company	RS'M 103	57.73	42.27	57.73	42.27	29	29
MCB Properties Ltd	Republic of Mauritius	Property ownership & development	RS'M 15	100.00	-	100.00	-	15	15
Blue Penny Museum	Republic of Mauritius	Philatelic museum	RS'M 14	99.63	0.37	99.63	0.37	13	13
MCB Group Corporate Services Ltd	Republic of Mauritius	Company secretarial services	RS'M 2	100.00	-	100.00	-	2	2
MCB Consulting Services Ltd	Republic of Mauritius	Consulting, advisory, support and maintenance services	USD'M 2	100.00	-	100.00	-	50	50
MCB Institute of Finance	Republic of Mauritius	To develop the financial know-how of professionals and students	RS'M 20	80.00	20.00	80.00	20.00	16	16
Mascareignes Properties Ltd*	Seychelles	Property rental	SRS'M -	100.00	-	100.00	-	-	-
MCB International Services Ltd*	Seychelles	Financial services	SRS'M -	100.00	-	100.00	-	-	-
Indirect									
Compagnie des Villages de Vacances de l'Isle de France	Republic of Mauritius	Real Estate Activities	Rs'M 825	93.39	6.61	93.39	6.61	-	-
EF Property Ltd*	Republic of Mauritius	Real Estate Activities	Rs'M -	100.00	-	100.00	-	-	-
								11,337	11,337
Subordinated loans to subsidiaries								2,064	1,888
								13,401	13,225

Except for Fincorp Investment Ltd which is quoted, the other above companies are unquoted.

The fair value of the Company's interest in Fincorp Investment Ltd was Rs 1,253M at 30 June 2022 (2021: Rs 1,223M).

The cost of investment in MCB Real Assets Ltd, Mascareignes Properties Ltd and MCB International Services Ltd are less than Rs 1M.

*The stated capital is less than Rs 1M.

The directors are satisfied that there are no indications requiring an impairment of the Group's investments in subsidiaries.

(b) Movement in investment in subsidiaries

	COMPANY 2022 RS'M	COMPANY 2021 RS'M
At 1 July	11,337	9,417
Additions	-	2,000
Disposal	-	(80)
	11,337	11,337
Subordinated loans to subsidiaries	2,064	1,888
At 30 June	13,401	13,225

9. Investments in subsidiaries (Cont'd)

(c) Details of Fincorp Investment Ltd which has non-controlling interests that are material to the Company

	Profit attributable to non-controlling interests RS'M	Net assets attributable to non-controlling interests RS'M
GROUP		
2022	138	2,997
2021	69	2,784

(d) Summarised financial information of Fincorp Investment Ltd

	GROUP	
	2022	2021
(i) Summarised statement of financial position:	RS'M	RS'M
Total assets	11,431	11,246
Total liabilities	4,340	4,660
Total equity	7,091	6,586
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Profit	327	164
Other comprehensive income	253	783
Total comprehensive income	580	947
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	516	(432)
Investing activities	81	15
Financing activities	(568)	62
Taxation	(26)	-
Net increase/(decrease) in cash and cash equivalents	3	(355)

The summarised financial information above is the amount before intra-group eliminations.

Investments in subsidiaries are classified as non-current asset.

10. Investment properties

	GROUP	
	2022 RS'M	2021 RS'M
At 1 July	**5,032**	4,444
Additions	-	1
Revaluation	**204**	-
Exchange adjustment	**(437)**	565
Modification of lease	-	22
Fair value of land and buildings at 30 June	**4,799**	5,032
Rental income	**294**	-

The investment properties are held through the Compagnie des Villages de Vacances de l'Isle de France Limitée (COVIFRA), a subsidiary of MCB Real Assets Ltd.

The right-of-use of the land and the buildings have been treated as investment property under IAS 40 and are stated at fair value.

The fair value of the investment property has been arrived at on the basis of valuations performed by Jones Lang LaSalle (Pty) Ltd ("JLL"), a professional service company specialising in real estate and offering a range of services such as hotel advisory, valuation services, property and project management. Based on the income approach using the profits method and a number of assumptions including a discount rate of 9.40%, JLL determined that the fair value of the investment property at 30 June 2022 was EUR 104M.

The Company's policy is to revalue its investment property by a qualified independent valuer every three years unless there is evidence that the fair value of the assets differ materially from the carrying amount.

Based on the above considerations, the Directors are of the opinion that the fair value of the investment property is reasonably stated.

The land is leased from the Government of the Republic of Mauritius for a term expiring on 30 September 2069.
Direct operating expenses arising from the investment property are borne by Holiday Villages Management Services (Mauritius) Ltd (HVMS).
The investment property has been classified within level 3 of the fair value hierarchy based on the following information:

	Valuation Technique	Significant Input(s)	Sensitivity
Hotel located in Pointe aux Canonniers	Income Approach	Observable input: Rent Unobservable input: Discount Rate	An increase in discount rate used would result in a decrease in fair value and vice versa.

An increase/decrease of 10 basis point in the discount rate would affect the fair value of investment property by about EUR 688,000 (2021: EUR 632,000).

11. Goodwill and other intangible assets

(a) Goodwill

	GROUP	
	2022 RS'M	2021 RS'M
At 30 June	392	392

The significant portion of goodwill pertains to MCB Real Assets Ltd, details of which are provided below. The remaining amount relates to other subsidiaries.

Goodwill is attributable to the following cash generating units:

	2022 RS'M	2021 RS'M
Investment properties		
At 30 June	386	386

Goodwill previously arose on the acquisition of the 93.4% stake in Compagnie des Villages de Vacances de L'isle de France Limitée ("COVIFRA") by the Group. The goodwill amount was the difference between the price paid and the net asset value of the corresponding stake in COVIFRA. Goodwill acquired through business combinations have indefinite lives and have been allocated to the main income generating asset of COVIFRA, i.e. its investment property (see Note 10). The Group assesses goodwill annually for impairment or more frequently if there are indication that goodwill might be impaired.

The management have reviewed the carrying values of goodwill at 30 June 2022 and are of the opinion that no impairment losses need to be recognised.

The recoverable amount of the above cash-generating unit (CGU) has been determined based on fair value less cost to sell, on the basis of an independent valuation performed by Jones LaSalle (Pty) Ltd as detailed in Note 10, and its value in use calculations.

The key assumptions for the value in use calculations are as follows:

(i) Cash flows are based on financial forecast approved by management covering a period of 5 years.

(ii) The discount rates used are based on the Group's weighted average cost of capital, adjusted to reflect a risk premium specific to each business. The pre-tax discount rates applied are 8.92% (2021: 8.54%); and

(iii) The nominal long-term growth rates, which are based on historical growth rates and the growth prospects for businesses, do not exceed 5%.

11. Goodwill and other intangible assets (Cont'd)

(b) Other intangible assets

	GROUP		
	Computer software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 1 July 2020	**2,005**	**281**	**2,286**
Additions	191	595	786
Scrap/Impairment	(1)	-	(1)
Disposal of subsidiary	(127)	-	(127)
Transfer	366	(371)	(5)
Exchange adjustment	88	3	91
At 30 June 2021	**2,522**	**508**	**3,030**
Additions	**143**	**856**	**999**
Scrap/Impairment	**-**	**(10)**	**(10)**
Transfer	**830**	**(830)**	**-**
Exchange adjustment	**58**	**1**	**59**
At 30 June 2022	**3,553**	**525**	**4,078**
Accumulated amortisation			
At 1 July 2020	**1,000**	**-**	**1,000**
Scrap/Impairment	(1)	-	(1)
Charge for the year	421	-	421
Amortisation adjustment	(52)	-	(52)
Disposal of subsidiary	(106)	-	(106)
Exchange adjustment	71	-	71
At 30 June 2021	**1,333**	**-**	**1,333**
Charge for the year	**525**	**-**	**525**
Amortisation adjustment	**74**	**-**	**74**
Exchange adjustment	**50**	**-**	**50**
At 30 June 2022	**1,982**	**-**	**1,982**
Net book value			
At 30 June 2022	**1,571**	**525**	**2,096**
At 30 June 2021	1,189	508	1,697
Total			
At 30 June 2022			**2,488**
At 30 June 2021			2,089

The Group reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives. Intangible assets are classified as non-current asset.

12. Property, plant and equipment

	GROUP					
	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles	Work in progress	Right-of-Use assets (Land and Buildings)	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cost						
At 1 July 2020	**5,180**	**3,618**	2,297	**232**	**474**	**11,801**
Additions	14	278	330	391	137	1,150
Scrap/Disposals	(1)	(142)	(306)	-	(1)	(450)
Disposal of subsidiary	-	(140)	(8)	-	(9)	(157)
Exchange adjustment	28	58	41	31	86	244
Cancellation	-	-	-	-	(3)	(3)
Adjustment on remeasurement*	-	-	-	-	2	2
Transfer	41	146	38	(220)	-	5
At 30 June 2021	**5,262**	**3,818**	**2,392**	**434**	**686**	**12,592**
Additions	**138**	**249**	**487**	**205**	**216**	**1,295**
Scrap/Disposals	**(9)**	**(204)**	**(222)**	**-**	**-**	**(435)**
Exchange adjustment	**26**	**43**	**34**	**10**	**63**	**176**
Cancellation	**-**	**-**	**-**	**-**	**(80)**	**(80)**
Transfer	**221**	**60**	**146**	**(427)**	**-**	**-**
At 30 June 2022	**5,638**	**3,966**	**2,837**	**222**	**885**	**13,548**
Accumulated depreciation						
At 1 July 2020	**1,091**	**2,573**	**1,161**	-	**101**	**4,926**
Charge for the year	85	408	228	-	118	839
Scrap/Disposal adjustment	-	(139)	(185)	-	-	(324)
Disposal of subsidiary	-	(114)	(6)	-	(6)	(126)
Exchange adjustment	7	45	26	-	26	104
Depreciation adjustment	-	(16)	(10)	-	-	(26)
At 30 June 2021	**1,183**	**2,757**	**1,214**	**-**	**239**	**5,393**
Charge for the year	**89**	**368**	**268**	**-**	**130**	**855**
Scrap/Disposal adjustment	**(7)**	**(160)**	**(133)**	**-**	**-**	**(300)**
Exchange adjustment	**6**	**32**	**16**	**-**	**22**	**76**
Depreciation adjustment	**-**	**182**	**13**	**-**	**-**	**195**
At 30 June 2022	**1,271**	**3,179**	**1,378**	**-**	**391**	**6,219**
Net book value						
At 30 June 2022	**4,367**	**787**	**1,459**	**222**	**494**	**7,329**
At 30 June 2021	4,079	1,061	1,178	434	447	7,199

12. Property, plant and equipment (Cont'd)

	COMPANY		
	Land and buildings	Furniture, fittings and vehicles	Total
	RS'M	RS'M	RS'M
Cost			
At 30 June 2021 and 30 June 2022	222	17	239
Accumulated depreciation			
At 1 July 2020	-	12	12
Charge for the year	-	1	1
At 30 June 2021	-	13	13
Charge for the year	-	1	1
At 30 June 2022	-	14	14
Net book value			
At 30 June 2022	222	3	225
At 30 June 2021	222	4	226

Property, plant and equipment are classified as non-current asset.
Following the adoption of IFRS 16, the Group has presented right-of-use assets within 'property, plant and equipment'.
The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 10 years.
Moreover, the Group does not have the possibility of acquiring the asset at the end of the lease.
* The Group reviewed the discounting rate used upon adoption of IFRS 16 to measure the present value of the remaining lease payments from 5.6% to 4.5%. (2021: from 5.6% to 4.1%)

13. Deferred tax assets/(liabilities)

	GROUP					
	Balance as at 1 July RS'M	Exchange adjustments RS'M	Recognised in Statements of profit or loss RS'M	Recognised in Statements of Comprehensive income RS'M	Disposal of subsidiary RS'M	Balance as at 30 June RS'M
At 30 June 2022						
Deferred tax assets:						
Provisions and post retirement benefits	(7)	-	(27)	229	-	195
Provisions for credit impairment	1,748	14	435	-	-	2,197
Tax losses carried forward	3	-	4	-	-	7
Leases	1	1	(1)	-	-	1
Accelerated tax depreciation	(226)	21	(14)	-	-	(219)
	1,519	36	397	229	-	2,181
Deferred tax liabilities:						
Accelerated tax depreciation	(548)	9	(97)	-	-	(636)
Fair value of investment property	(36)	-	36	-	-	-
Provisions for credit impairment	-	-	20	-	-	20
Tax losses carried forward	207	1	(9)	-	-	199
Leases	30	3	(2)	-	-	31
	(347)	13	(52)	-	-	(386)
At 30 June 2021						
Deferred tax assets:						
Provisions and post retirement benefits	320	-	(12)	(315)	-	(7)
Provisions for credit impairment	1,146	34	568	-	-	1,748
Tax losses carried forward	3	-	-	-	-	3
Leases	1	-	-	-	-	1
Accelerated tax depreciation	(207)	8	(27)	-	-	(226)
	1,263	42	529	(315)	-	1,519
Deferred tax liabilities:						
Accelerated tax depreciation	(479)	(6)	(71)	-	8	(548)
Fair value of investment property	-	-	(36)	-	-	(36)
Tax losses carried forward	118	-	89	-	-	207
Leases	22	-	8	-	-	30
	(339)	(6)	(10)	-	8	(347)

Deferred tax assets are classified as non-current asset.

14. Other assets

	GROUP		COMPANY	
	2022	2021	2022	2021
	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	**27,896**	25,301	**-**	-
Prepayments & other receivables	**2,069**	1,765	**1,750**	2,000
Credit Card Clearing	**522**	152	**-**	-
Non-banking assets acquired in satisfaction of debts*	**101**	164	**-**	-
Impersonal and other accounts	**5,968**	4,887	**14**	-
	36,556	32,269	**1,764**	2,000
Less allowances for credit impairment	**(24)**	(15)	**-**	-
	36,532	32,254	**1,764**	2,000

* The Group's policy is to dispose of such assets as soon as the market permits.

All elements under other assets are classified as current assets except 'Non-banking assets acquired in satisfaction of debts' and 'Impersonal and other accounts'.

Allowances for credit impairment

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2021	**10**	**6**	**(1)**	**15**
Exchange adjustment	**-**	**1**	**-**	**1**
Transfer to lifetime ECL credit impaired	**-**	**(6)**	**6**	**-**
Provision for credit impairment for the year	**-**	**5**	**8**	**13**
Write off	**-**	**-**	**(5)**	**(5)**
At 30 June 2022	**10**	**6**	**8**	**24**
At 1 July 2020	9	8	(1)	16
Provision for credit impairment for the year	4	4	-	8
Write off	-	(6)	-	(6)
Disposal of subsidiary	(3)	-	-	(3)
At 30 June 2021	10	6	(1)	15

15. Deposits

	GROUP	
	2022 RS'M	2021 RS'M
(a) Deposits from banks		
Demand deposits	**2,173**	14,675
Money market deposits with remaining term to maturity:		
Up to 3 months	**3,006**	1,304
Over 3 months and up to 6 months	**-**	1,663
Over 6 months and up to 1 year	**1,800**	427
	4,806	3,394
	6,979	18,069

Deposits from banks have been classified as current liabilities.

15. Deposits (Cont'd)

	GROUP	
	2022	2021
	RS'M	RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	56,214	49,569
Savings deposits	195,567	177,873
Time deposits with remaining term to maturity:		
Up to 3 months	3,240	4,175
Over 3 months and up to 6 months	1,989	1,990
Over 6 months and up to 1 year	4,019	4,014
Over 1 year and up to 5 years	12,043	11,313
Over 5 years	6	8
	21,297	21,500
	273,078	248,942
(ii) Corporate customers		
Demand deposits	218,105	209,751
Savings deposits	6,497	6,735
Time deposits with remaining term to maturity:		
Up to 3 months	13,787	13,558
Over 3 months and up to 6 months	2,389	2,002
Over 6 months and up to 1 year	3,070	3,712
Over 1 year and up to 5 years	841	515
Over 5 years	1	-
	20,088	19,787
	244,690	236,273
(iii) Government		
Demand deposits	804	535
Savings deposits	59	69
Time deposits with remaining term to maturity:		
Up to 3 months	8	50
Over 3 months and up to 6 months	4	3
Over 1 year and up to 5 years	34	31
	46	84
	909	688
	518,677	485,903
Deposits from customers can be classified as:		
Current	505,752	474,036
Non-current	12,925	11,867

The carrying amounts of deposits are not materially different from their fair values.

16. Other borrowed funds

Other borrowed funds comprise the following:

	GROUP	
	2022 RS'M	2021 RS'M
Borrowings from banks:		
in Mauritius	9,982	24,869
abroad	85,013	52,267
	94,995	77,136
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	2,577	2

The carrying amounts of other borrowed funds are not materially different from their fair values.

Remaining term to maturity:

	2022 RS'M	2021 RS'M
On demand or within a period not exceeding 1 year	25,232	44,278
Within a period of more than 1 year but not exceeding 2 years	57,627	17,154
Within a period of more than 2 years but not exceeding 3 years	4	711
Within a period of more than 3 years	12,132	14,993
	94,995	77,136
Other borrowed funds can be classified as:		
Current	25,232	44,278
Non-current	69,763	32,858

17. Debt securities

Floating rate senior unsecured notes (Level 1)

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Rs 2.0 billion notes maturing in January 2023 at an average interest rate of 1.92% (2021: 1.85%) Market Price at 30 June 2022:Rs 990.13 (2021:Rs 986.43)	2,008	2,007	2,008	2,007
Rs 2.0 billion notes maturing in June 2028 at an average interest rate of 2.77% (2021: 2.70%)* Market Price at 30 June 2022:Rs 1,000.00 (2021:Rs 1,000.79)	1,840	2,000	2,000	2,000
	3,848	4,007	4,008	4,007

These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd and their carrying amounts are not materially different from their fair values.

*During the year, one of the subsidiaries purchased notes amounting to Rs 160M in an open market transaction. This has been adjusted at Group`s level.

18. Subordinated liabilities

		GROUP		COMPANY	
		2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Floating rate subordinated notes maturing in August 2023 at an average interest rate of 3.27 % (2021:3.20%) (Level 1)	(i)	**1,109**	1,109	**1,109**	1,109
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.50 % (2021:3.50%) (Level 3)	(ii)	**875**	1,013	**-**	-
Repayment of USD 5.3M during the year (2021:USD 4.5M)		**(225)**	(179)	**-**	-
Exchange adjustments and others		**34**	41	**-**	-
		1,793	1,984	**1,109**	1,109

The carrying amounts of the subordinated liabilities are not materially different from their fair values.

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius and are presently available to individual and institutional investors for secondary trading.

(ii)The Mauritius Commercial Bank Limited obtained a USD 30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD 150M granted by the latter to allow The Mauritius Commercial Bank Limited to increase its foreign currency lending to clients operating in the region and in mainland Africa.

Subordinated liability is classified as non-current liability.

19. Preference shares

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
339,622,500 convertible redeemable non-voting preference shares (Level 1)	**3,396**	3,396	**3,396**	3,396

During the year ended 30 June 2020, 339,622,500 convertible redeemable non-voting preference shares of no par value were issued at an issue price of Rs 10. each. Subject to a non-conversion period of two years, starting on the issue date and upon receipt of a conversion notice, the eligible preference shareholders shall have the option of converting some or all of their preference shares into ordinary shares of the company based on the conversion price at the specified conversion date. The preference shares shall rank junior to all secured and unsecured creditors of the Group but ahead of the ordinary shares. Redemption is at the option of the Company after the tenth anniversary of the Issue Date. Subject to the number of preference shares in issue being less than fifty million, and all applicable laws, the Company may, by serving a Redemption Notice, redeem on a Redemption Date, all (but not part of) the preference shares.

Classification

As a compound financial instrument, the preference shares have both equity and liability components upon issuance. During the non-conversion period, the equity component has been assessed as being immaterial and therefore the entire instrument has been classified as a liability at 30 June 2022 and 30 June 2021.

Preference dividend

Subject to dividends being declared by the Board and to the applicable laws, the preference shareholders, at the close of the preference dividend record date, shall be entitled to a fixed annual non-cumulative dividend of MUR 0.47 per share. During the non-conversion period, dividends to preference shareholders are recognised in the statement of changes in equity.

Conversion of preference shares into ordinary shares

In July 2022, MCB Group Limited has received requests from holders of Preference Shares to convert an aggregate of 70,734,772 Preference Shares into Ordinary Shares. In this context, the Board has approved the issue of 2,297,945 Ordinary Shares of the Company for a total consideration of Rs 707M.

20. Post employee benefit liability/(asset)

	GROUP	
	2022 RS'M	2021 RS'M
Post employee benefit liability/(asset):		
(a) Staff superannuation fund (defined benefit section)	278	(1,344)
(b) Residual retirement gratuities	182	126
	460	(1,218)

(a) Staff superannuation fund (defined benefit section)

	2022 RS'M	2021 RS'M
Reconciliation of net defined benefit liability/(asset)		
Opening balance	(1,344)	1,041
Amount recognised in statements of profit or loss (Note 30(a))	131	255
Amount recognised in statements of comprehensive income	1,716	(2,407)
Less employer contributions	(225)	(233)
Closing balance	278	(1,344)
Reconciliation of fair value of plan assets		
Opening balance	8,952	7,555
Interest income	443	241
Employer contributions	225	233
Transfer of assets	-	(45)
Benefits paid	(401)	(322)
Return on plan assets (below)/above interest income	(454)	1,290
Closing balance	8,765	8,952
Reconciliation of present value of defined benefit obligation		
Opening balance	7,608	8,596
Current service cost	203	229
Interest expense	371	270
Past service cost	-	(3)
Transfer of assets	-	(45)
Benefits paid	(401)	(322)
Liability experience loss	96	-
Liability loss/(gain) due to change in financial assumptions	1,166	(1,117)
Closing balance	9,043	7,608
Components of amount recognised in statements of profit or loss		
Current service cost	203	229
Past service cost	-	(3)
Net interest on net defined benefit (asset)/liability	(72)	29
Total	131	255
Components of amount recognised in statements of comprehensive income		
Return on plan assets below/(above) interest income	454	(1,290)
Liability experience loss	96	-
Liability loss/(gain) due to change in financial assumptions	1,166	(1,117)
Total	1,716	(2,407)

20. Post employee benefit liability/(asset) (Cont'd)

(a) Staff superannuation fund (Cont'd)

	GROUP	
	2022	2021
Allocation of plan assets at end of year	%	%
Equity - Local quoted	38	32
Equity - Local unquoted	1	1
Debt - Overseas quoted	-	1
Debt - Local quoted	11	12
Debt - Local unquoted	5	5
Property - Local	6	5
Investment funds	31	37
Cash and other	8	7
Total	100	100
Allocation of plan assets at end of year	%	%
Reporting entity's own transferable financial instruments	11	10
Property occupied by reporting entity	6	6
Other assets used by reporting entity	3	3
Principal assumptions used at end of year		
Discount rate	5.3%	5.0%
Rate of salary increases	3.7%	2.5%
Rate of pension increases	2.2%	1.0%
Average retirement age (ARA)	63	63
Average life expectancy for:		
Male at ARA	17.3 years	17.3 years
Female at ARA	21.7 years	21.7 years

	2022 RS'M	2021 RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	1,628	1,301
Decrease due to 1% increase in discount rate	1,275	1,027
Increase due to 1% increase in salary increase rate	697	-
Decrease due to 1 % decrease in salary increase rate	597	-
Increase due to 1% increase in pension increase rate	850	-
Decrease due to 1 % decrease in pension increase rate	732	-

20. Post employee benefit liability/(asset) (Cont'd)

(a) Staff superannuation fund (Cont'd)

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the year after increasing or decreasing the discount rate, salary increase rate and pension increase rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Group sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Group. The Group has recognised a total net defined benefit liability of Rs 278 M as at 30 June 2022 for the defined benefit pension plan (2021: net defined asset of Rs 1,344 M).

The liability experience loss of Rs 96 M is mainly due to a mortality experience (pensioners and employees living longer than expected), the actual average pension increases being higher than expected and the pensioner liability for new retirees being higher than their past service reserve. This loss has been partially offset by a gain due to actual average salary increases being lower than expected.

The liability loss of Rs 1,166 M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 2.5% p.a. in 2021 to 1.6% p.a. in 2022 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 4.0% p.a. in 2021 to 3.1% p.a. in 2022.

The Group operates a final salary defined benefit pension or retirement plan for some of its employees which is self-administered and funded separately from the Group.

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Group had a residual obligation imposed by Workers' Rights Act (WRA) 2019 on top of its Defined Contribution (DC) plan. It is therefore particularly exposed to investment under-performance of the DC plan.

There has been no plan amendment, curtailment or settlement during the year.

Future cash flows
The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries:
Expected employer contribution for the next year: **Rs 369 M**
Weighted average duration of the defined benefit obligation: **17 years**

Defined Contribution Cash Balance (DCCB)

As from 1 July 2015, The Group has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.

Consequently, all employees joining the Bank as from that date are automatically enrolled in the new scheme. Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

20. Post employee benefit liability/(asset) (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	GROUP	
	2022 RS'M	2021 RS'M
Reconciliation of net defined benefit liability		
Opening balance	**126**	129
Amount recognised in statements of profit or loss (Note 30(a))	**14**	13
Amount recognised in statements of comprehensive income	**42**	(16)
Closing balance	**182**	126
Reconciliation of present value of defined benefit obligation		
Opening balance	**126**	129
Current service cost	**8**	11
Interest expense	**6**	4
Past service cost	**-**	(2)
Liability experience (gain)/loss	**(6)**	1
Liability loss/(gain) due to change in financial assumptions	**48**	(17)
Closing balance	**182**	126
Components of amount recognised in statements of profit or loss		
Current service cost	**8**	11
Past service cost	**-**	(2)
Net interest on net defined benefit liability	**6**	4
Total	**14**	13
Components of amount recognised in statements of comprehensive income		
Liability expense (gain)/loss	**(6)**	1
Liability loss/(gain) due to change in financial assumptions	**48**	(17)
Total	**42**	(16)
Principal assumptions used at end of year		
Discount rate	**5.3%**	5.0%
Rate of salary increases	**3.7%**	2.5%
Rate of pension increases	**2.2%**	1.0%
Average retirement age (ARA)	**63**	63

	2022 RS'M	2021 RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**59**	42
Decrease due to 1% increase in discount rate	**45**	32
Increase due to 1% increase in salary increase rate	**50**	-
Decrease due to 1% decrease in salary increase rate	**38**	-
Increase due to 1% increase in pension increase rate	**8**	-
Decrease due to 1% decrease in pension increase rate	**9**	-

The Group has also recognised a net defined benefit liability of Rs 182 M as at 30 June 2022 (2021: Rs 126 M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of year after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

The liability experience gain of Rs 6 M is mainly due to some employees who have left the Group, resulting in a release of liabilities. This gain has been partially offset by a loss due to actual average remuneration increases being higher than expected.

20. Post employee benefit liability/(asset) (Cont'd)

(b) Residual retirement gratuities (Cont'd)

The liability loss of Rs 48M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 2.5% p.a. in 2021 to 1.6% p.a. in 2022 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 4.0% p.a. in 2021 to 3.1% p.a. in 2022.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contribution for the next year: **Nil**

Weighted average duration of the defined benefit obligation: **23 years**

Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 31 August 2022.

Post employee benefit liability/(asset) is classified as non-current liability/asset.

21. Other liabilities

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Impersonal, other accounts and deferred income	**9,048**	7,926	**450**	82
Structured products notes*	**3,303**	3,298	**-**	-
Proposed dividend	**1,185**	1,736	**1,185**	1,736
Lease liabilities	**626**	560	**-**	-
Allowances for credit impairment on off-balance sheet exposures	**523**	424	**-**	-
Others	**36**	-	**-**	-
	14,721	13,944	**1,635**	1,818

* These structured products notes were issued at the level of our subsidiaries.
All elements under other liabilities are classified as current liabilities except 'Impersonal, other accounts and deferred income' and 'lease liabilities' (amounts over 1 year).

(i) The Lease liabilities can be analysed as follows:

	GROUP	
	2022 RS'M	2021 RS'M
Up to 3 months	**1**	3
Over 3 months and up to 6 months	**2**	3
Over 6 months and up to 1 year	**11**	14
Over 1 year and up to 5 years	**218**	327
Over 5 years	**394**	213
	626	560

21. Other liabilities (Cont'd)

(ii) Allowances for credit impairment on off-balance sheet exposures

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2021	**423**	**1**	**-**	**424**
Exchange adjustment	4	-	-	4
Provision for credit impairment for the year	451	1	-	452
Provision released during the year	(286)	-	-	(286)
Changes in models/risk parameters	(71)	-	-	(71)
At 30 June 2022	**521**	**2**	**-**	**523**
At 1 July 2020	271	1	3	275
Exchange adjustment	6	-	-	6
Provision for credit impairment for the year	188	-	-	188
Provision released during the year	(156)	-	(3)	(159)
Changes in models/risk parameters	114	-	-	114
At 30 June 2021	423	1	-	424

22. Stated capital and reserves

(a) Stated capital

	Number of shares	RS'M
At 1 July 2020	239,252,238	2,719
Issue of shares following the exercise of Group Employee Share Options Scheme	240,294	57
At 30 June 2021	**239,492,532**	**2,776**
Issue of shares following the exercise of Group Employee Share Options Scheme	**276,325**	**86**
Issue of shares following the Scrip Dividend Scheme (Non-cash)	**799,456**	**247**
At 30 June 2022	**240,568,313**	**3,109**

Fully paid ordinary shares carry one vote per share and the right to dividend.
The shares have no par value and rank 'pari passu' in all respects with the existing ordinary shares of the Company.

Scrip Dividend Scheme

During the year, the Board has approved a Scrip Dividend Scheme whereby Ordinary Shareholders will have the option of receiving dividends, or part thereof, by way of Ordinary Shares of the Company.
The Scrip Price of a Scrip Share is calculated as the five-day volume-weighted average of the traded price of the Company's ordinary share on the market, beginning with the first ex-dividend date, less a discount of 3%, as described in the terms governing the Scrip Dividend Scheme.

(b) Reserves

(i) Capital reserve

The capital reserve represents the cumulative net change in:
(a) the fair value of investment securities until the securities are derecognised or impaired.
(b) revaluation surplus on land and factory buildings where applicable, until it is derecognised.

(ii) Translation reserve

The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of foreign operations.

(iii) Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

23. Contingent liabilities

	GROUP	
	2022 RS'M	2021 RS'M
(a) Instruments		
Acceptances on account of customers	516	626
Guarantees on account of customers	62,253	72,749
Letters of credit and other obligations on account of customers (net)	48,601	40,244
Other contingent items (net)	3,625	2,653
	114,995	116,272
(b) Commitments		
Loans and other facilities, including undrawn credit facilities	11,105	6,711
(c) Tax assessments	18	18
	126,118	123,001

24. Interest income using the effective interest method

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Loans to and placements with banks	607	524	-	-
Loans and advances to customers	12,930	12,360	-	-
Investments at amortised cost	4,881	4,176	-	-
Investments at fair value through other comprehensive income	37	88	-	-
Other	-	-	1	3
	18,455	17,148	1	3

25. Interest expense

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Deposits from banks	23	17	-	-
Deposits from customers	1,454	1,322	-	-
Other borrowed funds	1,609	1,019	-	-
Debt securities	32	37	93	37
Subordinated liabilities	94	57	36	35
Lease liabilities	52	31	-	-
	3,264	2,483	129	72

26. Fee and commission income

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Cards and other related fees	**3,335**	1,885	**-**	-
Trade finance fees	**1,597**	1,123	**-**	-
Transaction fees	**1,185**	1,021	**-**	-
Guarantee fees	**969**	399	**-**	-
Loan related fees	**487**	387	**-**	-
Private banking and wealth management fees	**426**	497	**-**	-
Rental income	**220**	199	**-**	-
Investment management	**220**	184	**-**	-
Others	**145**	133	**-**	-
	8,584	5,828	**-**	-

27. Fee and commission expense

Cards and other related fees	**2,033**	1,023	**-**	-
Loan related and trade finance fees	**401**	280	**-**	-
Transaction fees	**61**	37	**-**	-
Others	**19**	28	**-**	-
	2,514	1,368	**-**	-

28. Net gain from other financial instruments carried at fair value

Net gain from derivative financial instruments fair valued through profit or loss	**272**	274	**-**	-
Net gain from investment securities fair valued through profit or loss	**222**	62	**-**	5
Net loss from investment securities fair valued through other comprehensive income	**(337)**	(113)	**-**	-
Net gain from other investment securities	**3**	-	**-**	-
	160	223	**-**	5

29. Dividend income

Quoted investments FVOCI	**44**	55	**19**	22
Quoted investments FVPL	**34**	29	**-**	-
Unquoted investments FVOCI	**4**	13	**-**	-
Unquoted investments FVPL	**31**	7	**-**	-
Subsidiaries	**-**	-	**4,081**	2,169
	113	104	**4,100**	2,191

30. Non-interest expense

(a) Salaries and human resource costs

	GROUP		COMPANY	
	2022	2021	2022	2021
	RS'M	RS'M	RS'M	RS'M
Wages and salaries	3,410	3,191	91	85
Defined benefit plan	131	255	-	-
Residual retirement gratuities	14	13	-	-
Defined contribution plan	132	120	-	-
Compulsory social security obligations	152	128	-	-
Equity settled share-based payments	16	7	-	-
Other personnel expenses	1,117	902	2	-
	4,972	4,616	93	85

(b) Other non-interest expense

	GROUP 2022 RS'M	GROUP 2021 RS'M	COMPANY 2022 RS'M	COMPANY 2021 RS'M
Legal and professional fees	482	508	26	22
Rent, repairs, maintenance and security costs	377	389	1	1
Software licensing and other information technology costs	762	706	-	-
Electricity, water and telephone charges	383	337	-	-
Advertising, marketing costs and sponsoring	146	92	-	-
Postage, courier and stationery costs	212	169	-	-
Insurance costs	169	139	-	-
Others	249	55	44	39
of which short term leases	*8*	*3*	-	-
of which low value leases	-	*6*	-	-
of which variable leases	*14*	*10*	-	-
	2,780	2,395	71	62

(c) Share-based payments

During FY 2014, the Group proposed a Group Employee Share Option Scheme (GESOS) to all employees.

The Board of Directors has the authority to issue up to 5 million shares to the employees. In November 2021, a further offer of 642,518 options was made on similar terms.

	GROUP			
	2022		2021	
	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 1 July	193.63	645,906	266.68	500,527
Expired during the year	192.42	(502,061)	266.68	(500,527)
Granted during the year	274.94	642,518	194.61	886,200
Exercised during the year	278.76	(276,325)	197.27	(240,294)
Outstanding and exercisable at 30 June		510,038		645,906

The options outstanding at 30 June 2022 under GESOS have an exercise price in the range of Rs 269.50 to Rs 299.75 and a weighted average contractual life of 3½ months.
The weighted average share price at the date the share options were exercised under GESOS during FY 21/22 was Rs 312.62 (2021:Rs 236.70).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 299 (2021:Rs 211.25).

31. Net impairment of financial assets

	GROUP	
	2022 RS'M	2021 RS'M
Net allowance for credit impairment:		
Cash and cash equivalents	(8)	46
Loan and advances		
Loans to and placements with banks	217	246
Loans and advances to customers	3,501	4,547
Investment securities:		
Amortised cost	17	2
Fair value through other comprehensive income	76	(1)
Other assets - receivables	13	8
Off-balance sheet exposures	95	143
	3,911	4,991
Bad debts written off for which no provisions were made	-	46
Recoveries of advances written off	(430)	(271)
	3,481	4,766

32. Income tax expense

(a) The tax charge related to statements of profit or loss is as follows:

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Income tax based on the adjusted profit	**1,730**	1,340	**-**	-
Deferred tax	**(345)**	(519)	**-**	-
Special levy on banks	**624**	556	**-**	-
Corporate Social Responsibility contribution	**124**	116	**-**	-
Tax credit	**(62)**	(3)	**-**	-
(Over)/Under provision in previous years	**(1)**	10	**-**	-
Charge for the year	**2,070**	1,500	**-**	-

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Profit before tax	**12,031**	9,739	**3,808**	2,365
Less share of profit of associates	**(799)**	(372)	**-**	-
	11,232	9,367	**3,808**	2,365
Tax calculated at applicable rates	**1,685**	1,405	**571**	355
Effect of different tax rates	**(281)**	(202)	**-**	-
Impact of:				
Income not subject to tax	**(555)**	(785)	**(619)**	(388)
Expenses not deductible for tax purposes	**536**	403	**48**	33
Tax credits	**(62)**	(3)	**-**	-
Special levy on banks	**624**	556	**-**	-
Corporate Social Responsibility contribution	**124**	116	**-**	-
(Over)/Under provision in previous years	**(1)**	10	**-**	-
Tax charge	**2,070**	1,500	**-**	-

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Group is required, via its local subsidiaries, to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National Social Inclusion Foundation (formerly known as National CSR Foundation) and the remaining to the Mauritius Revenue Authority.

Bank Levy

The Group, via The Mauritius Commercial Bank Limited, is liable to pay a special levy as a percentage of its leviable income from residents, excluding Global Business License holders.

Applicable Tax Rates

As from 1 July 2019, the Segment A and Segment B regime has been abolished for income tax purposes and a new tax regime is applicable for the banking sector. The Mauritius Commercial Bank Limited is now being taxed at 5% on the first Rs 1.5 billion of its chargeable income, at 15% of its chargeable income between Rs 1.5 billion and the base year chargeable income, and at 5% on the remainder, subject to prescribed conditions.

(b) The tax (credit)/charge related to statements of comprehensive income is as follows:

	GROUP	
	2022 RS'M	2021 RS'M
Remeasurement of defined benefit pension plan and retirement residual gratuities	**1,758**	(2,423)
Deferred tax (credit)/charge	**(229)**	315
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**1,529**	(2,108)

33. Dividends

	COMPANY	
	2022 RS'M	2021 RS'M
Ordinary shares		
Paid on 21 December 2021 and 8 July 2022 at Rs 9.50 and Rs 5.90 respectively per share (FY 2021: Rs 7.25 per share)	3,462	1,736
of which scrip dividends	*247*	-
Preference shares		
Paid on 31 December 2021 and 30 June 2022 at Re 0.47 per preference share	160	160
	3,622	1,896

34. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2022	2021
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	9,637,000	8,019,000
Weighted average number of ordinary shares (thousands)	240,064	239,330
Basic earnings per share (Rs)	40.14	33.51

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period is treated as an issue of ordinary shares for no consideration.

During the year ended 30 June 2020, the company issued convertible redeemable non-voting preference shares which are subject to a non-conversion period of two years from the issue date. These shares have not been used in the calculation of diluted EPS.

	GROUP	
	2022	2021
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	9,637,000	8,019,000
Weighted average number of ordinary shares - basic (thousands)	240,064	239,330
Effect of share options in issue (thousands)	55	188
Weighted average number of ordinary shares - diluted (thousands) at year end	240,119	239,518
Diluted earnings per share (Rs)	40.13	33.48

35. Commitments

(a) Capital commitments

	GROUP 2022 RS'M	GROUP 2021 RS'M
Expenditure contracted for but not incurred	192	152
Expenditure approved by the Board but not contracted for	121	135

(b) Securities pledged

The Group has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius and for repurchase agreement with other financial institutions.

	GROUP 2022 RS'M	GROUP 2021 RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	7,113	6,413
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	32,620	46,961
	39,733	53,374

(c) The Company has pledged to invest EUR 5M in a carbon-impact fund.

36. Net cash flows from trading activities

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Operating profit	11,232	9,367	3,808	2,365
(Increase)/Decrease in other assets	(2,625)	(6,806)	236	(1,989)
Increase in other liabilities	160	980	368	21
Net (Increase)/Decrease in derivative financial instruments	(312)	407	-	-
Net Decrease/(Increase) in investment securities at fair value through profit or loss	17,932	(6,387)	-	-
(Release)/Additional provision for employee benefits	(94)	22	-	-
Provision for residual retirement gratuities	14	13	-	-
Net allowance for credit impairment on:				
Cash and cash equivalents	(8)	46	-	-
Loans and advances	3,718	4,793	-	-
Investment securities at amortised cost	17	2	-	-
Investment securities at fair value through other comprehensive income	76	(1)	-	-
Other assets - receivables	13	8	-	-
Off-balance sheet exposures	95	143	-	-
Exchange profit	(22)	(754)	-	-
Depreciation of property, plant and equipment	855	839	1	1
Amortisation of intangible assets	525	421	-	-
Loss on disposal of property, plant and equipment	53	3	-	-
Loss on scrapped intangible assets	10	-	-	-
Profit on disposal of investment securities	337	113	-	-
Profit on disposal of subsidiary	-	(356)	-	(356)
Revaluation gain on investment property	(204)	-	-	-
Bargain purchase on business combinations	-	(5)	-	-
	31,772	2,848	4,413	42

37. Net cash flows from other operating activities

	GROUP	
	2022 RS'M	2021 RS'M
Net increase in deposits	**18,481**	109,232
Net increase in loans and advances	**(38,157)**	(56,423)
Purchase of investments at fair value through other comprehensive income	**(5,560)**	(36,572)
Proceeds from sale of investments at fair value through other comprehensive income	**9,732**	49,861
Net increase in investment securities at amortised cost	**(63,095)**	(55,594)
Net increase in other borrowed funds	**15,368**	25,029
	(63,231)	35,533

38. Operating segments

Operating segments are reported in accordance with the internal reporting provided to the Supervisory and Monitoring Committee, whose responsibility is to allocate capital and resources to the reportable segments and assessing their performance.

All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group's income, expenses, assets and liabilities are derived mainly through its Mauritian operations.

Year ended 30 June 2022

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**29,623**	28,948	1,331	190	(846)
Expenses	**(14,910)**	(14,224)	(883)	(238)	435
Operating profit before impairment	**14,713**	14,724	448	(48)	(411)
Net impairment of financial assets	**(3,481)**	(3,464)	(12)	(5)	-
Operating profit	**11,232**	11,260	436	(53)	(411)
Share of profit of associates	**799**	475	11	313	-
Profit before tax	**12,031**	11,735	447	260	(411)
Income tax expense	**(2,070)**				
Profit for the year	**9,961**				
Other segment items:					
Segment assets	**711,103**	709,976	19,974	1,082	(19,929)
Investments in associates	**12,356**	5,569	34	6,766	(13)
Goodwill and other intangible assets	**2,488**				
Deferred tax assets	**2,181**				
Total assets	**728,128**				
Segment liabilities	**635,183**	634,637	11,775	621	(11,850)
Unallocated liabilities	**11,903**				
Total liabilities	**647,086**				

38. Operating segments (Cont'd)

Year ended 30 June 2021

	GROUP RS'M	Banking RS'M	Non-Banking Financial RS'M	Other Investments RS'M	Eliminations RS'M
Income:					
External gross income	**26,255**	25,292	1,355	506	(898)
Expenses	**(12,122)**	(11,472)	(834)	(404)	588
Operating profit before impairment	**14,133**	13,820	521	102	(310)
Net impairment of financial assets	**(4,766)**	(4,740)	(22)	(4)	-
Operating profit	**9,367**	9,080	499	98	(310)
Share of profit of associates	**372**	337	1	34	-
Profit before tax	**9,739**	9,417	500	132	(310)
Income tax expense	**(1,500)**				
Profit for the year	**8,239**				
Other segment items:					
Segment assets	**667,000**	666,014	19,961	988	(19,963)
Investments in associates	**12,525**	6,207	22	6,309	(13)
Goodwill and other intangible assets	**2,089**				
Deferred tax assets	**1,519**				
Total assets	**683,133**				
Segment liabilities	**594,770**	593,400	11,659	891	(11,180)
Unallocated liabilities	**12,567**				
Total liabilities	**607,337**				

38. Operating segments (Cont'd)

Year ended 30 June 2022

	GROUP RS'M	Net interest income RS'M	Net fee and commission income RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**23,266**	15,043	5,615	458	2,150
Non-Banking Financial	**1,093**	143	659	53	238
Other Investments	**191**	5	16	4	166
Eliminations	**(705)**	-	(220)	(402)	(83)
	23,845	15,191	6,070	113	2,471
Segment assets	**601,935**	593,946	-	7,989	-
Investments in associates	**12,356**				
Goodwill and other intangible assets	**2,488**				
Deferred tax assets	**2,181**				
Unallocated assets	**109,168**				
Total assets	**728,128**				

Year ended 30 June 2021

	GROUP RS'M	Net interest income/ (expense) RS'M	Net fee and commission income RS'M	Dividend income RS'M	Forex profit and others RS'M
Operating income:					
Banking	**21,522**	14,552	4,092	248	2,630
Non-Banking Financial	**1,093**	114	599	36	344
Other Investments	**495**	(1)	13	10	473
Eliminations	**(706)**	-	(244)	(190)	(272)
	22,404	14,665	4,460	104	3,175
Segment assets	**593,852**	585,519	-	8,333	-
Investments in associates	**12,525**				
Goodwill and other intangible assets	**2,089**				
Deferred tax assets	**1,519**				
Unallocated assets	**73,148**				
Total assets	**683,133**				

39. Related party transactions

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Cash equivalents, Loans and Advances				
Balance at year end:				
30 June 22	**2,397**	**343**	**409**	**-**
30 June 21	2,277	263	421	-
Deposits				
Balance at year end:				
30 June 22	**75**	**528**	**557**	**798**
30 June 21	119	392	405	583
Amounts due from/(to)				
Balance at year end:				
30 June 22	**(1,013)**	**-**	**-**	**-**
30 June 21	(1,216)	-	-	-
Off Balance sheet items				
Balance at year end:				
30 June 22	**74**	**-**	**195**	**-**
30 June 21	714	-	192	-
Interest income				
For the year ended:				
30 June 22	**77**	**3**	**14**	**-**
30 June 21	84	2	14	-
Interest expense				
For the year ended:				
30 June 22	**32**	**2**	**-**	**-**
30 June 21	34	2	-	-
Fees and commissions and Other income				
For the year ended:				
30 June 22	**4**	**3**	**4**	**5**
30 June 21	146	3	2	5

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flows.

39. Related party transactions (Cont'd)

(a) The Group (Cont'd)

The FY 2020/2021 figure for "Fee and commission income" from Associated Companies includes an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI').

During the year, 88,343 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 22M (FY 2020/2021: 80,345 share options for Rs 17M).

(b) The Company

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries and associates of the Company:

(i) Balances as at 30 June:

Subsidiaries	Amount owed by RS'M	Amount owed to RS'M
2022	**2,761**	**6**
2021	2,768	24

(ii) Income and expenses for the period ended 30 June:

Subsidiaries	Dividend income RS'M	Interest income RS'M	Other expense RS'M
2022	**4,081**	**2**	**19**
2021	2,169	3	40

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2022 RS'M	2021 RS'M	2022 RS'M	2021 RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows:				
Salaries and short term employee benefits	**240**	240	**81**	82
Post employment benefits	**18**	22	**3**	6
	258	262	**84**	88

40. IBOR

The Group is exposed to the effects of IBOR reform on its financial assets and liabilities, as set out within the table below.

	Carrying value/nominal amount at 30 June 2022		Of which the carrying value/ nominal amount at 30 June 2022 have yet to transition to an alternative benchmark interest rate	
	Assets RS'M	Liabilities RS'M	Assets RS'M	Liabilities RS'M
Non-derivative assets and liabilities exposed				
Measured at amortised cost				
Cash and cash equivalents	1,947	-	411	-
Loans to and placements with banks	8,651	-	8,608	-
Loans and advances to customers	79,352	-	62,218	-
Investment securities	1,267	-	410	-
Deposits from banks	-	43	-	-
Deposits from customers	-	28,339	-	18
Other borrowed funds	-	66,281	-	65,097
Subordinated liability	-	864	-	864
	91,217	95,527	71,647	65,979
Derivative assets and liabilities exposed				
Measured at fair value through profit or loss				
Derivative financial instruments	56	51	-	-

JESSIE
Meet the artist

Looking back at **2022**

SEPTEMBER

MCB Foundation Scholarship

Loubna Sadaful, from Queen Elizabeth College, is the 33rd MCB Foundation scholar. The official ceremony was held on 7th September 2022, in presence of MCB Group's Chairman, Mr. Didier Harel.

AUGUST

The InterTen Golf competition returns to the fairway

The InterTen Cup, an annual golf competition initiated and hosted by MCB for the 10 golf clubs of the country since 2018, was held on 25th August at Île-aux-Cerfs. The Legend Belle-Mare team fended off their rivals for the second year running.

JUNE

Finding one's way in the Gorges made simple

The trail tracks of the Black River Gorges have been fitted with permanent beacons and markings. This project was jointly funded by MCB, via Rando Trail and Nature (RTN) committee, as well as the National Parks and Conservation Service (NPCS).

Looking back at **2022**

APRIL-JUNE

Plenty of success for “Matisse à l’Île Maurice”

MCB Group, through the Blue Penny Museum, held the art exhibition “Matisse à l’Île Maurice”, as part of the celebrations of the bicentenary of the famous French poet Charles Baudelaire. More than 30,000 visitors discovered some 50 authentic works by Henri Matisse.

JUNE

Sensitise our youth through the Samudra Art Prize

Young participants were invited to submit artworks to help raise awareness on pressing environmental issues, especially around the coral ecosystem following the Wakashio oil spill last year. MCB sponsored the Young Artists category.

APRIL

Robbie Fowler and Gordon Strachan met the MCBFA-Elite

Two retired football legends, Robbie Fowler, former Liverpool and England ace, and Gordon Strachan, former midfielder from Manchester United, Leeds and Scotland, devoted an hour of their time, to meet young MCB Football Academy Elite players on 2nd April. During this meeting, the legends spent a lot of time sharing their experience and knowledge of the beautiful game to our youth.

Administrative information

MCB Group Ltd

Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000 – Fax: (230) 208 0248
Email: contact@mcbgroup.com
Website: www.mcbgroup.com

Banking

MCB INVESTMENT HOLDING LTD

Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000 – Fax: (230) 208 0248
Email: contact@mcbih.mu
Website: www.mcbgroup.com

THE MAURITIUS COMMERCIAL BANK LTD

HEAD OFFICE – PORT LOUIS

PO Box 52 – 9-15, Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Swift Code: MCBLMUMU
Email: contact@mcb.mu
Website: www.mcb.mu

Foreign representative/Advisory offices

PARIS – FRANCE

16, Place de la Madeleine – 75008 Paris
Tel: (33) 1 43 12 90 05
Email: paris.repoffice@mcb.mu

JOHANNESBURG – SOUTH AFRICA

3rd Floor 'Atrium on 5th'
East Tower, Sandton City
Corner of Maude and 5th Streets
Sandton Central 2146
Tel: (27) 10 730 0500
Email: rsa.repoffice@mcb.mu

NAIROBI – KENYA

7th Floor Pramukh Towers
52, Westlands Road
Nairobi
Tel: (254) 709 796 000
Email: ken.repoffice@mcb.mu

DUBAI – UNITED ARAB EMIRATES

Unit 41 Level 15 The Gate (East)
Dubai International Financial Centre
PO Box 121208 - Dubai
United Arab Emirates
Tel: (971) 4 401 9550
Email: difc.repoffice@mcb.mu

Foreign banking subsidiaries

THE MAURITIUS COMMERCIAL BANK (MADAGASCAR) SA

HEAD OFFICE – ANTANANARIVO

Novotel Business Center
Alarobia, Antananarivo 101
Republic of Madagascar
Tel: (261) 33 44 500 10
Swift Code: MCBLMGMG
Email: contact@mcbmadagascar.com
Website: www.mcbmadagascar.com

THE MAURITIUS COMMERCIAL BANK (MALDIVES) PRIVATE LTD

HEAD OFFICE – MALE

H. Sifa Building, Boduthakurufaanu Magu – Malé
Republic of Maldives
Tel: (960) 330 5656 – Fax: (960) 330 5757
Swift Code: MCBLMVMV
Email: contact@mcbmaldives.com
Website: www.mcbmaldives.com

THE MAURITIUS COMMERCIAL BANK (SEYCHELLES) LTD

HEAD OFFICE – VICTORIA

Caravelle House – Manglier Street
PO Box 122 – Victoria – Mahé
Republic of Seychelles
Tel: (248) 4284 555 – Fax: (248) 4322 676
Swift Code: MCBLSCSC
Email: contact@mcbseychelles.com
Website: www.mcbseychelles.com

Foreign banking associates

BANQUE FRANÇAISE COMMERCIALE OCÉAN INDIEN

HEAD OFFICE – RÉUNION

58 Rue Alexis de Villeneuve – CS 21013
97404 Saint Denis Cedex
Tel: (262) 262 409 900
Swift Code: BFCORERXXXX
Email: contacts@bfcoi.com
Website: www.bfcoi.com

PARIS BRANCH – FRANCE

16, Place de la Madeleine – 75008 Paris
Tel: (33) 1 43 12 90 05
Swift Code: BFCOFRPPXXX
Email: agencepar@bfcoi.com
Website: www.bfcoi.com

MAYOTTE

Route de l'Agriculture – BP 222 – 97600 Mamoudzou
Tel: (269) 269 609 900
Swift Code: BFCOYTYTXXX
Email: contacts@bfcoi.com
Website: www.bfcoi.com

BANCO SOCIÉTÉ GÉNÉRALE MOÇAMBIQUE S.A.

HEAD OFFICE & MAPUTO

Av. Julius Nyerere, No 140, 4º Andar
CP 1568 – Maputo
Republic of Mozambique
Tel: (258) 21 48 19 00
Swift Code: SOGEMZMA
Email: sgmz.contact-mz@socgen.com
Website: www.societegenerale.co.mz

Non-banking financial

MCB CAPITAL MARKETS LTD

Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB INVESTMENT SERVICES LTD

Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB REGISTRY & SECURITIES LTD

Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbrs@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

Administrative information

MCB STOCKBROKERS LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbsb@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB CAPITAL PARTNERS LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbcp@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB INVESTMENT MANAGEMENT CO. LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbim@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB STRUCTURED SOLUTIONS LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

CM DIVERSIFIED CREDIT LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

CM STRUCTURED FINANCE LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

CM STRUCTURED PRODUCTS LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB LEVERAGED SOLUTIONS LTD
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbis@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB FINANCIAL ADVISERS
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: corporate.finance@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB EQUITY FUND LTD
c/o MCB Capital Partners Ltd
Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcbcp@mcbcm.mu
Website: www.mcbcapitalmarkets.mu

MCB LEASING LTD

Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5504
Email: contactmcbleasing@mcb.mu
Website: www.mcbleasing.mu

MCB FACTORS LTD

Raymond Lamusse Building
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5701
Email: mcb.factors@mcb.mu
Website: www.mcbfactors.mu

MCB MICROFINANCE LTD

5th Floor Currimjee Arcades
256 Royal Road
Curepipe – Republic of Mauritius
Tel: (230) 203 2744
Email: contact@mcbmicrofinance.mu
Website: www.mcbmicrofinance.mu

MCB REAL ASSETS LTD

MCB Centre
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: corporateservices@mcbgcs.mu

CREDIT GUARANTEE INSURANCE CO. LTD*

United Docks Business Park
Kwan Tee Street
Port Louis – Republic of Mauritius
Tel: (230) 213 2741
Email: customer.relations@cgi.mu
Website: www.cgi.mu

Other investments

FINCORP INVESTMENT LTD

MCB Centre
9-15 Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000 – Fax: (230) 208 0248
Website: www.fincorp.mu

PROMOTION AND DEVELOPMENT LTD*

8th Floor Dias Pier Building
Le Caudan Waterfront
Port Louis – Republic of Mauritius
Tel: (230) 211 9430 – Fax: (230) 211 0239
Email: corporate@promotionanddevelopment.com
Website: www.promotionanddevelopment.com

CAUDAN DEVELOPMENT LTD*

8th Floor Dias Pier Building
Le Caudan Waterfront
Port Louis – Republic of Mauritius
Tel: (230) 211 9430 – Fax: (230) 211 0239
Email: corporate@promotionanddevelopment.com
Website: www.caudan.com

MCB CONSULTING SERVICES LTD

3rd Floor Harbour Front Building
President John Kennedy Street
Port Louis - Republic of Mauritius
Tel: (230) 204 7234 – Fax: (230) 208 7427
Email: mcbadmin@mcbconsulting.mu
Website: www.mcbconsulting.mu

*Local associates

Administrative information

MCB INSTITUTE OF FINANCE LTD

Uniciti Education Hub
Royal Road, Pierrefonds
Republic of Mauritius
Tel: (230) 401 2406
Email: info@mcb-if.com
Website: www.mcb-if.com

MCB GROUP CORPORATE SERVICES LTD

MCB Centre
Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: corporateservices@mcbgcs.mu

MCB FORWARD FOUNDATION

1st Floor Raymond Lamusse Building
9-15 Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Email: mcb.forwardfoundation@mcb.mu
Website: www.mcbforwardfoundation.org

BLUE PENNY MUSEUM

Le Caudan Waterfront
Port Louis – Republic of Mauritius
Tel: (230) 210 9204
Fax: (230) 210 9243
Email: info@bluepennymuseum.mu
Website: www.bluepennymuseum.com

KEY CONTACT INFORMATION

Shareholder and noteholder enquiries

REGISTRAR AND TRANSFER OFFICE

MCB Registry & Securities Ltd
9-15, Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5640
Email: contact.rs@mcbcm.mu

INVESTOR RELATIONS UNIT

Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5134 and (230) 202 5558
Email: investor.relations@mcbgroup.com

Our Sustainability Report is available here:

report.mcbgroup.info