MCB GROUP

ANNUAL REPORT 2023

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

SCAN ME

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 2023.

The Annual Report was approved by the Board of Directors on 28 September 2023.

M G Didier HAREL
Chairperson

Jean Michel NG TSEUNG
Group Chief Executive

Our people first

At MCB, we believe that to truly succeed, we need to win both in the marketplace and in the workplace.

Our objective is to build the right platform to empower our people to freely express their talent and expertise, discover skills they never imagined they possessed, drive positive change, push boundaries, and take ownership of their careers.

For us, success is a journey of self-discovery, personal growth, and collaboration that leads to the creation of a dynamic workforce and a high-performance workplace.

MCB's real value lies in helping its people unlock their success to lay the foundation for our common success.

Success from every point of you.

MCB Group at a glance

Our identity

MCB Group Limited (referred to as 'MCB Group Ltd' or the 'Group') is the holding company of MCB Group, which consists of local and foreign subsidiaries and associates. Our main subsidiary, i.e. The Mauritius Commercial Bank Ltd (denoted as 'MCB Ltd', 'MCB' or the '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. In line with our purpose, Success Beyond Numbers, we are committed to using our financial expertise and investing in our employees to act 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, in a seamless manner through their channels of choice.

We set out to generate consistent shareholder returns by pursuing our diversification strategy and maintaining a robust business model. We continuously assess the operating environment and ensure that we adapt to challenges and tap into opportunities.

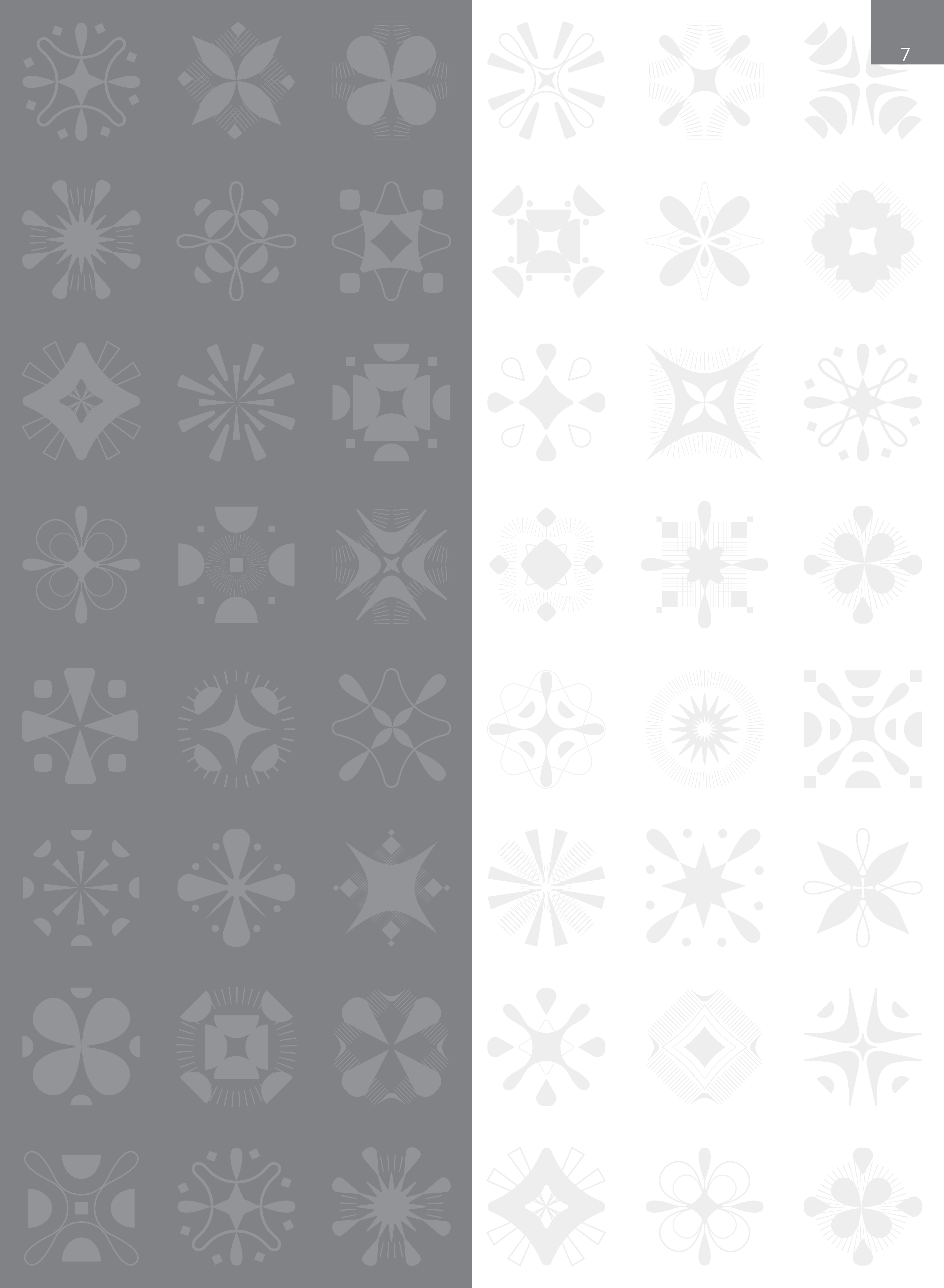
For a more comprehensive understanding of the Group's strategy, business, performance as well as approach to corporate governance and risk management, our **websites** provide a full suite of publications, which cater for the diverse needs of our stakeholders.

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 highlights initiatives across our three sustainability pillars, namely: (i) development of vibrant and sustainable local and regional economies ; (ii) contribution to our cultural and environmental heritage; and (iii) promotion of individual and collective well-being.

The reports can be accessed at **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 navigate between sections and share key information from the report. The latter can, thus, be conveniently broadcast on social media platforms as well as on instant messaging services.



Financial highlights

Financial performance

Net profit

Rs 14,133 m
+46.7%

	Rs m
Jun 23	14,133
Jun 22	9,637
Jun 21	8,019

Total assets

Rs 830 bn
+14.0%

	Rs bn
Jun 23	830
Jun 22	728
Jun 21	683

Shareholder value

Earnings per share

Rs 57.66
+43.7%

	Rs
Jun 23	57.66
Jun 22	40.13
Jun 21	33.48

Dividend per share*

Rs 20.25
+45.7%

	Rs
Jun 23	20.25
Jun 22	13.90
Jun 21	16.75

Market positioning

Customer loans

Rs 368 bn
+8.3%

	Rs bn
Jun 23	368
Jun 22	340
Jun 21	288

Customer deposits

Rs 587 bn
+13.3%

	Rs bn
Jun 23	587
Jun 22	519
Jun 21	486

Efficiency & return ratios

Cost to income

35.4%
-2.9 pp

	%
Jun 23	35.4
Jun 22	38.3
Jun 21	36.9

Return on equity

16.9%
+4.1 pp

	%
Jun 23	16.9
Jun 22	12.8
Jun 21	11.8

Asset quality & capitalisation

Gross NPL ratio

3.2%
-0.5 pp

	%
Jun 23	3.2
Jun 22	3.7
Jun 21	3.6

Capital adequacy ratio

19.2%
+1.1 pp

	%
Jun 23	19.2
Jun 22	18.1
Jun 21	17.4

** Dividends declared for FY 2022/23 and FY 2021/2022 are not strictly comparable with those of FY 2020/21. 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 & investors

Rs 77.2 billion
Market capitalisation on Stock Exchange of Mauritius (SEM)
First on the local stock market

A
MCB Group MSCI ESG Rating

Baa3/P-3
Long-term / short-term deposit ratings – Moody's Investors Service*

Customers

~ 1,180,800
Total customers

~ 535,120
MCB Juice subscribers

40
Net Promoter Score for 2023*
Based on a brand study by Kantar; Compared to a world benchmark of 27

Societies & communities

Rs 73 million
Amount spent by MCB Forward Foundation

65%
of total procurement expenditure sourced from local suppliers*

3,855 tonnes CO_2eq[1]
10,969 iRECs[2]
Climate contribution*
[1] Amount of carbon credits purchased equivalent to our Scope 1 and 3 emissions for 2021
[2] International Renewable Energy Certificates (iRECs) purchased which are equivalent to our grid consumption for 2021

Authorities & economic agents

~ 4.5%
of the total value added generated in Mauritius*

~ 8.5%
of total corporate tax paid in Mauritius*
Inclusive of levies on income

40%
Cash to digital payments ratio*

Employees

~ 4,100
Workforce

31%
Women at middle and senior management level*

~ 93%
Employee retention rate

Read more about our key stakeholders in the 'How we created value for our stakeholders' section on pages 47 to 62

Read more in the Sustainability Report on our website

** Relates to MCB Ltd*

Note: Figures are as at 30 June 2023, unless otherwise stated

"We have demonstrated resilience and proven to our stakeholders that we can support them in the midst of external disturbances..."

Reflections from the Chairperson

Foreword

I would like to start my message by acknowledging the intricate web of world events, trends and disruptions that continue to shape the evolution of the global and regional financial services sector. From the ripple effects of international trade agreements to the repercussions of geopolitical shifts, from the transformative impact of emerging technologies to the resilience demanded by global crises, our industry continues to be challenged and tested. External conditions have changed considerably since the pre-COVID period and the world today is more volatile and uncertain, especially in the emerging markets where the Group is active.

I am pleased with the way the Group has responded to the dynamic operating context. We have demonstrated resilience and proven to our stakeholders that we can support them in the midst of external disturbances linked to the geopolitical uncertainty and growing risk of geoeconomic fragmentation. I also believe that the impact of the cost of living crisis triggered by the heightened inflationary pressures and the expected slowdown in economic activity in the world's major markets will continue to require our full attention as the forthcoming year unfolds. Yet, I am confident that our people have the capability required to rise to these challenges. In fact, recent history has shown that market turbulences seem to bring out the best in MCB and in our people.

Indeed, despite the challenging environment, investors and key stakeholders will find many reasons to be pleased with the Group's financial performance for FY 2022/23. Our profit attributable to shareholders increased by 46.7% to reach Rs 14,133 million while return on equity improved to 16.9% compared with 12.8% for the previous financial year. It is equally pleasing to note that we further consolidated our standing as the region's premier financial services Group. We can be proud to have been ranked as the first banking institution in East Africa in terms of Tier 1 capital while we also improved our positioning globally to stand at the 597th spot as per the 'Top 1000 World Banks' of The Banker magazine for 2023. In addition to maintaining its investment grade status by Moody's Investors Service, MCB Ltd won various awards, including the 'Best Bank in Mauritius' by Euromoney Awards for Excellence for a 10th consecutive year as well as the Best Bank in Mauritius by The Banker Bank of the Year Awards 2022.

Defining success

These results and awards are particularly pleasing because at MCB we recognise the importance of placing our purpose, Success Beyond Numbers, at the heart of everything we do, while building the right culture to sustain our success. This success is defined in terms of our ability to win both in the marketplace and in the workplace. One, without the other, is suboptimal.

Winning in the marketplace

As I mentioned above, we delivered a strong set of results in FY 2022/23, on the back of our continuous endeavours to diversify our revenue base at the level of both banking and non-banking entities. Underlying our sustained improvement in net profit, net interest income rose by 30.3%, mainly reflecting the improved margins generated by our foreign currency earning assets amidst the successive hikes rise in interest rates in global markets as well as a further expansion in our interest-earning assets, in particular, linked to our cross-border activities. Non-interest income increased by 38.7%, reflecting higher transaction volumes across entities, notably in terms of trade finance and payment activities, and favourable movement in the value of equity financial instruments. As a key source of satisfaction, 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 19.2% and 16.7% respectively as at 30 June 2023. We also maintained healthy liquidity and funding positions while our asset quality metrics have improved

Amidst the unsteady landscape, Group entities have, during the course of the last financial year, pursued the execution of their business expansion strategy. Within the banking cluster, in spite of the highly competitive environment, MCB Ltd maintained its leadership position in Mauritius on the basis of its refined and more personalised value proposition and upgraded channel capabilities. It assisted domestic entrepreneurs and corporates to effectively deal with the challenges arising from the prevailing context. On the international front, we pursued our diversification agenda in market segments where we have built expertise. We forged partnerships with globally-recognised stakeholders to offer an enriched value proposition towards facilitating cross-border flows among various trade and investment corridors, while in the process, promoting the positioning of the Mauritian International Financial Centre. We continue to partner and support African economies through oil and gas financing alongside accompanying their transition to cleaner energy. That said, we are conscious of the fact that these countries are still highly dependent on traditional sources of energy for their development and that the transition to cleaner sources is likely to require time as well as huge investments. We have also been active on the infrastructure project financing front, with deep commitment towards making a difference in the African energy landscape, especially in the electric generation arena, with emphasis on recourse to renewable energy and gas. Further, we strengthened our involvement vis-à-vis overseas high net worth customers and external asset managers, backed by a wide range of tailor-made investment solutions and advisory services, as well as enhanced market visibility, namely through our Advisory Office in Dubai. Our foreign banking subsidiaries have pursued their balance sheet growth by leveraging a customer centric approach and various

Reflections from the Chairperson

value creating initiatives, alongside capitalising on enhanced synergies across the Group to accompany clients doing business in our presence countries. In the non-banking field, our entities have sustained efforts to pursue their market positioning, with MCB Capital Markets, in particular, making inroads in its business endeavours in the region.

> *"We realise that a key differentiator in the highly competitive market we operate in is the ability to provide outstanding client experiences."*

Winning in the workplace

For 185 years, we have followed trade and investment flows to support our customers as they pursue their goals. The latest technologies enable us to better meet the needs of customers and increase the speed at which we are able to develop and deploy new products. At the same time, we are conscious that extracting maximum benefit from our digital investments requires us to be agile and more innovative in the way that we work. As such, we are focused on attracting and developing talent capable of excelling in a digital and more sophisticated context so that the level of support we provide to our customers remains world-class and differentiated.

Yet, attracting new talent is only half of the equation. The Group must continue to ensure that we proactively and intentionally create an environment where talented employees can thrive and impact customer outcomes. Deploying the right corporate culture remains a high priority for the Board because it is the surest way to guarantee sustained performance in times of uncertainty and rapid change. We continue to work with the Management team to ensure that the 'Shared Ways of Working' are embedded across the Group and appropriately assessed and rewarded. Our efforts to further strengthen our succession pools also remains an absolutely foremost priority.

As I highlighted, digitalisation continues to reshape how our customers access the services provided by the Group. Given our strong market position in Mauritius and our ambition to expand our activities in our other presence countries and beyond, we are continuously investing in digital tools and channels that help to differentiate us from our competitors and enable us to scale the right ideas at pace. In this respect, I am happy to note that MCB Juice, our mobile banking application for individual customers, has recently been endowed with additional functionalities, and that we are continuously increasing its usage not only in Mauritius, but also in Seychelles and Madagascar. We are also strengthening our presence in the entrepreneur and merchant communities through the introduction of new applications and are hence contributing to increase the transition to digital payments in Mauritius.

We realise that a key differentiator in the highly competitive market we operate in is the ability to provide outstanding client experiences. We continue, therefore, to tune our digital operations with a view to delivering differentiated client experiences. Alongside harnessing data and analytics, we are embedding the voice of the customer at the heart of our strategy through our Customer Lab that combines market data, co-creation research and design experimentation with the aim of re-imagining customer experiences. We are keen on doing more to create positive customer experiences, backed by a customer-centric approach. We are reinforcing our efforts to boost customer experience with the setting up of a dedicated strategic office to coordinate and monitor the execution of related initiatives.

Winning in the workplace also entails living our purpose by delivering a positive economic, societal and environmental contribution. In this respect, advancing our sustainability agenda continues to be of paramount importance as we execute our strategy. I am particularly pleased to note that we launched a new Sustainable Loan offer with an envelope of Rs 10 billion which is dedicated to assisting domestic companies in their low-carbon transition. On the regional front, we have also made inroads in accompanying the execution of clean energy projects. In addition, our focus on ESG extends to our own workplace, where we are nurturing an environment that prioritises the wellbeing of employees while we are also progressively advancing gender equality within the organisation.

The way forward

Whilst we will continue to navigate uncertain waters, I believe there are compelling reasons to be optimistic as the Group observes, assesses, and acts on the opportunities and challenges that lie ahead to implement our growth agenda and invest for the future. As such, we will continue to create and consolidate the necessary building blocks for achieving sound, diversified and sustained business development, with sustainability remaining at the core of our activities. Emphasis will also be on further scaling up our investments in technology, closely following and embracing the rapid and latest developments in new technologies to uphold our competitive edge and deliver exceptional client experiences. To effectively support this objective, we will strive to successfully embed a strong innovation culture across the organisation and further federate our people around this theme. On this front, I am pleased with our decision to create a Technology and Innovation Board sub-committee, reporting to the Group Strategy Committee, with a view to centralising decision-making regarding the roadmap to be implemented in the technology arena, going forward, and closely coordinating and monitoring the Group's associated investments. In parallel, the Group will further strengthen its risk management and compliance frameworks to effectively identify and respond to core and emerging risks.

Concluding remarks

On behalf of the Board, I would like to express my sincere thanks to our customers and shareholders for their continued trust and confidence in the organisation and its leadership. I also extend my gratitude to the Management teams and staff across all Group entities who remain committed to living our purpose and for their resolve and determination. I also wish to thank my fellow Directors for their valuable counsel and continued support in guiding the organisation through the persistently volatile and uncertain operating environment. During the year, we had the pleasure of welcoming Cédric Jeannot and Jayananda Nirsimloo as Independent Non-Executive Directors of the Board. I look forward to both of them making significant contributions to the Board in the years ahead. Jean-Jacques Dupont De Rivalz De St Antoine retired from the Board in November last. On behalf of the Board, I would like to thank Jean-Jacques for his dedication and strong contribution over his years of service.

Deploying the right corporate culture remains a high priority for the Board because it is the surest way to guarantee sustained performance in times of uncertainty and rapid change.

On another note, with the retirement of Pierre Guy Noel, Jean Michel Ng Tseung who was appointed as Chief Executive Designate of MCB Group Ltd in September 2021 has been confirmed as Group Chief Executive, with effect from 1st March 2023. On behalf of the Board, I wish to congratulate Jean Michel on his appointment and wish him all the very best in his role at the helm of the Group. The Board also expresses its utmost gratitude to Pierre Guy Noel for his truly remarkable contribution and for his tireless efforts towards the transformation and development of the MCB Group over the years.

Looking ahead, I have no doubt that, thanks to our resilient business model and robust balance sheet, and especially the dedication of our employees as well as the relentless support of our shareholders and customers, 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 *(until November 2022)*

Cédric JEANNOT *(as from June 2023)*

Georges Michael David LISING

Jayananda NIRSIMLOO *(as from November 2022)*

Alain REY

San T SINGARAVELLOO

Executive Directors

Pierre Guy NOEL *(until March 2023)*

Gilbert GNANY

Jean Michel NG TSEUNG

Secretary to the Board:

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Committees of the Board

Risk Monitoring Committee

Jean-Philippe COULIER *(Chairperson)*

Constantine CHIKOSI *(as from January 2023)*

Gilbert GNANY

Didier HAREL

Jean Michel NG TSEUNG *(Secretary until May 2023)*

Pierre Guy NOEL *(until March 2023)*

Alain REY *(until January 2023)*

Secretary:

Frederic PAPOCCHIA (as from September 2023)

Strategy Committee

Didier HAREL *(Chairperson)*

Constantine CHIKOSI *(until January 2023)*

Jean-Jacques DUPONT DE RIVALZ
DE ST ANTOINE *(until November 2022)*

Gilbert GNANY *(also acts as Secretary)*

Cédric JEANNOT *(as from July 2023)*

Georges Michael David LISING

Jean Michel NG TSEUNG *(as from March 2023)*

Jayananda NIRSIMLOO *(as from January 2023)*

Pierre Guy NOEL *(until March 2023)*

Alain REY *(as from January 2023)*

Remuneration, Corporate Governance, Ethics and Sustainability Committee

Didier HAREL *(Chairperson)*

Karuna BHOOJEDHUR-OBEEGADOO

Stephen DAVIDSON

Jean-Jacques DUPONT DE RIVALZ
DE ST ANTOINE *(until November 2022)*

Jean Michel NG TSEUNG *(as from March 2023)*

Jayananda NIRSIMLOO *(as from January 2023)*

Pierre Guy NOEL *(until March 2023)*

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

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)*

Gilbert GNANY (*as from March 2023)*
(also acts as Secretary)

Jean Michel NG TSEUNG *(Secretary until March 2023)*

Pierre Guy NOEL *(until March 2023)*

Contents

About this Report

Philosophy of the Annual Report

This Annual Report (the 'Report') provides a holistic and transparent assessment of how the MCB Group creates and protects value in the short, medium and long-term for its multiple stakeholders. We strive to adhere to the key principles and requirements set out in the reporting framework of the International Integrated Reporting Council.

Integrated reporting: Process, scope and boundary

Compilation of the Report *in line with*	Ensuring integrity of the Report *using a Coordinated Assurance Model*	Approval of the Report *at Board level*
Integrated Reporting Framework	Oversight by independent external auditors	Corporate Governance Report discussed at the Remuneration, Corporate Governance Ethics and Sustainability Committee
Local and international regulations, codes & standards	Review by Management as well as Chairperson of the Board and relevant committees	Financial statements approved by the Board of Directors

Reporting period

The Report is published annually and covers the period spanning 1 July 2022 to 30 June 2023. 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.

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.

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.

Report content and materiality

We apply the concept of materiality in deciding about which information is to be included in this Report. We consider any theme as being material if it has the capacity to significantly impact revenue generation, value creation and the Group corporate culture.

Operating business

The Report sheds light on activities undertaken across the Group's local and foreign subsidiaries and associates.

Capital types

This Report explains our dependence and impact on capital types, defined in the Integrated Reporting Framework, that are important to achieving the performance expectations related to our vision in the medium term.

Icons used in this report

Stakeholders	Capital types	Sustainable Development Goals (SDGs)	Others
Customers Shareholders & investors Societies & communities Employees Authorities & economic agents	Financial capital Social & relationship capital Natural capital Human capital Intellectual capital Manufactured capital	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. 1 No Poverty 5 Gender Equality 7 Affordable and Clean Energy 8 Decent Work and Economic Growth 10 Reduced Inequalities 12 Responsible Consumption and Production 13 Climate Action 14 Life Below Water 15 Life On Land 16 Peace, Justice and Strong Institutions 17 Partnerships for the Goals	*Read more in this Annual Report* *Read more in the Sustainability Report on our website* *Find out more online (i.e. across MCB websites)*

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 purpose

Success Beyond Numbers

Everyday we will help people succeed by providing financing and banking solutions responsibly, championing innovation and using our expertise to make a positive difference to the **Economy, People, Community** and **Environment**

Who we are

MCB Group is an integrated regional banking and financial services provider, with a diversified but synergistic portfolio of businesses.

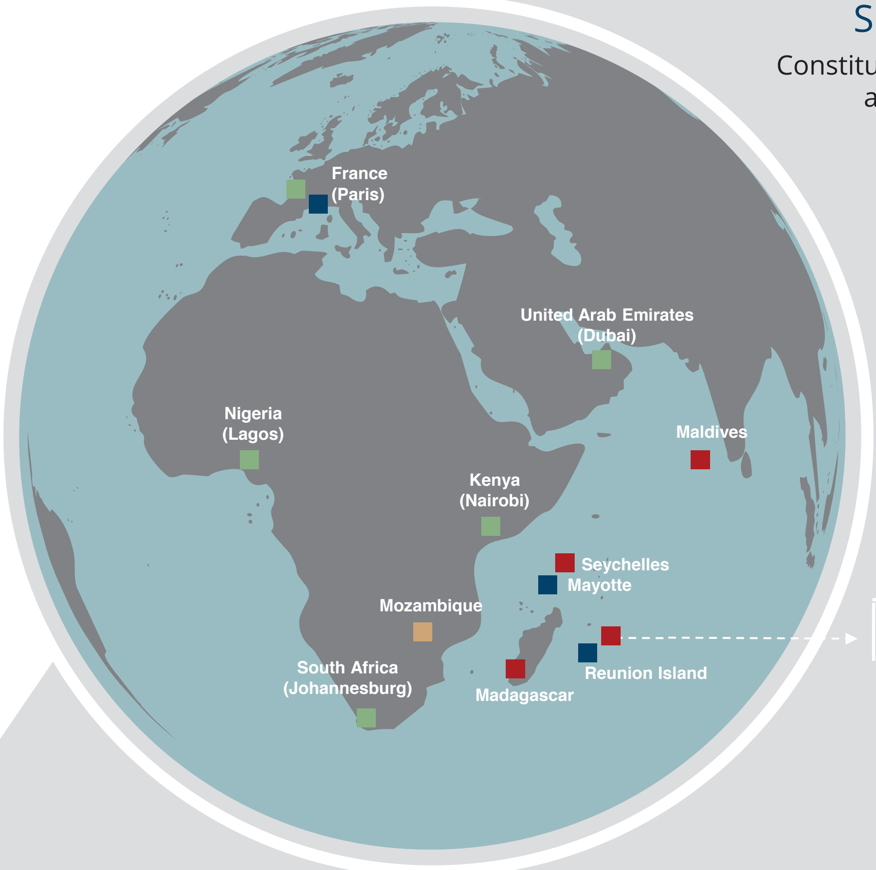
Credit ratings

Moody's Investors Service
Deposit ratings
Baa3/P-3 (Stable)
Relates to MCB Ltd

Care Ratings (Africa) Private Limited
Issuer rating
AAA (Stable)
Pertains to the servicing of financial obligations in Mauritius

Sustainability highlights

Constituent of **SEM Sustainability Index** and awarded an **'A'** MSCI ESG rating



Presence in
11 countries
outside Mauritius

Wide network of correspondent Banks o/w
~ 100 in Africa

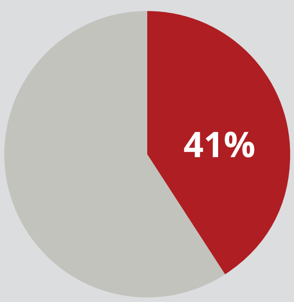
MCB Group

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

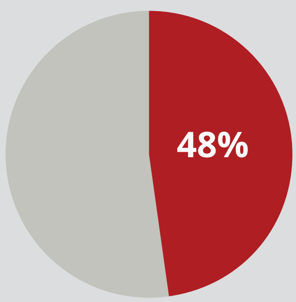
- Banking subsidiaries of the Group
- Representative/Advisory Offices of the Bank
- Group associate (Banque Française Commerciale Océan Indien)
- Group associate (Société Générale Moçambique)

Domestic market shares of our main subsidiary, MCB Ltd

Domestic credit to the economy



Local currency deposits



Notes:
Figures are as at 30 June 2023
[1] excludes foreign currency denominated, GBC1 and international companies
[2] excludes one-off transactions

Stock profile

Market capitalisation
Rs 77.2 billion
31% of SEMDEX[1]

One of the most traded stocks in Mauritius in FY 2022/23
Rs 4.7 billion value traded
45% of market turnover[2]

Accolades

World

597th **in the world based on Tier 1 capital**

The Banker Top 1000 World Banks, July 2023

Africa

1st **in East Africa based on Tier 1 capital**

16th **in Africa based on Tier 1 capital**

The Banker Top 1000 World Banks, July 2023

67th **in Africa in terms of market capitalisation**

African Business Top 250 companies, May 2023

32nd **in Africa in terms of assets**

Jeune Afrique, Top 200 Banks, The Africa Report, September 2022

Leading Regional Bank

in terms of operating income and profitability

L'Eco Austral, Top 500 Regional Edition 2022

Mauritius

Best Bank of the Year for Mauritius

The Banker Bank of the year Awards 2022

Best Bank in Mauritius
Best Corporate Bank in Mauritius
Best Bank for Digital Solutions in Mauritius

Euromoney Awards for Excellence 2023

Best Domestic Private Bank in Mauritius

Euromoney Global Private Banking Awards 2023

Best Trade Finance Bank in Mauritius

Global Finance Magazine 2023

Environmental Awards 2023

Ministry of Environment, Solid Waste Management and Climate Change

Brand Purpose
Sustainable Brand

Brand Magic Survey 2023

Best Private Bank in Mauritius

PWM/The Banker 2022

How we operate

MCB Group Ltd, which is the ultimate holding company of the Group, has subsidiaries and associates in Mauritius and beyond. The Group operates 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 the other overseas banking subsidiaries and associates.

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*

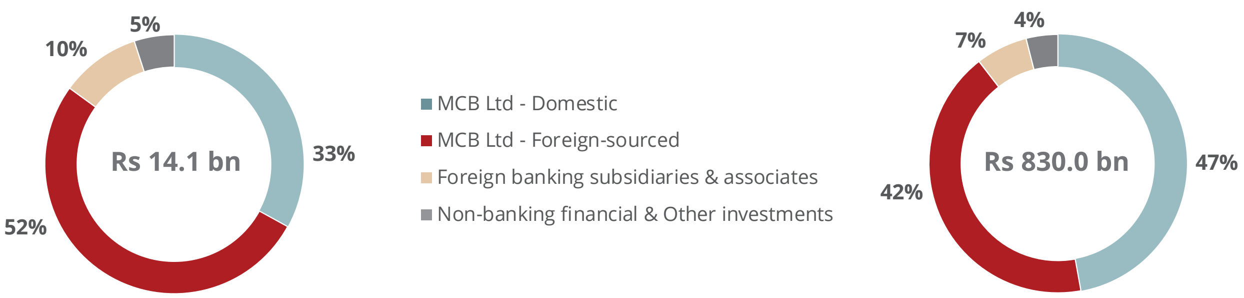
- 57.73% Fincorp Investment Ltd
- 100% MCB Properties Ltd
- 100% MCB Consulting Services Ltd
- 80% MCB Institute of Finance Ltd
- 100% MCB Group Corporate Services Ltd
- 100% Mascareignes Properties Ltd
- 100% MCB International Services Ltd
- 100% MCB Forward Foundation
- 99.63% Blue Penny Museum 0.37%

** Relate to clusters*

Breakdown of Group performance for FY 2022/23

Profit attributable to ordinary shareholders

Assets



Our clusters and entities

Banking

MCB Ltd

MCB Ltd is the main subsidiary of the Group and is headquartered in Mauritius, where it progressively consolidated its position as the market leader in the Mauritian banking sector, while being actively involved in the region. It delivers a palette of financial products and services across its four customer-facing segments as follows:

Retail	Private Wealth Management	Business Banking	Corporate and Institutional Banking
Caters for the day-to-day and lifetime needs of retail customers, through lending, transactional, savings and investment solutions as well as customised account packages across different age and income groups	Provides investment, advisory services and wealth management services for resident, non-resident affluent and high net worth clients as well as external asset managers	Offers tailored solutions to micro, small and medium and mid-market enterprises, facilitating access to new markets and alternative sources of finance	Assists local, international corporates and institutional clients through financing and specialised solutions, transactional and investment products as well as syndication offerings

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 - operating in Réunion Island, Mayotte and Paris - and Société Générale Moçambique, provide clients with an array of banking services adapted to local market realities. Our foreign banking subsidiaries capitalise on Group synergies to position themselves as the preferred banking partner of corporate and individual clients. MCB Ltd also leverages its Representative Offices located in Johannesburg, Nairobi and Paris as well as its Advisory Office in Dubai. We secured a licence to operate a Representative Office in Nigeria in August 2023, a key milestone towards extending our footprint in West Africa.

Non-banking financial

The Group has entrenched its participation in the non-banking financial services field, with increasing prominence of key entities.

Key entities

MCB Capital Markets Ltd is the investment banking and asset management arm of MCB Group, providing a broad range of investor services including corporate finance advisory, asset management, stockbroking, private equity, structured products and registry services.

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 innovative finance and operating leasing solutions, including green leases, 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 unleash their potential as well as implement their ideas and business plans.

Other investments

The Group is involved in other business areas and ancillary undertakings, with dedicated structures to promote Corporate Social Responsibility and philanthropic agenda.

Key entities

MCB Consulting Ltd provides 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.

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 significant 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.

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.

Individuals

Everyday Banking

- Deposit accounts (current & savings)
- Multi-currency accounts
- Cross-currency transfer & remittances (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 leases
- 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
- Mutual funds

Wealth Management Solutions

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

Intra-Group synergies are tapped into to provide clients with required solutions, e.g. provision of investment-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.

Entrepreneurs, Corporates and Institutions

Payments & Cash Management Solutions

- Electronic points of sale & cards acquiring services
- Business debit & deposit card
- Business & Corporate credit cards
- Fleetman Card
- 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
- Sustainable loan
- 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

- Deposit accounts
- Multi-currency accounts
- Internet banking (IB)
- IB Pro and SmartApprove
- Bank drafts
- Cross currency transfer & remittances
- 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
- Sustainable supply chain financing

Business Services

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

Financial Markets Solutions

- Foreign Exchange Solutions
- Money Markets & Fixed Income
- Hedging Solutions (Foreign Exchange, Interest Rates, Commodities)
- Yield Enhancement Solutions
- Insights and Research

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*
- MCB Global Trade Portal

** 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.*

What we deliver

Our value-creating business model

We use our resources and expertise to create and protect value while minimising the risk of value erosion.

Our inputs and resources ...

Financial capital
The access to capital and funding from deposits and investors that underpin our operations and activities.

Social and relationship capital
The trusted relationships built with customers, business partners and communities to deliver on our strategy and purpose.

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

Natural capital
The use of natural resources and impact we have on the environment through our operations and the products and services we offer to our clients.

Intellectual capital
Our intangible assets, including brand, franchise, corporate culture, intrinsic knowledge and innovation spirit that enable us to offer competitive and relevant financial solutions.

Manufactured capital
The physical branch network, complemented by our modern digital assets that support the efficient conduct of operations and underpin our ability to create value.

... generate value-adding activities ...

Our purpose: Success Beyond Numbers ...

... underpins our goals of being ...

1 ... more diversified
2 ... more digital
3 ... more sustainable

Our clusters

Banking	Non-banking financial	Other investments

Our business areas

- Convert deposits and funds into lending, leasing and factoring facilities
- Provide payment, trade-related and global market solutions including risk-mitigation facilities
- Invest and trade in securities, forex and other financial assets
- Support financial services providers via business advisory and outsourcing solutions
- Provide investment-related, asset management and corporate finance advisory solutions, private wealth management services as well as custodian services
- Provide selected products and services in the non-financial field
- Undertake actions in support of the welfare and development of the society

... that are impacted by the material matters identified for FY 2022/23

- Macroeconomic uncertainty
- Increasing regulatory requirements
- ESG considerations
- Cyber threats and digital disruptions
- Increased competition
- Workplace transformations and employee expectations

... that create long-term value for our stakeholders

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

Read more on page 48 to 49

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

Read more on page 52 to 55

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

Read more on page 56 to 57

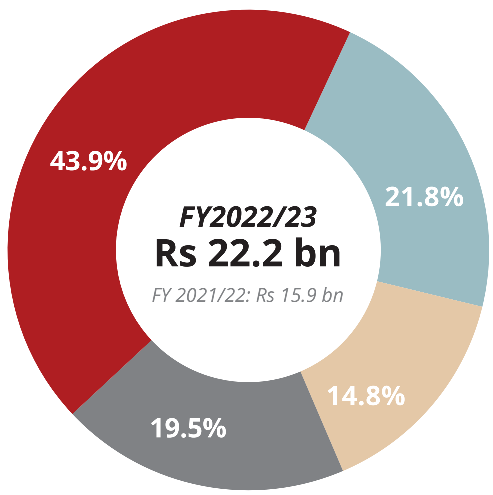
Employees
We act as an employer of choice and are committed to supporting the development and well-being of our people

Read more on page 58 to 62

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

Read more on page 50 to 51

Distributable financial value



- Employees
- Authorities & Society
- Providers of capital
- Retention to support growth

Read more on how we responded to our material matters across this Annual Report, notably, in the 'Our material matters 'section on page 39 to 47 and 'Risk and capital management report' on page 155 to 201

Read more about our keystakeholders in the 'How we created value for ourstakeholders' section on page 34 to 87

Read more in the Sustainability Report on our website

CONTENTS

In spite of the constantly shifting and volatile landscape, profits attributable to ordinary shareholders have demonstrated remarkable resilience and growth..."

Message from the Group Chief Executive

Introduction

I am proud and honoured to have been appointed as Group Chief Executive. I would like to thank the Board of Directors for their trust and express my sincere gratitude to Pierre Guy Noel for his instrumental role in steering MCB into the successful and diversified organisation it is today. I am fully conscious of the responsibilities and challenges that this position entails. At the same time, I am comforted to have a team of talented people who have helped to foster a long string of achievements for the Group.

As I reflect upon how we continued to provide value to our stakeholders during the year in review, let me start by acknowledging the exceptionally volatile economic landscape to which Group entities have been exposed. In addition to creating a more uncertain geopolitical backdrop, the war in Ukraine has resulted in historically-high inflation that was followed by rapidly rising interest rates and instability in global financial markets, with ripple effects on the operating environment across countries where the Group is present. African countries have grappled with foreign currency shortages and constrained fiscal capacities, putting pressures on sovereign ratings. Locally, we are encouraged by the pickup in tourism and the recovery in economic activities, although the high inflation environment and difficulties facing key export markets continue to warrant attention. We also had to cope with the downgrade, by Moody's Investors Service, of the sovereign credit rating of Mauritius to Baa3 in July 2022. Nevertheless, the affirmation of MCB Ltd's long-term deposit and issuer ratings at Baa3 in spite of the country's downgrade testifies to the resilience of our financial profile.

"Remaining focused on our core values and executing our strategy has supported strong organic growth in recent years."

A strong financial performance

Indeed, in spite of the constantly shifting and volatile landscape, profits attributable to ordinary shareholders have demonstrated remarkable resilience and growth, increasing by 46.7% to Rs 14,133 million driven by an improvement in core earnings across operating entities. Operating income continued its uptrend, growing by 33.3%. Net interest income rose by 30.3%, driven by the increase in interest rates and the resulting improved margins on our interest-earning assets in foreign currency, as well as an expansion in our foreign loan book and investment securities portfolio. Non-interest income displayed a robust growth of 38.7% to Rs 12,002 million on the back of a 12.9% increase in net fee and commission income notably from trade financing and payment activities as well as a solid growth of 92.4% in other income pertaining to foreign currency dealings and fair value gains from equity financial instruments. Our relentless efforts to strengthen our human capital and technological capabilities have resulted in operating expenses increasing by 23.3%, with, our cost to income ratio, nevertheless, declining to 35.4% compared to 38.3% for FY 2021/22. Preserving our financial soundness has been paramount in these challenging times. Our asset quality metrics improved, with the gross NPL ratio falling to 3.2%. We sustained strong funding and liquidity positions which were upheld by various funding initiatives during the year. We maintained our capital buffers, with the BIS and Tier 1 ratios standing at 19.2% and 16.7% respectively. To further consolidate our capital base, the Bank successfully closed its first Basel III compliant Tier 2 bond issuance of USD 147 million with the African Development Bank in March 2023. This capital and funding instrument will help us to finance high impact projects in the sub-Saharan African and Indian Ocean regions.

This excellent performance underscores the effectiveness of our strategy execution and the dedication of our team. I remain proud of our resilience and what our employees have achieved, collectively and individually. We have always been and will remain committed to fostering the growth and prosperity of the people, families, businesses and communities we serve. Our success is not just about financial gains, it is also about how well we serve the evolving needs of our customers and empower them to reach their full potential and achieve impactful goals. This has always been the case and is where we shall continue to focus.

Delivering on our strategy

Remaining focused on our core values and executing our strategy has supported strong organic growth in recent years. We will continue to champion the communities we serve and be driven by our purpose, Success Beyond Numbers. Our financial discipline, ongoing technological investment and the development of our people are key enablers to further boost our impact.

As we look to the future, it is clear that our universal banking model will remain core to our strategy as it gives us a remarkable platform to support our customers at every stage of their lives. The goals and challenges of our customers are continuously evolving and our approach to delivering exceptional customer experience requires ongoing focus and attention. We are working hard to build deeper and more meaningful relationships with our customers to ensure:

- our innovations in new products and services meet and exceed fast-evolving demands;
- we can provide individualised and tailored options from our vast palette of products and services in the most efficient and easy-to-access way; and
- we target our investments in innovation, technology and people so that they have maximum customer impact.

Our Group has a rich history and is proud of the critical role it has played over the years in powering economic growth in the countries where we are present. In Mauritius, despite the highly competitive environment, MCB Ltd maintained its domestic market shares – 48% for local currency deposits and 41% for domestic credit to the economy. At the same time, our diversification strategy over the years has been instrumental to the development and resilience of the Group and today

Message from the Group Chief Executive

more than 60% of our profits are generated from activities outside of our banking activities in Mauritius.

Going forward, our strategy will continue to be focused on

- Becoming more diversified and international;
- Becoming more digital; and
- Becoming more sustainable.

Becoming more diversified and international

During the year, we made further inroads regarding our strategic goal of becoming more international by pursuing our expansion agenda in selective markets and niche segments while capitalising on the Mauritius International Financial Centre (MIFC) and our regional hubs in Paris, Johannesburg, Nairobi and Dubai. We are also expanding our physical presence in Africa through a new Representative Office in Nigeria given our notable involvement in the energy sector of the country and the commercial opportunities in West Africa.

We progressed on our quest to help position Mauritius as a prominent International Financial Centre and further cemented our position as a crucial player in the ecosystem of investment and private equity funds, multinational enterprises, regional and international corporates, management companies, advisors and other partners doing business in Africa. We are going beyond the provision of traditional banking services and becoming a trusted solution provider offering bespoke and specialised solutions that promote the MIFC and serve trade and investment corridors between Asia, Africa and Europe. These solutions typically include structured financing solutions, financial risk and treasury management solutions, transactional banking and securities solutions.

Our expertise, established brand and track record have also been instrumental to help us nurture relationships with best-in-class operators within the African oil and gas industry and support their transition efforts. We continued to accompany clients in their infrastructure projects in key geographical markets, including projects contributing to the transition towards cleaner energy and improving electrification rates on the continent. For example, we acted as joint Mandated Lead Arranger in a major financing deal for Infinity Power's acquisition of Lekela Power, the largest renewable energy deal in Africa. MCB Capital Markets successfully completed sizeable corporate finance advisory transactions and, in collaboration with MCB Ltd, acted as the co-lead arranger of a EUR 135 million acquisition debt finance deal in West Africa. Additionally, the MCB Equity Fund collaborated with South Suez Capital Ltd to invest in a consortium led by Development Partners International, a prominent Africa-focused private equity manager based in London.

To underpin our international diversification strategy, MCB Ltd also undertook several important funding initiatives in addition to the aforementioned Tier 2 instrument. In June 2023, the Bank signed a three-year USD 500 million syndicated loan, which was exceptionally well supported in the market and attracted commitments from investors globally. After having established its USD 3 billion Global Medium Term Note Programme on the International Securities Market of the London Stock Exchange in October 2022, MCB launched its inaugural USD 300 million five-year senior unsecured notes issuance under the Programme in April this year. This landmark transaction marked the first investment grade-rated senior bond issued by a commercial bank out of Africa at the time of issuance and the first international bond by any Mauritian non-sovereign issuer.

Becoming more digital

We remain committed to enhancing our value proposition and enriching the customer experience through digitalisation. Our flagship mobile banking application for individual customers, MCB Juice, which celebrated its 10th anniversary this year, has been further endowed with additional functionalities with its subscriber count crossing the 500,000 mark in Mauritius. In Madagascar, 'MCB Juice Madagascar' has been exceeding enrollment and usage expectations, while in Seychelles, we launched an upgraded MCB Juice application. For our Business Banking clients in Mauritius, we capitalised on our collaborative digital platform, PUNCH, now integrated within MCB JuicePro, to foster synergies among local entrepreneurs.

We furthered our efforts to support the country's transition to a cash-lite society by providing additional digital solutions to our customers, including merchants. We introduced Pay+ in Mauritius, a payment acceptance solution which has been designed for merchants, to facilitate seamless cashless payments. Such initiatives led to a 51% increase in contactless transactions, and a 30% rise in the number of merchants offering digital payments. As regards our corporate clients, we partnered with Backbase to launch IB Pro, our new Internet Banking platform for non-individuals. Additionally, we unveiled the MCB Global Trade Portal, a dedicated platform for international trade connecting buyers and suppliers across markets.

Becoming more sustainable

MCB Group steadfastly continued its journey towards fostering a sustainable future. We are working hard to reduce our own environmental impact while supporting our clients in their transition to a low-carbon economy.

I am pleased with the way our new Transition Taskforce is delivering value, both from a value creation and a risk management perspective, with three main streams identified:

(i) the first stream relates to climate risk and we are currently working at full speed to better understand the vulnerabilities of our existing credit portfolio to climate risk while integrating climate risk considerations in financing our customers' businesses;

(ii) the second stream relates to the deployment of our Sustainable Loan offering in Mauritius with a credit line of Rs 10 billion for local entrepreneurs and corporates transitioning to a low-carbon business model. The Group will aim to play a central role in helping to achieve the national objectives as set out in the "Mauritius Renewable Energy Roadmap 2030" and the "Roadmap and Action Plan to help Mauritius accelerate its shift to a circular economy".

(iii) the third stream relates to the development of our Sustainable Finance strategy on the international scene, thus contributing at the same time to the effective development of Mauritius as a prominent and sustainable International Financial Centre. Through an assessment of the dynamics underlying the energy transition, this stream is helping to determine the future trajectory for MCB's Energy and Commodities activities, which is compelling, realistic and progressively realised.

To raise awareness on climate change, we pursued several initiatives for the benefit of our stakeholders. We hosted 'La Semaine Klima', which included brainstorming, awareness and training sessions with clients, NGOs, teachers, students, and our employees. Besides, in our ongoing journey to foster gender equality, we have put several initiatives in place to ensure a workplace that operates on the principles of fairness and inclusivity. A key initiative in this respect has been our commitment to uphold the principles of equal pay for equal work, a pledge fortified through the collaboration between Group entities in Mauritius and a globally-recognised organisation specialising in equal salary certification. Building on our Gender Equality Charter, we continued to empower our leadership to advance gender equality and women's empowerment within the organisation.

The road ahead

Moving forward, whilst we expect the positive momentum in tourism to continue in Mauritius, Seychelles and Maldives, we know we will navigate a complex world characterised by uncertainties, heightened competition and increasingly stringent regulatory demands. Yet, I remain confident in our business model and in the guiding principles that have underpinned the Group's progress. We aim to consolidate our local positioning by supporting the transition to a more digital and greener economy, while pursuing our diversification strategy. Alongside widening our involvement in presence countries through enhanced Group synergies, we will pursue our international strategy with Africa remaining our prime market. We also aim to expand our non-interest income by enriching our value proposition in areas such as transactional banking, wealth management and non-banking activities.

Our future growth plans will continue to be underpinned by our commitment to building an enduring business that is a trusted and chosen partner of our customers. The Group will continue to develop robust operational capabilities by strengthening our risk management, internal control and compliance frameworks to effectively identify and respond to core and emerging risks. We will remain focused on harnessing data and digital capabilities to improve operational agility across Group entities and enrich our offerings to deliver a differentiated and superior customer experience. To this end, we will scale existing and build new partnerships, including with tech disruptors, to design and offer innovative value propositions across segments.

Central to everything that we do is our purpose, Success Beyond Numbers, with sustainability remaining a focal point in our strategy while paying key attention to the nurturing of our people. Winning in the market place starts with winning in the workplace. Our revamped career architecture is a testament to this commitment, embodying a modern and flexible approach to career development. It lays a robust foundation for attracting and retaining key talents while promoting greater mobility within the Group to enhance professional and personal growth. To further reinforce our people-centred organisational culture, we introduced a Corporate Culture Alignment project, with a cornerstone thereof being the delineation of our Shared Ways of Working, a set of guiding principles encouraging simplicity, responsibility, and fostering positive impacts. This will help to embed a culture which ensures that everything we are doing internally will connect to the evolving needs of our stakeholders.

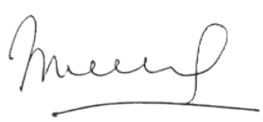
Concluding note

I would like to end by expressing my sincere gratitude to every member of our team across all Group entities: your dedication, resilience and unwavering commitment have been the cornerstone of our success during another challenging year. As I express this gratitude, my thoughts lean towards Xavier Bathfield, the Head of our Mauritian and Regional Corporates unit of MCB Ltd, who sadly passed away in August last. We are truly privileged to have had the opportunity to work alongside such a thoughtful and passionate colleague and friend.

"Our future growth plans will continue to be underpinned by our commitment to building an enduring business that is a trusted and chosen partner of our customers."

To the members of the various Boards of the Group, thank you for your steadfast guidance and wisdom in steering the organisation forward. I must extend our deepest appreciation to Alain Law Min, the Chief Executive Officer of MCB Ltd, who will soon retire. He has been key in strengthening MCB's franchise and revenue streams in the face of challenging times. My sincere thanks also go to our customers for partnering with us and to our shareholders for trusting our ability to create sustainable value for them.

As we move forward, I am confident that we will continue to execute our strategy with dedication and focus. As we do, we will continue to make a meaningful contribution to our valued stakeholders across countries and deliver on our purpose.



Jean Michel NG TSEUNG
Group Chief Executive

Our strategy

Executing our strategy in a volatile environment

In an environment characterised by persisting uncertainty and volatility, MCB Group has, during FY 2022/23, remained committed to pursuing its strategic objectives. In this respect, we have progressed on the execution of our 3-year rolling plan while positioning ourselves to take advantage of opportunities unfolding from the dynamic operating landscape.

Anchored on our proven business model, our strategy paves the way for delivering sustained earnings 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. Our actions are guided by our purpose, Success Beyond Numbers, with the key objective being to deliver a positive economic, social, environmental and cultural impact.

MCB Group: Strategic goals and objectives

A purpose-driven organisation | **Success Beyond Numbers**

Everyday we will help people succeed by providing financing and banking solutions responsibly, championing innovation and using our expertise to make a positive difference to the Economy, People, Community and Environment

Our goals are geared towards being ...

1 ... more diversified	2 ... more digital	3 ... more sustainable

... anchored on our strategic objectives of:

... more diversified	... more digital	... more sustainable
Strengthening our domestic position	Refining our value proposition through innovative products and services	Promoting vibrant and sustainable local and regional economies
Growing our international footprint	Supporting the transition to cash-lite	Contributing to our cultural and environmental heritage
Expanding our non-bank activities	Developing agility and modernising capabilities	Fostering individual and collective well-being

Our key value drivers

Customer experience

Build deeper connections and more meaningful relationships with our customers

Provide excellent customer service across touchpoints

People and culture

Shape the right culture that aligns with our values and shared ways of working

Build a future-ready, talented, engaged, diverse and inclusive workforce

Risk and compliance

Manage our risks effectively to preserve our financial soundness and uphold brand value

Ensure strict adherence with regulatory norms and developments

Our governance and processes

General framework

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 the strategic directions set at Group level, entities formulate their own strategic goals, guided by an adapted and pragmatic approach for strategy-setting

Key Processes

1 Analysis

Assessment of **operating context** and scenario analysis

External | Internal

2 Choice

Discussions on medium to longer term organisation-wide **strategic goals and targets**

Vision | Growth pillars | Risk appetite

Investment considerations | Capital position | Implementation capabilities

3 Validation

Prioritisation at the Executive Management level followed by formal Board approval

3-year rolling plan

Focus areas | Priority projects | KPIs | Budget

4 Cascading

Strategy Communication and integration into **operational plans** at entity level

Organisation-wide goals, targets and guidelines

Key actions at S/BU level

Individual objectives

5 Implementation

Implementation of earmarked priorities, capitalising on a value chain approach and **cross-functional synergies** across the organisation

6 Review

Monitoring and **reporting** to the Board through an adapted strategy review process

Focused execution-performance and projects

Readjust strategy (if applicable)

Underlying strategic goals and objectives across clusters and entities

Banking cluster

MCB Ltd: Strategic objectives and focus areas

Our long-term destination — **A strong and innovative regional financial player within a diversified Group**

Delivering on our strategic objectives

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

Our focus areas

1. Help boost resilience and support growth of local economy while upholding MCB's leadership position as an innovative and responsible financial partner
2. Bolster our cross-border activities and pursue our regional diversification agenda
3. Enhance our transactional value proposition and help position the Group as a financial hub
4. Entrench sustainability principles in the Bank's value proposition, activities and operations

- Position MCB Ltd as a prominent player within the Energy & Commodities segment, enabling energy transition, and gradually building an African Power and Infrastructure franchise
- While leveraging and promoting the Mauritian jurisdiction, deepen relationships with funds and large corporates doing business in Africa and/or in International Financial Centres, notably by facilitating cross-border investment and trade flows
- Build meaningful relationships with financial institutions and boost syndication whilst transforming MCB as a lead arranger for dedicated deals
- Bolster the Bank's Global Markets offerings by providing adapted trading, liquidity and structuring solutions
- Expand Private Wealth Management activities internationally by providing a wider range of sophisticated investment solutions and dedicated advisory services
- Drive the Payments strategy focused on the development and deployment of innovative, scalable and differentiating payment solutions

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
- Consolidate our market share across our individual and non-individual client segments
- Diversify our loan and deposit portfolios, with a focus on key players in promising 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 facilitating the move for cash-lite
- 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, under the guidance of MCB Group
- Foster the engagement, upskilling and well-being of our employees
- Leverage solutions developed by MCB Ltd on the back of service level agreements

'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 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 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

IF 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

Our material matters

How we determine our material matters

The Group's overall strategic direction and performance are influenced by developments occurring across both its internal and external environments. Through our materiality determination exercise, we seek to identify and respond to the factors that have the greatest likelihood of impacting our value creation ability in the short, medium and long term, while assessing the severity of their potential impact on the organisation. The following section dwells on the material matters, the process through which they have been determined and our response thereto.

Our materiality determination process

Identify

We identify a list of factors that can affect revenue generation and our ability to create value. This process involves internal discussions engaging with various stakeholders, and carefully analysing the evolving environment.

Prioritise

From issues identified, a list of material matters is established by selecting those with the greatest bearing on our strategy execution, the viability of our business and our relationships with key stakeholders.

Integrate

The matters that are most important to value creation are integrated in our strategic planning process with a view to formulating our short to medium term business plans and strategic targets.

Monitor

The Group ensures that the impact of material matters and their relevance to its operations are regularly evaluated, with their significance being regularly reassessed.

Material matters identified for FY 2022/23

1. Macroeconomic uncertainty
2. Increasing regulatory requirements
3. ESG considerations
4. Cyber threats and digital disruptions
5. Increased competition
6. Workplace transformations and employee expectations

Our materiality severity assessment

The materiality severity assessment is one of the main outcomes of the materiality determination exercise described above. It is built by appraising the severity of the potential impact of each material matter identified in terms of the inherent risk such factors expose the organisation's strategy, reputation, performance and operations to. This assessment serves as a strategic compass, enabling us to make informed decisions and targeted interventions.

Severity

- Cyber threats and digital disruptions
- Macroeconomic uncertainty
- Workplace transformations and employee expectations
- Increasing regulatory requirements
- Increased competition
- ESG considerations

Our material matters

Read more on how we responded to our material matters across this Annual Report, notably, in the 'Risk and capital management report' on page 155 to 201

Delving into our material matters

1 Macroeconomic uncertainty

Key factors: Multi-speed economic recovery; High inflation and interest rates; Foreign exchange shortage in specific markets; Sovereign rating downgrades

Capital impacted

Financial capital | Social and relationship capital | Manufactured capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Authorities & economic agents | Employees | Customers

- The global context has been characterised by multiple challenges during the past year, with the ramifications of the war in Ukraine fueling inflation levels higher than seen in decades across regions, which have, in turn, triggered a sharp tightening of interest rates. Such conditions have, along with pandemic legacies, dampened economic prospects worldwide. Notwithstanding the challenging international landscape, the Mauritian economy pursued its recovery path in 2022, driven by the rebound in tourism which accounted for over 50% of the growth outturn, combined with an upturn in the export-oriented manufacturing activities and the expansion in nationwide investment and financial services. For 2023, growth is projected by the IMF at close to 5%, with the outlook being, however, subject to the testing conditions in key export markets and the still elevated inflation environment. In fact, whilst moderating to 9.6% in August 2023 from a peak of 11.3% in February, the annual average headline inflation rate is set to remain above historical levels at close to 7% in December 2023. Activity levels in sub-Saharan Africa have continued to be impacted by war-related difficulties and country-specific issues. Growth in the region is set to decelerate for a second year in a row in 2023 with slower GDP expansions expected in the two largest constituent economies – Nigeria and South Africa. Regarding countries where we are present through banking subsidiaries, Madagascar remains confronted by weather-related disruptions and high inflation while the recovery was sustained in Maldives and Seychelles in 2022 on the back of strong tourism growth. In spite of the pickup in tourism earnings, the foreign exchange market in some of our presence countries continued to deserve scrutiny on the back of elevated external imbalances amidst the high import bill, with central banks having to intervene to reduce exchange rate volatility. On the domestic front, the Bank of Mauritius sustained its intervention to remove excess volatility in the rupee. In Maldives, a USD 200 million Currency Swap Agreement was signed with the Reserve Bank of India as a backstop line of funding for short-term foreign exchange liquidity requirements while restrictions were put on residents' holding of FCY bank accounts in Madagascar to alleviate the short supply of foreign currency. In Seychelles, the lagged effect of the rupee appreciation more than offset the impact of higher global commodity prices with inflation trending down.
- In response to heightened inflationary pressures, the monetary policy tightening cycle has, in general, continued during the year in review. Rates were raised by 300 basis points since the start of the financial year in Madagascar and the Key Rate in Mauritius increased by 225 basis points during FY 2022/23 to 4.5%. Whilst this led to rising debt servicing costs for both households and corporates, growth in credit to the economy was sustained. Moreover, excess liquidity in the banking system dropped markedly following the issue of the 7-Day Bank of Mauritius Bill on a full allotment basis. That said, a shift has been noted lately, with the Bills being now issued on a tender basis, which warrants attention. Overall, the financial services and banking sector both locally and in countries where we are present through banking subsidiaries have remained resilient in the face of the difficult operating landscape and global financial fragilities, particularly the banking turmoil in some advanced economies, amidst tightened monetary policy.
- Heightened debt levels and higher debt service costs in the wake of currency weakening have led to sovereign credit rating downgrades in various economies in the region, including Nigeria, Kenya and Egypt lately. Concerning our presence countries, Maldives saw Fitch Ratings revising its outlook from stable to negative in October 2022 given the heightened external and debt difficulties. On the other hand, the rating agency upgraded Seychelles' Long-Term Foreign-Currency Issuer Default Rating, reflecting a combination of strong growth and narrowing primary deficit. Concerning Mauritius, since the downgrade by Moody's Investors Service of the country's long-term foreign and local currency issuer ratings to Baa3 from Baa2 in July 2022, a relative improvement has been observed in economic conditions, supported by the ongoing recovery described above and the gradually improving debt metrics which should help in upholding the country's investment-grade ratings. The latter factors have also paved the way for S&P Global Ratings to assign an investment grade rating of BBB- to Mauritius in July last.

Opportunities

- Leverage the boost to interest income from the prevailing higher interest rate environment to lift growth foundations
- Tap into regional niche markets with promising growth prospects
- Accompany our clients during their recovery phase

Challenges

- Persistently high inflation and continued rate hikes across countries where we operate and intervene imply heightened risk of credit defaults and put pressure on our cost base, thereby impacting operating margins; Shortage of foreign currencies in specific markets impacting business activities
- Potential financial losses linked to market volatility
- Downgrade of sovereign ratings in countries where the Group is involved leading to higher risk-weighted assets

Main risk types impacted

- Credit; Country; Market; Funding and Liquidity; Capital; Model; Strategic and business

Our response

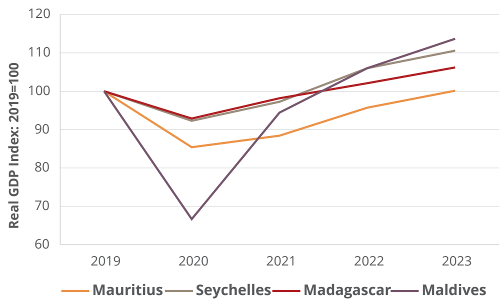
- Remained focused on segments where we have built expertise over time on the regional front and dealing with large corporates/multi-national corporates who have a solid track record, while reinforcing the Group's market vigilance, in order to adequately appraise and respond to the needs and expectations of customers
- Maintained a regular monitoring of country risk developments arising in markets we are exposed to; Continuously assessed our activities in countries that have been downgraded or have their ratings under review for downgrade to ensure proper ring-fencing of our exposures

Zoom on key indicators

Real GDP

Growth	World
2022	3.5%
2023 (f)	3.0%

Growth	SSA
2022	3.9%
2023 (f)	3.5%



Source: IMF World Economic Outlook

Headline inflation (%)

	2021	2022	2023 (f)
Sub-Saharan Africa	11.0	14.5	14.0
Mauritius	4.0	10.8	7.0
Seychelles	9.8	2.6	1.4
Madagascar	5.8	8.2	10.5
South Africa	4.6	6.9	6.0
Nigeria	17.0	18.8	20.1
Maldives	0.2	2.6	5.2

Sources: IMF World Economic Outlook and Bank of Mauritius

Movements of selected currencies vis-à-vis the USD

	Value as at		Annual average	
	30-Jun-22	30-Jun-23	FY 2021/22	FY 2022/23
Mauritian rupee	44.2	45.6	43.0	44.7
Seychellois rupee	13.4	13.5	13.9	13.5
Malagasy ariary	4,084.7	4,543.1	3,970.8	4,310.8
Maldivian rufiyaa	14.7	15.3	15.4	15.3

Sources: Oanda and MCB Staff estimates

Financial soundness indicators (%)

	Mauritius		Seychelles		Madagascar		Maldives	
As at December	2021	2022	2021	2022	2021	2022	2021	2022
Capital-based								
Regulatory capital to risk-weighted assets	20.7	20.6	22.7	20.3	11.0	11.0	46.9	50.7
Asset quality and liquidity								
NPL to total gross loans	5.8	4.9	5.5	7.6	9.1	7.7	6.7	5.9
Liquid assets to total assets	48.6	45.5	59.4	63.0	33.7	29.8	46.5	45.2
Profitability								
Return on assets	1.3	1.6	2.6	2.2	3.5	3.6	5.7	4.6
Return on equity	10.5	14.0	28.1	25.4	28.7	30.1	19.8	15.9

Note: Financial Soundness indicators (FSI) refer to deposit-taking institutions and are taken from the IMF Database for all countries except Seychelles. FSI for Seychelles are taken from the IMF Article IV July 2023.

Sources: IMF Financial Soundness Indicators Database, Bank of Mauritius and Central Bank of Seychelles

2 Increasing regulatory requirements

Key factors: Complex regulatory and supervisory requirements; Blacklisting/greylisting of some African countries

Capital impacted

Social and relationship capital | Intellectual capital | Manufactured capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Authorities & economic agents | Customers

The Group faced up to heightened regulatory demands pursuant to the objective of authorities in our presence countries to cater for the evolving realities and developments, such as the recent banking turmoil in advanced markets, and growing complexities within the industry. Below are key developments warranting attention in view of their impact on our activities and stakeholders.

Monetary Policy Framework

- Introduction, effective January 2023, of a new Monetary Policy Framework by the Bank of Mauritius (BoM) with key features including (i) the adoption of an inflation target range; and (ii) a symmetric interest rate corridor that was initially set at 200 basis points, but widened recently to 300 basis points, around the Key Rate which has replaced the Key Repo Rate
- Initially issued on full allotment basis, a shift has been observed lately regarding the issue of the 7-Day BoM Bill, which is now on a tender basis at the Key Rate, with excess liquidity now invested at the overnight rate which is Key Rate minus 150 basis points
- In Maldives, the Minimum Reserve Requirement for foreign currency deposits has been reverted back to 10% from the temporarily level of 5% seen in the wake of the pandemic
- Issue of new capital adequacy guidelines by the Central Bank of Madagascar effective from the next financial year

Liquidity requirement

- Amendment to the BoM Guideline on Liquidity Risk Management such that cash balances held with BoM in excess of 60% of the required reserves are now classified as High Quality Liquid Assets (HQLA) while, previously, none qualified for that purpose
- Issuance of a new Guideline on Cash Reserve Requirement in Mauritius which highlights changes made to the Cash Reserve Requirement as part of the new Monetary Policy Framework, including (i) change in the basis for calculating the Cash Reserve Ratio (CRR) on both the rupee and foreign currency deposits from 14 to 28 days; and (ii) increase in the foreign currency CRR from 6% to 9%

Climate and environment

- Introduction of the BoM Guideline on Climate-related and Environmental Financial Risk Management setting out key parameters for a prudent approach to climate related and environmental financial risks

Cyber security

- Issuance by the BoM of a Guideline on Cyber and Technology Risk Management setting out the minimum requirements which banks and payment service providers are expected to implement with respect to cyber and technology risk management to ensure that the risks are well understood and managed
- Issue of a new Data Protection Bill in Seychelles
- Issue of a Privacy and Personal Data Protection Bill for public comments in Maldives

Finance (Miscellaneous Provisions) Act 2023 in Mauritius

- Abolition of reduced tax incentive system of 5% that was applicable for banks under prescribed conditions with chargeable income in excess of Rs 1.5 billion now taxed at 15%
- Special levy on leviable income of more than Rs 1.2 billion increased from 4.5% to 5.5%
- Amendments have been brought to the Securities Act to the effect that the definition of the terms 'closed end fund' and 'collective investment scheme' now accommodates the concept of 'money market instruments'
- Amendments brought to the Virtual Asset and Initial Token Offering Services (VAITOS) Act to allow for a Virtual Asset Custodian (Class R) to hold custody of securities tokens or such other instruments as approved by the Financial Services Commission

Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT)

- Enhanced Due Diligence requirements following the inclusion of Nigeria, South Africa and United Arab Emirates in the Financial Action Task Force list of jurisdictions under increased monitoring as well as the EU high-risk third countries list
- Consultation initiated between the BoM and industry players for the upcoming Central KYC Registry project
- Launch of an Artificial Intelligence (AI) Powered Due Diligence Platform by the Financial Services Commission

Payments

- Forthcoming roll-out of the digital rupee, on a pilot basis, by the BoM
- Start of testing phase by the Maldives Monetary Authority for the introduction of a state of the art Instant Payment System in the Maldives
- Implementation of a National Switch in Madagascar

Opportunities

- Strengthen capabilities and frameworks to adapt to the evolving landscape and reinforce the soundness of our operations alongside protecting our clients

Challenges

- Shift in the auction system for the issue of 7-Day BoM Bill implies a more rigorous liquidity management
- Change in the fiscal regime leading to an increase in our tax charges

Main risk types impacted

- Funding and Liquidity; Capital; Model; Cyber and information security; Regulatory and compliance; Strategic and business; Environmental and social

Our response

- Maintained a proactive engagement with regulators and strengthened the Group's risk management and compliance capabilities to ensure strict adherence to mandatory rules and advocated norms

3 ESG considerations

Key factors: Prominent emphasis on promoting gender diversity and transparency; Growing awareness of climate change

Capital impacted

Financial capital | Social and relationship capital | Natural capital | Intellectual capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Authorities & economic agents | Employees | Customers

ESG considerations have risen to the forefront in recent years within the financial services sector, as investors and stakeholders increase their scrutiny of the effects of their economic decisions on the climate, society and corporate governance. There is an evident shift happening towards sustainable investment and responsible business practices by operators to reinforce their market positioning while, at the same time, authorities remain very active in adapting the regulatory framework as appropriate. That said, some countries, notably on the African continent, remain highly dependent on traditional energy sources – in particular fossil fuels – for their development, which is impacting the speed of the transition.

Key ESG trends

- Greater complexity of ESG-related regulations
- Sustainable finance products gaining prominence
- Rising ESG claims and growing cost of greenwashing
- Need to equip workers with the necessary skills

USD 5.8 trillion
Value of sustainable finance market In 2022

USD 4 trillion
Investment gap in developing countries across all SDGs - largest gaps in energy, water and infrastructure

USD 2.7 trillion
Africa's cumulative financing need over 2020-30 to respond to climate change

USD 1.3 trillion
ESG debt issuance in 2022, with social bonds amounting to USD 141 billion

Sources: World Investment Report 2023, AfDB Economic Outlook 2023, Economist Intelligence Unit

In June 2023, the International Sustainability Standards Board issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. In Mauritius, emphasis was laid on promoting the sustainability agenda by way of workshops, guidelines and appropriate legislation. In this respect, amendments have been recently brought through the Finance (Miscellaneous Provisions) Act 2023 to include: the set-up of a National Contact Point for Responsible Business Conduct; requirements for companies with more than 250 employees to provide workplace-based childcare facilities; entitlement of a worker to use up to 10 days of their paid annual leave, sick leave or vacation leave entitlements to look after elders having healthcare-related issues; and provisions to authorise workers to complete their normal working week in 4 working days. Moreover, interest derived from a sustainability bond or a sustainability-linked bond to finance sustainable projects are to be exempted from income tax. To promote gender equality, listed companies are required to have a minimum of 25% of women on their boards. Progress was also made across countries of foreign banking subsidiaries in incorporating ESG elements, with Seychelles adopting the Victoria Consensus on advancing responsible and inclusive innovation for financial inclusion.

Opportunities

- Make further leaps in the provision of sustainable financing in support of the transition to a low-carbon economy
- Promoting gender diversity and equality within corporate leadership and decision-making structures

Challenges

- Issues related to product design, pricing and sales; Potential disruptions to production process or sales for customers
- Heightened regulatory requirements

Main risk types impacted

- Regulatory and compliance; Strategic and business; Reputation; Environmental and social

Our response

- Reviewed our governance around sustainability
- Launched a sustainable finance offering to assist local entrepreneurs in their transition to greener energy; increased ESG awareness through participation in panels and trainings; integrated ESG principles in risk processes and reporting disclosures

Read more in the Sustainability Report on our website

4 Cyber threats and digital disruptions

Key factors: Evolving cyber threat landscape; Emergence of new technologies; Increased interconnectedness, digital adoption and more sophisticated demand

Capital impacted

Social and relationship capital | Human capital | Intellectual capital | Manufactured capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Authorities & economic agents | Employees | Customers

The world continues to become increasingly digitalised. The World Trade Organization estimates that digital services almost quadrupled in 2022 compared to their 2005 levels. The rising wave of digital disruptions and extensive adoption of innovative technologies have also reshaped the financial services industry and changed the way we attract, secure and serve customers. Operators are increasingly capitalising on digital platforms to enhance client experience and enrich their value offerings to derive a competitive edge. In addition, technology continues to drive shifts in organisation structures and operating models alongside supporting work-from-home through online platforms. That said, such developments also come with attendant risks, particularly when making allowance for increasing instances of cyber threats while the forthcoming roll-out, on a pilot basis, of a Central Bank Digital Currency in Mauritius and the increasing prominence of Virtual Assets warrant attention.

Cost of cybercrime	Distributed infrastructure	Next-generation computing	Applied Artificial Intelligence
>USD 10 trillion	**>75%**	**>USD 1 trillion**	**>75%**
estimated cost of cybercrime worldwide by 2025	of enterprise-generated data will be processed by edge or cloud computing by 2025	Potential value of quantum-computing use cases at full scale by 2035	of all digital-service touch points will see improved usability and enriched personalisation

Sources: McKinsey Technology Trends Outlook 2023, Statista: Cyber Crime and Security

Opportunities

- Enhance client experiences through digital-led innovations, offering personalised services, streamlined onboarding processes, and improved security features
- Partner with tech companies to enhance our digital offerings
- Boost productivity and operational efficiencies by implementing digitised processes, leading to reduced costs and greater cost-effectiveness

Challenges

- Increasingly sophisticated cyberattacks can be carried out by fraudsters, with the rise of Artificial Intelligence (AI), resulting in significant costs to prepare and respond to the challenges posed
- High demand for technology skills, combined with the intense competition and shortage of skilled workers in this field

Main risk types impacted

- Model; Operational; Business continuity; Cyber and information security; Regulatory and compliance; Strategic and business; Reputation

Our response

- Provided increasingly adapted solutions, alongside reimagining customer experience
- Reinforced our cybersecurity framework, including the related risk culture, and data management and analytics capabilities to support strategic moves and preserve information security
- Equipped employees with more sophisticated tools, mainly by leveraging machine learning, and dedicated trainings notably in terms of cybersecurity

5 Increased competition

Key factors: Innovative product offerings and competitive pricing models; New players such as fintech and mobile money companies

Capital impacted

Social and relationship capital | Human capital | Natural capital | Intellectual capital | Manufactured capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Authorities & economic agents | Employees | Customers

Group entities remain confronted by high competitive pressures across specific markets. Such challenges have subsisted notably in the individual and payments segments, with banks in Mauritius, for instance, upholding an aggressive stance in segments such as mortgage in view of the high liquidity situation. At the same time, the past few years have seen the accelerated recourse by industry players to disruptive technologies to deliver superior client experience and the broadening of the competitive landscape globally, with new entrants, including fintechs and tech disruptors that are giving rise to new competitive pressures. There is also an ongoing battle to attract and retain the best employees. Furthermore, operators in the sector are increasingly turning to sustainable finance to gain a long-lasting competitive advantage.

Opportunities

- Accelerate diversification efforts, pioneer novel solutions and establish market-leading client experience to affirm our competitive edge

Challenges

- Potential pressures on market shares and margins/revenues across specific segments in view of heightened competition

Main risk types impacted

- Strategic and business

Our response

- Pursued our investment in innovative technologies to sharpen our offerings towards upholding our competitive edge and reinforcing client proximity

6 Workplace transformations and employee expectations

Key factors: Addressing skills shortages; Talent management and development; Flexibility and wellbeing

Capital impacted

Human capital | Intellectual capital | Manufactured capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Employees | Customers

The world of work has profoundly transformed in recent years, with the pandemic propelling remote work, hybrid working arrangements and technological integration. Such trends, coupled with evolving employment legislations in specific markets, are shaping the future of work and affecting the way we work. At the same time, shortages and competition for critical skills have risen worldwide, and this is also true for markets where the Group is involved, notably in respect of technology and specialised fields.

Main dynamics driving our human capital agenda

- Skills gaps in the local labour market
- Emergence of new skills
- Technology transformation
- Amendments to employment legislations
- Mental health and employee well-being
- Diversity, equity and inclusion

New jobs and lost jobs, 2023-2027

Top 5 new jobs

- AI and Machine Learning specialists
- Sustainability specialists
- Business intelligence analysts
- Information security analysts
- Fintech engineers

Top 5 jobs disappearing

- Clerical jobs
- Admin and executive secretaries
- Home appliance installers and repairers
- Legislators and officials
- Door-to-door sales workers

Source: Future of jobs report 2023, World Economic Forum

Opportunities

- Invest in the skills and career development of our employees to pave the way for a workforce that is well equipped to embrace and excel in an evolving world of work
- Enhance staff productivity and work life balance through flexible working arrangements

Challenges

- Heightened brain drain pressures and competition for talents which can disrupt business activities and potentially make succession planning difficult
- Need for reskilling of employees
- Enhanced concerns about stress and fatigue

Main risk types impacted

- Model; Operational; Business continuity; Cyber and information security; Strategic and business; Reputation

Our response

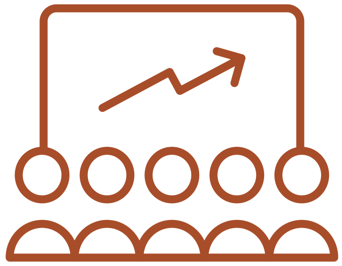
- Shifted to a hybrid work model to offer flexible working options to our employees while also reassessing our internal practices and expanding our well-being value proposition
- Reviewed our career architecture to support the growth and career development of employees
- Launched a new Employee Value Proposition that showcases the benefits, rewards and opportunities employees can expect from working for the Group

How we created value for our stakeholders

Our proactive stakeholder engagement model informs and guides our actions and behaviours. We embrace an integrated vision that aims at making a solid contribution to and meeting the needs and expectations of our valued stakeholders.

The Group has a well-established governance and operational framework to ensure that stakeholder engagement 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, help in shaping our strategic priorities and guiding our initiatives.

Shareholders and investors



Rs 77.2 billion
Market capitalisation on SEM

Rs 4.7 billion
Total value traded during FY 2022/23

~ 22,700
Ordinary shareholders
(Individual shareholders account for 46% of the ownership base)

~ 2,700
Preference shareholders & bondholders

AAA*
Issuer rating CARE Ratings (Africa) Private Limited

A
MCB Group MSCI ESG rating

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

Rs 2.5 billion
Issuance of unsecured floating rate notes under the Group's Multi-Currency Note Programme

6.5%
Dividend yield

Material matters of relevance
- Macroeconomic uncertainty
- Increasing regulatory requirements
- ESG considerations
- Cyber threats and digital disruptions
- Increased competition
- Workplace transformations and employee expectations

What they expect from us
- Good financial performance and adequate dividends
- Protection and growth of investment
- Robust business model
- Sound ESG practices
- Strong, experienced and diverse management
- Rigorous risk management
- Transparent reporting and effective communication

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

SDG impacted

Capital impacted

** Pertains to the servicing of financial obligations in Mauritius*
Note: Figures are as at 30 June 2023, unless otherwise stated

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 platforms 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, available on our websites
- Open, constructive and regular dialogue with rating agencies with a view to reporting on our performance and prospects as well as providing comfort on our risk management and business growth foundations via dedicated analyses
- Timely interaction with players across capital and debt markets amidst our efforts to consolidate our foreign currency funding resources to support our international diversification strategy

Rewarding our ordinary shareholders

Taking into account the earnings per share of Rs 57.66 for the financial year under review, the Board decided to apply part of the proceeds from the issue of Scrip shares amounting to Rs 914.4 million to declare a final dividend of Rs 11.75. This, together with the interim dividend per share of Rs 8.50 paid in July 2023, resulted in a total dividend pay-out of Rs 20.25 per share.

Supporting our international diversification strategy

The year in review saw the organisation, notably MCB Ltd, moving forward with important capital raising and funding initiatives, with a view to supporting its international expansion in the region and consolidating its capital base. The success of these initiatives attests to MCB's attractiveness for its robust credit profile and growth strategy while reflecting the international recognition of the Bank's strong fundamentals, its investment grade ratings – being the only commercial bank rated as such within the African continent by Moody's Investors Service – and investor confidence in MCB's strong growth potential.

October 2022

Established a Global Medium Term Note Programme on the London Stock Exchange

The Bank listed a USD 3 billion Global Medium Term Note Programme (GMTN Programme) on the International Securities Market of the London Stock Exchange. The GMTN Programme is assigned a Baa3 rating by Moody's Investors Service and aims to diversify MCB's capital and funding sources to support its international diversification strategy.

March 2023

Issued a Basel III compliant Tier 2 bond

The Bank closed its first Basel III compliant Tier 2 bond issuance of USD 147 million with a 10-year tenor, privately placed with the African Development Bank. This instrument is aimed at financing high impact projects in the region as MCB pursues its sustainable development agenda.

April 2023

Launched senior unsecured notes under the GMTN Programme

The Bank launched and priced its inaugural USD 300 million 5-year senior unsecured notes under its GMTN Programme. This landmark transaction marked the first investment grade-rated commercial bank senior bond out of Africa at the time of issuance and the first international bond by any Mauritian non-sovereign issuer.

June 2023

Secured a syndicated loan facility

The Bank signed a 3-year USD 500 million syndicated loan with commitments exceeding USD 1 billion. The participation in this arrangement involved a group of twenty-five investors, comprising core and new lenders, reflecting MCB's credit worthiness and strong appeal to international investors.

Read more in the 'Corporate governance report' on pages 99 to 151 and the 'Group financial performance' on pages 89 to 96

Customers

~ 1,180,800
Overall customer base
(Y.o.y growth: 3.1%)

~ 1,126,800
Individual customers

~ 54,000
Non-individual customers

~ 70
Financial institutions serviced as part of our 'Bank of Banks' initiative

40
Net Promoter Score for 2023
(MCB Ltd; Based on a brand study by Kantar; Compared to a world benchmark of 27)

Customer satisfaction scores *(MCB Ltd)*

84
Retail
(FY 2021/22: 81)

81
Private Wealth Management
(FY 2021/22: 77)

76
Business Banking
(FY 2021/22: 74)

75
Corporate and Institutional Banking
(Mauritian and Regional Corporates unit)

Material matters of relevance

- Macroeconomic uncertainty
- Increasing regulatory requirements
- ESG considerations
- Cyber threats and digital disruptions
- Increased competition

What they expect from us

- Innovative and customised financial solutions
- Safe and convenient access to financial solutions 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
- Responsible banking solutions to support the transition to a low-carbon economy

Key performance indicators

- Customer base
- Brand value
- Net Promoter Scores and client satisfaction scores
- Client complaints and outcomes
- Market shares
- Awards and recognitions

SDG impacted

Capital impacted

Note: Figures are as at 30 June 2023, unless otherwise stated

How we have engaged with customers

- Multiple channels in place, including digital banking, contact centres and adapted branch network, for prompt and adequate service delivery
- Ongoing efforts to further reduce waiting times and improve turnaround efficiency towards enhancing customer experience
- Continuous interactions with clients to better understand and anticipate their needs to provide them with the right solutions
- Provision of adapted banking and financial solutions and services, by capitalising on innovative technologies, to deliver a differentiated customer experience
- Appropriate communication and reporting channels in place, including on 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 through our contact centres. During FY 2022/23, 3.8 days were, on average, taken to solve complaints at the level of MCB Ltd (FY 2021/22: 4.5 days), with 84% of complaints resolved within 5 days
- 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 networks as well as promote the Group's capabilities and value proposition
- Dedicated committees in place to cater for the effective pricing and management of new and existing product offering in tune with customer needs

Embedding the voice of the customer at the heart of our strategy

~ 12,000
Customer participation in surveys/research projects

> 100
Number of research projects/ initiatives undertaken

30
Recurrent surveys (monthly/quarterly)

25
Real Time Dashboards

Our Customer Lab, which serves as an essential platform for the centralisation and analysis of all customer feedback, has made further headway towards enhancing customer experience (CX) within the organisation, underpinned, amongst others, through:

- Enhancement of our research methodologies, with the introduction of new customer immersion techniques
- Identification of the challenges faced by our customers during the onboarding and lending process
- Launch of CX framework for the Payments SBU of MCB Ltd and initiated CX frameworks for MCB Seychelles and MCB Madagascar
- New CX surveys to reinforce our capacity to measure our clients' experience at all touchpoints with the organisation
- Tapping into a pool of customers willing to participate in the development and enhancement of our products and services, notably by way of user testing and discovery exercises
- Live dashboards implemented for (i) monitoring leads of key products/campaigns; and (ii) managing key events

Read more on our initiatives to deliver excellent customer experiences in the 'Our performance across entities' section on pages 63 to 87

Societies and communities

Rs 73 million

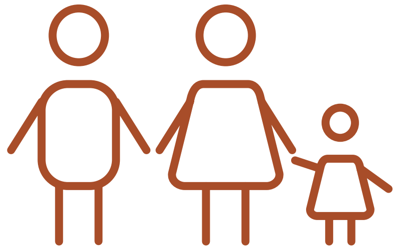
Spent by MCB Forward Foundation on 30 projects, *of which* 10 are ongoing

Rs 10 billion

Dedicated envelope made available under the new Sustainable Loan *(MCB Ltd)*

SCR 50 million

Dedicated envelope made available for green financing *(MCB Seychelles)*



3,855 tonnes CO_2eq [1]

10,969 iRECs[2]

Climate contribution *(MCB Ltd)*

[1] Amount of carbon credits purchased equivalent to our Scope 1 and 3 emissions for 2021

[2] International Renewable Energy Certificates (iRECs) purchased which are equivalent to our grid consumption for 2021

48% Share of our retail customers using e-statements *(MCB Ltd)*

65% of total procurement expenditure sourced from local suppliers *(MCB Ltd)*

7 MCB Football Academies, including a 3rd Academy recently launched in Rodrigues

Material matters of relevance

- Macroeconomic uncertainty
- Increasing regulatory requirements
- ESG considerations
- Cyber threats and digital disruptions

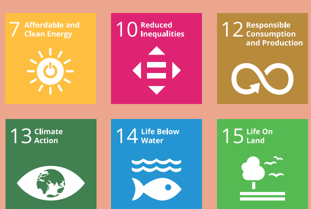
What they expect from us

- 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
- Eco-friendly operations, responsible banking practices, and support to the transition to a low-carbon economy
- Promotion of cultural heritage

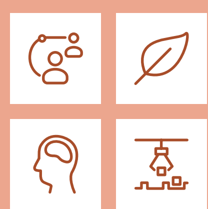
Key performance indicators

- Projects financed by the MCB Forward Foundation
- Amount allocated to sustainable financing
- Carbon footprint from our operations
- Local procurement spend

SDG impacted



Capital impacted

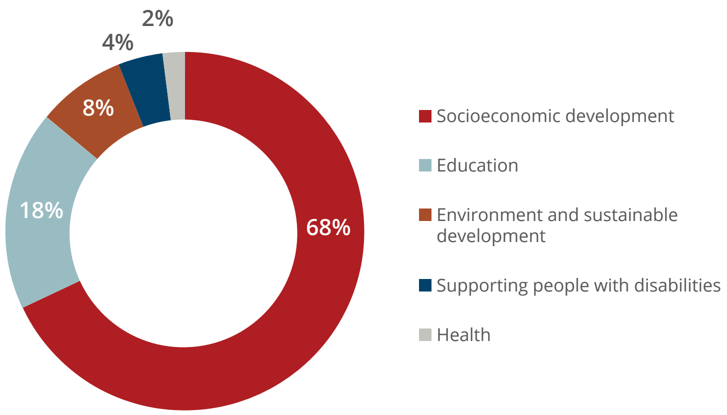


Note: Figures are as at 30 June 2023, unless otherwise stated

How we have engaged with societies and communities

- Regular engagement with the communities in which the Group operates, facilitated mainly by the MCB Forward Foundation (MCBFF), which is responsible for the design, implementation, and management of socio-economic development initiatives as part of our corporate social responsibility efforts
- Partnership with relevant stakeholders across presence countries, such as non-governmental organisations (NGOs) and public sector entities, towards promoting social welfare
- No political donations were made during the year under review

Key projects financed by MCBFF during FY 2022/23



Support the transition to a low-carbon economy

During the year under review, MCB Ltd launched its first in-house Sustainable Loan, a credit line of Rs 10 billion at a preferential rate of Prime Lending Rate -1%, available to local businesses. The line of credit aims at financing a wide range of projects notably in the environmental and social categories, as per our green taxonomy. At the same time, in line with its objective of contributing to carbon neutrality in its own 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 also catered for the redemption of its Scope 2 electricity consumption linked to its 2021 operations through the purchase of International Renewable Energy Certificates.

Commitment to responsible practices

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 Risk 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

Key initiatives to foster a more inclusive and equitable society

Social inclusion and poverty alleviation

In collaboration with the NGO 'Not a Number', MCBFF has provided a sum of Rs 1.1 million to **support the reintegration of 60 former detainees.** This aid addresses recidivism challenges by targeting key risk factors.

MCBFF renewed its **support to a platform enabling 13 NGOs to collaborate and exchange best practices.** With an investment of about Rs 844,000 this year, MCBFF encouraged NGOs to adopt modern technologies post-COVID.

To **alleviate the impact of high cost of living**, we granted preferential interest rates to **support vulnerable and middle-class households.**

MCBFF partnered with the Adolescent Non-Formal Education Network (ANFEN), donating Rs 2.5 million, to establish pastry classes aimed to **empower marginalised teenagers**, who have left the traditional schooling system, with essential skills to sustain a living.

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.

In line with the Bank of Mauritius recommendations aimed at recovering spare coins, we relaunched the **"Your Coins for Change"** initiative, a solidarity action in favour of rehabilitating young people in distress.

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 Ltd offers **accessible accounts with low minimum balances** and zero-cost savings account bundles, as well as **encourages youth savings through Junior accounts.** The Bank also provides unsecured personal loans, available to non-MCB Ltd customers, which is often sought for education and housing purposes.

The Bank initiated a **financial well-being programme for women** with the goal of fostering an investment culture and involving them as ambassadors to raise awareness on this important issue within the broader community. The kick-off meeting centred around the theme, 'The impact of inflation on everyday lives and investment', addressing the wealth disparity between men and women.

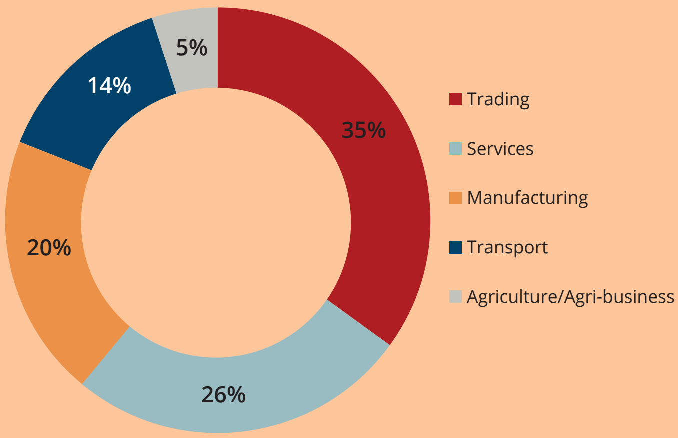
We provided innovative and customised solutions to SMEs as well as micro-enterprises and self-employed individuals.

3,368 clients financed by MCB Microfinance Ltd

6,149 loans disbursed amounting to

Rs 1,283 million

(since July 2016)



Note: Figures relate to outstanding loans

Health

In FY 2022/23, MCBFF's Rs 1 million investment in Link to Life **facilitated cancer patients' access to psychological support, transport,** and raised awareness about various types of cancer.

MCBFF financed the setting up of the **François Piat Centre for Disability Studies and Research Centre** for an amount of Rs 2.5 million. This centre, under the aegis of Association de Parents d'Enfants Inadaptés de l'Ile Maurice, will house an interdisciplinary network of professionals and researchers united by their commitment to achieve **equality and social justice for people living with disabilities.**

Protection of the environment

- The organisation hosted **'La Semaine Klima' to educate its stakeholders** on the importance of climate adaptation and mitigation. We also organised the first edition of **'Deba Klima',** a debate competition whose objective is to encourage students to conduct research on climate change-related topics and engage in debates in Kreol, to allow a wider audience to understand the challenges of climate change.
- In collaboration with the Mauritian Wildlife Foundation through the **funding of a conservation project at Grand Montagne Nature Reserve in Rodrigues** for Rs 2.3 million during FY 2022/23, MCBFF enabled the **planting of 40,000 endemic trees** on 7 hectares of land.
- The organisation sponsors several NGOs in Mauritius pursuing impactful environmental initiatives.
  - Le Velo Vert receives **support for a mobile app** promoting direct sales of bio farming products and creating a sustainable school farm.
  - We-Recycle benefits from annual **funding for waste collection and recycling,** including a station at a heritage site, as well as awareness campaigns in the Black River region.
  - MCB is the main sponsor of Mauritian Wildlife Foundation since 2019 with an annual sponsorship of Rs 5 million each year for the **protection of endemic species and the preservation of the islets** around Mauritius.
  - MCB is a key partner of Ebony Forest since 2017 and **supports their restoration projects** to raise awareness on the importance of conservation work and saving endangered species in Mauritius.

Arts, culture and wellness

- MCB is committed to **promoting Mauritian talent in Arts and Culture.** MCB sponsored two private screenings for its Neo and MCB Select customers where the guests had the privilege of enjoying a movie which is a 100% Mauritian production.
- **MCB Madagascar was the banking sponsor for the 11th Indian Ocean Island Games** held in Madagascar in August, underpinning our long-standing commitment to promoting sports.
- MCB Seychelles made a **sponsorship of SCR 1 million for the Seychelles National Team,** in the context of the 11th Indian Ocean Island Games.

Waste management

- For the third consecutive year, MCB joined the Pledge on Food Waste programme. Both MCB restaurants were again **fully certified GOLD under The PLEDGE™ on Food Waste** this year. With 98% compliance, MCB shows relentless commitment to cutting food waste and reducing unnecessary costs and negative environmental impacts to reach international certification and benchmarking standards.

Education

34 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.

42 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.

~ Rs 1.9 billion student loans approved

by MCB Ltd as at June 2023 (under normal banking terms and the Government Guarantee Scheme), accounting for a market share of around 65% (over the period April 2013 - June 2023)

In line with its commitment to improving the access of education in Mauritius, MCBFF provided Rs 1.4 million towards the **provision of online courses to students** from Action for Economic and Social development. The project benefitted some 200 students and 20 teachers.

MCBFF **contributed Rs 1 million to Autism Maurice** for the provision of specialised classroom equipment, educational toys and a sensory room for children on the autism spectrum, thus enabling the creation of an adequate sensory environment – a prerequisite to any form of care or education for people with autism.

Under the MCB Football Academy programme, MCBFF collaborated with the Special Education Needs Society, with a contribution of Rs 2.9 million, for the educational screenings of 74 children. This effort led to the **integration of 44 children into the Montessori project,** a method that fosters a nurturing and inclusive learning environment.

Under the MCB Football Academy programme, MCBFF partnered with 'Fondation Cours Jeanne d'Arc' in FY 2022/23 for the **setting up of a class for 9 students that focuses on human values and holistic development growth** alongside academics. The project's investment totaled Rs 1 million.

Authorities and economic agents

30%	**12%**	**Rs 2.1 billion**
Domestic loans as a share of GDP in Mauritius *(including corporate notes)*	Domestic loans as a share of GDP in Seychelles	Income tax paid in Mauritius by MCB Ltd *(including special levy)*
46%	**36%**	**3,424**
Share of domestic credit to SMEs and corporates in Mauritius	Share of domestic credit to corporates in Seychelles	Number of fraud cases investigated *(MCB Ltd)*
175,097	**3,832**	**562**
Number of financial crime and risk management alerts investigated and closed *(MCB Ltd)*	Reports sent to the Bank of Mauritius *(MCB Ltd)*	Number of suspicious internal transaction reports received for investigation *(MCB Ltd)*

40% Cash to digital payments ratio *(MCB Ltd)*

Material matters of relevance

- Macroeconomic uncertainty
- Increasing regulatory requirements
- ESG considerations
- Cyber threats and digital disruptions
- Increased competition
- Workplace transformations and employee expectations

What they expect from us

- Strict adherence to relevant laws, codes, guidelines and principles
- Promotion of sound and efficient financial systems in countries where we operate
- Contribution to economic and financial development as well as financial literacy
- Moves to promote the transition to a cash-lite society
- Meaningful interactions with authorities for proper monitoring of activities
- Participation in and promotion of discussions on topical, regulatory and economic issues

Key performance indicators

- Economic contribution in countries where we operate
- Financial soundness indicators
- Regulatory reports
- Adoption of digital solutions

SDG impacted

Capital impacted

Note: Figures are as at 30 June 2023, unless otherwise stated

How we have engaged with authorities and economic 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 companies transiting through Mauritius to conduct business across Africa and beyond
- Full compliance with regulatory requirements and guidelines relating notably to business operations, product development, market development and risk management, thereby safeguarding the perennity and soundness of our operations
- 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, submission of regular 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, various conferences on topical issues, such as the GIC Business Series, and social media blog posts, notably on the MCB Group's 'TH!NK' website and LinkedIn
- Enabling informed decision-making for economic agents and individuals by promoting financial literacy on multiple fronts designed to enhance the financial awareness and capabilities

Direct contribution of MCB Ltd to the Mauritian economy (FY 2022/23)

Contribution to value added	~ 4.5%	of total value added	~ 55%	of value added by the banking sector
Paying taxes in support of government revenue mobilisation	~ 8.5%	of total corporate tax paid	~ 50%	of special levy paid by banks
Creating jobs on the nationwide scale	~ 20%	of employment in financial and insurance activities	~ 40%	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 to the Seychellois economy (2022)

1.5%	~ 25%	8%
of total value added	of value added by the financial and insurance activities	of employment in the financial and insurance activities

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

Employees

~ 4,100

Employees
(53% female)

31%

Women in middle and senior management
(MCB Ltd)

~ 93%

Employee retention rate

~ 3,150

Employees, representing 77% of our workforce, engaged on 'Percipio'
(our online learning platform)

~ 14,500

Total hours spent learning on 'Percipio'
(Average of 4.6 hours spent learning per user)

~ 8%

Employee turnover rate

432 Employees enrolled in our Lead with Impact Academy, which aims to further entrench the MCB Leadership Brand and promote desired leadership behaviours

Material matters of relevance

- Macroeconomic uncertainty
- Increasing regulatory requirements
- ESG considerations
- Cyber threats and digital disruptions
- Increased competition
- Workplace transformations and employee expectations

What they expect from us

- Safe, positive and enriching 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
- Strong leadership and change management
- Reasonable reward and effective performance management system
- Training, development and career opportunities

Key performance indicators

- Share of women in middle and senior management
- Employee retention and turnover rates
- Employee satisfaction and engagement surveys
- Training and development hours
- Investment in training
- Industry salaries and benefits

SDG impacted

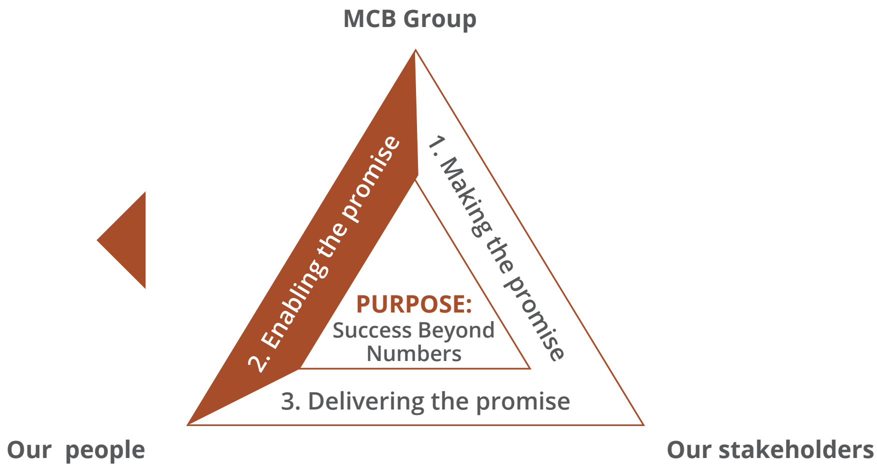
5 Gender Equality
8 Decent Work and Economic Growth
10 Reduced Inequalities

Capital impacted

Note: Figures are as at 30 June 2023, unless otherwise stated

Our approach underpinning our employee engagement

Our employees are key to everything we do. We ensure that our established systems, procedures, and resources enable our people to effectively achieve our strategic goals and deliver on our promise to consistently meet the requirements of our stakeholders.



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, notably by way of surveys
- Gold Standard Management Routines in place with our People Managers practicing regular conversations, team meetings, town hall meetings and walk arounds to promote the desired culture and take care of our employees
- Succession planning to ensure the organisation's continuity, stability and long-term success
- Reinforcement of human resource frameworks, in support of enhanced operational efficiencies and employee engagement
- Continuous enrichment of our training courses, both in-class and digital, 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, in applicable presence countries, 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
- Maintenance of healthy relationships with employee representatives in order to work collectively towards enhancing the work environment and conditions
- 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
- Dedicated initiatives put in place to cater for the health and well-being of employees, including, amongst others, extended parental leaves
- Social leave policy in place that allows our employees in Mauritius to benefit from a paid leave and engage in a positive impact activity by helping NGOs or other organisations having social or environmental goals

Key measures deployed for our employees

Career architecture

The organisation has revamped its job architecture to ensure it is adapted to current business realities and aligned with global best practices. This achievement represents a significant milestone on our HR transformation agenda initiated in FY 2017/18. In particular:

- The new career architecture provides a more modern and flexible approach to organising and defining jobs within the Group. It has been designed to provide our employees with the required information and support to manage their career.
- The career architecture contains job families and career levels that reflect not only the hierarchy of roles but also the way in which they contribute to and how they impact on the organisation, informed by the job evaluation outcomes.
- It also aims at giving due recognition to staff expertise while laying the appropriate foundations to enable us to attract, develop and retain key talents while ensuring better mobility across the Group. The new job architecture provides the Group with a consistent and flexible framework for managing roles, pay structures, career development pathways, promotions and other HR processes.

Corporate Culture Alignment project

- A Corporate Culture Alignment project was launched to further embed, reinforce and sustain the right culture across the Group. To support this initiative, a new Head of Culture and Leadership Development was appointed in September 2022 with a view to building and implementing a framework that effectively expresses our desired culture and helps us to prepare to meet the challenges of the external environment and ever-evolving needs of our clients. As a key milestone, five Shared Ways of Working have been defined and shared to our employees, describing the elements of MCB's culture.

Our Shared Ways of Working

Employee Experience

- The objective of the 'Employee Experience' initiative is to identify and enhance crucial moments throughout an employee's professional journey, reflecting our commitment to creating a more positive and enriching experience within MCB Group. In line with the review, the Recruitment and Onboarding journey has also been re-assessed, taking into consideration employees' and leaders' input for the revised approach.

Employee Value Proposition (EVP)

- The EVP is an integral part of the broader 'Employee Experience'. It refers to the overall value and experiences an employee can expect from working for MCB Group. The newly defined EVP should enable us to affirm our position as an employer of choice and foster a positive and engaged culture with the following key pillars: *Joining, Thriving, Rewarding and Growing* as its foundations.

Joining with purpose

We ensure that you are part of an inspiring culture that delivers a positive employee experience, values your authenticity, embraces diversity and nurtures long-lasting relationships.

We ensure that you feel valued and appreciated by openly praising and rewarding you for your engagement to our vision.

Work rewarded

Work and Thrive

We ensure that you are part of something bigger through collaboration with other diverse, talented players who are unafraid to express their true selves and bring their uniqueness to the table.

We ensure that you grow continuously. We are eager for you to challenge yourself, discover new strengths, and scale us to new heights.

Growing beyond titles

Employee well-being

- A series of wellness-related activities have been organised for the well-being of our staff, across presence countries. The organisation held a Wellness Fair over three days in Mauritius, attracting around 750 employees, which included health check-ups/screenings, nutrition stands, health talks and promotion of wellness products.
- Ongoing initiatives include (i) mental well-being awareness sessions with People Managers and individual consultations from our 2 part-time psychologists, (ii) events to promote physical well-being (e.g., hiking, health track at MCB St Jean, and corporate massages), and (iii) staff offers to encourage employees to adopt healthier lifestyles.
- MCB Maldives pursued several initiatives on the wellness front, notably (i) the identification of wellness dimensions; (ii) the creation of a wellness committee; and (iii) a survey to gather employees' views on the subject. MCB Seychelles hosted mental health workshops for all its employees and well-being sessions for its team leaders, amongst other initiatives.

Gender equality

As part of the Group's Gender Equality Charter, we pursued the following initiatives:

- Panel discussion on women-led businesses to start a dialogue on collectively contributing to building a resilient entrepreneurial ecosystem in Mauritius that promotes equality and fairness
- Internal event hosted in light of the International Women's Day 2023 to bring women across the Group to share, network and celebrate the important role that they play within our organisation
- Training on unconscious bias to shed light on gender inequality and 'Women in Leadership' programme to provide women within the organisation with the skills and competencies to fulfill managerial roles
- Embarked on a comprehensive analysis of existing remuneration processes and policies towards addressing potential gender inequalities within our organisation, as part of our application for the Equal Salary Certification assigned by the Equal Salary Foundation in Switzerland
- Follow up of the 'Allies for Change Discussion Forums' with Management with a view to defining key actions towards Gender Equality within the organisation
- 'Lean In Circles' initiative 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

Other strategic initiatives

- We made further inroads regarding talent attraction, development and retention, namely through (i) the Talent Management Committee and (ii) the Beyond Numbers Graduate Programme. The former was set up in 2022 to ensure the continuous growth and advancement of our talents within the organisation. The committee plays a vital role in aligning the Bank's business goals with its human capital needs, creating a robust talent pipeline, and fostering a culture of excellence and innovation. The Beyond Numbers Graduate Programme aims to strengthen our talent pipeline at a more junior level, with graduates who demonstrate the potential to grow and move in different roles within the Group. Of note, there are 6 graduates enrolled in the 2023 Beyond Numbers Graduate Programme.
- We have made further headway regarding leadership development, notably through the continuation of the People Managers Programme. The programme encompasses a diverse range of content designed to equip our People Managers with the skills they need to thrive, underpinned namely by the Gold Standard Management Routines and learnings through the Lead With Impact Academy.
- 9 specialised learning journeys were provided, supported notably by a number of specialised/technical courses, to strengthen capabilities across the value chain whilst supporting the organisation's strategic goals and objectives.
- Various trainings were conducted on sustainability to raise employees' awareness on the subject, while sessions were also held on handling conflicts and ensuring a safe workplace.
- To create a better workplace for its employees and adapt to the constantly evolving business requirements, the organisation has reviewed its Flexible Working Arrangements and, notably, allowed for eligible employees to work four days onsite and one day from home.

Our performance across entities

During FY 2022/23, the Group successfully navigated through a highly volatile landscape and delivered a strong performance by diligently pursuing its business development endeavours, while remaining true to its purpose, Success Beyond Numbers. Building upon the foundations laid, we continuously strived to support our clients, alongside ensuring that the robustness of our key financial indicators is preserved. In particular, we have cemented our position as a key financial player in the region in certain niche segments, while consolidating our leadership banking position in Mauritius and growing our prominence in the provision of non-bank financial services. By leveraging organisational synergies, we further strengthened our value proposition and uncovered new business development opportunities, with various Group platforms and forums helping to facilitate coherent and seamless strategy execution on specific endeavours and promoting alignment around common themes. On the operational front, we reinforced our capabilities in support of our growth endeavours. This was achieved through strategic upgrades to our IT systems and infrastructure, the reinforcement of our risk management and compliance framework, and the implementation of a series of initiatives to promote the growth and well-being of our employees. Key emphasis is also being laid on promoting the right culture as a linchpin for superior performance through the launch of the Corporate Culture Alignment project.

Banking cluster

MCB Ltd

Financial performance

Highlights						
	85% Contribution to MCB Group profits	**+34.8%** Operating income	**+25.9%** Operating expenses	**+3.8%** Impairment charges	**+8.6%** Gross loans to customers	**+14.4%** Total deposits

Whilst facing a volatile and uncertain landscape, net profit after tax of MCB Ltd increased by 44.8% to Rs 12,959 million, with continued robust contribution from its international activities, which accounted for some 63% of the results. Operating income grew by 34.8% as a result of a strong growth of 32.6% in net interest income, being boosted by improved margins on foreign currency earnings assets amidst successive interest rate hikes and an increase in interest earning assets notably linked to our cross-border activities, as well as an increase of 39.3% in non-interest income. With regard to the latter, net fee and commission income rose by 12.9%, driven by its trade finance and payment activities, whilst other income went up by 117.4% reflecting fair value gains from equity investments and higher foreign exchange profits. This performance contributed to the cost to income ratio improving to 32.9% despite an increase of 25.9% in operating expenses in line with continuous investment in people and technology. 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.

Our business development

The Bank remained committed to executing its three-pronged strategy, – (i) Extend our frontiers; (ii) Deliver a world-class customer experience through digital; and (iii) Nurture our values and deliver on our brand promise – with key initiatives summarised in the table below and further details provided in the subsequent sections. In parallel, we have dedicated significant efforts to strengthen our foundations to ensure sound and sustainable growth. We have invested in our human capital, nurturing a culture of excellence, diversity, and inclusion alongside reinforcing our risk management and compliance measures to ensure that we are in line with regulatory standards and prudent practices as well as the evolving context.

Key initiatives and achievements in FY 2022/23

Extend our frontiers

Consolidating our domestic positioning:

- Cross-selling more with optimised coverage-product model and enhanced Group synergies
- Helping Mauritius to build back better, focusing on priority sectors
- Promoting ESG funding

Growing our business internationally:

- Building on its momentum to further grow the Specialised Finance segment alongside enabling energy transition through a gradual and committed focus to gas financing
- Tapping into the potential of Global and International Corporates
- Consolidating our Financial Institutions network and bolstering our Syndication offering
- Capitalising on the Mauritian IFC to strengthen our positioning on the international front

Diversifying our revenue base and increasing our share of non-interest income:

- Enriching Global Markets offerings
- Boosting private wealth management
- Progressing on our Payments strategy

Deliver a world-class customer experience through digital

Enriching our digital value proposition:

- Launching innovative end-to-end client solutions with enhanced features and functionalities
- Enabling omni-channel and mobile-first
- Helping transition towards a cash-lite economy

Bolstering our IT infrastructure while streamlining processes:

- Improving turnaround time and customer satisfaction
- Capturing additional value through data and analytics
- Building a modern technology infrastructure

Nurture our values and deliver on our brand promise

Promoting vibrant and sustainable economies:

- Continuing our Lokal is Beautiful endeavours
- Promoting local economy through partnerships

Contributing to our cultural & environmental heritage:

- Developing our sustainable finance activity
- Progressing on MCB's direct impact agenda (carbon footprint, energy, water)

Fostering individual & collective well-being:

- Making headway with regard to our Gender Equality Charter
- Promoting an inclusive workplace & work-life balance

Key priorities looking ahead

Extend our frontiers

- Consolidate our leadership position as a universal bank locally
- Strengthen the positioning as a specialist bank on the international front in specific segments
- Reinforce the expertise as an established transaction specialist beyond borders

Deliver a world-class customer experience through digital

- Accelerate enriched client solutions
- Enhance security and compliance through data
- Future-proof the technology infrastructure and Move to Cloud

Nurture our values and deliver on our brand promise

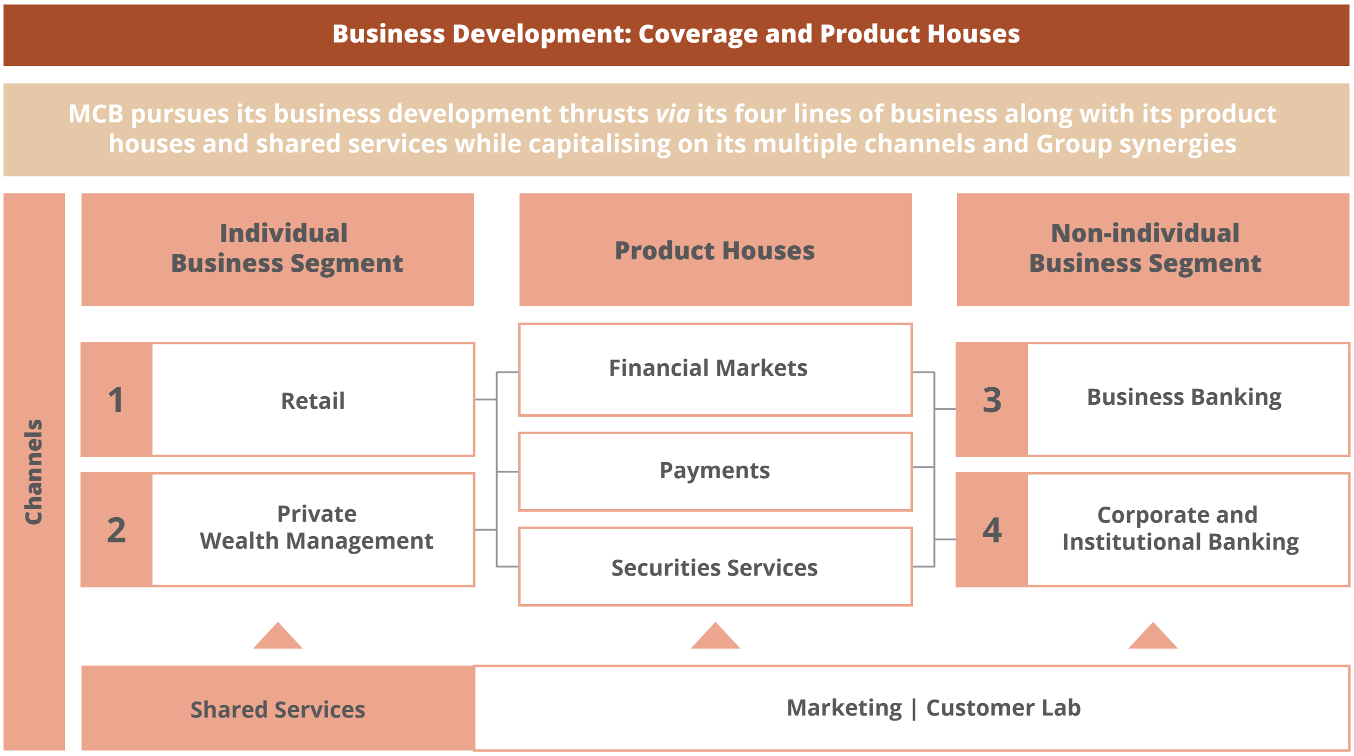
- Strengthen our position as a leading player in sustainable development
- Boost employee engagement

1 Extend our frontiers

General approach

In addition to effectively coping with the dynamic environment, the different lines of business of the Bank have progressed on their strategic initiatives during the past year. They remained dedicated to assisting clients in attaining their goals by harnessing the power of digital technologies and investing in the development of their people to enhance their value proposition.

The lines of business leverage their internal support and product functions, and partner with the other , such as Financial Markets, Payments and Securities Services, as well as other units across the organisation, to maximise their share of wallet across business segments whilst co-creating customer solutions and business value proposition. The business development ecosystem is outlined below.



Retail

Key clients

- Mass and mass affluent individual customers
- Junior, youth and young professionals segments

Strategic priorities set for FY 2022/23

- Further grow our credit portfolio while promoting cross-selling, underpinned by reinforced commercial capabilities, enhanced offerings and integration of analytics
- Increase sale opportunities through fee-based income pertaining to our bundled offerings
- Pursue the omni-channel strategy with Mobile First at its core to promote a coherent and seamless experience across touchpoints
- Uphold customer service and efficiency levels backed by process optimisation and innovative solutions

Highlights

Contribution to the Bank's operating income

9%

Loans and advances
(y.o.y. growth)

9%

Deposits
(y.o.y. growth)

7%

Main initiatives and achievements during the year under review

Strengthening our market positioning

- The loan book maintained a resilient growth despite the highly competitive environment. The Bank further promoted its housing loan campaign, which covers up to 100% financing and approval in principle within 48 hours, with clients benefitting from competitive rates and rebates on fees and discounts at approved partners. It is worth highlighting that the end-to-end credit journey has been digitised and streamlined, enabling the customer to apply online or in-branch, with visibility on the status of his home loan throughout its lifetime. We have also reviewed our unsecured loan offering by leveraging data analytics in the approval process and improving the disbursement cycle, leading to a strong growth in the related loan portfolio.
- Towards providing tailored product offerings, the Neo bundle for mass affluent customers has been further promoted, resulting in a rise in subscriptions to reach more than 18,500 (+21% y.o.y. growth), with a penetration rate of almost 50%.
- Our Next Best Offer data analytics tool has been improved, resulting in more accurate customer profiling, which paved the way for enhanced customisation of recommendations. Therefore, more cross-selling prospects were leveraged, being better suited to the financing needs and requirements of our customers.

Enhancing our digital offerings

- Marking a significant milestone in our digital transformation journey, our flagship mobile banking application for individual customers, MCB Juice, celebrates its 10^{th} anniversary this year and has registered over 93,000 new subscribers (+22% y.o.y. growth) between June 2022 and June 2023. Since its launch, the application has been undergoing continuous refinements and upgrades with enhanced features and functionalities as well as faster login, less system bugs, amongst others, for a more seamless experience. Latest enhancements include:
    - The registration of multiple accounts, even with other local banks, to enable the user to use the application as a centralised digital wallet. Users can now access all their bank accounts held on one single application and are therefore able to effect instant inter-bank transfers at reduced costs. Moreover, clients are able to open additional savings or current accounts on MCB Juice, which are operational instantly.
    - Our unsecured loan offering being embedded on MCB Juice, providing instant approval and same day disbursement for a higher number of eligible customers. Of note, the anchoring of our mortgage offering is gaining traction with some 3,200 housing loan applications initiated via this channel since its launch in early 2023.
    - The introduction of Push Notifications generates in-app alerts to the user's attention with a view to phase out SMS that was used to notify customers of important transactions on their accounts.

Improving the customer service

- To offer a superior banking experience, a review of our branch network is underway, with the deployment of a more self-service oriented concept to facilitate the shift to digital namely through additional self-service kiosks and digital interfaces/channels. Furthermore, we are reaping the benefits of the e-KYC, delivering smoother in-branch onboarding for our services provided, resulting in reduced average waiting times.
- To enhance service delivery, our frontliners were enrolled in the Customer Service Learning Programme, covering subject areas such as Discovering Customer Needs, Serving Digital Customers, Building Emotional Leadership, amongst others. Customer experience workshops have also been initiated across branches with the aim to find ways to improve operational efficiency and service delivery.

Key priorities looking ahead

- Consolidate our market positioning to grow our loan book and increase fee and commission-based income, while leveraging cross-selling and up-selling
- Deliver a more seamless customer experience by capitalising on digitally-enabled solutions and our omni-channel strategy
- Maintain the focus on customer service and reduce the cost to serve through process optimisation
- Further progress on our Sustainability offering, notably green loans

Private Wealth Management

Key clients

- Affluent individuals
- High Net Worth and Ultra High Net Worth individuals
- Domestic and international External Asset Managers & Financial Intermediaries such as fiduciaries, family offices and financial advisors

Highlights

Contribution to the Bank's operating income

8%

Loans and advances
(y.o.y. growth)

5%

Investable assets
(y.o.y. growth)

13%

Strategic priorities set for FY 2022/23

- Be a truly customer-centric bank by fostering premium client relationships, backed by increasingly differentiated and sophisticated value proposition
- Accelerate business development efforts and prospection to boost growth in investable assets
- Diversify our international markets through enhanced brand visibility, by leveraging the Bank's Representative/Advisory Offices, notably in Dubai, as well as increased presence through on-field missions in earmarked jurisdictions
- Pursue digital transformation initiatives aimed at upgrading our offerings, customer relationship management as well as processes and operations

Main initiatives and achievements during the year under review

Enriching our client offerings

- The Private Wealth Management (PWM) SBU has consolidated its market positioning across both the M and Select segments, capitalising on ongoing efforts to enrich its value proposition.
  - The existing Lombard credit offering was upgraded to encapsulate more complex asset classes and investment products, targeting primarily international clients.
  - Following its launch during the previous financial year, our investment management value proposition was further enriched, to enable investment-savvy clients to be hands-on in the management and oversight of their portfolios, with the optional assistance of an investment advisor.
  - A new ESG offering with respect to residential financing has also been recently deployed, in response to growing demand for sustainable investment options.
- Our MCB Juice application was enhanced with a 'Portfolio' feature accessible through the 'Wealth' entry point for all our private banking clients. It is an all-in-one investment and banking solution, which facilitates on-the-go portfolio access at the convenience of our domestic and international clients. Our clients can thus have an aggregated view as well as delve into further portfolio details, such as Asset allocation and Portfolio holdings.
- The SBU leveraged the MCB's cross-selling and collaborative framework for intra-bank synergies with other units, such as the Corporate and Institutional Banking SBU and the Financial Markets SBU, in order to widen its prospects by capitalising on their extensive reach and effectively tapped into new business opportunities. Furthermore, collaboration with MCB Capital Markets has enabled PWM's Investment Services unit to provide thought leadership and market insights to its client base and foster brand outreach while enabling our clients to access the full spectrum of products and services provided by the Group.
- We were able to target an untapped segment, namely young affluent clients, through customer profiling. This enabled us to customise a lightweight investment product for them, with a lower minimum investment threshold of Rs 5 million, with differentiated portfolio management service and pricing applicable to that segment.

Reinforcing our regional presence and our network of collaborators and partners

- We reinforced the competitive positioning of MCB as a reference player in the region for premium banking and wealth management expertise, alongside pursuing expansion endeavours through our strengthened network of Representative/Advisory Offices, business introducers and referrals, whilst broadening interactions with External Asset Managers and Financial Intermediaries. The upgrade of the Bank's licence in Dubai into an Advisory Office, coupled with a dedicated External Asset Manager desk, has yielded proven traction for the PWM SBU's business development in the region.
- We further deepened partnerships with key players in the industry by connecting with world-class companies in terms of advisory services in Africa and the development of a strong network of international brokers across geographical locations for various asset classes, including equities, bonds, structured products and mutual funds.

Consolidating our growth enablers

- The SBU made headway in technical capacity building and staff upskilling in order to accelerate the execution of its digital projects, notably, the implementation of a full-fledged Order Management System for added efficiency gains.
- In its bid to further strengthen its risk management framework, the unit has also enhanced its risk monitoring processes, improved compliance mechanisms while providing ongoing training to its employees.

Looking ahead

- Further enrich our value proposition with a wider palette of offerings, more adapted to the various tiers of its premier clientele
- Fostering premium client relationships and experiences, through the deployment of our digital solutions, ongoing mentoring of client-facing employees and an upcoming review of the service charter
- Lay solid foundations for sustained growth in our international business development underpinned by the capacity building initiatives in foreign banking subsidiaries and Representative/Advisory Offices
- Unlock the potential from existing customer base through data analytics and cross-selling while collaborating with business introducers and ancillary service providers

Business Banking

Key clients

- Micro enterprises (Less than Rs 10 million turnover)
- Small enterprises (Between Rs 10 million and Rs 30 million turnover)
- Medium enterprises (Between Rs 30 million and Rs 100 million turnover)
- Mid-market enterprises (Between Rs 100 million and Rs 250 million turnover)

Strategic priorities set for FY 2022/23

- Ease access to finance for Mauritian entrepreneurs in line with the Bank's endeavour to help boost resilience and support growth of the local economy
- Boost revenue drivers through business development initiatives and generate more fee-and commission-based income from trade financing, forex and payments activities
- Continue to enhance features of its digital offerings for increased product differentiation and enhanced customer experience
- Pursue process streamlining and back-office automation while ensuring proper risk and compliance management

Highlights

Contribution to the Bank's operating income

7%

Loans and advances
(y.o.y. growth)

1%

Deposits
(y.o.y. growth)

20%

Main initiatives and achievements during the year under review

Promoting local entrepreneurship

- The value proposition under the aegis of our 'Lokal is Beautiful' scheme has been enhanced. The loan offering has been reviewed with a revamped application process, which is now simpler and more efficient. The coverage includes CAPEX financing, overdrafts and import/export loans which address the liquidity needs of our clients while supporting them in growing their business. Through this scheme, the Bank aims to lay a renewed focus on enterprises which are either 'Made in Moris' certified or aligned to SMART or CIRCULAR economy.
- We collaborated with Graines De Boss, an entrepreneurial competition to accelerate the development of young local entrepreneurs across Mauritius. The platform connects entrepreneurs with professional mentors and investors and creates opportunities to access funding and business support.
- To gain foothold in the untapped segment of women entrepreneurs, we partnered with Association Mauricienne des Femmes Chefs D'Entreprises (AMFCE) and Femmes Chefs D'Entreprises Mondiales (FCEM), and have sponsored several initiatives, notably the 'Business Without Borders' project, which is a Coaching and Mentoring Programme with the objectives to enable women entrepreneurs to grow their business.

- Our new Sustainable Loan offer – which carries preferential rates, flexible financing structure, with a repayment period of up to 15 years, as well as customised support – is available to local SMEs and MMEs transitioning to a low carbon business model.
- We leveraged our collaborative community digital platform, PUNCH, to generate synergies among local entrepreneurs. PUNCH is now anchored on MCB JuicePro to enable a more seamless client experience and has more than 3,000 entrepreneurs and 150 growth partners registered on it. We have also helped boost the visibility of entrepreneurs and prominence of their businesses through a series of events including PUNCH Meets and PUNCH Talks.

Enhancing our digital value proposition

- In June 2023, we have expanded our payments ecosystem by introducing Pay+, which enables seamless and efficient cashless payments. It is a more convenient alternative to traditional point of sale terminals used in various businesses such as stores and supermarkets. Pay+ is a small payment acceptance device, designed primarily for merchants, which is wireless and easy to carry. Merchants can thereby accept payments through debit or credit cards with contactless option or a dynamic QR code.
- MCB JuicePro has been enriched with additional features for the ease and convenience of non-individual clients. Following the introduction of the Bank of Mauritius' Instant Payment Switch, MCB JuicePro now allows the instant transfer of funds to all other local bank accounts, catering for the transactional needs of businesses, enabling them to undertake faster inter-bank transfers at reduced rates. More user-friendly features have also been introduced such as: the removal of daily funds transfer limit, instant credit options like the express overdraft facility, push notifications with regard to payment approval and option to share e-receipt. Of note, the number of registrations on MCB JuicePro has increased by two-fold over the past two years to stand at some 21,000 as at June 2023. Worth highlighting also, through the Express Overdraft feature on the application, more than 300 overdrafts were disbursed for a total value of over Rs 140 million during the year.

Reinforcing foundations for growth

- The back-end platform is now fully operational and gaining momentum. It hosts our end-to-end customer journeys, now servicing express loans in addition to short-term overdraft underpinned by a solid credit-scoring model.
- As part of our thrust to further improve the efficiency of internal processes, several initiatives have been deployed to upgrade service levels. As a result, customer experience has been enhanced on various fronts, for instance, through a simplified and less time-consuming onboarding process, with the SME Account Opening journey averaging about 5 days. Furthermore, the most frequently-used forms can now be downloaded from the MCB website.

Key priorities looking ahead

- Support the growth of entrepreneurs and consolidate our foothold in the segment by: (i) offering a wider palette of financing solutions; (ii) bolstering product awareness; and (iii) exploring other specialised services such as invoice discounting
- Focus on merchant acquisition while expanding our digital payments solutions, with a view to catalysing the shift to cashless alternatives
- Pursue our digital transformation agenda to deliver a superior customer experience through seamless onboarding and enriched offerings, underpinned by technology-enabled improvements in the efficiency of our operations and processes
- Adopt a more targeted approach with respect to the under-served sub-segments, entailing a reviewed operational structure and leveraging data analytics for enhanced cross-selling

Corporate and Institutional Banking

Key clients

- Large Mauritian and regional corporate clients
- International corporates with specialised finance needs; entities within the energy and commodities (e.g. majors, traders and refineries) and power and infrastructure fields
- Global business companies, funds, trusts and foundations as well as other entities using the Mauritius International Financial Centre as a gateway for doing business or investing abroad, notably in Africa; private equity firms; investment and asset management companies; Government bodies and other multinational and pan-African corporates
- Financial institutions

Highlights

Contribution to the Bank's operating income

58%

Loans and advances
(y.o.y. growth)

16%

Deposits
(y.o.y. growth)

30%

Strategic priorities set for FY 2022/23

- 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; Help Mauritius transition towards a greener economy, in line with the Government's ambition to produce 60% of energy needs from renewable sources by 2030
- Build strong business connections by enhancing proximity with clients and their ecosystem and bolstering our network of intermediaries and partners in the Mauritius IFC and other key financial hub markets
- Deploy targeted commercial strategies towards accompanying clients doing business in the Group's presence countries in collaboration with our foreign banking subsidiaries and associates
- Position MCB as a prominent provider of financing solutions geared towards helping clients achieve their sustainability ambitions
- Nurture stronger business networks with financial institutions to consolidate our syndication capabilities and enhance support to the other coverage teams
- Support African economies in their energy requirements and transition through oil and gas financing as well as project financing with deep commitment towards making a difference in the African energy landscape; Position ourselves in the Power and Infrastructure franchise
- Boost transactional banking through adapted solutions
- Bolster customer service experience by promoting high-end solutions, including innovative digital offerings

Main initiatives and achievements during the year under review

Enhancing our product offerings to better meet the needs of our clients both in Mauritius and across the region

- MCB has strengthened its position as the reference financial institution for accompanying corporates doing business in Mauritius and sustaining the local economy. The Bank has reinforced client relationships by striving to ascertain how the challenges of the business environment, such as currency volatility, supply chain disruptions and interest rates hikes, are influencing their operations and ambitions. Once client expectations were gauged, the Bank was in a better position to propose tailored solutions allowing them to build their resilience and capabilities and to facilitate their next growth chapter.

- In line with its sustainability objectives, the Corporate and Institutional Banking (CIB) SBU leveraged the Bank's new Sustainable Loan with preferential rates to support and accompany clients undertaking sustainable projects in Mauritius. During the second *Klima* conference in April, the envelope allocated was increased from Rs 5 billion to Rs 10 billion, and, as at June 2023, the pipeline of potential projects amounted to more than Rs 6 billion.

- We launched a Sustainable Supply Chain Finance facility in collaboration with the International Chamber of Commerce Standards for Sustainable Trade and Sustainable Trade Finance to help eligible clients, with proven commitment towards contributing to environmental protection and socioeconomic development, optimise their working capital by boosting their cash flows and shift part of their business model towards more eco-friendly practices.

- On the international front, the Bank has continued to prudently develop its business by accompanying existing and new corporate clients doing business mainly in Africa as well as in Asian markets. Over the year under review, we worked towards providing superior client solutions, carefully fine-tuned our risk appetite in light of the evolving context and enhanced proximity with clients in the markets they operate alongside striving for an increasingly recognised brand.

    - With regard to the Specialised Finance unit, the Energy & Commodities team leveraged its expertise, established brand and track record to nurture relationships with best-in-class operators within the African oil and gas industry. Customer centricity being a key underpinning of all our undertakings, we developed and maintained excellent relationships with our trade finance clients based on our unique value proposition and recognition as a reliable and meaningful solutions provider. We played a pivotal role in countries in the Indian Ocean, East and West African regions and increased our portfolio of African-focused trade finance facilities as well as expanded our cooperation with national oil companies in the Middle East as their partner of choice for their African ambitions. We collaborated with operators demonstrating commitment to the longer term sustainable impact, by supporting their efforts to gradually decrease their carbon emissions, while being conscious of the fact that our key energy markets in Africa are still highly dependent on traditional energy sources for their development and that the transition to cleaner sources is likely to require time and huge investments. The Power & Infrastructure segment continued to support 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 Global and International Corporates team has made significant progress towards realising its aim of making MCB the go-to banking partner for private equity/capital funds, strategically positioned multinational corporates and large corporations looking to conduct business in African and Asian markets, while capitalising on business opportunities with the Mauritius IFC and other regional hubs. The unit is actively strengthening its capacity to provide tailored solutions to meet the increasingly complex needs of its various client segments backed by the close cooperation of our , including Financial Markets, Securities Services, as well as Global Trade Solutions within the CIB SBU.

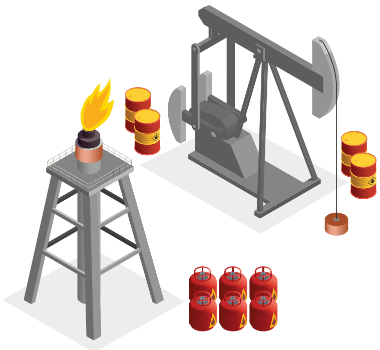
    - The Financial Institutions and Syndication team, in line with its goal to consolidate its syndication capabilities and enhance support to other coverage teams, has continued to reinforce its position as lead arranger with other financial institutions. The unit also helped the Bank close major capital and funding initiatives, notably, (i) its first Basel III compliant Tier 2 bond issuance of USD 147 million; (ii) the first ever issuance of a USD 300 million eurobond from a Mauritian corporate, listed on the London Stock Exchange; and (iii) a USD 500 million syndicated loan.

- During the year, the CIB SBU financed impactful deals and transactions, that are instrumental in driving economic growth, promoting sustainability, fostering innovation, and solidifying the Bank's position as a trusted financial partner. These activities are not only financially rewarding but also contribute to broader societal and environmental goals. Some landmark deals that we struck are outlined on the next page.

Acquisition financing for purchase of Lekela Power, Africa's largest renewable energy platform

USD 120 million

MCB acted as joint Mandated Lead Arranger in relation to an initial senior loan facility to support Infinity Power on its acquisition of Lekela Power. Infinity Power is a joint venture between Egypt's Infinity and UAE's Masdar. The transaction makes Infinity Power the largest renewable energy company on the African continent.



Acted as Mandated Lead Arranger in Apex's Egyptian natural gas investment

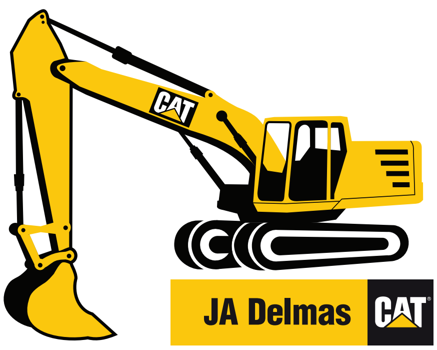
USD 45 million

The acquisition of concessions in the western desert oil producing region of Egypt by Apex from IEOC Production B.V., a unit of Eni S.p.A, was financed in part through a senior secured borrowing base facility, with the MCB acting as Mandated Lead Arranger, Modelling Bank and Hedging Bank. The acquisition helped Apex to increase its production by 65% and enabled the company to commence its first natural gas production. This landmark transaction further demonstrates the ability of MCB to develop and offer adapted solutions that suit the needs of its clients.

Financing for one of the largest solar power plants in Mauritius

Rs 350 million

MCB concluded a transaction with GreenYellow, the leader in solar photovoltaic production in the Indian Ocean region to finance a solar photovoltaic power plant in Arsenal. This partnership will help catalyse the energy transition of Mauritius by supporting the objectives of the Mauritian government, led by the Central Electricity Board (CEB), in its programme to reduce Mauritius' dependence on fossil fuels.



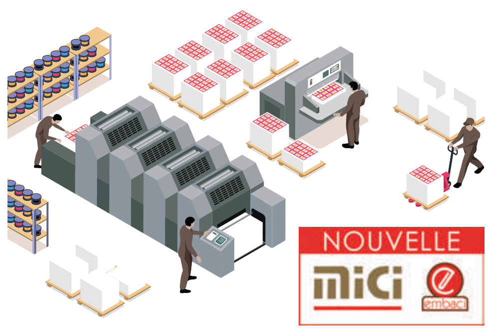
Financing for the acquisition of JA Delmas, the exclusive Caterpillar dealer in West Africa

EUR 135 million

Leveraging synergies between the CIB SBU and MCB Capital Markets, we facilitated the financing for the acquisition of JA Delmas. This successful debt raise attests to the depth of the Group's capabilities, including acting as Co-Lead Arranger, Security Agent, Facility Agent, Accounts Bank and largest Lender on the transaction.

Acted as a lead arranger for one of the biggest private equity deals in West Africa

The transaction comprised the structuring of the leveraged financing enabling the acquisition of Nouvelle Mici Embaci (NME) in the Ivory Coast by a consortium of investors which includes Advanced Finance and Investment Group fund and Norfund, the Norwegian Investment Fund for Developing Countries.



Enhancing our digital offerings

- In collaboration with our omni-channel partner, Backbase, we successfully launched our Internet Banking platform for our non-individual segment, IB Pro. It comprises a set of new and innovative features such as a fresh interface and intuitive navigation, a graphical representation of account balances, self-services, seamless registration to IB Pro for new users, amongst others. Highlighting the success of this new offering, almost 50% of our CIB customers have been onboarded on IB Pro with more than 90% penetration rate for our Mauritian and Regional Corporates, and Global and International Corporates customers. Besides, our updated SmartApprove mobile application, directly linked to our omni-channel platform, enables approval for transactions processed on IB Pro. SmartApprove has become the only 'two-factor' authentication tool for IB Pro transactions, making the approval experience of signatory users seamless and more efficient.

- MCB has recently deployed the MCB Global Trade Portal, a platform dedicated to international trade which helps bridge buyers and suppliers across markets by allowing corporate clients to (i) explore new markets; (ii) engage with each other; and (iii) access information on deals as well as technical information such as custom-linked processes and requirements which are essential in managing trade operations.

Reinforcing our physical presence and building a strong network of intermediaries and partners

- As part of its ambitions to broaden its market presence and physical network, the Bank has recently been granted the licence to open a Representative Office in Lagos. Together with the existing offices in Paris, Dubai, Nairobi and Johannesburg, this new office enables the Bank to better understand the African market dynamics, challenges and opportunities, while further entrenching its activities across regional segments and promoting the MCB brand in Africa. Besides, the Bank has reinforced its position as the banking partner of choice for doing business in the African region, mainly by consolidating synergies with MCB Group's foreign banking subsidiaries and associates, namely with MCB Madagascar and BFCOI Reunion where common commercial actions have been defined towards servicing reputable large corporates doing business in these countries.

- Consistent with its goal to build meaningful relationships as well as promote our brand image and value offering, the Bank has sponsored several key African and international conferences such as the African Private Equity & Venture Capital Association (AVCA), which is a pan-African body promoting the flow of private capital into and across the continent. In addition, the CIB teams hosted several events targeted at addressing ongoing concerns and challenges of its clients and collaborators. For instance, in June 2023, the Global Trade Solutions team, together with members of the CIB coverage teams, hosted the *MCB Trade Week* which comprised a series of impactful presentations by industry experts and panel discussions aimed at helping clients to better understand the international trade and supply chain dynamics and promote the solutions MCB could offer them. In addition, the Energy & Commodities team hosted an exclusive event in Geneva, during the commodity finance week, where key players in the commodity trading community discussed crucial topics such as energy efficiency, security, transition, sustainability, and investment. This event also served as a platform for the team to interact with its clients and partners and helped to reinforce the importance of MCB in the European commodity finance community as an agile, dynamic and customer centric solution provider. More recently, the Global and International Corporates team launched its first *Business Series* which saw the participation of more than 150 industry professionals and clients and focused on how corporates doing business in Africa and/or Asia could better manage their treasury needs by leveraging solutions offered by MCB and the Mauritius International Financial Centre.

Key priorities looking ahead

- Strengthen our positioning as the reference bank for local corporates as they navigate the challenges of the business environment and assist them in their business development and growth
- Bolster the Bank's position as a sustainable financier by increasing our focus on lower emissions solutions such as gas as well as accompanying clients with a strong commitment towards achieving their sustainability ambitions
- Reinforce our oil and gas strategy, balancing on the different cornerstones of the energy reality of our African markets which are: (i) the need for sufficient and affordable energy supply to meet the pressing and growing socio-economic demand; (ii) the need to ensure security of supplies; and (iii) the need to decarbonise energy sources and help contribute to a fair share towards meeting global climate goals
- Enrich our transactional banking solutions in close collaboration with the various and coverage teams
- Be the banking partner of choice for local corporates having an expansion ambition in the region of Africa, mainly by reinforcing synergies with MCB Group's foreign banking subsidiaries and associates, to develop and nurture a more valuable network
- Forge stronger connections with international corporates and their ecosystem in the countries where they operate to better understand market dynamics, spot shared opportunities and meet client demands
- Reinforce the MCB brand by (i) being more visible on the ground for African corporates; (ii) participating in and sponsoring major international rendez-vous, while hosting discussion platforms with our stakeholders to unlock synergies; and (iii) increasing market presence through regional hubs
- Boost digital efforts by pursuing investment into technical knowledge and innovation to enhance operational efficiency and improve the customer experience

Zoom on selected

Financial Markets

Main initiatives and achievements during the year under review

- The SBU has invested heavily towards achieving its ambition of becoming a 'best in class' and solutions-driven global markets and treasury & capital management player.
    - On the coverage front, the team has been restructured to ensure that efforts are focused on boosting the development of more sophisticated and adapted solutions, backed by regular client meetings in collaboration with colleagues from the other coverage teams. In this regard, several hedging and structured products, spanning across various asset classes, have been tailored and offered to both local and international clients.
    - A new Head of Trading has been recruited and, for the year, the team has achieved a substantial growth in trading income on the back of more active position management, enhanced flow and proprietary trading, increased specialisation in foreign currency trading while also developing trading across the other asset classes.
    - Substantial investments were made in strengthening risk management frameworks and operational fundamentals while over 20 projects related to systems and processes were completed throughout the year.

Key priorities looking ahead

- Build more meaningful relationships with clients across the different segments, by leveraging the recently appointed Head of Client Coverage and enhanced product offerings, while unearthing new opportunities to add value and enrich our business
- Focus on bolstering the Bank's ability to navigate the evolving market dynamics by reinforcing its liquidity and capital management frameworks in close collaboration with the different teams across the treasury management ecosystem such as Asset and Liability Management, Banking Operations and Financial Risk

Payments

Main initiatives and achievements during the year under review

- In line with the Bank's aim to help transform Mauritius into a cash-lite society, the unit pursued efforts to push for digital payments solutions by actively promoting its secure and convenient digital channels that allow clients to undertake transactions anywhere and anytime.
- The unit also reinforced relationships with business segments of the Bank, notably the Business Banking SBU, to provide more customised solutions for SMEs alongside encouraging the latter clients' migration to digital through targeted campaigns aimed at promoting financial literacy and dedicated workshops. As a key move, the Bank, in collaboration with local fintech MIPS, launched Pay+, a payment acceptance solution that has been designed for merchants. Pay+ enables payment through the Central Bank's MauCAS system as well as through cards, for both in-store and remote payments.
- For FY 2022/23, the cash to digital payments ratio improved to 40% from 44% for the previous year, underpinned by the strategic deployment of around 12,900 POS terminals, with over 90% of them catering for contactless payments.
- During the year, further enhancements were brought to MCB Juice including seamless transfer to other local banks and government entities via the Instant Payment Switch (IPS), the registration of a non-MCB account into MCB Juice, expanded bill presentment with the Central Electricity Board, innovative 'Pay with Emotions' functionality, and simplified second account opening.
- The unit has registered an increase of 20% in cross-border payments flows during the year under review, on the back, notably of reinforced synergies across various lines of business and other across the organisation.

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

~ 19 million	**11,905**	**+30%**	**+27%**
Contactless transactions *+51% y.o.y. growth*	**Contactless enabled POS** (representing 92% of total POS terminals)	*y.o.y. growth* **Merchants offering digital payments**	*y.o.y. growth* **Debit cardholders transacting online**

Note: Figures relate to FY 2022/23

Key priorities looking ahead

- Pursue efforts to digitalise SME payment flows and scaling SME debit cards, mPOS and MCB Juice/MCB JuicePro
- Continue to gear up on our commercial initiatives to push for a cash-lite society by actively promoting our digital solutions
- Position ourselves to better capture and facilitate cross border flows by leveraging the Mauritius IFC
- Enhance efficiency of operations, underpinned by optimisation and digitalisation of processes, as well as improved risk management

Securities Services

- Securities Services marked its 30 years of operations and cemented its leadership position in Mauritius. The unit further strengthened its activities, accounting for around 90% of locally executed custodian trades on the local stock exchange. The unit now provides access to over 90 markets, with clients actively investing in over 40 markets.
- The unit has made notable strides in improving its value proposition and operational efficiency to meet growing client demands and maintain competitiveness in a demanding business environment. It forged new partnerships and leveraged digital platforms, resulting in a consistent rise in Assets under Custody.
- In terms of business development, it extended its market coverage to provide safekeeping services for unlisted securities in key African markets through local providers, in synergy with CIB SBU's forays in the region. To meet the increasing investment demand in the MENA region, it strategically appointed a sub-custodian bank in order to cover the region.
- The unit fostered visibility by conducting a roadshow and an outreach campaign aimed at showcasing and promoting custody and other ancillary services provided.

Key priorities looking ahead

- Pursue the unit's international endeavours, in line with MCB's strategy, by maintaining business development efforts in both existing and newly covered markets alongside leveraging its enhanced offering to underpin future growth
- Explore technological developments and build on its current digitalisation efforts to enhance customer service and create a more fluid customer experience

2 Deliver a world-class customer experience through digital

General approach

During FY 2022/23, MCB pursued its Digital Transformation Journey with an emphasis on delivery and impact, driven by its unwavering commitment to meet its customers' needs in a fast, convenient, and simple manner. We have achieved significant milestones that have not only shaped the future of our organisation but have also helped redefine the way we engage with our customers. We have delivered on our numerous end-to-end customer journeys ranging from Onboarding to Lending, Payments, Channels, and Investment. Our strategic emphasis on an omni-channel approach and a Mobile-First mindset has also ensured that we are aligned with the preferences of our tech-savvy clientele, offering them seamless access to our services across various digital platforms. As a responsible financial institution, we are playing a pivotal role in facilitating the transition towards a cash-lite economy, promoting financial inclusion and enhancing the convenience of transactions for all segments of society. By embracing the power of data and analytics, we have harnessed invaluable insights to drive our decision-making processes, while simultaneously building a robust and modern technology infrastructure that serves as the bedrock for supporting our digital ambitions and ensuring robust security, scalability as well as agility in our operations.

Main initiatives and achievements during the year under review

Delivering on our customer journeys

At the core of our transformation journey is the enrichment of our offerings through various digital channels. With the majority of journeys having reached maturity, we are now seeing concrete results of these initiatives, notably in terms of turnaround time, increased digital adoption and customer satisfaction. We are endeavouring to diligently complete our remaining journeys, for instance, pertaining to the digital onboarding of new customers and the seamless updating of their KYC documents, hence enhancing convenience and security for all.

Key performance indicators across selected customer journeys

Lending

Mortgage
Average TAT of **26 days**
87% digital requests
CSAT score **81**

Unsecured personal loan
Average TAT of **4 days**
95% digital requests
CSAT score **96**

SME lending *(Express overdraft)*
Average TAT of **8 days**
91% digital requests

CIB lending
Average TAT of **20 days**
92% digital requests

Payments and channels

MCB Juice
521,172 subscribers
(+22% y.o.y)
56 million transactions
(+55% y.o.y)
CSAT score **88**

MCB JuicePro
~ 21,000 subscribers
932,384 transactions
(+103% y.o.y)
CSAT score **88**

CIB transactional payments
1,980 registered users
on SmartApprove *(+48% y.o.y)*
88% International Funds Transfer Payment STP rate
78% digital to manual transfer

IB Pro
26,926 transactions
Rs 21.7 billion
value of transactions

Onboarding

SME account opening
Average TAT of **5 days**
Digital account opening **90%**
CSAT score **74**

Investment

Juice Wealth *anchored on MCB Juice*
3,080 subscribers
CSAT score **70**

Notes:
(i) All figures relate to FY 2022/23, unless otherwise stated
(ii) CSAT scores relate to June 2023, except for Juice Wealth which relates to July 2023
(iii) TAT refers to turnaround time in June 2023 and excludes the time taken for customers to respond and outliers

Read more on our digital offerings in the 'Our performance across entities' section on page 63 to 87

Building a modern banking infrastructure

The Bank has been enhancing its core systems and platforms over the last few years, and its dedicated efforts have enabled significant progress. Its focus during the year has been towards two pivotal initiatives:

- Card management system migration: Our existing card database was migrated to the most recent version of our card management system. The system's streamlined interface and advanced functionalities have resulted in more efficient processes including activation, monitoring and issue resolution. This has optimised our internal operations as our employees now have a unified and intuitive backend system, enabling smoother card management processes and faster response times to customer inquiries, thereby significantly improving our ability to manage and service customer card accounts.
- Moving to Cloud: Reflecting our resolute commitment to remaining at the forefront of modern technology practices, we have successfully migrated part of our systems and applications to Cloud for enhanced efficiency and scalability. The cloudification of key systems such as our contact centre platform, Oracle, Microsoft 365, and content management systems have improved the efficiency of our internal operations and translated in enhanced customer experience.

Bolstering our cybersecurity defenses

Cybersecurity remains a key priority at all levels of the organisation. In this respect, several key projects and platforms were implemented during the year, to improve our overall security posture:

- Operationalised a dedicated Red Team to test our cyber detection and response mechanisms with a view to enhancing them
- Replaced our antivirus software with an Endpoint Detection and Response solution, implemented with a global cybersecurity leader on an advanced cloud-native platform for protecting endpoints, cloud workloads, identities and data
- Set up the Privileged Access Management solution that enables MCB to protect privileged identities, mitigate threats and reinforce security for access to servers
- Launched a Network Access Control project to further protect valuable digital assets
- Upgraded the MCB Security Information and Event Management infrastructure which allows us to collect more logs from our various systems on a more robust infrastructure
- Reviewed and enhanced the incident response framework and the Incident Response plans
- Enhanced our continuous vulnerability management program with a risk based perspective

Read more in 'Risk and capital management report' on page155 to 201

Leveraging data and advanced analytics

The Bank's continuous thrust to capitalise on data and analytics has led to concrete results at different levels. In particular, the Data team helped the Bank to achieve enhanced informed decision-making, better business outcomes, and improved customer experiences through these initiatives:

- Cross-selling: Improved cross-selling capabilities to further promote our products and services, notably non-interest income-based ones, and help our frontliners to undertake proactive conversations and forge better relationships with targeted clients;
- Credit scoring: Implemented behavioural analytics and Artificial Intelligence in credit scoring to improve loan performance;
- Risk and compliance: Significant reduction in Financial Crime Risk Management alerts with improved alert accuracy;
- Data Governance: Deployed data quality and metadata efforts across priority domains to improve quality and efficiency of regulatory reporting as well as enhance the quality of insights in management reporting and advanced analytics models;
- Upskilling and reskilling: Offered, through MCB's Digital Academy, a growing spectrum of courses to data professionals and aspiring data practitioners to keep abreast of emerging technologies and improve data and AI literacy; and
- Business Intelligence (BI): Improved time-to-insights with responsive BI solutions for critical topics, like Payments, Credit, Risk, and Customer, leading to faster decision making.

Key priorities looking ahead

- Continue to extract value from investments made as part of our digital transformation and help grow our business sustainably by accelerating the development of innovative client solutions
- Explore partnerships with fintechs to complement our customer offerings
- Consolidate our modern banking infrastructure to be future ready; Refine and expand our cloud-based capabilities and enhance our backup and recovery strategy
- Continue to reinforce our cybersecurity to ensure effective resilience of our systems to cyberattacks
- Further leverage data insights and customer feedback to drive continuous improvement
- Scale digital across the Group, leveraging investments made at the Bank's level

3 Nuture our values and deliver on our brand promise

General approach

MCB continued to adopt dedicated initiatives executed under the three sustainability 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

Reviewing our sustainability governance

- Headway has been made on the structural changes and collaboration avenues among the Central Sustainability Office, Risk SBU and Corporate and Institutional Banking SBU. While the Sustainability function will be elevated at Group level, other changes include the integration of Environment and Social Risk Management within the Credit Management BU and Climate Risk within the Financial Risk BU, under our Risk SBU, while a new ESG BU has been created within the Corporate and Institutional Banking SBU. The Central Sustainability Office also consolidated the team with the recruitment of three additional members, in the Content & Reporting, ESG and Climate, and ESG initiatives sections respectively.
- A Transition Taskforce was set up to drive momentum on Sustainable Finance endeavours and develop a coherent strategy to support the transition to a low carbon economy. The key components of the transition include climate mitigation and adaptation, ESG considerations, alignment with national policies (especially African countries where we have exposure) and shifting from brown towards green financing. The Transition Taskforce consists of three streams namely: (i) Climate Risk; (ii) Sustainable Finance (Local & Regional); and (iii) Sustainable Finance (International), mainly in the Specialised Finance and Global and International Corporate segments.

Promoting vibrant and sustainable local and regional economies

- Coupled with the revamp of our Lokal is Beautiful Scheme, we hosted several initiatives to support entrepreneurs in Mauritius in their business journey. Noteworthy examples include (i) 'La Minute PUNCH' to assist entrepreneurs to deal with their banking operations in an efficient, simple and quick manner; and (ii) Celebration of International Women's Day which was marked by a panel discussion addressing challenges women entrepreneurs face such as limited access to funding, networking opportunities, and bias and discrimination in the industry.

Contributing to our cultural and environmental heritage

- Progress has also been made on the implementation of the Principles for Responsible Banking (PRB) of the United Nations Environment Programme – Finance Initiative (UNEP FI). Following an analysis of MCB's environmental and social impacts relating to its financing operations, two main areas have been identified, namely, climate and resource efficiency/circular economy. A third party assurance audit is being conducted on MCB's progress in implementing these principles.
- As mentioned before, the Bank launched its Sustainable Loan offering with a financing line of Rs 10 billion to support local companies with their transition initiatives towards a low carbon business model. Through this new offering, clients can benefit from a preferential rate of Prime Lending Rate -1%, a flexible financing structure and a repayment period of up to 15 years. Financing covers projects in the environmental and social categories as per our green taxonomy.
- Additionally, under the 3rd edition of the Sustainable Use of Natural Resources and Energy Finance (SUNREF III) developed by Agence Française de Développement (AFD), MCB made a total drawdown of EUR 56 million, representing 75% of the line of credit, with projects financed focusing on renewable energy, energy efficiency and adaptation to climate change. The objectives of the facility were to (i) reinforce the market of mitigation finance; (ii) support Mauritius' climate adaptation agenda; and (iii) promote gender equality in the Mauritian private sector.
- Whilst being cognisant of our own carbon footprint, we also raised awareness and educated our stakeholders on the importance of climate adaptation and mitigation. In this vein, we hosted 'La Semaine Klima'. Dr. François Gemenne, a renowned specialist of environmental geopolitics and migration dynamics, led brainstorming, awareness and training sessions with clients, NGOs, teachers, students, and our employees.
- MCB also organised its first edition of the inter college debate competition, 'Deba Klima', in collaboration with the Rajiv Gandhi Science Centre and Dr. François Gemenne. The competition involved students from 16 schools conducting research and debating on a topic related to climate change in Kreol.

Fostering individual and collective well-being

- 2023 saw the resumption of the Social Leave Programme which gives the opportunity to each employee to, via a one-day paid leave, carry out social work by helping NGOs in their day-to-day activities. Additionally, an internal platform, 'Aksion Ekolozik', was created for employees to share eco-friendly habits and good practices in support of a more sustainable lifestyle.

- With regard to initiatives in favour of gender equality, MCB continues to support the 'Business without Borders', a mentoring programme led by 'Association Mauricienne des Femmes Chefs d'Entreprises'.

- The organisation also embarked on a comprehensive analysis of existing remuneration processes and policies towards addressing potential gender inequalities, as part of the application for the Equal Salary Certification assigned by the Equal Salary Foundation in Switzerland.

- A series of wellness-related activities has been organised for the well-being of our employees, namely a Wellness Fair and dedicated initiatives aimed to improve physical and mental well-being.

Key priorities looking ahead

- Promote local entrepreneurship and help boost local production

- Pursue momentum on Sustainable Finance and support the transition to low carbon economies through the development of our sustainable value offering for local and international clients

- Integrate climate risk within our overall risk management framework

- Continue to nurture an inclusive workplace, namely by unfolding the Group's Gender Equality Charter

- Foster a strong sustainability culture at MCB through the launch of an organisation-wide ESG learning programme and continued awareness endeavours

Read more in 'Risk and capital management report' on page 155 to 201 and in the 'How we created value for our stakeholders' section on page 47 to 62

Read more in the Sustainability Report on our website

MCB Madagascar

Financial performance

Highlights

0.8%	+38%	+12%	+123%	+39%	+13%
Contribution to MCB Group profit	Operating income	Operating expenses	Impairment charges	Gross loans to customers	Total deposits

On the back of ongoing commercial initiatives to tap into key corporate players, MCB Madagascar's deposit book witnessed an increase of 13%, while borrowings expanded more than two-fold in line with growth endeavours. On the asset side, gross loans and advances grew by 39% reflecting various productive lending operations during the year and investment in sovereign securities almost doubled following an effective deployment of excess liquidity. As such, net interest income posted a strong performance to rise by 23%. This contributed to a growth of 38% in operating income, which was further boosted by increases in net fee and commission income and forex income linked to an upsurge in business volume coupled with a review of banking transactions tariffs in January 2022. Operating expenses registered a growth of 12% linked to (i) increased staff costs following recent recruitments to strengthen its human capital; (ii) a rise in management fees; (iii) costs associated with the implementation of MCB Juice Madagascar; and (iv) higher IT related costs. Overall, after accounting for the significant increase in impairment charges to MGA 6.0 billion (Rs 62 million) comprising mainly specific provisions, attributable profits for the year stood at MGA 12.7 billion (Rs 131 million), with the contribution of MCB Madagascar to Group results amounting to Rs 118 million (FY 2021/22: Rs 59 million).

Main initiatives and achievements

MCB Madagascar pursued initiatives to boost quality of service delivery and enhance market visibility through targeted prospection campaigns and the hosting of conferences and meetings with corporates, leveraging greater synergies across the organisation. Coupled with a broadened geographical coverage of the bank's network, such moves have contributed to sustain business growth during the year. Additionally, the introduction of MCB Juice Madagascar marked an important milestone for the bank, firmly establishing its commitment to championing digitalisation. Both the enrollment and usage rates have surpassed initial expectations, reflecting the strong adoption of this digital offering. Another landmark event was the celebration of the 30 years of existence of MCB in Madagascar and the inauguration of the new headquarters in the business centre of the Alarobia region. With the reopening of the Malagasy skies, the new branch at the airport terminal also started its operations. To support its business strategy, MCB Madagascar has bolstered its risk management practices, with the creation of a new senior management position in charge of finance and risk for the oversight of all risk and compliance related matters of the bank. It also sustained its investment in staff development with relationship managers as well as credit analysts from MCB Madagascar visiting MCB Ltd for training while corporate frontliners and analysts from Mauritius also spent some time in Madagascar to better understand the local environment with a view to unlocking further synergies.

MCB Maldives

Financial performance

Highlights

0.9%	+1%	+0.3%	>100%	+15%	+11%
Contribution to MCB Group profit	Operating income	Operating expenses	Impairment charges	Gross loans to customers	Total deposits

The bank posted satisfactory growth in business activities with the deposit book expanding by 11% and gross loans and advances increasing by 15%. The investment portfolio grew by 54% mainly due to investments in US government bonds and corporate bonds of international financial institutions in line with a pragmatic management of excess liquidity. This led to an increase of 9% in net interest income. However, operating income posted a mild growth of 1% on the back of a fall in net fee and commission income reflecting the cessation of book transfer fees as well as a drop in profit from dealing in foreign currencies. On the expense side, while operating costs were well contained, impairment charges, consisting of specific provisions, registered a considerable increase for the year under review, with various recoveries driving down impairment charges in the preceding year. Overall, attributable profits for the year stood at MVR 46 million, with MCB Maldives contributing Rs 134 million to MCB Group results (FY 2021/22: Rs 162 million).

Main initiatives and achievements

MCB Maldives reinforced its support to corporates across economic sectors, with a particular emphasis on consolidating its existing customer base alongside securing new clients. The bank upheld its market visibility through well-executed promotional initiatives, including networking events, which were warmly welcomed by its valued customers. This also helped to increase the number of customers onboarded in the 'Select' segment. On the operational front, the successful launch of the T24 upgrade to the R22 version on the central platform in Mauritius has enhanced the bank's internal efficiency. In the same vein, the integration of the MCB Group Payroll platform and the adoption of the MCB Group Oracle Human Capability Management platform have helped to streamline processes and personnel management. Additionally, the bank has implemented a robust cybersecurity management system and has made notable progress in aligning with relevant rules and standards to improve its compliance set-up. Besides, the bank engaged with a consultancy firm in 2022 to conduct a comprehensive Risk Assessment Exercise, with actions taken to mitigate the highest residual risks identified during the exercise.

MCB Seychelles

Financial performance

Highlights						
	4% Contribution to MCB Group profit	**+11%** Operating income	**+16%** Operating expenses	**+1%** Impairment charges	**+2%** Gross loans to customers	**+5%** Total deposits

MCB Seychelles' gross loans and advances as well as deposits posted a relative improvement compared to the previous year by registering growth rates of 2% and 5% respectively. However, net interest income posted a strong growth of 22%, reflecting an effective deployment of excess liquidity in placements with banks abroad and significant recoveries in interest in suspense. Operating income rose by 11%, after also factoring in higher net fee and commission income following an increase in card-related fees and other general banking transactions, even though forex income dropped after the exceptional profits recorded during the preceding year. For its part, operating expenses noted a 16% growth, arising from increased staff costs as well as higher software maintenance costs, telecom costs and general operating expenses. Overall, with impairment charges remaining stable at SCR 12 million, attributable profits increased by 7% to reach SCR 173 million. The depreciation of the MUR against the SCR further boosted the contribution of MCB Seychelles to Group profits to Rs 580 million (FY 2021/22: Rs 512 million).

Main initiatives and achievements

MCB Seychelles has pursued its development strategies over FY 2022/23 with substantial progress made across several areas. The bank has further strengthened its market visibility with the launching of the VISA FIFA World Cup Promotion campaign which led to a noteworthy growth of 27% in its card transactions volume by the end of the campaign period. In the same breadth, the ratio of ATM withdrawals relative to other modes of transactions using cards also declined to 45% representing a positive shift away from cash that will help to generate higher revenues. Along its digital innovative journey, MCB Seychelles launched its upgraded MCB Juice mobile banking application in April 2023, providing customers with a dashboard that can be personalised and incorporated an option that enables users to track their spending and view their transaction history in real-time. New self-service features allow customers to manage their own cards, offering easy toggle controls over the different types of transactions they wish to enable or disable and an option to lock their cards for security reasons. Besides, in its move to promote sustainable growth through access to low-cost finance for climate change adaptation, renewable energy and energy efficiency, MCB Seychelles revamped its Green Loan scheme committing an overall envelope of SCR 50 million for the next two years to the funding of such projects. On the operational front, MCB Seychelles successfully upgraded its Core Banking System and migrated to the Group T24 platform. The new core banking system incorporates latest technological features to simplify, automate and speed up testing and deployment of regular software update releases. On the human resource front, the bank has upgraded its performance management system to foster alignment across the organisation and pave the way for an improved assessment of individual and team contributions to the bank's strategic goals. Moreover, the bank's team leaders were enrolled in the Lead With Impact Academy, a comprehensive development programme designed to evaluate and fulfil their individual needs namely in enhancing their self-knowledge and people management skills. Moreover, MCB Seychelles sustained its investment in staff trainings through both online and classroom sessions.

Banque Française Commerciale Océan Indien (BFCOI)

While both loan and deposit books remained stable, operating income witnessed a contraction of 3% compared to last year. This decline was mostly driven by a fall in net interest income due to an increase in the cost of funds. Operating expenses were well contained with a slight increase of 3% from the previous year. Some notable recoveries during the year resulted in provision releases, contributing to the increase in profits attributable to shareholders to EUR 21 million (Rs 977 million) during the financial year. MCB Group's share of profits in BFCOI results amounted to Rs 489 million for the year ended June 2023 (FY 2021/22: Rs 401 million). Of note, BFCOI remained well capitalised, with Tier 1 ratio and capital adequacy ratio of 14.3% and 16.4% respectively, which are above the minimum regulatory requirements of 9% for Tier 1 ratio and 10.5% for capital adequacy ratio.

Société Générale Moçambique

Société Générale Moçambique's operating income rose by 27% to MZN 2,024 million (Rs 1,417 million) during FY 2022/23. This was mainly driven by an increase in net interest income as a result of interest rate hikes coupled with higher interest income on placements with banks. Operating expenses climbed by 40% mainly due to a one-off consultancy fee incurred during the year as well as measures taken to support the growth strategy, including investment in human capital. Overall, after accounting for the increase in impairment charges to MZN 314 million (Rs 220 million), the bank reported a profit of MZN 241 million (Rs 168 million), thus contributing Rs 59 million to MCB Group results (FY 2021/22: Rs 75 million). Société Générale Moçambique registered strong capital metrics, with Tier 1 ratio and capital adequacy ratio standing at 16.9% and 15.9% respectively as at 30 June 2023, which are above the minimum regulatory requirements of 10% for Tier 1 ratio and 12% for capital adequacy ratio.

Non-banking financial cluster

MCB Capital Markets Ltd and its subsidiaries (MCBCM)

In FY 2022/23, MCBCM's consolidated revenues amounted to Rs 566 million (FY 2021/22: Rs 455 million) while its contribution to Group profits stood at Rs 317 million compared to Rs 227 million for FY 2021/22. Results were driven primarily by successful completion of sizeable corporate finance advisory transactions and the strong assets under management.

Corporate Finance Advisory

The Corporate Finance Advisory business performed better than in FY 2021/22 when activity was impacted by the challenging operating environment. The team successfully completed five debt capital market transactions during FY 2022/23 for aggregate values of approximately Rs 10.8 billion and also acted as the co-lead arranger on a EUR 135 million acquisition debt finance in West Africa. Looking ahead, the Corporate Finance Advisory business will continue to be focused on assisting clients on their financing strategy and on executing mergers and acquisitions as well as debt capital market transactions both locally and from the region.

Investment Management

For the year under review, turnover reached Rs 215 million compared to Rs 220 million in the preceding year. FY 2022/23 was a continuity of FY 2021/22 with a constraint on the availability of foreign currency in Mauritius for investment purposes, coupled with a peak in inflation print leading to interest rate hike both locally and worldwide. Our collective investment fund range witnessed reduced inflows compared to previous years whilst the advisory business maintained its momentum bringing in both new institutional clients and solid inflows. The sluggishness in the retail business can be explained by reduced purchasing power in view of the high inflationary environment, the increase in the savings rate and public offer of bonds. For the coming year, efforts will be channeled towards financial literacy to demystify investment. A new fund, with daily dealing, will be launched – MCB USD Short duration fund – aiming at offering investors a liquid instrument to manage their cash.

Stockbroking

FY 2022/23 was eventful for the brokerage business with total income increasing by 18% and crossing the Rs 100 million mark despite trading volume on the local market witnessing a sharp decline of 15% (representing more than Rs 5 billion of lower trading activity) over the year. Although foreign participation picked up from 14% to 25% during the year, foreign investors remained net sellers whilst Mauritian institutional investors continued to diversify their allocation away from the local market and the home currency. Despite this challenging environment, the stockbroking team focused their efforts on strengthening the leadership position of the entity in the market and on growing brokerage and other revenues. Amidst high volatility in interest rates and a risk-off in investor sentiment, we successfully completed two major public offerings as sponsoring broker, helping two blue-chip issuers in raising more than Rs 3 billion in debt and Rs 2 billion in equity capital. MCB Stockbrokers also undertook and successfully completed a few preferential offers during the year. Net operating profit grew by 11% compared to the previous year with overheads and expenses being contained. Additionally, we completed negotiations and obtained regulatory approvals for the acquisition of the MUA Stockbroking business with effect from 1 July 2023, with the core team of the latter joining us. The acquisition is expected to contribute to further growth in brokerage revenues and allow for positive synergies for clients and the larger team in the near future.

Registry & Transfer Agent

Coming off the strong base of FY 2021/22, MCB Registry managed to improve recurrent income by 9% while recurrent profits grew marginally by 1%. Total recurrent expenses increased by close to 20% on the back of high inflation, the depreciation of the rupee and higher amortisation charges resulting from the sustained technology investments made in the past few years. Despite a more competitive labour market, the entity has managed to strengthen its human capital and is well positioned to kickstart the overhaul of its technology platform with modest to negligible impact to its bottom line in the short term.

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 finance 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 FY 2022/23, the Fund partnered with South Suez Capital Ltd to invest in a consortium of investors led by Development Partners International (DPI), a leading London-based Africa-focused private equity manager, which acquired 100% stake in Solevo Holding B.V. (Solevo). Solevo is a leading agricultural and industrial chemicals distributor in sub-Saharan Africa that has a deep heritage with over 100 years of operations and a unique capillary distribution network underpinned by a premium brand, large production facilities and port access. Solevo operates across 4 main business segments, namely, plant nutrition, crop protection, chemicals and seeds and others. Additionally, the Fund invested in quasi-equity in Villas Chambly Ltd, to finance the acquisition and refurbishment of villas located in Port Chambly. MCB Equity Fund generated a profit of Rs 74 million for FY 2022/23 (FY2021/22: Losses of Rs 255 million) mostly on account of net fair value gains resulting in a slight increase in Net Asset Value to Rs 3.9 billion at year-end.

MCB Leasing Ltd

Amidst a recovering economic climate, the lease portfolio of MCB Leasing grew by 8.7% to reach Rs 4,392 million (FY 2021/22: Rs 4,039 million). The increase was principally attributable to a growth of 32% in operating leases to stand at Rs 1,168 million while the finance lease portfolio increased by 2% to reach Rs 3,223 million. To finance the expansion of the lease portfolio, the deposit base expanded by 10% to Rs 3,952 million (FY 2021/22: Rs 3,591 million). The combined impact of lower average finance leases balances and lower interest margin coupled with the increase in average deposits balances year on year led to a decline of 12% in net interest income to Rs 90 million at year-end (FY 2021/22: Rs 103 million). On the other hand, other income, comprising principally of operating lease income, increased by 24% to Rs 297 million as a result of the increase in the operating lease portfolio. Correspondingly, operating expenses (excluding impairment costs), increased on the back of a rise in the depreciation on leased assets in line with the increase in the operating lease portfolio. Following the implementation of a rigorous credit management system, non-performing leases declined from Rs 113 million to Rs 64 million. This, together with the annual recalibration of IFRS 9 models, contributed largely to the reversal of impairment charges of Rs 26 million in FY2022/23. Overall, net profit after tax increased by 46% to reach Rs 91 million for FY2022/23 (FY2021/22: Rs 62 million).

MCB Factors Ltd

MCB Factors Ltd is positioned as a prominent player in the field of factoring in Mauritius. It provides funding to clients against assignment of trade receivables as well as full sales ledger administration of the debtors book. Both recourse and non-recourse factoring are offered, with the latter implying protection against debtors' insolvency. The year under review has seen a growth of 42% in assignment of invoices to MCB Factors, while contribution to Group results doubled to Rs 35 million. Pursuant to the challenging operating environment, notable emphasis has been placed on enhancing risk management while improving the quality of customer service mainly by giving customers access to a state of the art round-the-clock web platform. The current product offering is to be further enriched during FY 2023/24 with the provision of reverse factoring services.

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 key emphasis on customer proximity, with its Relationship Officers dedicated to spending adequate time on the field to duly understand the characteristics and requirements of clients and offer them customised solutions that suit their repayment capacities. Since inception, MCB Microfinance has disbursed some 6,150 loans, corresponding to a gross amount of Rs 1,283 million, of which 53% relate to investment loans. Since the creation of its office in Rodrigues in March 2017, around 570 micro-loans have been disbursed, corresponding to a gross amount of Rs 87 million. As at 30 June 2023, MCB Microfinance's loans stood at around Rs 414 million. The entity is reaching a break-even point this year with a loss of Rs 0.9 million (FY 2021/22: loss of Rs 10.3 million).

MCB Real Assets Ltd

MCB Real Assets Ltd 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. Total contribution of MCB Real Assets to Group results amounted to Rs 213 million for FY 2022/23 (FY 2021/22: Profit of Rs 279 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 2023, the contribution to Group results stood at Rs 15 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. Its financial performance is directly correlated to 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 stock market in which Fincorp has a 46.4% stake.

Reflecting the improved results of MCB Leasing Ltd, Fincorp recorded a consolidated profit after tax of Rs 360 million for the financial year ended June 2023 compared to Rs 327 million in the previous year. As regards PAD, its contribution to Fincorp's results was relatively flat, standing at Rs 300 million. This is explained by the lower profitability recorded by its subsidiary, Caudan Development Ltd (Caudan) being compensated by the enhanced performance of its associates, particularly at the level of Medine Ltd, and increased investment income from its listed equity investment portfolio. Despite higher net rental income, Caudan's results were impacted by relatively lower fair value gains on investment property. Conversely, Medine's results were up in FY 2022/23, supported by higher revenues across all its operating segments.

MCB Consulting Services Ltd (MCBC)

The last financial year has been particularly difficult for MCB Consulting due to both internal and external factors. Several strategic and revenue-loaded projects endured notable delays in terms of execution and delivery, originating from typical project related matters as well as unforeseen socio-economic conditions prevailing in specific countries. This resulted in significantly delayed billings and the loss of some big ticket deals in the Middle East region, leading to a loss of Rs 111 million for the year under review.

Notwithstanding this setback, some large contracts were won across two different continents over the last few months, as a result of a diligent business development plan. MCB Consulting also remains a trusted and recognised partner with its strategic positioning built on solid industry expertise and continuous search for improvement: MCBC has recently secured a partner license to develop Temenos Transact Country Model Bank for selected regions and countries. This new offering has the potential to generate new sources of revenue via sale of licenses, implementation as well as service and maintenance, while helping us to set a major footprint in the French-speaking countries. We are also honoured to have been entrusted the responsibility to organise the Autumn forum of the famous Club des Dirigeants des Etablissements D'Afrique Francophone in October 2023, in Mauritius. This platform shall impact positively on our brand but more importantly constitute a privileged opportunity to network and consolidate the needed pan-African spirit.

MCBC shall continue to pursue the reinforcement of its internal capabilities predominantly through recruitment outside the island and carefully selected partnerships with a view to boosting operational efficiency, better harnessing the multicultural and lingual nature of our footprint and improving bottom line. In addition, the company seeks to further strengthen its brand positioning across stakeholders, while remaining committed to its sustainable development objectives through innovative initiatives.

MCB Institute of Finance Ltd (MCBIF)

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.

Despite several setbacks over the last years as a result of the COVID-19 pandemic, MCBIF has navigated the crisis and pursued its efforts to ensure continuity of its activities and provide quality executive education to professionals, aligned to our sustainable development goals. For FY 2022/23, the entity made a loss of Rs 2 million (FY 2021/22: Loss of Rs 3 million).

As an aftermath of the decision by Paris-Assas University not to pursue further with its Executive Master Banking & Finance offering, MCBIF accelerated its search for high profile partners that were carefully selected, resulting in the following flagship signed business relationships amongst others:

- Association of Certified Anti-Money Laundering Specialist (ACAMS), the gold standard in AML certifications, recognised internationally by financial institutions, governments and regulators as a serious commitment to protecting the financial system against money laundering
- Corporate Finance Institute, a Canadian online self-study training institution and Fitch Learning, which is part of Fitch Group.
- Fintelligence, a Swiss training institution specialised in customised Banking & Finance programmes

Looking ahead, MCBIF will build on its solid design principles around partnerships, customer-focus and brand awareness to initiate new areas of collaboration and secure more relevant and industry-focused relationships, while also increasing its international footprint.

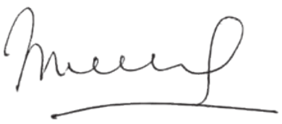
MCB Forward Foundation (MCBFF)

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 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 channeled 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 2022/23, an aggregate amount of around Rs 58 million was entrusted to MCBFF together with the unutilised amount of Rs 17 million that was carried forward from last year. Accordingly, MCBFF spent Rs 73 million on 30 projects in FY 2022/23, 10 of which are still ongoing.

Read more on the activities of the MCB Forward Foundation in the 'How we created value for our stakeholders' section on page 47 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.



Jean Michel NG TSEUNG
Group Chief Executive

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Overview of results

The Group delivered a strong performance with profits attributable to ordinary shareholders for the year ended June 2023 increasing by 46.7% to Rs 14,133 million, mainly driven by an improvement in core earnings across entities and in particular from our international activities which contributed to 62% of Group profits.

Group financial highlights

- Operating income grew by 33.3%. Net interest income increased by 30.3% backed by an expansion in advances and improved margins on foreign currency earning assets. Non-interest income increased by 38.7%, reflecting higher transaction volume across entities and favourable movement in the value of equity financial instruments.
- Cost to income ratio decreased to 35.4%, in spite of a 23.3% increase in operating expenses to support business growth.
- There has been a slight increase in impairment charges, with the cost of risk being flat at 0.86% while the NPL ratio declined to 3.2%.
- Share of profit of associates increased by 8.5% to Rs 867 million.
- The liquidity position remained healthy with a loan-to-deposit ratio of 64.0% and loan-to-funding base of 53.9%.
- Comfortable capital positions were maintained with both the BIS and Tier 1 ratios well above regulatory requirements.

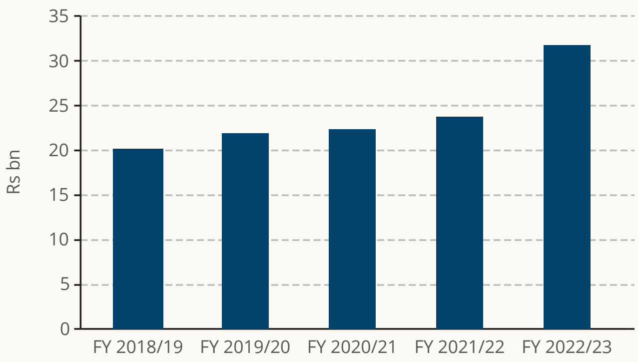
Key figures	
Rs 14,133 million *(Rs 9,637 million)*	**Profit attributable to ordinary shareholders**
Rs 31,792 million *(Rs 23,845 million)*	**Operating income**
35.4% *(38.3%)*	**Cost to income ratio**
Rs 3,644 million *(Rs 3,481 million)*	**Impairment charges**
Rs 17,758 million *(Rs 12,031 million)*	**Profit before tax**
16.9% *(12.8%)*	**ROE**
19.2% *(18.1%)*	**BIS ratio**

Note: Figures in brackets relate to FY 2021/22

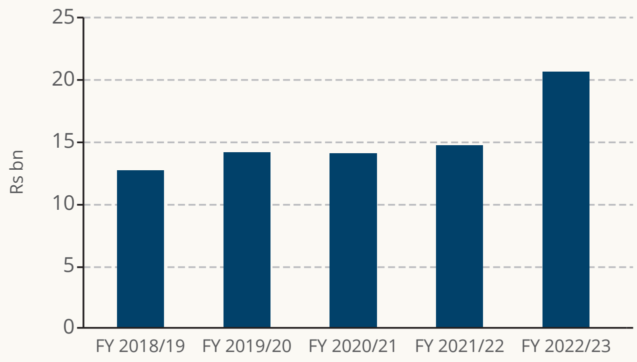
Outlook for FY 2023/24

The global economic environment is still highly uncertain and volatile, with inflation, albeit on a slight downtrend, remaining persistent and geopolitical tensions mounting. Against this backdrop, the economic outlook for countries where we operate will remain subject to various headwinds, although the ongoing recovery driven by the momentum in tourism is encouraging. As we continue to monitor the implications of the challenging context on our business activities, we will remain focused on implementing our strategic initiatives and gearing up our internal capabilities. As a consequence, we are cautiously confident about FY 2023/24.

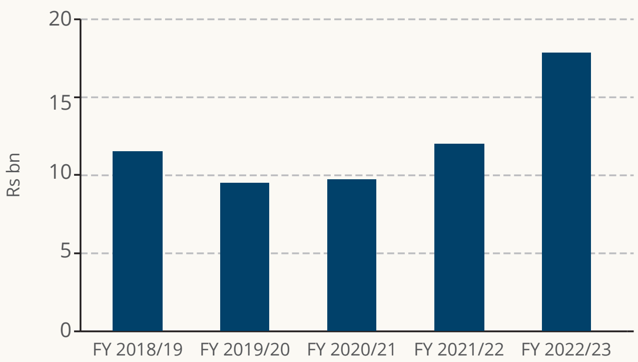
Operating income



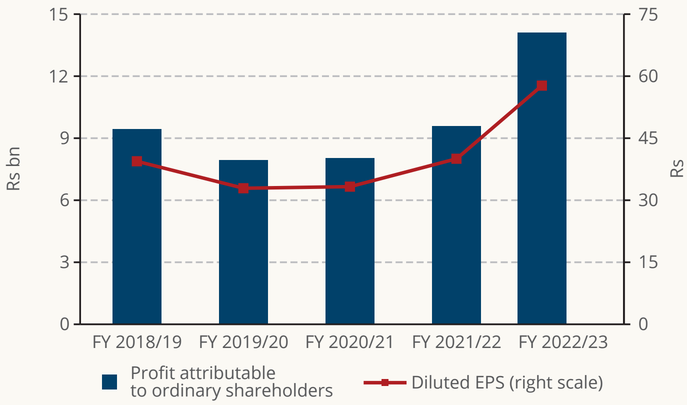
Operating profit before provisions



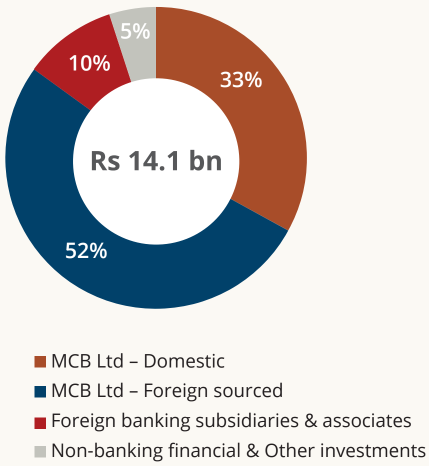
Profit before tax



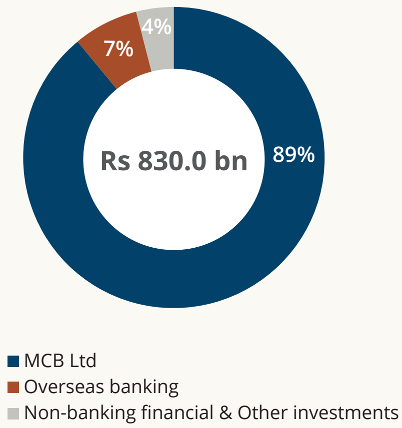
Profit attributable to ordinary shareholders



Contribution to Group profit (FY 2022/23)



Asset breakdown by cluster as at June 2023



Income statement analysis

Net interest income	As a % of average earnings assets	
	FY 2021/22	FY 2022/23
Rs 19,790 million (+4,599 million)	2.5%	2.9%

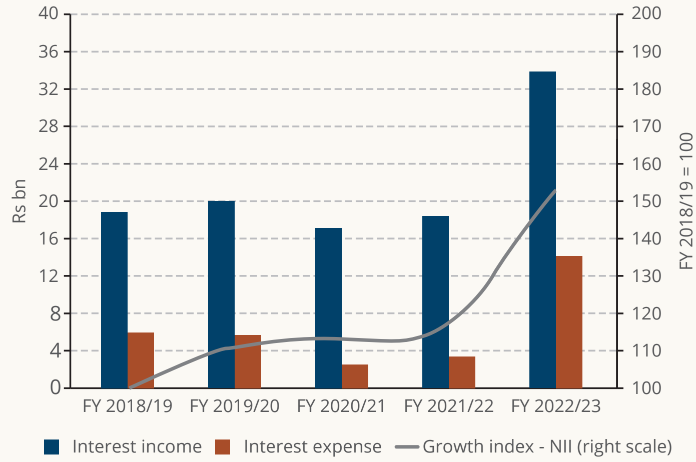
Net interest income increased by 30.3% mainly reflecting the improved margins generated by our foreign currency earning assets following the successive hikes in interest rates in global markets as well as a further expansion in our interest-earning assets, in particular, linked to our cross-border activities. Conversely, margins on interest-earning assets denominated in rupee dropped slightly.

Non-interest income	As a % of operating income	
	FY 2021/22	FY 2022/23
Rs 12,002 million (+3,348 million)	36.3%	37.8%

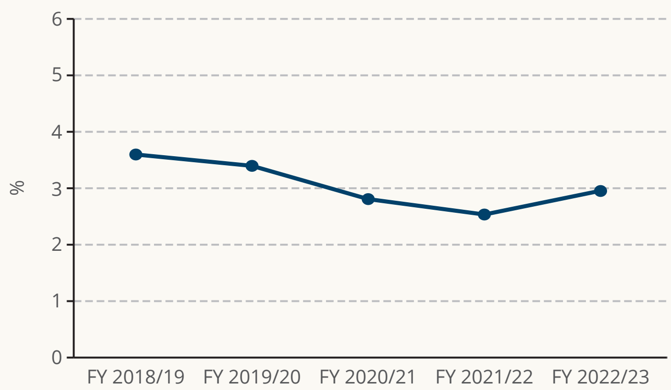
Non-interest income went up by 38.7% on the back of:

- A 12.9% increase in net fee and commission income to Rs 6,606 million, driven by higher revenues from regional trade financing and payment activities within the banking cluster and an enhanced performance at the level of MCB Capital Markets.
- A 58.8% rise in profit from dealing in foreign currencies, mainly due to improved performance at MCB Ltd in line with higher volume of FX transactions.
- Fair value gains of Rs 614 million on equity financial instruments compared to a loss of Rs 518 million registered in FY 2021/22.

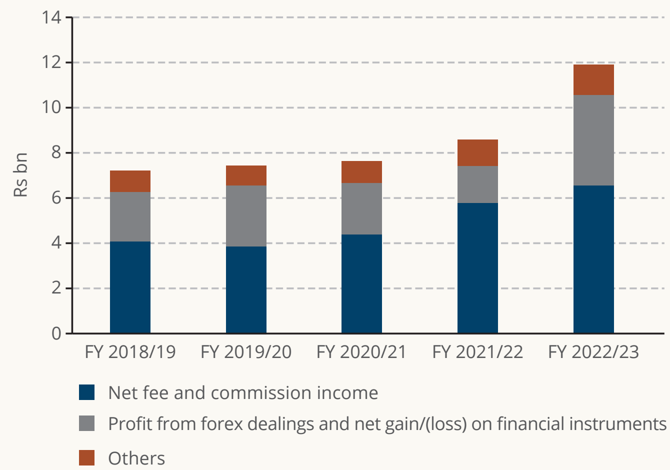
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 11,257 million	**FY 2021/22**	**FY 2022/23**
(+2,125 million)	38.3%	35.4%

Operating expenses increased by 23.3% on account of:

- A 19.8% rise in staff costs as a result of ongoing efforts to reinforce our human capital as well as salary adjustments, namely linked to the increase in the cost of living.
- A 24.2% increase in amortisation cost associated with the continued investment in technology.
- A 34.9% rise on other operating expenses driven by software and IT-related costs as well as professional fees.

Combined with a rise of 33.3% in operating income, the Group's cost to income ratio decreased by 2.9 percentage points to 35.4%.

Impairment charges	As a % of loans and advances	
Rs 3,644 million	**FY 2021/22**	**FY 2022/23**
(+163 million)	0.86%	0.86%

In line with additional ECL associated with the expansion of our loan book and the important increase in the specific provision coverage, impairment charges increased by 4.7%. The cost of risk on loans and advances remained flat at 86 basis points.

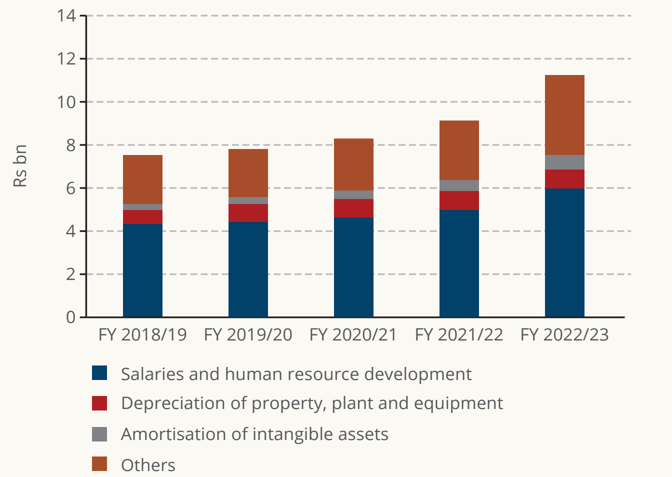
Share of profit of associates	As a % of profit for the year	
Rs 867 million	**FY 2021/22**	**FY 2022/23**
(+68 million)	8.0%	6.1%

The share of profit of associates increased by 8.5% to Rs 867 million driven by improved contribution from BFCOI.

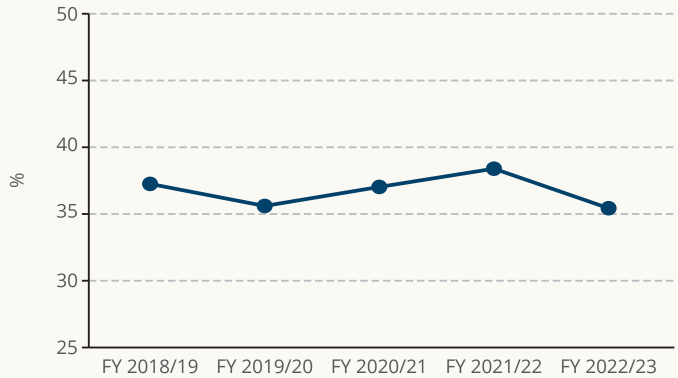
Tax expenses	Effective tax rate	
Rs 3,445 million	**FY 2021/22**	**FY 2022/23**
(+1,375 million)	17.2%	19.4%

The strong growth in profit before tax and a change in the tax laws during the year contributed to a rise of 66.4% in the tax charge for the year.

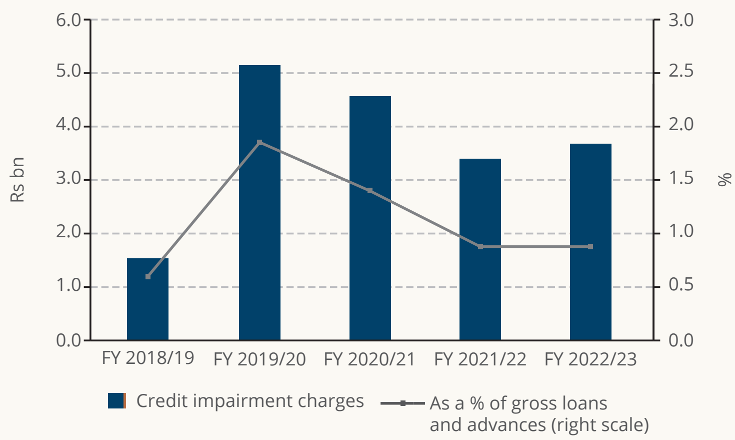
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges



Note: Cost of risk pertains to loans and advances

Financial position statement analysis

Gross loans	Gross NPL	
	As at 30 Jun 22	As at 30 Jun 23
Rs 382.3 billion		
(+24.7 billion)	3.7%	3.2%

Gross loans of the Group registered a year-on-year growth of 6.9% in FY 2022/23, supported by a broad-based increase across banking subsidiaries. Specifically, MCB Ltd posted a similar growth rate in gross loans over the period under review. This performance was underpinned by an expansion in both the local and international loan portfolios. The cross-border customer loan book grew by 8.9%, as the Bank made further inroads in the commodity trade financing business, financing of Power and Infrastructure projects and the Global and International Corporates segment. At the domestic level, the overall loan portfolio increased by 8.3% with retail loans increasing by 8.7% while loans to the corporate segment recorded a growth of 8.1%. On the asset quality side, the gross and net NPL ratios decreased to 3.2% and 1.1% respectively.

Funding base	Loans to funding base ratio	
	As at 30 Jun 22	As at 30 Jun 23
Rs 709.4 billion		
(+83.1 billion)	57.1%	53.9%

Total deposits of the Group increased by 13.7% to Rs 598 billion as at June 2023. At Bank level, deposits grew at the same rate, driven by an increase in foreign currency deposits in line with its strategy to mobilise foreign currency funding to support the growth of its international activities. Debt securities as at June 2023 stood at Rs 16 billion, following the issuance by MCB Ltd of Senior Unsecured Notes for a notional amount of USD 300 million as part of its Global Medium Term Note programme. 'Other borrowed funds' decreased by 7.7% as a result of the repayment of some facilities linked to the Group's assets and liabilities management.

Loans and advances

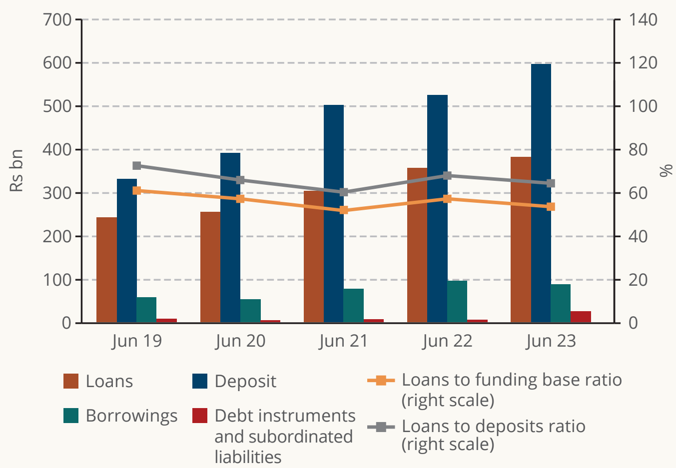
June 2023	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	**367,765**	**8.3**
Agriculture and fishing	9,525	7.0
Manufacturing	17,253	(24.7)
Tourism	31,035	(10.6)
Transport	8,866	31.0
Construction	16,001	(1.9)
Financial and business services	50,205	69.6
Traders	121,468	8.1
of which Petroleum and Energy products	*93,224*	*3.7*
Personal and professional	51,513	7.9
of which credit cards	*1,025*	*10.7*
of which housing	*39,355*	*10.3*
Global Business Licence holders	23,849	47.4
Others	38,050	(13.7)
of which Energy and Commodities Asset-backed financing	*17,126*	*6.8*
Loans to banks	**14,568**	**(19.6)**
Total	**382,333**	**6.9**

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

June 2023	Exposures	
	Rs m	Y.o.y. growth (%)
Loans to customers	367,765	8.3
Loans to banks	14,568	(19.6)
Gross loans	382,333	6.9
Corporate notes/bonds	43,446	28.8
Total loans and advances	**425,779**	**8.8**

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

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
	As at 30 Jun 22	**As at 30 Jun 23**
Rs 369.5 billion		
(+65.7 billion)	41.7%	44.5%

With the funding base increasing at a higher pace than loans and advances, total liquid assets increased by 21.6% to Rs 369.5 billion, underpinned by higher investment in government securities and a rise of 64.5% in cash and cash equivalents, mainly due to the deployment of rupee liquidity in the 7-day BoM bills and an increase in balances with banks abroad.

Overall, liquid assets as a percentage of the Group's funding base stood at 52.1% as at 30 June 2023 compared to 48.5% one year earlier.

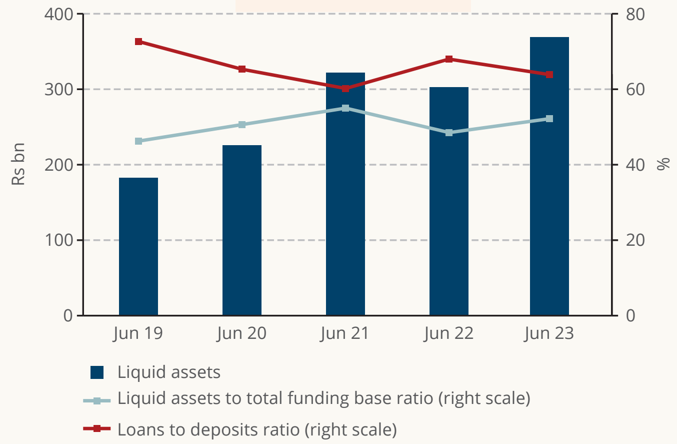
Shareholders' funds	Return on equity	
	As at 30 Jun 22	**As at 30 Jun 23**
Rs 89.8 billion		
(+11.9 billion)	12.8%	16.9%

Shareholders' funds increased by 15.2% in line with a rise of Rs 9.7 billion in retained earnings, the conversion of preference shares into ordinary shares and the issue of scrip shares in lieu of dividend. The Group's capital base was further strengthened by the issuance by MCB Ltd of a Tier 2 debt instrument for a notional amount of USD 147 million. As a result, the overall capital adequacy and Tier 1 ratios stood at 19.2% and 16.7% respectively.

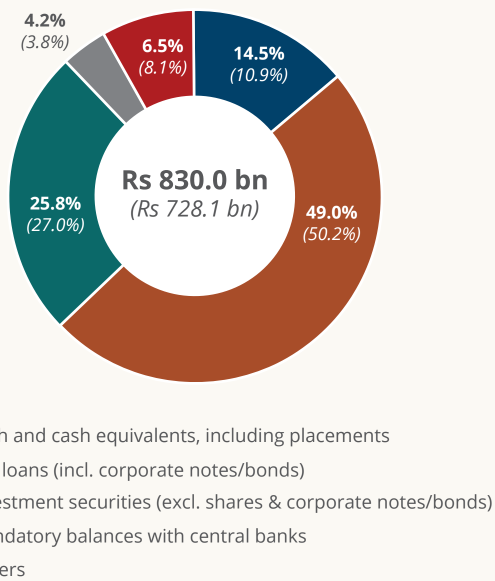
Dividend

A final dividend of Rs 11.75 was declared in September payable in December 2023 after an interim dividend of Rs 8.50 was paid in July 2023, bringing the total dividend per share to Rs 20.25.

Liquidity position

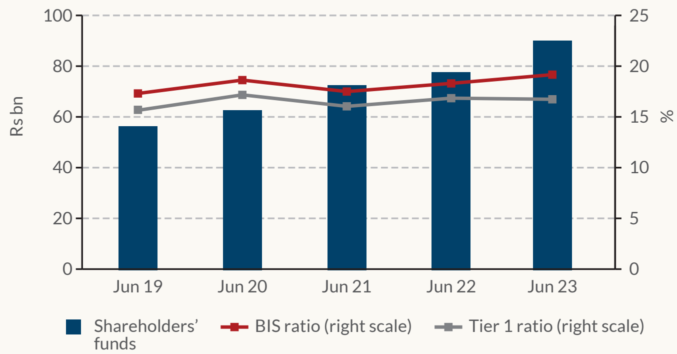


Asset mix as at 30 June 2023



Note: figures in brackets relate to FY 2021/22

Shareholders' funds and capital adequacy



Note: Capital adequacy figures are based on Basel III

Group financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19
Operating income	31,792	23,845	22,404	21,955	20,226
Operating profit before impairment	20,535	14,713	14,133	14,163	12,716
Operating profit	16,891	11,232	9,367	9,087	11,119
Profit before tax	17,758	12,031	9,739	9,488	11,523
Profit attributable to ordinary equity holders of the parent	14,133	9,637	8,019	7,912	9,434
Statement of financial position (Rs m)					
Total assets	829,981	728,128	683,133	532,114	471,418
Total loans (gross)	382,333	357,685	303,319	255,023	241,612
Investment securities	267,472	239,684	198,530	148,858	126,204
Total deposits	597,766	525,656	503,972	390,659	331,500
Subordinated liabilities	8,172	1,793	1,984	2,122	5,572
Other borrowed funds	87,657	94,995	77,136	52,444	56,886
Debt securities	15,760	3,848	4,007	2,007	2,013
Shareholders' funds	89,763	77,912	72,892	62,545	56,509
Performance ratios (%)					
Return on average total assets	1.8	1.4	1.3	1.6	2.2
Return on average equity	16.9	12.8	11.8	13.3	17.5
Loans to deposits ratio	64.0	68.0	60.2	65.3	72.9
Cost to income ratio	35.4	38.3	36.9	35.5	37.1
Capital adequacy ratios (%)					
BIS risk adjusted ratio	19.2	18.1	17.4	18.6	17.3
of which Tier 1	*16.7*	*16.8*	*16.1*	*17.2*	*15.7*
Asset quality					
Non-performing loans (Rs m)	13,636	14,331	11,878	11,723	10,559
Gross NPL ratio (%)	3.2	3.7	3.6	4.2	4.1
Cost of risk (%)	0.86	0.86	1.39	1.84	0.59

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

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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.

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 19 to 27

[2] 'Risk and capital management report' can be found on pages 155 to 201

[3] 'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 34 to 87

[4] 'Group financial performance' provides an assessment of the Group's results and can be found on pages 89 to 96

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

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 that 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 maintain 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. The Group's governance framework is also guided by major developments arising in the dynamic market place, whose implications are constantly assessed by the Board, and which, during the year, pertained to the ongoing macroeconomic uncertainty, increased competition and regulatory requirements, heightened prominence of ESG considerations, cyber threats and digital disruption, as well as workplace transformations and employee expectations. MCB Group's strong performance in the 'Corporate Governance Scorecard Assessment' exercise of listed companies conducted by the National Committee on Corporate Governance (NCCG) in 2022 is a testimony to the purposeful commitment to the application of the principles set out in the Code. The Group's Corporate Governance Framework is anchored on the four pillars 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 with the National Code of Corporate Governance for Mauritius (2016)
- Compliance with international reporting standards as applicable
- Adoption of the underlying Basel principles by banking subsidiaries

Robust risk governance and internal control

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

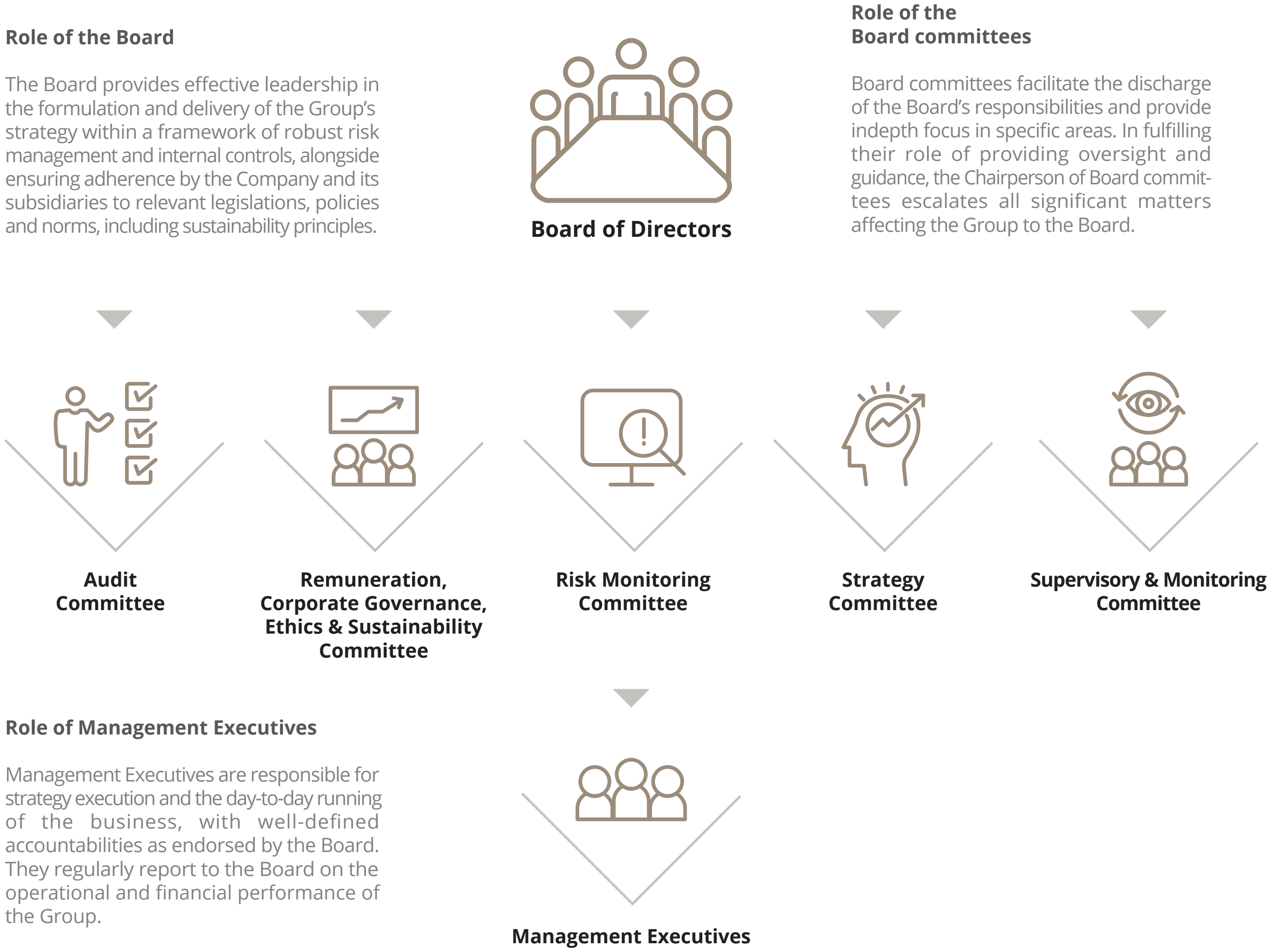
Continuous multi-stakeholder engagement

- 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

Governance structure

Governance framework

MCB Group Ltd is led by a committed and unitary Board, which has the collective responsibility for 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.



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 Group Chief Executive. There is a clear division of responsibilities with the Chairperson leading the Board and the Group Chief Executive managing the Group's business on a day-to-day basis. The Board ascertains that the external obligations of the non-executive directors do not hinder them in 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. The main roles and responsibilities of the Chairperson, Group Chief Executive and directors are described hereafter.

Key roles and responsibilities

Chairperson	Group 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 Group Chief Executive • Ensures that directors receive accurate, timely and clear information • Ensures that the 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 in the Board Charter on the website

Constitution of MCB Group Limited

The Constitution of MCB Group Ltd conforms to the provisions of the Mauritius Companies Act 2001 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

From left to right:
Karuna Bhoojedhur–Obeegadoo,
Constantine Chikosi,
Georges Michael David Lising,
Cédric Jeannot, Alain Rey,
San T Singaravelloo, Didier Harel,
Jean Michel Ng Tseung,
Jean-Philippe Coulier,
Jayananda Nirsimloo,
Stephen Davidson and Gilbert Gnany

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

Jean Michel NG TSEUNG
Group Chief Executive – MCB Group Ltd
Executive Director
(7 years on the Board)

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

Changes during the year

Joined the Board

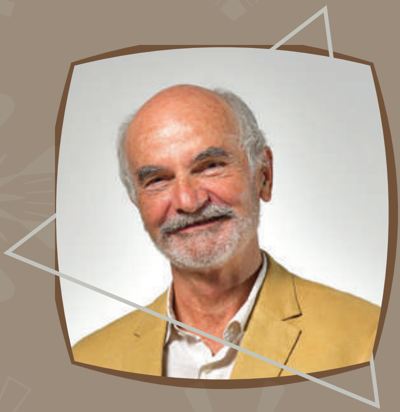
- Jayananda NIRSIMLOO *(as from November 2022)*
- Cédric JEANNOT *(as from June 2023)*

Re-elected during the Annual Meeting of Shareholders held in November 2022

- Constantine CHIKOSI
- Jean-Philippe COULIER
- Gilbert GNANY
- Didier HAREL
- Jean Michel NG TSEUNG

Left the Board

- Jean Jacques DUPONT DE RIVALZ DE ST ANTOINE
- Pierre Guy NOEL



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

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

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

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

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

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

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

Jayananda NIRSIMLOO
Independent Non-Executive Director
(<1 year on the Board)

Cédric JEANNOT
Independent Non-Executive Director
(<1 year on the Board)

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.

KEY

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

Didier HAREL
Age 71

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. He is also a member of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology and Innovation Committee (a sub-committee of the Strategy 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

Jean Michel NG TSEUNG
Age 55

RCGESC	RMC	SC	SMC
M	M	M	M

POSITION:
Group Chief Executive and Executive Director

Executive Director as from September 2021 after having been a Non-Executive Director since November 2016. Jean Michel is a member of the Remuneration, Corporate Governance, Ethics & Sustainability Committee, Strategy Committee, Supervisory & Monitoring Committee and Risk Monitoring Committee. Moreover, he is a member of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology and Innovation Committee (a sub-committee of the Strategy 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, Banque Française Commerciale Océan Indien, The Mauritius Commercial Bank Limited, MCB Seychelles Ltd, MCB Maldives Private Ltd, MCB Madagascar SA, MCB Capital Markets Ltd and MCB Equity Fund Ltd, amongst others. Moreover, he sits on the Risk Monitoring Committee of MCB Ltd. Effective 1 March 2023, he is the Chief Executive of MCB Group Ltd.

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

Gilbert GNANY
Age 61

RMC	SC	SMC
M	M	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 and the Supervisory & Monitoring Committees, 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 and committees. He chaired, amongst others, 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 (IMF-AGSA) and a member of the Senate of the University of Mauritius. He is currently a Board member/Chairperson of several subsidiaries 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; Compagnie Des Villages De Vacances De L'Isle De France Limitée (COVIFRA); Medine Ltd

Karuna BHOOJEDHUR-OBEEGADOO
Age 62

AC	RCGESC
M	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 the Chairperson of MCB Equity Fund Ltd, a subsidiary of MCB Group Limited.

Constantine CHIKOSI
Age 68

RMC

M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2019. Constantine is a member of the Risk Monitoring 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. He currently sits on the Board of Old Mutual Ltd and also acts as Chairperson on its Risk and Compliance Committee. Moreover, he is the Chairperson of Africa Sun Ltd, a hospitality management company in Zimbabwe.

Non-Resident

Jean-Philippe COULIER
Age 74

RMC

C

POSITION:
Independent Non-Executive Director

Non-Executive Director since December 2020. Jean-Philippe is the 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 of his tenure. He is currently a Board member in several companies within the Group namely MCB Microfinance Ltd, Fincorp Investment Limited and MCB Factors Ltd on which he acts as Chairperson.

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

Stephen DAVIDSON
Age 68

AC	RCGESC
M	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 & Co, 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 23 Boards, of which 16 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, and a non-executive director of Datatec Ltd (listed on the Johannesburg Stock Exchange). 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

Cédric JEANNOT
Age 38

SC
M

POSITION:
Independent Non-Executive Director

Non-Executive Director since June 2023. Cédric is a member of the Strategy Committee. He is also the Chairperson of the Group's newly created Technology and Innovation Committee (a sub-committee of the Strategy Committee).

QUALIFICATIONS:
PhD in Computer Science (USA)

SKILLS AND EXPERIENCE:
Dr Jeannot is the co-founder and CEO of Be Mobile Africa, a neobank which focuses on the unbanked and underbanked in Africa. The company covers over 30 markets and 22 currencies. It is known for operating one of the largest blockchain-based payment systems as well as having one of the most competitive savings accounts. Be Mobile Africa became a Harvard Business School Case Study and its story is also taught to the MBA class at MIT Sloan School of Management. He is also the co-founder of Be Financial Group, a Hong Kong based investment holding firm focused on emerging markets, and was a 'Growth Coach' at one of Canada's largest tech incubators, Communitech, where he mentored start-up founders for several years. Prior to founding Be Financial Group, he was the co-founder and CEO of APrivacy, an award-winning FinTech digital security company, which provided encryption and privacy software to the banking industry. The company's revolutionary technology enabled banks to use consumer apps like Dropbox, WhatsApp and WeChat for banking purposes, while having all the security and compliance required by the financial industry. He was named as one of 16 Most Promising Entrepreneurs in Asia-Pacific by Ernst and Young and served as a Canadian delegate to the G20 Young Entrepreneur Summit for several years. Dr. Jeannot is a frequent speaker at digital conferences worldwide on the topics of FinTech, Trade, Digital security, Crypto, Impact investing and Poverty alleviation and has been quoted in a number of global press publications.

Non-Resident

Georges Michael David LISING
Age 51

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.

Jayananda NIRSIMLOO
Age 67

RCGESC SC
M M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2022. Jayananda is a member of the Strategy Committee and 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:
Fellow Chartered Accountant (UK) and honorary 'Commissaire aux comptes' (France)

SKILLS AND EXPERIENCE:
Jayananda worked for several years in London before joining KPMG France in 1983 where he has assumed a wide-range of high-level responsibilities. Amongst others, he founded and headed the Transaction Services and Consulting functions for ten years and was thereafter promoted Chief Operating Officer and appointed as a Board member of KPMG Europe/Middle-East and Africa in 2005. He was elected Chief Executive Officer of KPMG France and Board member of KPMG's Global Board in 2013. During his stint at KPMG and until 2021, he served a global client base in France, Europe, Africa and the Americas. He is currently engaged in advisory services covering the management of ESG and sustainability issues, and assist chief executives of selected medium-sized companies including family businesses and scaled-up enterprises in taking strategic decisions and help board members to resolve governance issues.

Non-Resident

Alain REY
Age 64

SC
M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2015. Alain is a member of the Strategy 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

San T SINGARAVELLOO
Age 50

AC
C

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2018. San the 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 24 years of experience across the sub-Saharan Africa region, the UK and the Netherlands. Her experience spans an array of disciplines in the insurance and pension fields with particular focus on the African markets. She has worked for various regional and international companies including Old Mutual (Cape Town), and PwC (London and Amsterdam). She currently heads the Global Benefits Solutions for Aon in sub-Saharan Africa. She 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 of its subsidiaries locally and abroad. The Board thereafter ensures that the Group is managed in accordance with its directions and delegations.

Key facts (FY 2022/23)

12	83%	4.8	97%
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 adherence to the highest standards of project governance, for the Board to receive accurate, timely and clear information regarding key projects being implemented;
- 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 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, appointing senior officers, and establishing the remuneration of executive and non-executive directors and chief executives.

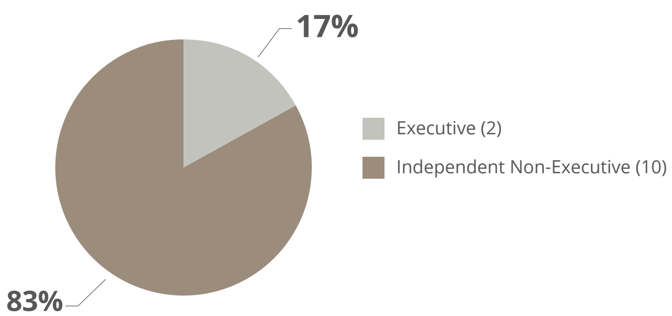
Composition and meetings

Composition

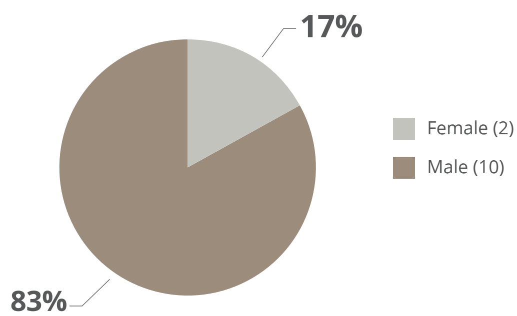
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors, with at least two executive directors and two independent directors. The Chairperson of the Board may be independent. The Board, assisted by the Remuneration, Corporate Governance, Ethics and Sustainability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

As at 30 June 2023, the Board consisted of 12 members, with a diverse mix of skills, knowledge and experience. In addition, the Board also considers gender diversity and aims to increase female representation, which currently stands at 17%, to at least 25% in line with the Mauritius Companies Act 2001. The average age of Board members stood at around 61 years. The Board composition for the year under review is shown hereafter.

Composition

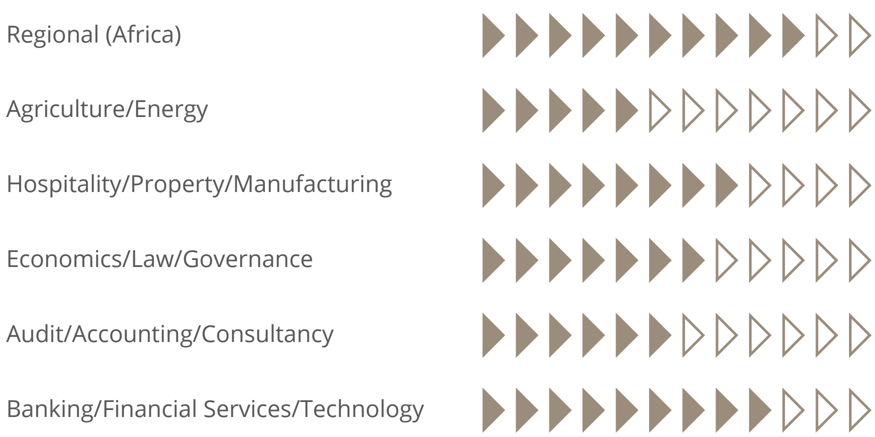


Gender



Length of tenure

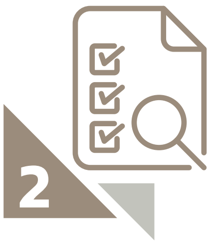
Mix of skills and experience



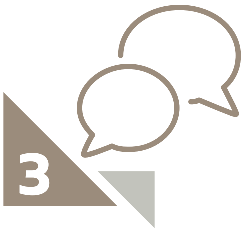
Meetings

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 discussion, 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. To help directors prepare effectively for meetings, relevant documents are provided sufficiently in advance to ensure they have enough time to digest the information for productive discussions during meetings. All materials for Board meetings are uploaded onto a secure portal, which can be easily accessed by directors. 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.

Preparation
A draft agenda is prepared by the Company Secretary to determine the list of key business topics for Board meetings



Review
The Chairperson reviews the draft agenda with the Company Secretary



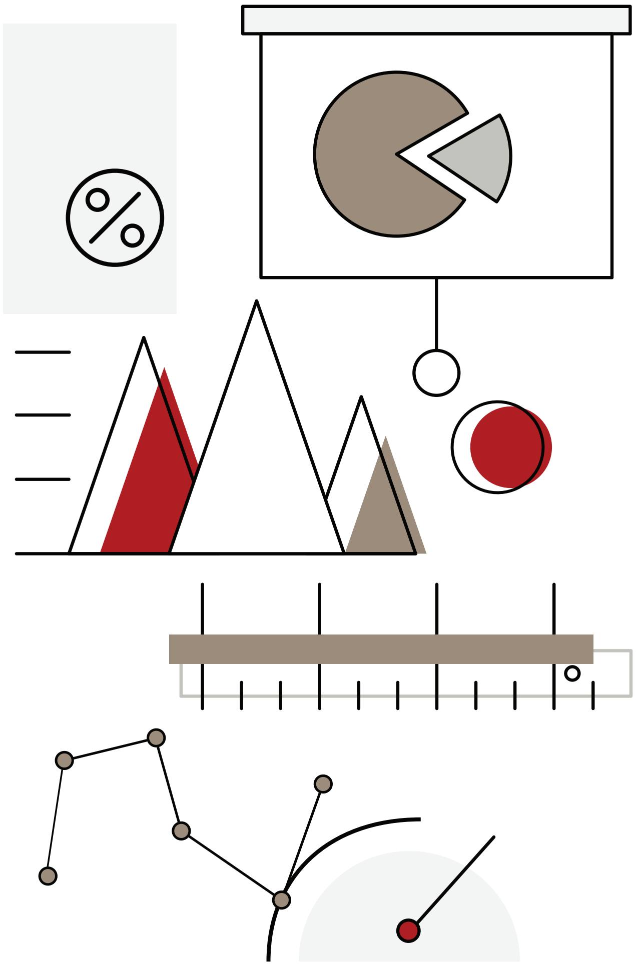
Discussion
The draft agenda is finalised in consultation with the Group Chief Executive

Communication
Once agreed upon, the agenda is sent to the directors prior to the meetings

Finalisation
Matters may be added to the agenda in response to directors' requests or developments in the operating environment of the Group

Board focus areas

A summary of the main undertakings of the Board during the financial year is provided hereafter.

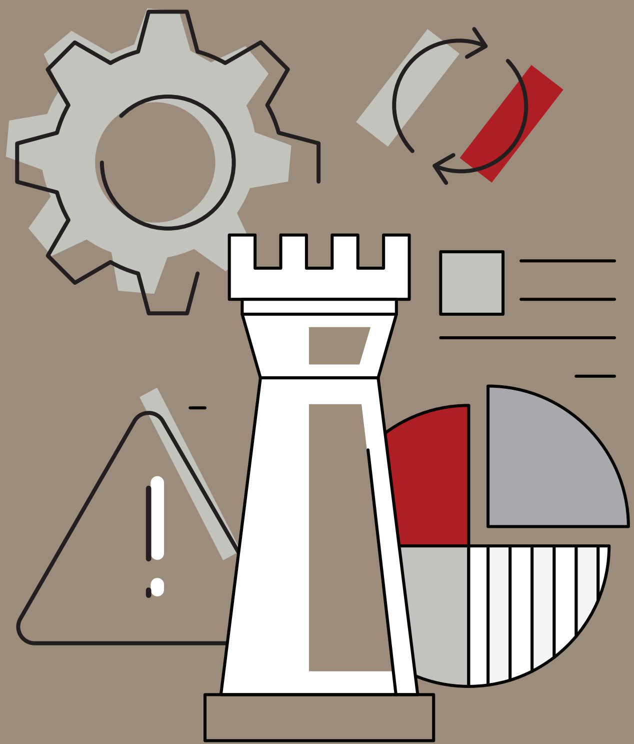


Strategy and Performance

- Discussed the major developments in the operating context as well as their impact on the Mauritian economy and Group activities
- Reviewed and endorsed the strategic orientations and budget plans 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
- Updated on the Group's sustainable finance strategy and related governance framework
- Appraised the progress made on the Digital Transformation Programme
- Monitored the progress on the HR Transformation Programme including the 'Career Architecture' and 'Successful Together' projects
- Apprised of the progress made on the strategic initiatives being implemented in the Global & International Corporates BU and the Payments SBU
- Discussed in-depth the results of the 'Great Place to Work' – Trust Index survey

Financial

- Assessed and monitored the Group's financial performance against budget
- Discussed the Group's capital and debt raising initiatives
- Approved the issuance of Unsecured Floating Rate Notes amounting to MUR 2.5 billion under the existing Multi-Currency Note Programme
- Reviewed and approved the dividend payout proposal, scrip dividend scheme and the conversion of preference shares
- Approved the financial budget

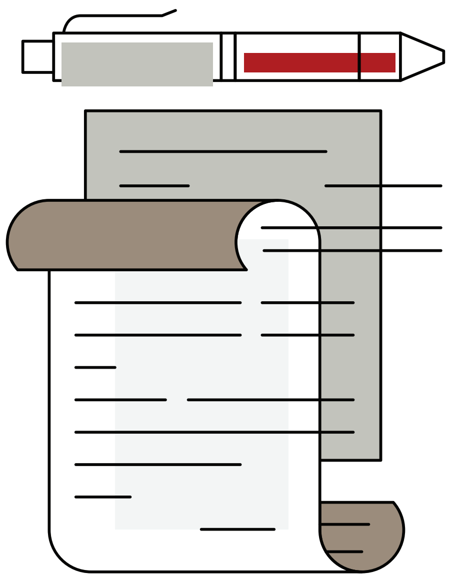


Governance and Risk

- Reviewed and validated the structure, size and composition of the Board and Board committees
- Approved, upon the recommendation of the RCGESC, the appointments of Mr Jayananda Nirsimloo and Mr Cédric Jeannot as new Board member
- Validated the retirement of Mr Pierre Guy Noël and confirmed the appointment of Mr Jean Michel Ng Tseung as Group Chief Executive
- Reviewed the Board and Committee Charters and other constitutive documents
- Monitored the implementation of the Board evaluation action plan
- Approved the Board Committee self-evaluation assessment
- Validated the setting-up of a steering committee for the remuneration strategy of Group Executives upon the recommendation of the RCGESC
- Reviewed the Risk Heat Map of the Group
- Appraised the findings of the Cybersecurity Maturity Assessment of MCB Ltd
- Discussed the results of the National Committee on Corporate Governance Scorecard assessment
- Approved the directors' development training programme

Recurrent Agenda Items

- Approved the minutes of proceedings
- Reviewed reports from the Chairpersons of Board committees
- Reviewed and approved the Group's consolidated financial statements on a quarterly basis
- Validated communiques and announcements as required by relevant rules and regulations
- Approved the issue of share options under the Group Employee Share Option Scheme
- Debriefed the Annual Meeting of Shareholders
- Kept closely updated on trends and developments in the operating environment



Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2022/23 are provided in the table hereunder.

Members	Board member since	Board status as at 30 June 2023	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	10/10
Jean-Philippe COULIER	December 2020	Independent Non-Executive Director	10/10
Stephen DAVIDSON	December 2020	Independent Non-Executive Director	10/10
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(until November 2022)*	November 2014	Independent Non-Executive Director	4/6
Cédric JEANNOT	June 2023	Independent Non-Executive Director	-
Georges Michael David LISING	November 2018	Independent Non-Executive Director	10/10
Jayananda NIRSIMLOO	November 2022	Independent Non-Executive Director	4/4
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	10/10
Jean Michel NG TSEUNG	November 2016	Executive Director	10/10
Pierre Guy NOEL *(until March 2023)*	April 2014	Executive Director	8/9

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 and relevant subsidiaries' performance as well as an assessment of their individual contribution thereto and for demonstrating behaviours in line with the Group's values
    - o Staff members locally have the added possibility to benefit from a share option scheme

Remuneration package

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 the local subsidiaries of the Group are as follows:

- Employees are entitled to a pension contribution, representing 18.1% of their 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
- Employees are provided with banking facilities under preferential conditions
- Employees are granted a monthly travelling allowance, with the amount varying according to their job grades
- Employees and their dependents benefit from a contributory medical and insurance coverage

Group Employee Share Option Scheme

The Group Employee Share Option Scheme (GESOS) 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 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 2022	**148,040**	**592,192**	**740,232**
Initial option price (Rs)	310.50	279.50	-
Number of options exercised to date	32,401	128,821	161,222
Value (Rs)*	10,060,511	36,005,470	46,065,980
Percentage exercised	22%	22%	22%
Number of employees	6	774	780
Available for the 4th window and expiring in mid-October 2023	**115,639**	**463,371**	**579,010**

**Based on initial option price*
Figures may not add up due to rounding

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, based on the financial performance of the Group, on the one hand, and on the executive directors' individual performance and contribution towards the attainment of the key strategic objectives of the Group, 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	3,621	-	**3,621**
Karuna BHOOJEDHUR-OBEEGADOO	1,011	129	**1,140**
Constantine CHIKOSI	677	-	**677**
Jean-Philippe COULIER	939	530	**1,469**
Stephen DAVIDSON	1,011	-	**1,011**
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(until November 2022)*	462	-	**462**
Cédric JEANNOT	-	-	-
George Michael David LISING	677	125	**802**
Jayananda NIRSIMLOO *(as from November 2022)*	477	-	**477**
Alain REY	649	161	**810**
San T SINGARAVELLOO	1,053	-	**1,053**
Total Non-Executive	***10,577***	***944***	***11,521***
Gilbert GNANY	25,121	-	**25,121**
Jean Michel NG TSEUNG	21,529	14,562	**36,091**
Pierre Guy NOEL *(until March 2023)*	27,726	-	**27,726**
Total Executive	***74,377***	***14,562***	***88,939***
Total (Non-Executive and Executive)	**84,953**	**15,506**	**100,459**

Figures may not add up due to rounding

Directors' interests and dealings in 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.

The following tables itemise the interests of the directors in the Group's listed securities as at 30 June 2023 as well as related transactions effected by the directors during the last 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 2023	Number of Ordinary shares	
	Direct	Indirect
Jean-Philippe COULIER	20,500	109,468
Gilbert GNANY	315,664	92,346
Georges Michael David LISING	11,722	45,245
Jean Michel NG TSEUNG	55,872	-
Alain REY	7,505	-
San T SINGARAVELLOO	-	5,000

Transactions during the year	Number of Ordinary shares					
	Purchased		Sold		Others	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Jean-Philippe COULIER	-	30,000	-	-	-	59,968
Gilbert GNANY	22,241	4,738	-	-	-	-
Jean Michel NG TSEUNG	2,481	-	-	-	-	-
Alain REY	1,333	-	-	-	-	-

Interests in MCB Group Ltd Preference shares as at 30 June 2023	Number of Preference shares	
	Direct	Indirect
Jean-Philippe COULIER	-	48,359

Interests in MCB Group Ltd Unsecured Floating Rate Notes as at 30 June 2023	Number of Notes	
	Direct	Indirect
Georges Michael David LISING	-	3,000

Interests in Fincorp Investment Ltd as at 30 June 2023	Number of shares	
	Direct	Indirect
Gilbert GNANY	69,000	-

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 Remuneration, Corporate Governance, Ethics and Sustainability Committee Charter 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 2022/23)

3	3.2	8	100%
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 Group 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 Chairperson of Audit Committees of subsidiaries as deemed appropriate. The directors who served on the AC and their attendance at committee meetings during FY 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
San T SINGARAVELLOO *(Chairperson)*	**December 2018**	**Independent Non-Executive Director**	**8/8**
Karuna BHOOJEDHUR-OBEEGADOO	January 2021	Independent Non-Executive Director	8/8
Stephen DAVIDSON	January 2021	Independent Non-Executive Director	8/8

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

Focus areas in FY 2022/23

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
- Legal 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 for 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 initiatives.

Key facts (FY 2022/23)

5	3.5	4	95%
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 Group 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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Didier HAREL *(Chairperson)*	**September 2016**	**Independent Non-Executive Director**	**4/4**
Karuna BHOOJEDHUR-OBEEGADOO	February 2016	Independent Non-Executive Director	4/4
Stephen DAVIDSON	January 2021	Independent Non-Executive Director	4/4
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(until November 2022)*	January 2019	Independent Non-Executive Director	1/1
Jayananda NIRSIMLOO	January 2023	Independent Non-Executive Director	2/2
Jean Michel NG TSEUNG	March 2023	Executive Director	1/1
Pierre Guy NOEL *(until March 2023)*	July 2014	Executive Director	2/3

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

Focus areas in FY 2022/23

Key topics discussed

- Election/re-election of directors as Board members
- Board and Board committees composition
- Appointment of senior executives and Board members at subsidiaries' level
- Review of directors' fees for Board and Board committees
- Results of the NCCG Scorecard
- Review of the directors' development training programme
- Update on sustainable finance strategy and related governance framework
- Setting up of a steering committee for Group Executive Remuneration Strategy
- Review of the 'Corporate Governance Report' forming part of the Annual Report
- Review of Board committees self-assessment results
- 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 these are 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 2022/23)

5	4.7	4	91%
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 Group 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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Jean-Philippe COULIER *(Chairperson)*	**January 2021**	**Independent Non-Executive Director**	**4/4**
Constantine CHIKOSI	January 2023	Independent Non-Executive Director	2/2
Didier HAREL	February 2016	Independent Non-Executive Director	4/4
Alain REY *(until January 2023)*	January 2021	Independent Non-Executive Director	1/2
Gilbert GNANY	July 2014	Executive Director	4/4
Jean Michel NG TSEUNG *(Secretary until May 2023)*	January 2019	Executive Director	4/4
Pierre Guy NOEL *(until March 2023)*	July 2014	Executive Director	2/3

Focus areas in FY 2022/23

Key topics discussed

- Risk management framework, risk appetite, and risk policies of the Group and its subsidiaries
- Enterprise Risk Management framework and review of Risk Heat Maps (covering strategic, financial, operational and compliance risks) at Group level, including emerging risks such as:
  - o the impact of elevated inflation and increasing interest rates
  - o technology, cyber security and data protection
  - o ESG and climate risks
  - o implications of credit rating downgrade of various African countries on our exposures
  - o impact of the Ukraine-Russia conflict on the global and regional scenes and their repercussions on the economies where the Group operates
- Asset quality metrics and key risks of entities within the Group 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
- Detailed review of the top stage 1, 2 and 3 exposures of the various banking entities of the Group to forestall potential credit risks
- 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 to subsidiaries 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. The Technology and Innovation Committee, a sub-committee of the SC which also includes directors from MCB Ltd, has recently been set up to assist the Board in the oversight on matters relating to technological innovation.

Key facts (FY 2022/23)

6	2.9	4	92%
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 Group 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 the Chief Executive 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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Didier HAREL *(Chairperson)*	**November 2016**	**Independent Non-Executive Director**	**4/4**
Constantine CHIKOSI *(until January 2023)*	January 2020	Independent Non-Executive Director	2/2
Jean-Jacques DUPONT DE RIVALZ DE ST ANTOINE *(until November 2022)*	November 2016	Independent Non-Executive Director	2/2
Georges Michael David LISING	January 2021	Independent Non-Executive Director	4/4
Jayananda NIRSIMLOO	January 2023	Independent Non-Executive Director	2/2
Alain REY	January 2023	Independent Non-Executive Director	1/2
Gilbert GNANY *(also acts as Secretary)*	November 2016	Executive Director	4/4
Jean Michel NG TSEUNG	March 2023	Executive Director	1/1
Pierre Guy NOEL *(until March 2023)*	November 2016	Executive Director	2/3

Focus areas in FY 2022/23

Key topics discussed

- Progress on key strategic initiatives across the Group
- Overview of HR strategy including career architecture, talent management, succession planning and employee engagement
- Capital adequacy considerations of the Group to support its growth ambition
- Dividend strategy and related implications
- Update on the Group's long-term strategy
- Sustainable finance strategy
- Developments in the operating environment both locally and abroad with potential implications on the Group's strategy
- Review of the Corporate Culture Alignment project, 'Successful Together', with the aim of reinforcing the right culture across the Group

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

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 2022/23)

3	4.1	22	95%
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 Group 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 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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Didier HAREL *(Chairperson)*	**July 2017**	**Independent Non-Executive Director**	**22/22**
Gilbert GNANY *(also acts as Secretary)*	March 2023	Executive Director	3/6
Jean Michel NG TSEUNG	July 2017	Executive Director	22/22
Pierre Guy NOEL *(until March 2023)*	July 2017	Executive Director	15/15

Focus areas in FY 2022/23

Key topics discussed

- Impact of developments in the operating environment on the strategy, financial performance and operations of the Group
- Implementation of approved strategies and major policies
- Progress made on major transformation projects
- Review of financial performance
- 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
- MCB Group issuance of Unsecured Floating Rate Notes
- 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
- Dividend pay-out proposal of the Group for approval by the Board
- HR matters, including recruitment of potential candidates in senior executive positions within the Group, resignations and movements of key senior personnel
- Succession planning for senior roles within the organisation
- 'Career Architecture' and Executive Remuneration Strategy
- Corporate Culture Alignment
- 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
- Corporate sustainability initiatives
- Review of Board and Committee composition
- Succession planning for the Board
- Investment and immovable property acquisition opportunities

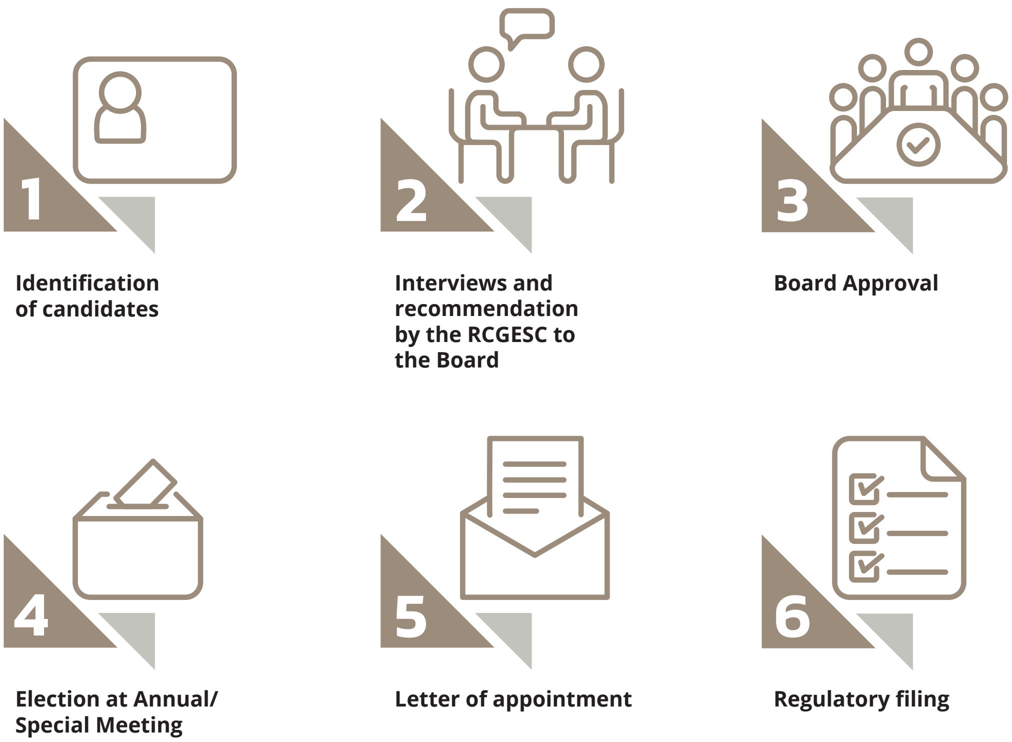
More information on the Supervisory and Monitoring Committee Charter is available on the website

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. The Board places high emphasis on ensuring that its membership reflects diversity to provide the range of perspectives, insights and challenge needed to support good decision-making in the execution of the Group's strategy. The RCGESC is responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. Appointment of prospective candidates is based on merit and due considerations are given to, amongst others, specific skills, expertise, knowledge, experience, their background, including the value the individual can bring to the overall Board performance. In addition, the RCGESC considers gender diversity, independence and time commitment of prospective Board members. Prior to their appointment, non-executive directors are advised of time commitments and are required to devote such time as is necessary to discharge their duties effectively. The Board is satisfied that there are no directors whose time commitments are considered to be a matter of concern.

The nomination and appointment process of directors for the Board is highlighted in the diagram below.



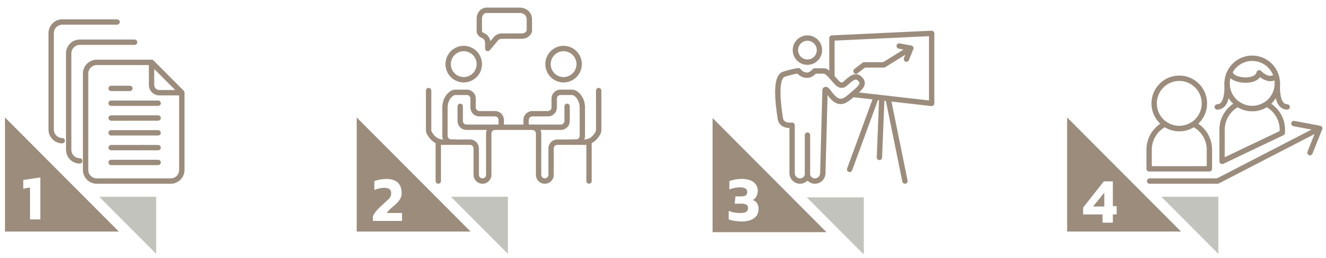
Whilst seeking to retain a core set of directors with long-standing knowledge, the Board recognises the importance of rotation of Board members to ensure that there is a good balance between continuity and fresh perspectives. It is worth highlighting that at each Annual Meeting, one third of Board members, 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 and challenges that it faces. The objective of the programme 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 Chairperson of the Board is responsible for identifying the development needs of Board members and monitoring the implementation of related training. The Company Secretary oversees the training plan for the directors, which is reviewed on a regular basis to ensure its pertinence and a training log is maintained for each director.

During the year under review, as part of the ongoing training and development programme, directors attended an 'ESG Masterclass' training delivered by an international expert from a global law firm. The course contained an overview of the key trends in sustainable finance namely, pertaining to sustainability-linked notes and green loans. The directors were also provided with an outline of the advocated governance, including the assurance entailed in green financing as well as the relevant rules and regulations to comply with. In addition, they participated in a training titled 'Agile Governance: Building Impactful Boards', which enabled them to grasp the benefits of adopting an agile approach to running Board meetings and monitoring significant Group projects in a dynamic and fast-paced environment. Directors were provided with some insights into agile principles and methodologies as well as the prerequisites for its effective implementation. They also participated in AML and cybersecurity in-house trainings. An outline of the induction and training programme is set out in the diagram hereafter.



Induction pack

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

One-to-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

Presentation sessions

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

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.

Cédric JEANNOT
Independent Non-Executive Director

"

The induction program was both well planned and well delivered. A lot of ground was covered to provide the relevant information regarding the various entities and activities of the Group.

I have had the opportunity to meet in person with many of the executives. This helped me get a sense of the culture, values, and execution capabilities of the Group.

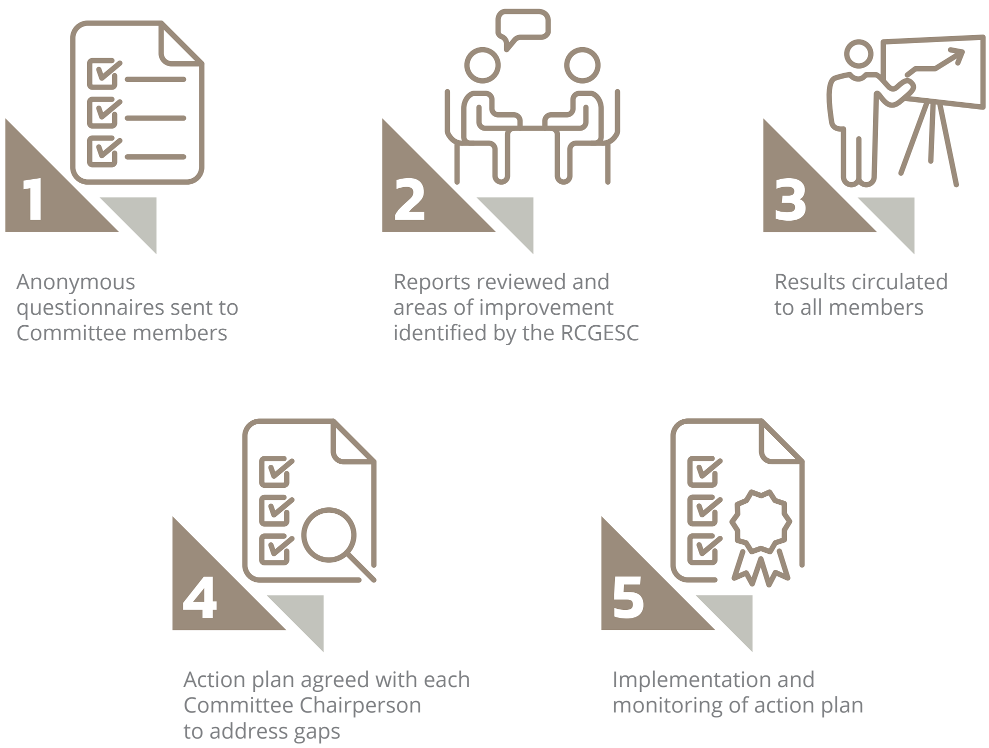
I am looking forward to seeing many of the opportunities materialise in the coming months and years."

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. In this respect, the Board generally undergoes a yearly assessment either with the support of an independent external facilitator or internally, under the oversight of the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC). Further to a refreshed Board evaluation exercise carried out by Ernst and Young Ltd in June 2022 based on a range of governance topics, focus was laid, during the year, on the implementation of proposed recommendations. In FY 2022/23, the Company Secretary also facilitated an internal self-assessment of Board committees, through anonymous questionnaires sent to committee members, in order to assess committees' performance, notably in terms of their functioning and effectiveness. The findings of the assessment concluded that Board 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, will oversee the implementation of specific actions to ensure that issues identified are given due consideration within a reasonable timeframe.

In the same vein, a self-evaluation of all directors was carried out through confidential questionnaires. The Chairperson thereafter met with each director individually to discuss their own performance and agreed upon potential areas for improvement. The performance of the Chairperson was debriefed by the other non-executive members of the RCGESC.

An outline of the internal self-assessment process used to evaluate the Board committees in FY 2022/23 is provided in the diagram hereafter.



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, including those that could threaten the Group's business model, performance, solvency, liquidity and reputation. 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. The Board has received assurance, through the regular reporting by the Chairperson 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 internal and external auditors and engages with them 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 while adhering to relevant rules and regulations. 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. Adoption of best practices in terms of cybersecurity risk management is actively promoted through regular awareness exercises including training sessions and simulated phishing attacks. The Group continues to invest in technology to enhance its operational resilience with significant investments monitored by the Board. 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 155 to 201

Internal audit

The primary role of Internal Audit is to assist the Board in protecting 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. In the exercise of their function, the internal auditors have sufficient access to information, records, and employees of the organisation. 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 155 to 201

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 appointment of Deloitte as external auditor was approved at the Annual Meeting of Shareholders of MCB Group Ltd, held in November 2022. As regards to 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

	2023		2022	
	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				
The Mauritius Commercial Bank Limited	20,967	-	18,975	-
MCB Leasing Ltd	1,461	-	1,323	-
MCB Group Limited	1,175	1,175	1,064	1,064
MCB Investment Holding Ltd	118	-	106	-
Fincorp Investment Limited	318	-	288	-
BDO & Co				
MCB Capital Markets Ltd	2,798	-	2,459	-
MCB Equity Fund Ltd	827	-	718	-
MCB Consulting Services Ltd	519	-	486	-
MCB Factors Ltd	270	-	235	-
MCB Properties Ltd	101	-	92	-
MCB Microfinance Ltd	306	-	266	-
MCB Real Assets Ltd	575	-	489	-
MCB Group Corporate Services Ltd	90	-	78	-
MCB Forward Foundation	106	-	92	-
Blue Penny Museum	75	-	68	-
KPMG				
MCB Maldives Private Ltd	566	-	654	-
Sey Auditors and Associates *(formerly known as BDO & Associates)*				
MCB Seychelles Ltd	1,568	-	1,337	-
PwC				
MCB Madagascar SA	822	-	870	-
CGA				
MCB Madagascar SA	327	-	286	-
Fees for other services provided by:				
Deloitte				
The Mauritius Commercial Bank Limited	11,897	-	1,898	-
MCB Leasing Ltd	222	-	201	-
Sey Auditors and Associates *(formerly known as BDO & Associates)*				
MCB Seychelles Ltd	466	-	-	-
KPMG				
MCB Maldives Private Ltd	530	-	252	-

Note that fees for other services relate mainly to comforts on dividend declaration, AML/CFT review, issuance of the GMTN programme, senior bond issuance under the GMTN programme and Tier 2 capital issuance. The bulk of the non-audit fees relates to the one-off fees for the issuance of MCB Ltd's GMTN programme.

Directors of MCB Group Ltd Subsidiaries

The Board composition of the subsidiaries is given hereafter, with the corresponding Chairperson as well as Chief Executive or Managing Director (where applicable) sitting on the respective Boards being mentioned. Changes in the Board Composition during the FY 2022/23 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 Limited	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Uday Kumar GUJADHUR Thierry HEBRAUD *(Chief Executive Officer Designate)(as from June 2023)* Johanne HAGUE 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)(until December 2022)* Désiré LEO *(as from December 2022)* 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 Hemraj HOSANEE *(Managing Director)(as from August 2022)* Désiré LEO *(Managing Director)(until August 2022)* Laila MANIK Jean Michel NG TSEUNG Marcello Chee Yan LEUNG HING WAH
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)(until May 2023)*** Couldip BASANTA LALA Bertrand DE CHAZAL *(until December 2022)* Gilbert GNANY Rony LAM YAN FOON *(Chief Executive Officer)* Jean Michel NG TSEUNG *(as from May 2023)* Jeremy PAULSON-ELLIS Eric SIEW HEW SAM *(as from February 2023)* 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 Michael NAAMEH Jeremy PAULSON-ELLIS Catherine SWANEPOEL Gilles TRANCART
MCB Structured Solutions Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Feriel AUMEERALLY 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 Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI

Subsidiary	Cluster	Directors
CM Structured Finance Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Rony LAM YAN FOON Anish GOORAH Vimal ORI
CM Structured Products Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson)*** Feriel AUMEERALLY 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)(until December 2022)*** **Karuna BHOOJEDHUR-OBEEGADOO** ***(Chairperson as from March 2023)*** Jean Michel NG TSEUNG *(as from May 2023)* Pierre Guy NOEL *(until May 2023)* Eric SIEW HEW SAM *(as from December 2022)*
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 HAGUE Désiré LEO *(as from June 2023)* Jean Michel NG TSEUNG *(until June 2023)* Anju UMROWSING-RAMTOHUL
MCB Factors Ltd	Non-Banking Financial	**Margaret WONG PING LUN *(Chairperson)(until November 2022)*** **Jean-Philippe COULIER *(Chairperson as from May 2023)*** Koomaren CUNNOOSAMY *(until July 2023)* Jean-Mée ERNEST *(Managing Director)* Martine IP MIN WAN *(as from July 2023)* Désiré LEO *(as from July 2023)* Michael LISING Pierre Guy NOEL *(until May 2023)* Dominic PROVENCAL *(as from July 2023)*
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)*** Gilbert GNANY Jean Michel NG TSEUNG *(as from May 2023)* Pierre Guy NOEL *(until May 2023)*
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 *(until November 2022)* Angelo LETIMIER *(as from November 2022)* Jean Michel NG TSEUNG *(as from May 2023)* Pierre Guy NOEL *(until May 2023)* Medina TORABALLY *(as from November 2022)* Jean Marc ULCOQ *(until November 2022)*
Fincorp Investment Ltd	Other Investments	**Jean-Pierre MONTOCCHIO *(Chairperson)*** Sunil BANYMANDHUB *(until December 2022)* Jean-Philippe COULIER Navindranath HOOLOOMANN *(as from December 2022)* Marivonne OXENHAM Margaret WONG PING LUN
MCB Properties Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson)(until March 2023)*** Gilbert GNANY Jean Michel NG TSEUNG *(as from March 2023)*
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 *(until March 2023)* Jean-Michel FELIX Gilbert GNANY Dhiren PONNUSAMY
MCB Group Corporate Services Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson)(until March 2023)*** Gilbert GNANY Jean Michel NG TSEUNG *(as from March 2023)* 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

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 Jean Michel NG TSEUNG *(as from October 2022)* Pierre Guy NOEL *(until March 2023)*
Blue Penny Museum	Other Investments	**Pierre Guy NOEL *(Chairperson)(until July 2023)*** **Jean-François DESVAUX DE MARIGNY *(Chairperson as from July 2023)*** Vanessa DOGER DE SPEVILLE Jean Michel NG TSEUNG *(as from July 2023)* 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)	2023	2022
Executive (Full-time)	196,748	172,162
Non-executive	15,150	13,238
Total	**211,898**	**185,400**

Shareholder relations and communication

How we communicate:

- Annual Report
- Sustainability Report
- Earnings releases
- Website
- External events and conferences
- SEM filings

Who we engaged with

- Retail shareholders
- Institutional investors
- Financial analysts

How we engage:

- Quarterly earnings calls
- Roadshows
- Annual Meeting
- Institutional Investors' queries to the Investors Relations Unit
- Conference calls and one-to-one meetings

The Board is committed to promoting 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 aforementioned communication channels. A dedicated 'Investor Enquiry' section is available 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 in line with our purpose 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.

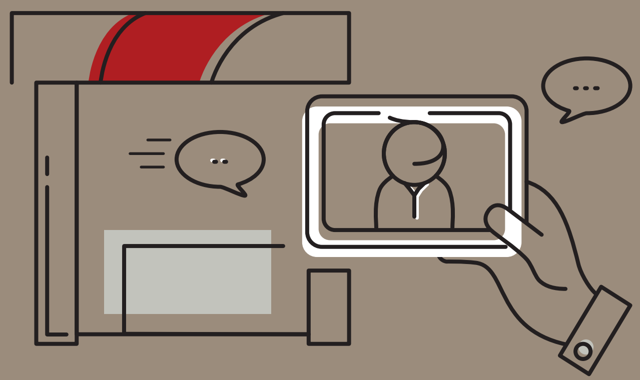
Individual shareholders

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, half-yearly analyst meetings and online earnings calls, the Group engaged with investors through conference calls and one-to-one meetings arranged outside the preset reporting cycle. The Group Executives also participated in an international roadshow, where institutional investors across different countries were present. The IR Unit keeps the Board up-to-date on key market trends as well as investors' 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 2022/23

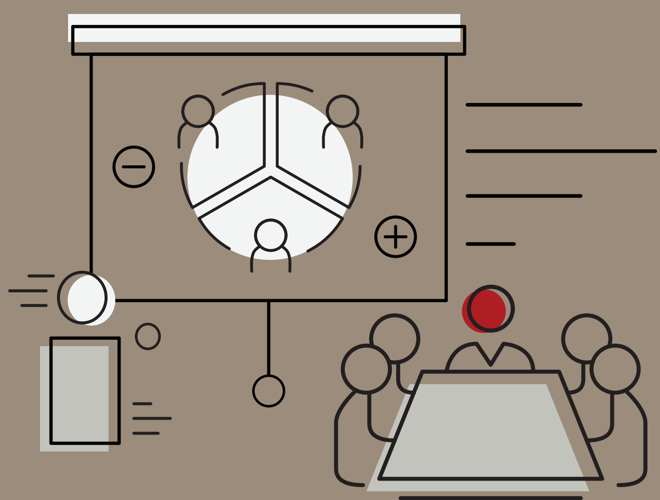


Investor Roadshow

- Participated in the EFG Hermes roadshow (Dubai) in March 2023
- Interacted with some 15 international institutional investors and active fund managers

Quarterly Earnings Calls/ Analyst Meetings

- Organised on a quarterly basis in October 2022, November 2022, February 2023 and May 2023 following the publication of financial results
- Some 50 participants on average interacted with Group Executives



Annual Meeting of Shareholders

- Annual Meeting of Shareholders held in November 2022
- Shareholders who attended, were given the opportunity to express their views, ask questions and receive feedback directly from Board members

In FY 2022/23, the key topics discussed between Group Executives and investors revolved around, but were not limited to the following themes.

Operating Environment

- Expectations of the Bank of Mauritius (BoM) Key Rate
- Impact of local rate hikes on credit quality and growth
- Implications of the new monetary policy framework of the BoM
- Relevant measures in the 2023-24 national budget
- General economic conditions prevailing in the country
- Moody's sovereign rating review and implications thereof
- Evolution of Mauritian Rupee against major currencies

MCB Group

- Financial performance and outlook
- Progress on strategic objectives
- Updates on the Group's corporate sustainability strategy
- Foreign currency funding and liquidity requirements
- Expected credit loss movements
- Risk of FCY deposit flight related to the turmoil in the US banking sector in early 2023
- Energy and Commodities business segment
- Dividend payment
- Potential fair value losses on held-to-maturity securities
- International loan book expansion
- Asset quality

Shareholder information

Shareholding profile

Ordinary shareholders

The Group has a diversified ownership base of around 23,000 shareholders, with foreign shareholding accounting for around 9% of the total. As at 30 June 2023, outstanding ordinary issued capital of MCB Group Ltd amounted to Rs 4.9 billion, comprising 246.5 million ordinary shares. The following tables set out the 10 largest institutional shareholders and ownership of ordinary share capital by size and type as at 30 June 2023.

Largest institutional shareholders	**Number of shares owned**	***% Holding***
National Pensions Fund	17,615,285	7.1
State Insurance Company of Mauritius Ltd	9,577,804	3.9
Swan Life Ltd	8,803,801	3.6
Promotion and Development Limited	7,170,573	2.9
The Mauritius Commercial Bank Ltd Superannuation Fund	3,147,796	1.3
BNYM SA/NV A/C Eastspring Investments SIVAC-FIS	2,645,713	1.1
MUA Life Ltd	2,624,785	1.1
SSLC/OSSB Boston A/C Russel Investment Company PLC FN:NAS5	2,561,115	1.0
National Savings Fund	2,480,313	1.0
KASA Investments Ltd	1,895,937	0.8

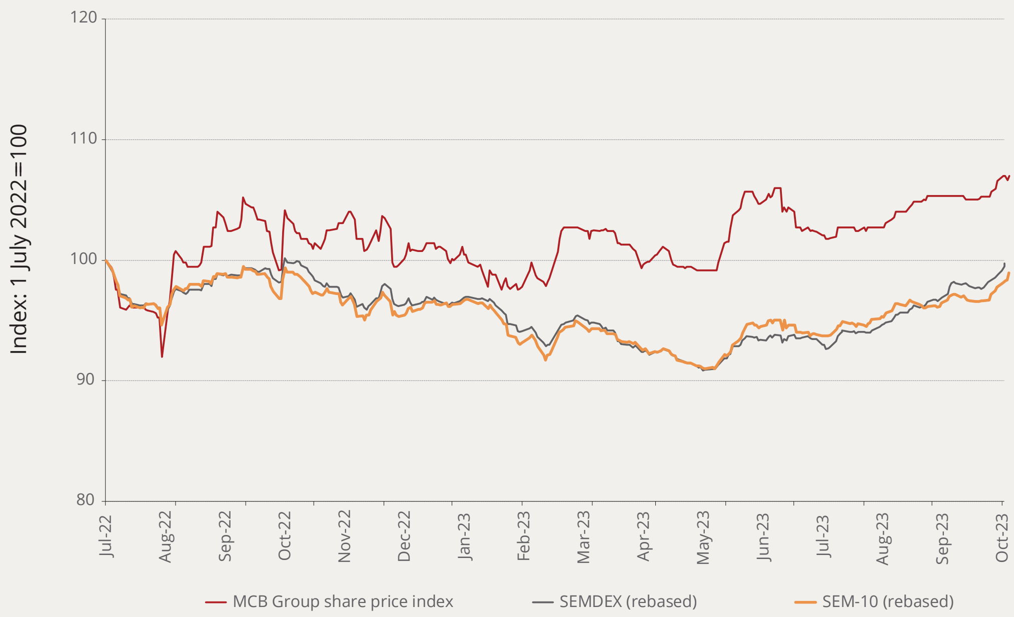
Size of shareholding	**Number of shareholders**	***% of shareholder base***	**Number of shares owned**	***% Holding***
1-500 shares	14,683	64.7	1,597,857	0.6
501-1,000 shares	1,719	7.6	1,272,244	0.5
1,001-5,000 shares	3,063	13.5	7,472,165	3.0
5,001-10,000 shares	1,016	4.5	7,273,128	3.0
10,001-50,000 shares	1,496	6.6	34,213,343	13.9
50,001-100,000 shares	323	1.4	23,031,167	9.3
Above 100,000 shares	401	1.8	171,633,926	69.6
Total	**22,701**	**100.0**	**246,493,830**	**100.0**

Category	**Number of shareholders**	***% of shareholder base***	**Number of shares owned**	***% Holding***
Individuals	21,480	94.6	112,379,591	45.6
Insurance and Assurance Companies	21	0.1	23,971,699	9.7
Investment and Trust Companies	123	0.6	22,869,517	9.3
Pension and Provident Funds	85	0.4	36,559,805	14.8
Other Corporate Bodies	992	4.4	50,713,218	20.6
Total	**22,701**	**100.0**	**246,493,830**	**100.0**

Figures may not add up due to rounding

Performance of MCB Group

Performance of MCB Group share price against the market



Year ending June	2021	2022	2023
MCB Group			
Share price (Rs)			
High	279.00	339.00	326.00
Low	200.00	274.00	283.00
Average	228.92	311.62	310.54
Closing - Year end	273.00	307.50	313.25
Market capitalisation as at 30 June (Rs m)	65,381	73,975	77,214
Market capitalisation as % of SEMDEX[1]	28.9	27.2	31.3
Value of shares traded (Rs m)	4,100	4,770	4,651
MCB market share[2] (%)	49	45	45
Earnings per share - Basic (Rs)	33.51	40.14	57.67
Price/NAV ratio (times)	0.9	0.9	0.9
Price earnings ratio (times)	8.1	7.7	5.4
Earnings yield (%)	12.3	13.1	18.4

[1] excludes foreign currency denominated, GBC1 and international companies
[2] excludes one-off transactions

Preference shareholders

As at June 2022, the Group had 339,622,500 preference shares in issue, which are entitled to a fixed dividend of 4.7% per annum, payable in June and December of every year. Since June 2022, holders of preference shares benefit from the option of converting their preference shares into ordinary shares at various dividend dates. During the financial year 2022/23, an aggregate of 109,649,208 preference shares have been converted into 3,604,072 ordinary shares in the conversion windows corresponding to the payment of June 2022 and December 2022 preference dividend. As at 30 June 2023, the Group had 229,973,292 preference shares in issue.

The latest conversion window corresponding to the payment of the June 2023 preference dividend resulted in the conversion of 44,503,612 preference shares into 1,471,081 ordinary shares, which were listed in July 2023.

The next conversion window for the outstanding preference shares will occur with the payment of the December 2023 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, the proportion of eligible shareholders who elected to receive Scrip shares are as follows.

Dividend payment date	Conversion rate (%)	Scrip share (Rs m)
December 2022	20.6%	399.9
July 2023	24.6%	514.5

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 57.66 for the financial year under review, the Board decided to apply part of the proceeds from the issue of Scrip shares amounting to Rs 914.4 million to declare a final dividend of Rs 11.75. This, together with the interim dividend per share of Rs 8.50 paid in July 2023, resulted in a total dividend pay-out of Rs 20.25 per share.

Shareholders agreements

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

Shareholders' diary

November 2023
Release of Q1 results to 30 September 2023

November 2023
Annual Meeting of Shareholders

December 2023
Payment of final dividend

February 2024
Release of half-year results

May 2024
Release of results for the 9 months to 31 March 2024

June 2024
Decaration of interim dividend

July 2024
Payment of interim dividend

September 2024
Release of full year results to 30 June 2024

September 2024
Declaration of final dividend

November 2024
Release of Q1 results to 30 September 2024

November 2024
Annual Meeting of Shareholders

December 2024
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 and the Company.

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 the Company 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 and the Company.

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

Jean Michel NG TSEUNG
Group 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 2022 to 30 June 2023

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

Jean Michel NG TSEUNG
Group Chief Executive

28 September 2023

Company Secretary's certificate

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2022 to 30 June 2023

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 2023

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FY 2022/23 highlights

The year in review from a risk perspective

The operating context across markets we are exposed to has been subject to high uncertainty levels during FY 2022/23, notably related to the high interest rates/high inflation environment coupled with sovereign rating actions in Africa, as described on page 40 to 41 of this Report. As a result, the risk landscape with which we have been confronted has been impacted. That said, our risk profile remained within established limits of our defined risk appetite thanks to the robust policies and processes in place and our proactive risk management across entities. We ensured that we continue to actively identify and assess risks arising from both external and internal environments, enabling us to comprehensively analyse potential threats and identify opportunities. Our Enterprise Risk Heat Map plays a pivotal role to this end. Through this exercise, we systematically pinpoint, assess, and keep a close watch on risks that have the potential to significantly influence our operations, financial performance, solvency, or strategy. On another note, with a view to enhancing our approach to risk management and compliance across all our subsidiaries, the Chief Risk Officer and Head of Compliance functions of MCB Ltd have been elevated at Group level. While the oversight will be carried out by the Group Chief Risk Officer and Group Head of Compliance and their respective teams, each subsidiary of the Group will continue to take ownership of the risks of its operations and the management of its respective risk and compliance functions.

During the year under review, the most prominent themes influencing our risk landscape related to ongoing macroeconomic uncertainties, increased competition and regulatory requirements, heightened prominence of ESG considerations, cyber threats and digital disruptions as well as continued workplace transformations and employee expectations. These factors have been identified as part of our materiality determination process detailed on page 39. Accordingly, we have defined 13 key risks that impact our business, which are classified in three risk categories, known as financial principal, non-financial principal and ESG risks, for adequate risk coverage. Of note, these risks represent only the major risks to the Group and are not exhaustive.

Our key risks

Our risk management approach remained effective, underpinned by: (i) an integrated governance structure promoting sound risk behaviours which is regularly reviewed and adapted as required; (ii) comprehensive and structured processes for evaluating, responding to, and monitoring risks; and (iii) an entrenched risk culture which underpins the shared values, behaviours and practices that drive how risk is considered in decisions, with the execution of the Risk Culture Programme contributing to further reinforce a strong risk-conscious environment throughout the organisation. We diligently allocated our capital types to the opportunities identified, aiming to generate sustainable risk-adjusted growth and returns, while prioritising the creation and protection of value for our stakeholders. A snapshot of our risk profile in FY 2022/23 is given below based on key risk indicators and their performance, with additional information on each risk type provided in the 'Management of key risks' section.

How we responded to our risk landscape

The following section outlines the impact of the developments occurring in our operating environment on our key risks during FY 2022/23 and our response thereto. Cybersecurity, credit/country risk, funding and liquidity risk as well as compliance risk were prominent focus areas, alongside our continuous commitment to upholding strong risk metrics. We further invested in strengthening our framework, enhancing our systems and tools, and upskilling our people, all while addressing risks faced. The symbols included for each key risks below indicate the perceived change in risk profile, in inherent risk terms, of the main risks faced during FY 2022/23 compared to FY 2021/22.

▲ Increasing ▼ Decreasing ◀▶ Stable

The capital types impacted by each of the key risk have also been included. Effective management of these capital types not only helps us mitigate risks but also supports our long-term growth and success in a rapidly changing landscape.

Capital types

Financial capital | Social and relationship capital | Natural capital | Human capital | Intellectual capital | Manufactured capital

Financial principal risks

Credit risk ▲

Capital impacted

The risk of 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).

Material matters of relevance: Macroeconomic uncertainty

In addition to the credit risks arising from our normal course of business and notwithstanding the ongoing economic recovery, we were impacted by the consequences of the evolving economic and market conditions, notably the interplay of high inflation and interest rates which resulted in higher debt servicing costs and thus heightened risk of credit defaults while also affecting provisioning levels.

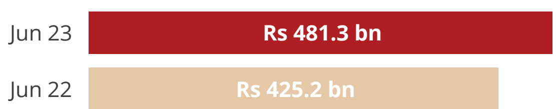
Our response

- Kept a vigilant and proactive approach to credit risk management backed by careful deal structuring and assessment of borrowers' creditworthiness while upholding a diversified loan portfolio
- Continuously assessed the implications of developments in the operating environment, notably on the foreign exchange front given the shortage of hard currency in some regional countries and on the debt repayment capacity of borrowers
- Granted preferential interest rates on housing loans to vulnerable and middle-class households at the level of MCB Ltd
- Monitored the non-performing asset portfolio performance and the potential effect on credit provisions as a result of the high inflationary pressures and economic challenges

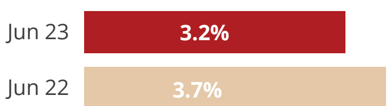
Our performance

We improved the general quality of our growing exposures on the back of careful market endeavours and dedicated measures put in place, leading to lower gross non-performing loans ratio and stable cost of risk while reinforcing our provisioning levels.

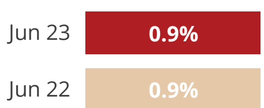
Credit risk-weighted assets



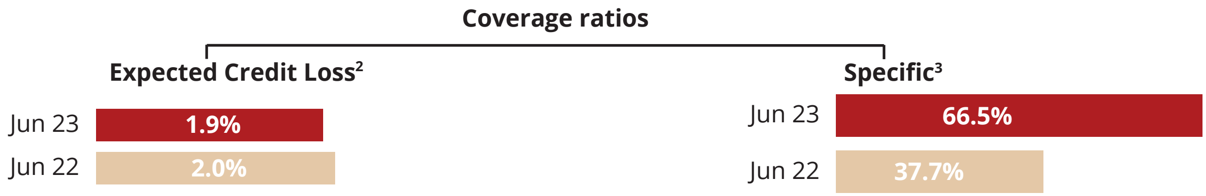
Gross non-performing loans ratio



Cost of risk[1]



[1] *Cost of risk pertains to loans and advances*



[2] *Expected Credit Loss coverage ratio pertains to stage 1 and 2 loans and advances only*

[3] *Specific coverage ratio is computed as a percentage of stage 3 exposures; the latter's remaining portion is adequately covered by collateral*

Country risk

Capital impacted

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.

Material matters of relevance: Macroeconomic uncertainty

Macroeconomic imbalances triggered by high inflation, foreign currency shortage and elevated public debt levels have pressurised sovereign ratings in specific markets where we are involved. Combined with political developments, such disturbances led to higher country risk at the level of MCB Ltd.

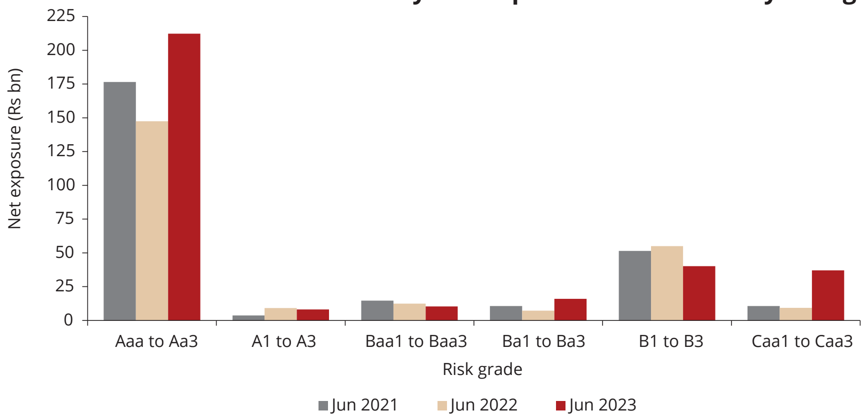
Our response

- Adapted our strategy to the evolving landscape notably regarding our financial commitments with sovereigns with lower credit ratings, which is guided by a prudent and calculated approach. While we recognise the potential challenges associated with these countries, we take into consideration in our risk appetite several factors, including (i) the ability of the obligors to generate sufficient foreign currency to service their indebtedness; (ii) the self-liquidating and short term structures of our exposures; and (iii) credit risk mitigants, to ensure that our credit exposures remain low risk
- Conducted regular assessments and reviews of our risk appetite to reflect country risk events and strategic priorities; Engaged in ongoing contingency planning, regularly updated plans and conducted scenario analysis to refine strategies and respond to evolving country risk dynamics
- Undertook several multidisciplinary country risk missions to reinforce monitoring of country risk events in addition to interactions with regulators and rating agencies, amongst others
- Strived to remain within our country risk appetite limits while also maintaining a well-balanced and diversified portfolio

Our performance

With a view to fostering sound country risk management, we continued to lay emphasis on diversified exposures across countries and sectors, while ensuring that our deals are appropriately selected, structured and ring-fenced. As at June 2023, an increase was noted in the Caa1 to Caa3 bucket with a related decrease in the B1 to B3 bucket linked to the downgrades of a few African sovereigns during the year. However, it is important to note that these exposures pertain to our financing activities in niche segments – in line with our targeted international expansion strategy – notably within the oil and gas sector in selected African countries, with our key markets having proven to be resilient.

Country risk exposures of MCB Ltd by rating



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

Market, Funding and Liquidity risk

Capital impacted

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, foreign exchange rates and equity prices. Market risk emanates from trading and non-trading portfolios.
Funding risk is 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 within a designated timeframe, resulting in potential added costs.
Liquidity risk arises from insufficient readily realisable financial assets to meet the financial commitment as and when they fall due.

Material matters of relevance: Macroeconomic uncertainty | Increasing regulatory requirements

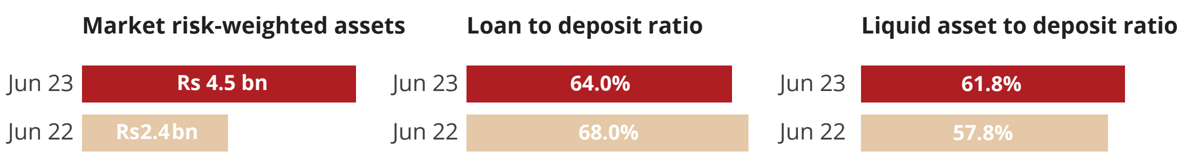
Heightened market volatility arising from tightened financial conditions, including the liquidity crisis emanating from the failures of Silicon Valley Bank and Credit Suisse Group, foreign exchange pressures and monetary policy developments warranted closer attention in view of potential implications for various asset classes and our access to funding.

Our response

- Leveraged our strong risk management frameworks, policies and standards for proper risk management which was supported by daily limit monitoring for our market risks
- Monitored the performance of investments against set objectives and risk limits; Analysed the stickiness of our foreign currency deposits and set a foreign currency loan to deposit ratio limit of 100%; Conducted additional stress tests in the wake of the banking turmoil abroad to assess the survival horizon and identify key risk indicators to be monitored
- Maintained sufficient liquidity buffers by operating within the strict risk framework and limits
- In line with its endeavour to diversify funding sources, MCB Ltd issued notes amounting to USD 300 million as part of its GMTN Programme and secured a syndicated loan of USD 500 million. The Bank also closed its first Basel III compliant Tier 2 bond issuance of USD 147 million, privately placed with the African Development Bank
- Issued notes worth Rs 2.5 billion under our Rs 10 billion Multi-Currency Note Programme at MCB Group level in August 2023

Our performance

We took proactive steps to maintain comfortable buffers and sustain strong funding and liquidity positions in FY 2022/23, with MCB Ltd reporting a consolidated liquidity coverage ratio (LCR) of 461%.



Capital risk

The risk that arises from the possibility of having an inadequate quantity or quality of capital to meet internal business strategies, regulatory requirements or market expectations in the area of structural risk.

Capital impacted

Material matters of relevance: Macroeconomic uncertainty| Increasing regulatory requirements

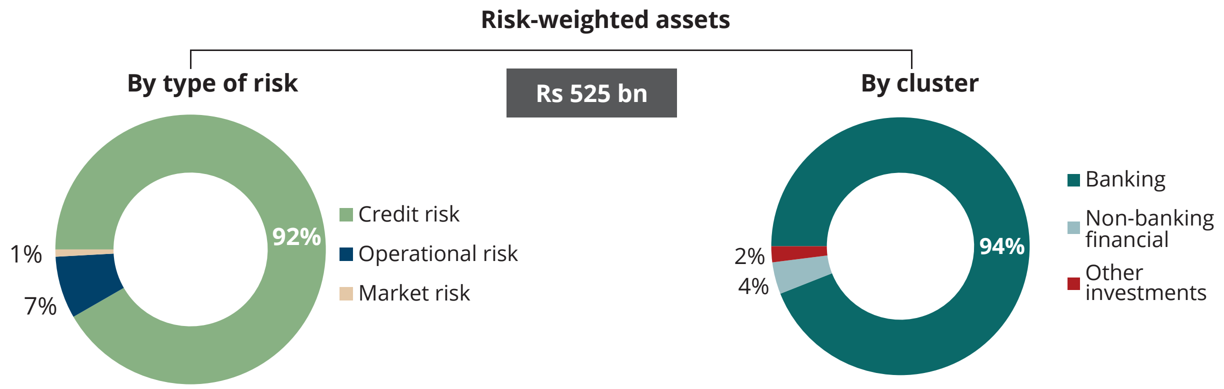
Pressures on our capital position emanated from the implications of the stressed macroeconomic context, notably in respect of sovereign rating downgrades in specific countries as well as stricter regulatory stipulations across markets where we are exposed. We also require adequate capital to sustain our international expansion endeavours.

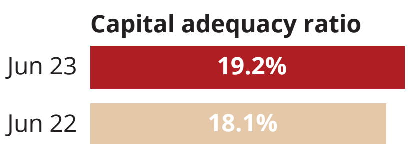
Our response

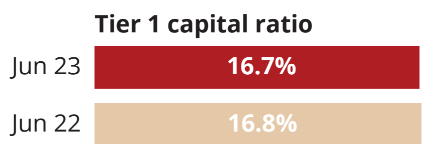
- Ensured there is sufficient capital to support our risks beyond minimum regulatory requirements alongside ensuring optimal risk-weighted assets (RWAs) utilisation; At the level of MCB Ltd, set RWAs limits for our CIB SBU and FM SBU activities that are monitored quarterly
- Performed regular stress tests on the lending portfolio to ensure that there is sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers; Ensured that our stress testing framework caters for new regulatory requirements
- Assessed the risks that could affect our solvency ratios and closely monitored key exposures against the risk appetite limits
- Monitored closely the exposure of MCB in countries having a non-investment grade rating status
- Consolidated our capital base by successfully closing a Basel III compliant Tier 2 bond of USD 147 million in March 2023 at the level of MCB Ltd

Our performance

Our capital position remained generally strong during the year, supported by our resilient financial performance, the conversion of preference shares into ordinary shares and the issue of scrip shares in lieu of dividend. Our capital base was further strengthened by the issuance of the Tier 2 debt instrument by MCB Ltd. The main contribution emanated from the banking entities, for which maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. MCB Ltd's capital adequacy ratio and Tier 1 capital ratio stood at 18.3% and 15.8% respectively, well above its regulatory requirements of 15% and 13% respectively.







Non-financial principal risks

Model risk

The risk of losses as a consequence of decisions being based on the output of models that are flawed or inaccurate.

Capital impacted

Material matters of relevance: Macroeconomic uncertainty | Increasing regulatory requirements | Cyber threats and digital disruptions | Workplace transformations and employee expectations

Model risks remained important during the year, with heightened market volatility affecting the performance of some models and necessitating model adjustments, while the increased recourse to more sophisticated machine learning techniques produce output that can be complex to verify.

Our response

- Continuously improved the accuracy and robustness of our models, backed by enhanced capabilities
- Developed an enhanced version of the credit scoring model for small to medium-sized enterprises as well as a new credit scoring model for credit cards which were built using machine-learning algorithms at the level of MCB Ltd. The implementation of the new credit-scoring models will ensure a higher level of accuracy in gauging the riskiness of a client, while reducing the time in granting a facility to a client with an efficient end-to-end process
- Included post model adjustments, management adjustments and model override in order to capture unexpected events

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.

Capital impacted

Material matters of relevance: Cyber threats and digital disruptions | Workplace transformations and employee expectations

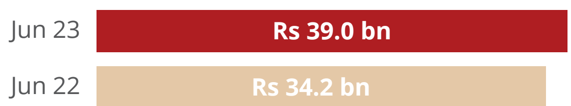
The Group continued to face potential operational disruptions linked to the fast-paced evolution of the operating environment, rising prominence of cyber-attacks globally and an increasingly competitive labour market.

Our response

- Regularly reviewed the operational risks inherent in internal processes and client solutions, with monitoring of key operational risk indicators performed against acceptable tolerance limits; Ensured strong permanent control
- Embedded a robust and sound risk culture in our day-to-day business activities, notably through the implementation of our Risk Culture Programme
- Performed an extensive review of the risk and control landscape across MCB Ltd through an update of the Operational Risk Cartography
- Continued to hold awareness sessions which were targeted to relevant audiences

Our performance

Operational risk-weighted assets



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.

Capital impacted

Material matters of relevance: Cyber threats and digital disruptions | Workplace transformations and employee expectations

The Group faced potential disruptive events linked to cyber-attacks and third-party or supplier dependencies along with the more traditional business continuity risks that could arise from technological outages and site unavailability disruptions.

Our response

- Performed annual exercises and simulated different scenarios to test our business continuity plans and crisis management protocols; Undertook Disaster Recovery (DR) simulations, with MCB Ltd successfully executing an unplanned DR exercise to test the actual readiness of its technical teams, thereby reaching a major milestone in its DR resilience journey

- Continued with ongoing improvement of business continuity responses and scenario planning

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.

Capital impacted

Material matters of relevance: Increasing regulatory requirements | Cyber threats and digital disruptions | Workplace transformations and employee expectations

Our response

- Enhanced our cybersecurity posture through a dedicated Red Team and a first level Blue Team; Undertook regular independent Penetration Testing and Vulnerability Assessments by leveraging external expertise as appropriate

- Implemented new innovative tools and solutions including Network Access Control (NAC), Security Information and Event Management (SIEM) and Endpoint Detection and Response (EDR)

- Contracted a dedicated person to oversee the Information Security Office; Conducted awareness campaigns on cyber risk as part of our Risk Culture Programme

- Continuous monitoring of cybersecurity events through various control systems, including our Security Operations Centre

- Continued to enhance our cybersecurity maturity through the review of policies related to cyber and technology risk management and ensured compliance with the relevant regulatory requirements such as the new Guidelines issued by the Bank of Mauritius on Cyber and Technology Risk Management and on Use of Cloud Services

- Beefed up our cyber response capabilities through the delivery of executable plans from Cyber Response Services providers

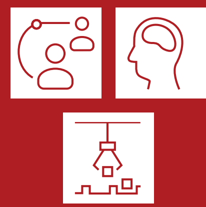
- Ran security awareness training sessions on a regular basis, in particular simulated phishing attacks, to promote the adoption of best practices in terms of cybersecurity risk management

- Increased staffing in both the first and second lines of defence to better face the increasing scope and complexity of cybersecurity threats

Regulatory and compliance risk

The risk of legal or regulatory sanctions and other action, financial loss, damage to reputation or impairment of integrity or any other financial or non-financial impact that may arise due to non-compliance with legal, regulatory and other compliance obligations in Mauritius and other jurisdictions where the financial institution is conducting its operations.

Capital impacted



Material matters of relevance: Increasing regulatory requirements | ESG considerations | Cyber threats and digital disruptions

The evolving breadth and complexity of regulatory requirements across the Group's markets have impacted our systems and procedures.

Our response

- Strived to adhere to all regulatory requirements; Maintained open and constructive dialogue with regulatory authorities, law enforcement agencies and the Mauritius Bankers Association, which aids in understanding and complying with regulatory changes and demands
- 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
- Further enhanced the transactional and screening alert systems and framework to reinforce effectiveness
- Reviewed the Enterprise Risk Heat Map and the Enterprise Wide Risk Assessment (EWRA) from an Anti-Money Laundering/ Combating the Financing of Terrorism and Proliferation (AML/CFT) perspective, including the identification of new/ emerging risks, for validation and monitoring by the Audit Committee
- Integrated ESG considerations into our risk management framework in compliance with international and local regulations
- Participated in a project initiated by the Bank of Mauritius to create a centralised KYC registry with a view to enhancing effectiveness of customer due diligence processes
- Reinforced the culture of compliance through regular awareness and training programmes aiming at increasing the Board members' and employees' knowledge of key policies, laws and regulations applicable to their roles and responsibilities
- Pursued human capacity building within our Compliance functions, through recruitment, while simultaneously providing opportunities for specialised training to all Compliance employees

Strategic and business risk

Capital impacted

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.

Material matters of relevance: Macroeconomic uncertainty | Increasing regulatory requirements | ESG considerations | Cyber threats and digital disruptions | Increased competition | Workplace transformations and employee expectations

Disruptions driven by developments in the operating environment across countries where we operate, including heightened competition for talents, along with evolving needs and expectations of our multiple stakeholders have accentuated our strategic and business risk.

Our response

- Reinforced governance and oversight through dedicated platforms to allow for a dynamic assessment of the implications of changes in the operating environment on our strategy and to ensure focused execution of our strategic priorities in line with available resources
- Continued to execute our niche strategy when conducting cross-border activities which has proven to be resilient
- Engaged with authorities to promote the soundness and image of the industry/jurisdiction; Maintained regular interactionswith rating agencies with processes in place for the scrutiny and dissemination of information in areas they monitor; Reinforced our network of intermediaries and partners
- Strengthened our internal capabilities as we (i) continued to invest in new technologies to drive customer engagement, productivity gains and operational resilience; and (ii) consolidated our talent base through a dedicated programme to reinforce acquisition, development, retention and succession planning

Reputation risk

Capital impacted

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.

Material matters of relevance: ESG considerations | Cyber threats and digital disruptions | Workplace transformations and employee expectations

Risks to the Group's brand image and reputation are driven mainly by the impact of adverse developments in both the internal and external operating landscape on our relationship with internal and external stakeholders.

Our response

- Undertook daily screening of local and international media for potential reputation threats and performed daily automated customer database screening against World-Check lists for risk assessment
- Enhanced Customer Due Diligence for customers flagged in adverse media
- Active moderation of our social media platforms to address comments and, if necessary, remove inappropriate content
- Dealt with customer complaints in an effective and timely manner
- Developed a comprehensive plan for dealing with potential disruptions, with an established Crisis Management Governance Structure in place
- Continued to invest in strengthening our frameworks, systems and expertise either internally or through our network of collaborators and advisors

ESG risks

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.

Capital impacted

Material matters of relevance: Increasing regulatory requirements | ESG considerations

With ESG matters ratcheting up in importance for our multiple stakeholders and increasingly gaining traction on the regulatory front, the implications thereof on our business activities and strategic endeavours call for heightened monitoring.

Our response

- Set up a Transition Taskforce in November 2022 to drive momentum on our sustainable finance endeavours and develop a coherent transition strategy. As part of the Taskforce, we established a Climate Risk stream to assist with the implementation of the BoM Guideline on Climate-related and Environmental Financial Risk Management. Furthermore, there are two Sustainable Finance streams under the Transition Taskforce which aim to develop the pipeline and strategy for the utilisation of the Sustainable Loan credit line of Rs 10 billion and focus on developing our offering for large international corporate groups as well as elaborating the transition roadmap for oil and gas
- Enlisted an international service provider to assist in the measurement of climate-related risks as per the BoM Guideline on Climate-related and Environmental Financial Risk Management, with a progress report on the Climate Risk roadmap submitted in March 2023
- Set up a dedicated Climate Risk function within the Risk SBU with a dedicated Senior Climate Risk Executive
- Incorporated the Environmental and Social Risk Management (ESRM) function within the Risk SBU to strengthen the assessment of environmental and social risks. The ESRM function has been integrated in the credit cycle to ensure assessment is done on a transaction basis when there are ESG implications
- Updated the internal Environmental and Social Risk Policy in May 2023, which complements the credit risk policy and caters for the changes in process, including roles and responsibilities, and strengthen the scope of application to address emerging environmental and social risks for an enhanced and more holistic credit approval process. Of note, awareness sessions are currently being conducted with key stakeholders impacted

Zoom on our Risk Culture Programme

Key emphasis during the year has been laid on further embedding a robust and sound risk culture in our day-to-day business activities, notably through the operationalisation of our Risk Culture Programme, in line with our Shared Ways of Working: We Act Responsibly. The main work streams initiated include the definition of risk-related attitudes and desirable behaviours to be adopted by the entire workforce, the formalisation of key risk indicators being monitored through monthly and quarterly risk performance dashboards and reported to relevant committees, and the reinforcement of the Risk Culture Ecosystem. In the same vein, we have widened the scope of our Chief Risk Officer (CRO) Office so as to ensure a more proactive and continuous collaboration amongst the different business units of the organisation towards promoting and maintaining adequate risk culture. As part of the latter move, the headcount of the CRO Office has been reinforced with new recruits with proven-track record in the risk universe. Various communication campaigns were also launched with the objective of raising awareness on organisation-wide risk areas, with a key focus, during FY 2022/23, laid on bolstering our cybersecurity management mindset and practices.

Main priorities looking ahead

- Further enhance the risk culture across the organisation with the continued operationalisation of the Risk Culture Programme

- Set up of the Risk and Compliance functions at Group level to enhance our approach to risk management and compliance across all our subsidiaries; 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

- 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 rating agencies to relay our efforts to uphold sound fundamentals

- Further reinforce the inherent capabilities and operating models of Group entities, notably through (i) continued upskilling of employees across risk and compliance functions; and (ii) increased synergies amongst risk functions and with other areas of the Group

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.

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

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 depending on 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 and culture** / **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

The 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 monitors the risk of the different portfolios against the defined 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 99 to 151

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.

The 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 a 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. Control processes and reporting lines have been put into place to foster a coherent and sound segregation of duties with regard to risk taking, processing and control.	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. 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 operating 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.

MCB Investment Holding Ltd seeks to foster more focused and integrated stewardship with regard to the overall operations and performance of the Group's foreign banking subsidiaries. Its Finance & Risk team supports the conduct of finance 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 and/or assists foreign subsidiaries in the development and implementation of risk policies and other risk-related matters. It assists overseas banking subsidiaries as regards to credit risk management, notably by structuring and 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, on the Operations side, the team provides assistance in terms of project management, and major technical issues, alongside offering guidance in respect of the execution and monitoring of operational risk- and compliance-related initiatives. It also contributes to and monitors the implementation of internal and external audit recommendations for reporting at board level.

<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 of independent directors, with international expertise, of MCB Capital Markets Ltd, is responsible to oversee all new product launches within MCBCM with the exception of investments which falls within the ambit of the CIS Supervisory Committee</td></tr>
<tr><th colspan="2">Executive committees</th></tr>
<tr><th colspan="2">Financial risk: Credit risk</th></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="4">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="8">MCB Investment Management (MCBIM)

Collective Investment Scheme (CIS) Supervisory Committee

• The committee is responsible for the review and assessment of all aspects relating to the CIS management activities of MCBIM, including set-up of new funds, material changes to existing funds and regulatory compliance

Investment Committee (IC)

• The committee, though not a sub-committee of the Board of MCBIM, serves an important purpose in respect of the investment management activities of MCBIM. The IC meets on a quarterly basis and reviews all material aspects of MCBIM's portfolio management process including strategic and tactical asset allocation, portfolio performance/risk and mandate compliance</td></tr>
<tr><td>Country Risk Committee (CoRC)

• The CoRC is responsible for setting individual country limits within the validated risk parameters on selected countries</td></tr>
<tr><td>Conduct Review Management Committee (CRMC)

• The CRMC ratifies credit exposures and other transactions with related parties where the aggregate of credit exposures/any other transactions to any single related party and/or its group of connected counterparties do not exceed 2% of the Bank's Tier 1 capital or Rs 500 million, whichever is lower</td></tr>
<tr><th colspan="2">Financial risk: Market, funding and liquidity risk</th></tr>
<tr><td>Asset and Liability Committee</td><td>Asset and Liability Committee</td></tr>
<tr><th colspan="2">Non-financial risks</th></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>

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.

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

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

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 control 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

The 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

The 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 culture

The Group recognises the importance of entrenching a sound risk culture to ensure that we undertake our daily business activities consistently within our risk appetite. Risk culture sets out the suitable behaviours and practices related to risk management and promotes collective responsibility whereby every employee exercises due care and makes informed and risk-based decisions while the Board sets the tone from the top. It is supported by continuous monitoring, regular awareness campaigns and staff training.

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 models

- **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 creditworthiness 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 securities subscribed by the Bank in favour of domestic corporate customers can be rated by CRAF and GCR Ratings, which are recognised by the Bank of Mauritius, with capital relief being applicable on investment-grade ratings

Management of key risks

Our risk management cycle

Our risk management lifecycle is a continuous process of strategic importance, 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 viability 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 we are 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. In line with these principles, we actively promote, monitor, and manage the quality of the credit portfolio. 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 frameworks 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 Guidelines issued by the respective central banks.

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. 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 23 Amount	Jun 23 Weight	Jun 23 Weighted Assets	Jun 22 Weighted Assets
	Rs m	%	Rs m	Rs m
Cash items	3,591	0 - 20	80	71
Claims on sovereigns	262,931	0 - 100	10,040	8,126
Claims on central banks	47,511	0 - 100	12,265	12,693
Claims on banks	81,438	20 - 100	32,104	22,312
Claims on non-central government public sector entities	2,620	0 - 100	412	1
Claims on corporates	302,203	20 - 150	285,764	245,924
Claims on retail segment	16,527	75	11,363	9,364
Claims secured by residential property	40,875	35 - 125	16,733	15,128
Claims secured by commercial real estate	17,911	100 - 125	21,004	19,167
Fixed assets/other assets	43,417	100 - 250	48,981	46,130
Past due claims	7,231	50 - 150	7,268	15,084
Total			**446,016**	**393,999**

Non-market related off-balance sheet risk-weighted assets	Jun 23 Nominal Amount	Jun 23 Credit Conversion Factor	Jun 23 Credit Equivalent Amount	Jun 23 Weight	Jun 23 Weighted Amount	Jun 22 Weighted Amount
	Rs m	%	Rs m	%	Rs m	Rs m
Direct credit substitutes	3,223	100	3,190	0 - 100	3,076	2,654
Transaction-related contingent items	33,991	50	15,885	0 - 100	14,118	12,613
Trade-related contingencies	61,525	20 - 100	11,063	0 - 100	10,468	10,150
Outstanding loans commitment	13,387	20 - 50	6,281	0 - 100	6,798	5,402
Total					**34,460**	**30,818**

Market-related off-balance sheet risk-weighted assets	Jun 23 Nominal Amount	Jun 23 Credit Conversion Factor	Jun 23 Potential Future Exposure	Jun 23 Current Exposure	Jun 23 Credit Equivalent Amount	Jun 23 Weighted Assets	Jun 22 Weighted Assets
	Rs m	%	Rs m	Rs m	Rs m	Rs m	Rs m
Interest rate contracts	15,364	0 - 1.5	150	423	572	243	18
Foreign exchange contracts	25,306	1 - 7.5	269	227	496	286	307
Other commodity contracts (other than precious metals)	3,337	10 - 15	334	63	396	296	59
Total						**825**	**384**

	Jun 23	Jun 22
	Rs m	Rs m
Total credit risk-weighted assets	**481,301**	**425,201**

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 cover. Exposures arising from foreign exchange and derivatives are mainly mitigated through agreements, e.g. International Swaps and Derivatives Association Master Agreements and Credit Support Annex documentation.

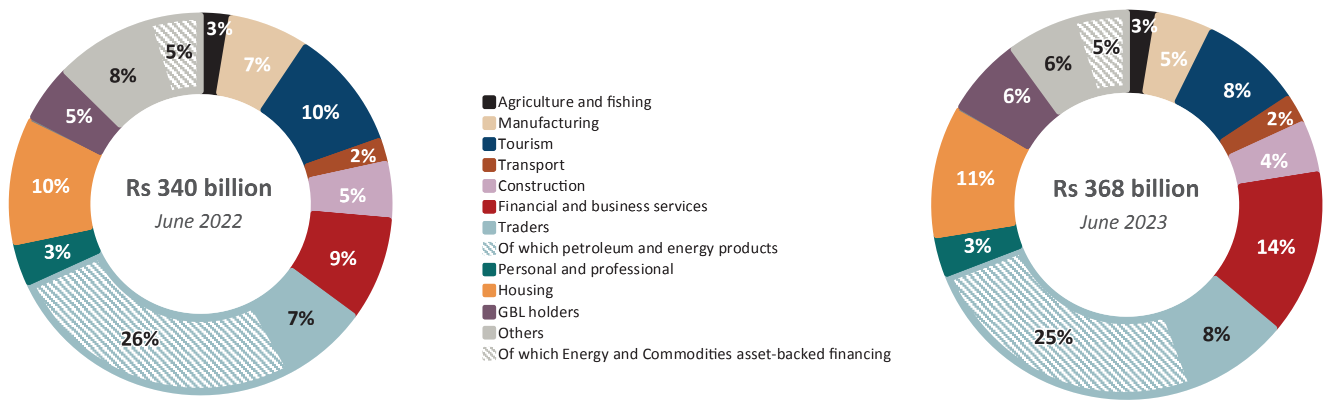
We are intent on diversifying our lending portfolios by setting relevant exposure limits to ensure that our performance is not negatively impacted, for instance, by a large sectoral exposure default. It is the policy of the Group's entities to limit credit risk exposures and concentrations within the 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.

In FY 2022/23, we continued to diversify our market footprint across segments and geographies, which helped us remain well positioned in terms of credit concentration and within regulatory limits. Our largest credit concentration pertains to oil and gas with a major part of these exposures being of a short-term and self-liquidating nature, hence carrying a lower risk profile.

Loans and advances to customers by segment

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

Loans and advances to customers by sector



Concentration of exposures at MCB Ltd

Credit concentration limits (% of Bank's Tier 1 capital)	Regulatory requirements	MCB Ltd 30 June 2023
Aggregate credit exposure to any single customer	Not exceed 25%	19.4%
Aggregate credit exposure to any group of connected counterparties	Not exceed 40%	36.9%
Aggregate large credit exposures* to all customers and groups of connected counterparties	Not exceed 800%	394.2%

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

MCB Ltd - Gross exposure as at 30 June 2023	Total gross exposure	Risk capital consumed	Risk capital consumed as a % of total credit risk capital
	Rs bn	Rs bn	%
Top 6 customers / customer groups	99.8	8.0	13.0
Total large credit exposures	276.0	16.7	27.0

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.

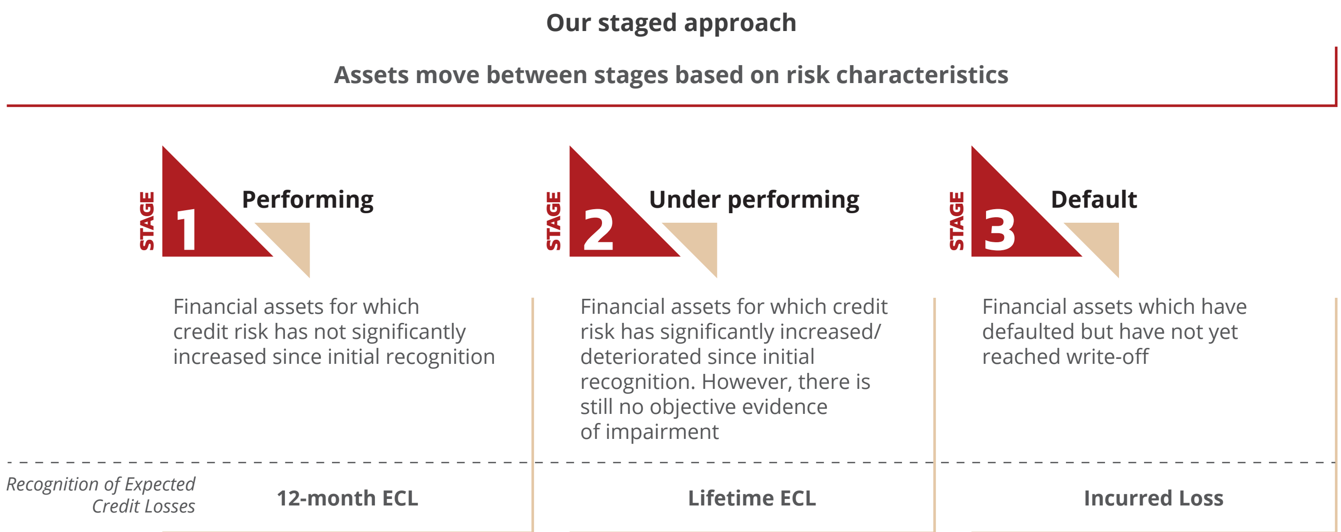
Determination and review of impairment and provisioning

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 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 for 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.



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 2022/23

Reflecting the proactive and prudent approach being endorsed by the Group to hold adequate provisioning levels in view of the still unsteady operating environment, we maintained comfortable levels of ECL during FY 2022/23, 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 where necessary.

As at 30 June 2023, ECL amounted to Rs 8.4 billion, of which Rs 7.8 billion pertained to stage 1 and stage 2 loans and advances, with the corresponding ECL coverage ratio standing at 1.9%.

MCB Ltd: Provisions as at 30 June 2023

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	56,177	202,806	85,668	5,618	288,634	179,799
Expected Credit Losses	174	2,390	847	93	110	532
Coverage ratio (%)	0.3	1.2	1.0	1.7	0.0	0.3
Stage 2						
Exposures	807	13,546	0	70	0	4,848
Expected Credit Losses	609	2,343	0	35	0	911
Coverage ratio (%)	75.5	17.3	0.0	0.0	0.0	18.8
Stage 3						
Exposures	1,027	9,182	0	410	285	890
Specific provisions	308	6,348	0	408	28	733
Coverage ratio (%)	30.0	69.1	0.0	99.5	9.8	82.4

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
Specific provisions	358	3,203	0	0	7	754
Coverage ratio (%)	29.6	33.9	0.0	0.0	9.3	45.8

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 2022

Foreign banking subsidiaries	Retail	Corporate	Financial institutions	Sovereign
	Rs m	Rs m	Rs m	Rs m
Stage 1				
Exposures	2,819	17,369	5,707	20,690
Expected Credit Losses	22	186	6	49
Coverage ratio (%)	0.8	1.1	0.1	0.2
Stage 2				
Exposures	31	454	0	0
Expected Credit Losses	2	40	0	0
Coverage ratio (%)	7.2	8.8	-	-
Stage 3				
Exposures	399	1,366	0	3
Specific provisions	234	556	0	3
Coverage ratio (%)	58.7	40.7	-	-

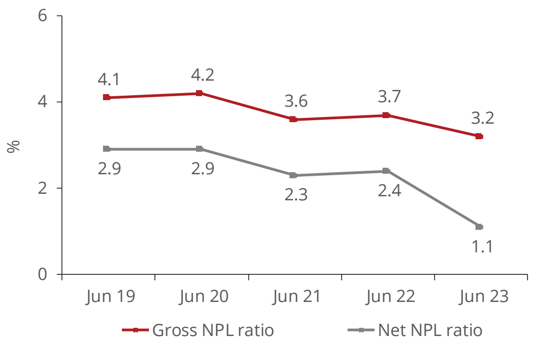
Foreign banking subsidiaries: Provisions as at 30 June 2023

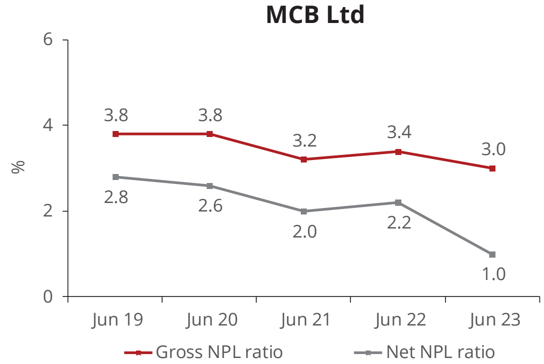
Foreign banking subsidiaries	Retail	Corporate	Financial institutions	Sovereign
	Rs m	Rs m	Rs m	Rs m
Stage 1				
Exposures	3,281	17,270	7,649	20,820
Expected Credit Losses	18	112	18	53
Coverage ratio (%)	0.5	0.7	0.2	0.3
Stage 2				
Exposures	16	806	0	0
Expected Credit Losses	1	50	0	0
Coverage ratio (%)	8.4	6.2	-	-
Stage 3				
Exposures	341	1,375	0	3
Specific provisions	256	724	0	3
Coverage ratio (%)	75.2	52.7	-	-

Asset quality

We improved the general quality of our exposures on the back of careful market endeavours and dedicated measures taken while also managing to close some big legacy files during the year notably at the level of MCB Ltd. Our gross and net NPL ratios stood at 3.2% and 1.1% respectively down from 3.7% and 2.4% respectively as at June 2022. Our specific coverage ratio increased from 37.7% to 66.5%, with the remaining portion being adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time.

Quality of exposures





June 2023	Non-performing loans (NPLs)		Specific provisions	
MCB Group	**Rs m**	***% of exposures***	**Rs m**	***% of NPLs***
Agriculture and fishing	926	*10.0*	1,068	*82.7*
Manufacturing	213	*1.2*	193	*55.6*
Tourism	795	*2.6*	712	*67.8*
Transport	269	*3.1*	399	*82.7*
Construction *(including property development)*	276	*1.7*	177	*51.2*
Financial and business services	325	*0.6*	253	*62.8*
Traders	1,070	*0.9*	1,096	*56.8*
of which petroleum and energy products	*0*	*0.0*	*0*	*0.0*
Personal and professional	962	*1.9*	470	*35.1*
of which credit cards	*33*	*3.2*	*29*	*87.9*
of which housing	*537*	*1.4*	*185*	*29.6*
Global Business Licence holders	7,285	*32.4*	6,595	*71.9*
Others	1,515	*4.0*	975	*59.3*
of which Energy and Commodities asset-backed financing	*890*	*5.2*	*746*	*82.3*
Total	**13,636**	***3.2***	**11,938**	***66.5***

Notes:
(i) For the computation of asset quality ratios, total exposures include corporate notes/bonds 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 and objectives

MCB applies a coherent and comprehensive approach and framework as well as adequate control processes to formulate its country risk tolerance and determine exposure limits assigned to markets, alongside adhering to the BoM Guidelines on Country Risk Management and Cross-Border Exposure. The RMC is entrusted with the task of 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

The Bank 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, currency depreciation/devaluation and political developments. 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 keeps track of the unfolding business opportunities across markets of interest and 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

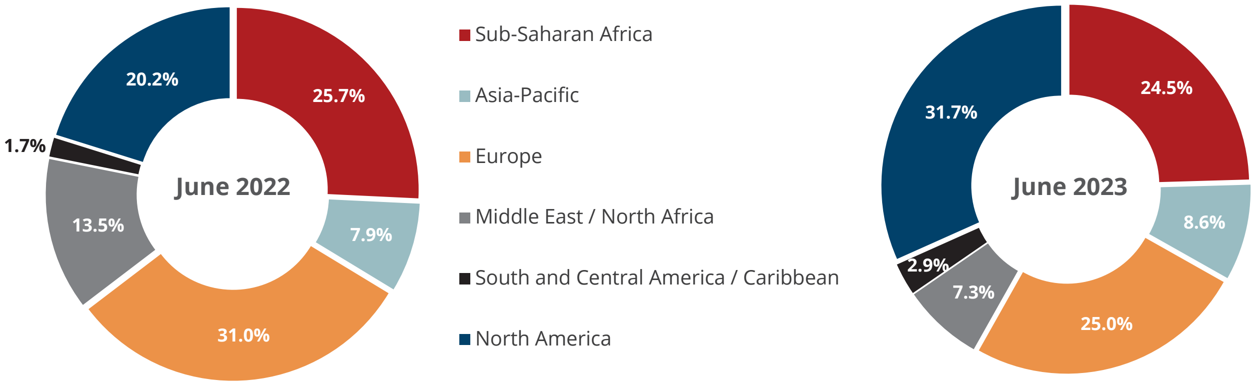
With a view to fostering sound country risk management, we lay emphasis on (i) thoughtful and regular determination and review of our risk appetite, after making allowance for the evolving operating environment and our strategic ambitions; (ii) diversified exposures across countries and sectors; (iii) 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

Exposures by region

(Excluding Mauritius)



Note: Exposures include funded and unfunded financing exposures as well as treasury activities

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 by the Chief Executive Officer of MCBCM and the second level approval provided by MCB Group Executives.

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, the MCB Group 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 and objectives

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 the market risk exposures across trading and banking books. These include market-contingent risks such as counterparty credit risk as well as profit and loss risks arising from market risk activities. We also detect and manage the impact of currency fluctuations, alongside properly managing the net open positions.

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 and Product Control BU (MRPC BU) undertakes the monitoring and management of market risks, while providing financial position and risk analysis information to the 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 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.

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 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 are monitored by the Market Risk and Product Control 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 and objectives

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 sources of funding that are cost-efficient, diversified, and stable, with a primary focus on 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 scenarios; 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 LCR with monitoring/reporting for assets and liabilities denominated in significant currencies. This entails 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 a 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

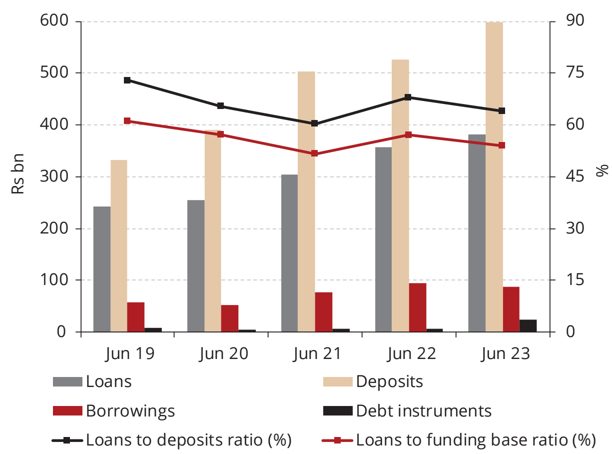
The Group diligently manages and diversifies the funding and maturity profile of the balance sheet in order to ensure that we can successfully deploy our strategic endeavours over the short and longer runs.

To achieve this, banking entities of the Group employ a methodical approach that involves creating 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 for both local and significant foreign currencies to analyse and monitor the impact of projected disbursements by lines of business. They also undertake 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.

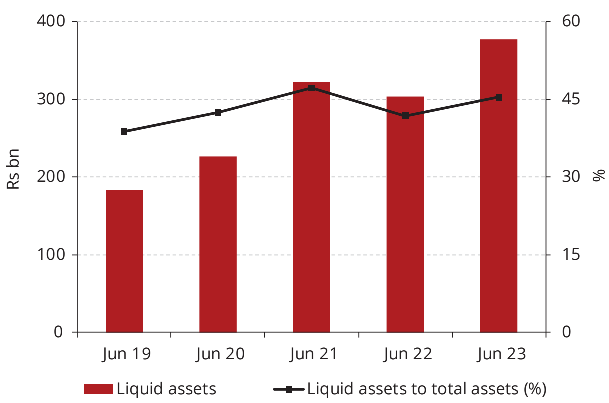
The stock of liquid assets is proactively managed to cover day-to-day cash management and, in the case of MCB Ltd, provide for an adequate coverage of the risk-weighted cash outflows associated with the standardised crisis scenario under the Basel III framework for liquidity coverage ratio. The components 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, we took proactive measures to maintain substantial buffers in light of the prevailing economic environment. Despite these challenges, the Group continued to display strong funding and liquidity positions in FY 2022/23. 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. In this respect, we leveraged placements from banks and repurchasing agreements. In line with its funding diversification objective, MCB Ltd also successfully launched and priced its first USD 300 million 5-year senior unsecured notes issuance under its USD 3 billion Global Medium Term Note Programme and signed a three-year USD 500 million syndicated loan. The Bank also closed its first Basel III compliant Tier 2 bond issuance of USD 147 million, privately placed with the African Development Bank. These strategic moves contribute to strengthening the Bank's overall financial position and aligns with its commitment to maintaining a robust and diversified funding base. More recently, we issued notes worth Rs 2.5 billion under our Rs 10 billion Multi-Currency Note Programme at MCB Group level for existing debt repayment purposes.

Loan and funding base

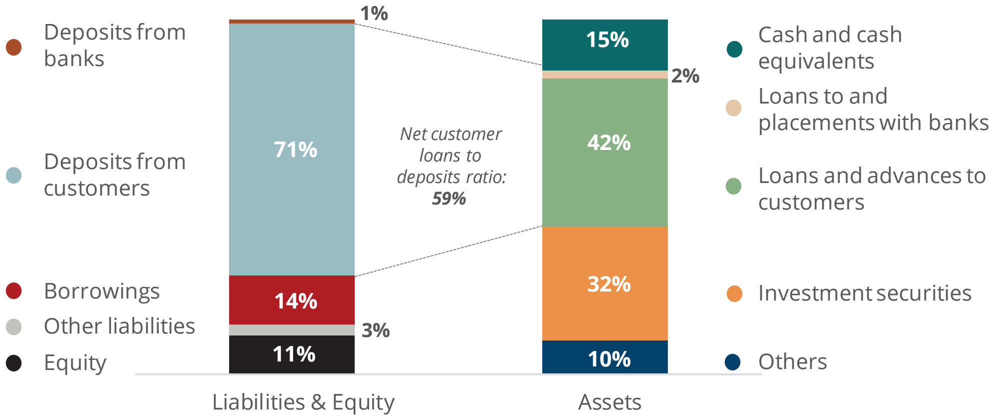


Liquid assets



Note: Liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds

Asset funding structure as at June 2023



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), which can provide support during a 30 calendar day period of significant liquidity stress. As per local regulations, 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 LCR has been elevated to 100% for MUR, as well as for material foreign currencies, and consolidated LCR. Furthermore, in September 2020, the Guideline on Liquidity Risk Management was revised to provide 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 2023, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 461%, which is equivalent to a surplus of some Rs 146 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 354% as at 30 June 2023. It can be noted that HQLA eligible for the purpose of calculating the LCR as per set rules consist of cash or assets that can be converted into cash at little or no loss of value in markets. In this light, MCB diligently managed its investment portfolio, holding suitable levels of investment in sovereign and cash liquid assets. This strategic approach not only contributes to meeting regulatory requirements but also reinforces the Bank's readiness to navigate various market conditions while preserving the value and stability of its position.

Net stable funding ratio (NSFR)

Under Basel III, the NSFR aims to strengthen the resilience of a bank over a longer time horizon. It achieves this by requiring the bank to maintain a stable funding profile relative 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. Although not yet a regulatory requirement in Mauritius, MCB monitors its NSFR performance, which requires an amount of available stable funding to be maintained. As at 30 June 2023, MCB Ltd reported an NSFR of 144%. This figure exceeds the minimum level recommended by Basel III, which mandates a minimum NSFR of 100% on an ongoing basis. This accomplishment underscores the Bank's proactive approach in ensuring a robust and balanced funding structure, contributing to its long-term stability and resilience.

Model risk

General approach and objectives

We make use of models for a broad range of business and risk management activities, such as in the credit approval process, valuation of risk exposures, stress testing exercises and pricing strategies. Such applications invariably give rise to risks of model errors that could expose the organisation to financial loss or reputational damage. The Group is determined to enhance its model risk management framework, alongside strengthening capabilities to minimise uncertainty of output and cater for the increasing complexity of models. We adopt best practices for transparent model development, implementation, and validation. At the level of MCB Ltd, model risk oversight is assumed by the Model Review Committee, which is chaired by the Chief Risk Officer, and is responsible for validating all new, updated or recalibrated models and assessing if models are fit for purpose, efficient and make business sense.

Mitigation and management

We have developed a criticality rating matrix that appraises the risk rating of a model by accounting for both the quantitative and qualitative impact of the model. The financial impact of the underlying model is gauged as a percentage of the operating profit and the model's non-financial impact is assessed on the basis of operational efficiency gains derived from its application, its contribution towards ensuring regulatory compliance and the extent to which the model assists in enhancing customer experience.

Policies and procedures are in place to ensure the effective development, deployment and validation of models and adequate performance monitoring thereof. Model development data, which are guided by principles of transparency, explainability and auditability, are thoroughly assessed before use. All deployed models match the industry benchmark for the Gini coefficient. Before models are deployed, they go through an internal validation process covering dimensions such as data sampling, variable treatments, variable selection, model design, and measure of model performance during back-testing exercises, among others. All relevant stakeholders are involved during the development phases of the models. In addition, Management and model sponsors are regularly updated, at each critical milestone, of model development and deployment. The organisation's business rules are implemented in certain cases to make models more rigorous in areas which cannot be directly modelled. These rules, which are continuously adapted to reflect prevailing economic and market conditions, are also helpful in cases of severe economic downturns where models might not perform as expected. Moreover, in order to curtail the risk of losses from incorrect model decisions in loan approvals, automated model decisions are meticulously designed and allowed within a pre-set maximum loan limit. Furthermore, models are periodically assessed following their deployment in areas such as drift in model input and model accuracy. In addition, once sufficient historical data points are available, backtesting of models are set to be undertaken to cross-check their robustness. As a further layer of risk mitigation, the Internal Audit BU of MCB Ltd performed a full audit of the Credit Modelling BU during the FY 2022/23, which also covered the review of models.

Operational risk

General approach and objectives

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.

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.

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.

Primary lines of control

Risk ownership

Business units

- Implement internal control procedures
- Identify inherent risks in products, activities, processes and systems
- Initiate actions and apply mitigation strategies
- Report risk incidents

Risk control

Audit Committee/IORC/ Operational Risk BU

- Oversee the implementation of policies
- Implement integrated risk framework
- Report on inherent and residual risks
- Monitor corrective actions
- Promote operational risk culture across the Bank

Independent assurance

Internal/External Audit

- 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 was recently updated and 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, incident reports and IT change requests 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 are adopted across all our business activities and on our premises. Towards this end, it complies with the provisions of relevant legislations, namely 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. By fostering a safety culture throughout the organisation, we are able to prevent accidents, reduce injuries, and create a secure environment for everyone.

Business continuity risk

General approach and objectives

The Group adopts a robust and proactive approach to Business Continuity Management (BCM) to ensure that its entities continue to conduct their key business activities and deliver products and services in case of unforeseen events or business disruptions at acceptable pre-defined service 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.

Furthermore, contingency strategies have 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 and objectives

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. The Group's primary objectives are to maintain the confidentiality, integrity, security, and availability of information assets stored, processed, and transmitted throughout the organisation. In addition, we aim to handle and mitigate cyber risks, establishing a strong IT platform to aid the delivery of the organisation's strategic objectives, while protecting confidentiality and preventing misuse of systems and business disruptions.

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 BU (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 hereafter:

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 Bank's security posture has improved further through the activities of a dedicated Red Team

- 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 risk culture

Compliance risk

General approach and objectives

Forming part of the Group's second line of defence for managing risks, the relevant Compliance functions are duty-bound to provide assistance to the Board and Management. This ensures that business activities are conducted in strict compliance with applicable laws, rules, regulations, industry codes of conduct, policies, standards, and good governance practices. Our main objectives include complying with all relevant stipulations to safeguard the organisation's assets and shield it from legal and regulatory sanctions and financial/reputation losses. We also strive to ensure consistency between the conduct of business operations and the observance of relevant laws and standards of good market practices. This is achieved through the continued identification of compliance-related risks, ongoing assessments, and the design of adequate controls. The approach emphasises the Group's commitment to ethical conduct and adherence to legal standards and reinforcing the trust and confidence of our stakeholders, including investors and customers. It fosters a compliance-oriented culture, supporting business lines in delivering fair outcomes for customers and preserving the organisation's reputation, all while helping to achieve business development objectives. The Compliance functions also help to protect the Group's reputation and to minimise the risk of investigation, prosecution, regulatory sanctions and penalties. It fosters a compliance-oriented culture, supporting business lines in delivering fair outcomes for customers and preserving the organisation's reputation, all while helping to achieve business development objectives.

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, alongside 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 as well as 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;
- 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 and;
- On going focus on strengthening the compliance culture within MCBCM.

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 & 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) obligations, Group entities 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 staff are given appropriate training on AML/CFT to help them identify suspicious transactions in keeping with legal and regulatory requirements. 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 Organisations 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 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 has been 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 assurance: Internal audit

General approach

Our Internal Audit function, i.e. the third line of defence which is independent of the first and second lines, is responsible for providing independent assurance to the MCB Group Audit Committee, the Audit Committees of its subsidiaries and Management on the overall design and operating effectiveness of the risk management framework and its components. This includes the adequacy and effectiveness of key internal controls, governance and the risk management in place to monitor, manage and mitigate the principal risks to MCB Group and its subsidiary companies achieving their objectives.

The foreign banking subsidiaries are structured with their locally-based internal auditors, and complement their assurance with the services provided by the Internal Audit SBU of MCB Ltd. The audit plans of both internal audit functions are considered by their respective Audit Committee to ascertain the most adequate coverage, whilst requesting to leverage the expertise of Internal Audit SBU – which is certified as compliant with the Institute of Internal Auditors' (IIA) standards – to standardise the approach and quality of audit work. This provides the opportunity to enhance the effectiveness of internal audit management and processes.

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 which could eventually jeopardise the operations of the Group. The third line of defence executes its duties freely and objectively in accordance with the IIA Code of Ethics and International Standards on independence and objectivity.

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, either maintain 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.

Capital management at MCB is underpinned by a forward-looking approach and coupled with a comprehensive 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. Through this holistic assessment, we fine-tune our capital strategy to align with our broader goals, thereby ensuring our sustained resilience and capacity for strategic advancement.

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 and MCB Seychelles are guided by their 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 evaluate how it can maintain adequate capital under such scenarios.

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 2022/23, 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 2022/23, i.e. at the beginning of January 2023, 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.

Mild scenario	The continued effects of inflation globally resulted in an increase in base rates from Central Banks, forcing the BoM to increase the Key Rate even further in an attempt to curb imported inflation. This leads to a mild recession globally and in Mauritius, resulting in investors pulling away from emerging markets. The conflict between Russia and Ukraine continues without further deterioration and without further shocks to oil and gas prices. The conflict is assumed to finish in 2024 and the world returns to a slow pace of growth in 2025.
Medium scenario	The conflict between Russia and Ukraine worsens considerably resulting in a spike in oil and gas prices, and further inflation globally. This results in a full global recession and a further flight away from emerging markets by investors. Combined with the shock to the tourism sector, the rupee is under even more pressure and the country rating is downgraded. The Russia/Ukraine conflict lasts until the beginning of 2025 while the world resumes slow growth only towards the end of 2025.
Severe scenario	The world experiences a resurgence in variants of COVID-19 resulting in several lockdowns and restricted travel. The Russia/Ukraine conflict simultaneously worsens causing a squeeze in oil and gas supplies and a rise in prices. The reduced number of tourist arrivals and decrease in FDI cause a significant depreciation of the rupee. The country rating is also downgraded. In this scenario, the contagion effects of the pandemic and the ongoing Russia/Ukraine conflict would derail the fragile recovery and the global economic depression would prevail beyond FY 2024/25.

Internal Capital Adequacy Assessment Process at the level of our foreign banking subsidiaries

During the year under review, our foreign subsidiaries submitted their annual ICAAP documents. They demonstrated that they had robust internal assessment process for capital adequacy towards Pillar II risk types to which they are exposed, as well as external risk factors.

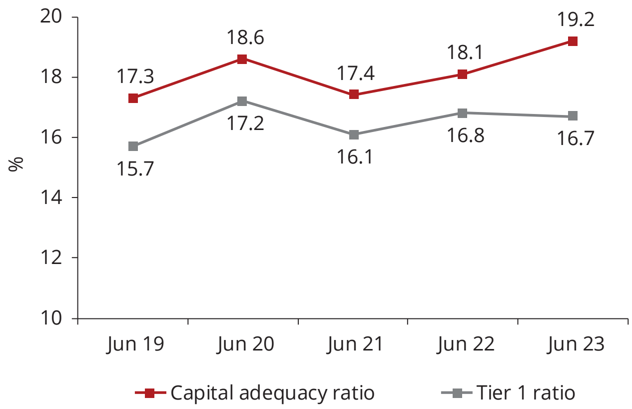
Stress testing results

Our foreign subsidiaries conducted stress tests under various scenarios to assess the impact of unfavourable events on their capital position. They proved that they had robust capital bases, allowing them to withstand adversities in events of severe shocks, whilst also maintaining the capital adequacy ratios above the regulatory thresholds in the scenarios tested.

Capital position for FY 2022/23

The Group continued to be well capitalised backed by higher retained earnings, the conversion of preference shares into ordinary shares and the issue of scrip shares in lieu of dividend. The Group's capital base was further strengthened by the issuance by MCB Ltd of a Tier 2 debt instrument for a notional amount of USD 147 million. The capital adequacy and Tier 1 capital ratios stood at 19.2% and 16.7% respectively as at 30 June 2023. 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 525 billion as at 30 June 2023, 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 Group's banking entities foster strict compliance with mandatory stipulations set by the regulators in their respective jurisdictions. In respect of MCB Ltd, it uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Alternative Standardised Approach used for operational risk. The determination of its capital resources is conducted in line with 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 guideline, banks are required to hold a capital surcharge, also known as 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 by the Central Bank using end-June figures. According to the assessment carried out by the BoM, MCB Ltd features among the five banks that have been identified as systemically important in our jurisdiction. This assessment is based on five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability.

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 2023	**%**	**%**	**%**	**%**
Capital adequacy ratio	15.0	12.0	12.0	8.0
Tier 1 ratio	13.0	6.0	6.0	-

Performance for FY 2022/23

The capital adequacy ratio of the banking cluster – as measured at the level of MCB Investment Holding Ltd on a consolidated basis – stood at 17.6% as at 30 June 2023. The capital base was primarily made up of core capital, with the Tier 1 ratio standing at 15.1% while Tier 2 capital was boosted by the issuance of the Tier 2 debt instrument at the level of MCB Ltd. 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 22	Jun 23	Jun 22	Jun 23
Capital base	**Rs m**	**Rs m**	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	3,109	4,907	8,880	8,880
Retained earnings	67,545	75,747	52,250	61,396
Accumulated other comprehensive income and other disclosed reserves	7,539	10,357	10,322	10,478
Common Equity Tier 1 capital before regulatory adjustments	**78,192**	**91,011**	**71,451**	**80,753**
Regulatory adjustments				
Goodwill and other intangible assets	(2,545)	(2,867)	(2,107)	(2,398)
Deferred tax assets	(1,600)	(2,217)	(2,166)	(3,107)
Defined benefit pension fund assets	-	(456)	-	(456)
Common Equity Tier 1 capital (CET1)	**74,048**	**85,471**	**67,178**	**74,793**
Additional Tier 1 capital (AT1)	3,396	2,300	-	-
Tier 1 capital (T1 = CET1 + AT1)	**77,444**	**87,771**	**67,178**	**74,793**
Capital instruments	179	6,840	68	6,840
Provisions or loan-loss reserves	5,315	6,016	5,016	5,701
45% of surplus arising from revaluation of land and buildings	1,282	938	-	-
Tier 2 capital before regulatory adjustments	**6,776**	**13,794**	**5,084**	**12,541**
Regulatory adjustments	(516)	(546)	(514)	(544)
Tier 2 capital (T2)	**6,260**	**13,248**	**4,570**	**11,997**
Total capital (T1 + T2)	**83,704**	**101,019**	**71,748**	**86,790**
Risk-weighted assets	**Rs m**	**Rs m**	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	393,999	446,016	370,310	420,896
Weighted amount of off-balance sheet exposures	31,202	35,285	30,962	35,185
Weighted risk assets for operational risk	34,249	39,017	32,256	36,976
Aggregate net open foreign exchange position	2,410	4,508	1,477	653
Total risk-weighted assets	**461,859**	**524,826**	**435,006**	**493,710**

Capital adequacy ratios (%)	Jun 22	Jun 23	Jun 22	Jun 23
Total capital adequacy ratio	**18.1**	**19.2**	**16.5**	**17.6**
of which Tier 1	***16.8***	***16.7***	***15.4***	***15.1***

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 2022	17.2	18.5	74.3	13.7
As at 30 June 2023	18.3	20.3	60.2	12.6
Tier 1 ratio				
As at 30 June 2022	16.3	15.9	58.1	10.9
As at 30 June 2023	15.8	16.9	49.3	10.2

Note: Figures are as per the banking entities' respective regulatory norms

Jean-Philippe COULIER
Director
Chairperson Risk Monitoring Committee

Jean Michel NG TSEUNG
Group Chief Executive


MCB

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 210 to 317, which comprise the consolidated and separate statements of financial position as at 30 June 2023, 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 2023, 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 judgement, were of most significance in our audit of the consolidated and separate 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><th colspan="2">Provision for expected credit losses - Financial assets which are not credit impaired</th></tr>
<tr><td>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.</td><td>Our audit procedures included amongst others:

• Inspecting the minutes of the Risk Monitoring Committee, Audit Committee and the Board of Directors to ensure that there are governance controls in place in relation to assessment of the ECL;
• Using specialist team in performing certain procedures;
• Reviewing a sample of the rating reports derived from the internal rating system;
• Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstop used in the methodology;
• Assessing the appropriateness of the macro-economic forecasts used;</td></tr>
</table>

Independent auditor's report to the Shareholders of MCB Group Limited (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 not credit impaired (Cont'd)	
• **Significant Increase in Credit Risk ('SICR')** - Determining the criteria for significant increase in credit risk 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. 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.	• Independently assessing the 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 - Loans and advances to customers which are credit impaired	
Provision for expected credit losses on credit-impaired loans and advances to customers involve the use of assumptions which are 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 the provision for expected credit losses on credit-impaired loans and advances to customers. The most significant judgements are: - whether impairment events have occurred; - valuation of collateral and future cash flows; and - management judgements and assumptions used. The details of the provisions for expected credit losses on credit-impaired loans and advances to customers are disclosed in Note 6(b)(iv) to the consolidated and separate financial statements. Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	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 the Risk Monitoring Committee, Audit Committee and the Board of Directors 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; • Independently recalculating 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.

Independent auditor's report to the Shareholders of MCB Group Limited (Cont'd)

Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Loans and advances to customers which are credit impaired (Cont'd)	
	• Performing a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the below sections:

- MCB Group at a glance;
- Financial highlights;
- Non-financial highlights;
- 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 consolidated and separate 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 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)

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 the 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's 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.
- 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.

Independent auditor's report to the Shareholders of MCB Group Limited (Cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Cont'd)

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 ("the Code") 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.

Deloitte
Chartered Accountants

Agrawal.

Vishal Agrawal, FCA
Licensed by FRC

28 September 2023

Consolidated and Separate Statements of financial position

as at 30 June 2023

	Notes	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
ASSETS					
Cash and cash equivalents	4	**120,570**	73,294	**1,593**	1,188
Derivative financial instruments	5	**1,283**	477	**-**	-
Loans to and placements with banks	6(a)	**13,780**	23,375	**-**	-
Loans and advances to customers	6(b)	**349,285**	325,613	**-**	-
Investment securities	7	**267,472**	239,684	**608**	440
Investments in associates and joint venture	8	**13,169**	12,356	**154**	147
Investments in subsidiaries	9	**-**	-	**13,426**	13,401
Investment properties	10	**5,139**	4,799	**-**	-
Goodwill and other intangible assets	11	**2,799**	2,488	**-**	-
Property, plant and equipment	12	**7,534**	7,329	**232**	225
Deferred tax assets	13	**3,124**	2,181	**-**	-
Post employee benefit asset	20	**455**	-	**-**	-
Other assets	14	**45,371**	36,532	**2,433**	1,764
Total assets		**829,981**	728,128	**18,446**	17,165
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	15(a)	**10,352**	6,979	**-**	-
Deposits from customers	15(b)	**587,414**	518,677	**-**	-
Derivative financial instruments	5	**1,285**	536	**-**	-
Other borrowed funds	16	**87,657**	94,995	**1,616**	-
Debt securities	17	**15,760**	3,848	**2,001**	4,008
Subordinated liabilities	18	**8,172**	1,793	**1,113**	1,109
Preference shares	19	**2,300**	3,396	**2,300**	3,396
Current tax liabilities		**3,135**	1,295	**1**	-
Deferred tax liabilities	13	**478**	386	**-**	-
Post employee benefit liability	20	**-**	460	**-**	-
Other liabilities	21	**20,333**	14,721	**2,632**	1,635
Total liabilities		**736,886**	647,086	**9,663**	10,148
Shwareholders' equity					
Stated capital	22	**4,907**	3,109	**4,907**	3,109
Retained earnings		**71,323**	61,612	**3,891**	3,872
Other components of equity		**13,533**	13,191	**(15)**	36
Equity attributable to the equity holders of the parent		**89,763**	77,912	**8,783**	7,017
Non-controlling interests		**3,332**	3,130	**-**	-
Total equity		**93,095**	81,042	**8,783**	7,017
Total equity and liabilities		**829,981**	728,128	**18,446**	17,165
CONTINGENT LIABILITIES (NET)	23	**125,670**	126,118		

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2023.

Jean Michel NG TSEUNG
Director
Group Chief Executive

Didier HAREL
Director
Chairperson-Board of Directors

San T SINGARAVELLOO
Director
Chairperson-Audit Committee

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated and Separate Statements of profit or loss

for the year ended 30 June 2023

	Notes	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
Interest income using the effective interest method	24	**33,924**	18,455	**17**	1
Interest expense	25	**(14,134)**	(3,264)	**(339)**	(129)
Net interest income		**19,790**	15,191	**(322)**	(128)
Fee and commission income	26	**9,673**	8,364	**-**	-
Fee and commission expense	27	**(3,067)**	(2,514)	**-**	-
Net fee and commission income		**6,606**	5,850	**-**	-
Profit arising from dealing in foreign currencies		**3,383**	2,130	**70**	1
Net gain/(loss) from equity financial instruments carried at fair value through profit or loss		**614**	(518)	**-**	-
Net gain from other financial instruments carried at fair value	28	**290**	160	**-**	-
Dividend income	29	**182**	113	**4,756**	4,100
Other operating income		**927**	919	**-**	-
		5,396	2,804	**4,826**	4,101
Operating income		**31,792**	23,845	**4,504**	3,973
Non-interest expense					
Salaries and human resource costs	30(a)	**(5,957)**	(4,972)	**(144)**	(93)
Depreciation of property, plant and equipment	12	**(897)**	(855)	**(2)**	(1)
Amortisation of intangible assets	11	**(652)**	(525)	**-**	-
Other	30(b)	**(3,751)**	(2,780)	**(60)**	(71)
		(11,257)	(9,132)	**(206)**	(165)
Operating profit before impairment		**20,535**	14,713	**4,298**	3,808
Net impairment of financial assets	31	**(3,644)**	(3,481)	**-**	-
Operating profit		**16,891**	11,232	**4,298**	3,808
Share of profit of associates		**867**	799	**-**	-
Profit before tax		**17,758**	12,031	**4,298**	3,808
Income tax expense	32	**(3,445)**	(2,070)	**(1)**	-
Profit for the year		**14,313**	9,961	**4,297**	3,808
Profit for the year attributable to:					
Ordinary equity holders of the parent		**14,133**	9,637	**4,297**	3,648
Preference shareholders	19	**-**	160	**-**	160
Non-controlling interests		**180**	164	**-**	-
		14,313	9,961	**4,297**	3,808
Earnings per share:					
Basic (Rs)	34(a)	**57.67**	40.14		
Diluted (Rs)	34(b)	**57.66**	40.13		

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated and Separate Statements of comprehensive income

for the year ended 30 June 2023

		GROUP		COMPANY	
		2023	2022	2023	2022
	Note	RS'M	RS'M	RS'M	RS'M
Profit for the year		**14,313**	9,961	**4,297**	3,808
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Net fair value gain/(loss) on equity instruments		**108**	(73)	**(57)**	(27)
Remeasurement of defined benefit pension plan, net of deferred tax	32(b)	**(224)**	(1,529)	**-**	-
Share of other comprehensive income of associates		**84**	242	**-**	-
		(32)	(1,360)	**(57)**	(27)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**365**	(20)	**-**	-
Reclassification adjustments on disposal of investments at fair value		**-**	7	**-**	-
Net fair value (loss)/gain on debt instruments		**(73)**	(23)	**6**	-
Share of other comprehensive income of associates		**-**	2	**-**	-
		292	(34)	**6**	-
Other comprehensive income/(expense) for the year		**260**	(1,394)	**(51)**	(27)
Total comprehensive income for the year		**14,573**	8,567	**4,246**	3,781
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**14,331**	8,150	**4,246**	3,621
Preference shareholders		**-**	160	**-**	160
Non-controlling interests		**242**	257	**-**	-
		14,573	8,567	**4,246**	3,781

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated Statement of changes in equity

for the year ended 30 June 2023

	Notes	Attributable to equity holders of the parent						Non-Controlling Interests	Total Equity
		Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	Total		
		RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP									
At 1 July 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		-	(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**
Profit for the year		**-**	**14,133**	**-**	**-**	**-**	**14,133**	**180**	**14,313**
Other comprehensive (expense)/income for the year		**-**	**(168)**	**3**	**363**	**-**	**198**	**62**	**260**
Total comprehensive income for the year		**-**	**13,965**	**3**	**363**	**-**	**14,331**	**242**	**14,573**
Dividends to ordinary shareholders	33	**-**	**(4,278)**	**-**	**-**	**-**	**(4,278)**	**(40)**	**(4,318)**
Issue of shares following conversion of preference shares into ordinary shares	22	**1,096**	**-**	**-**	**-**	**-**	**1,096**	**-**	**1,096**
Shares issued under the Scrip Dividend Scheme	22	**634**	**-**	**-**	**-**	**-**	**634**	**-**	**634**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**68**	**-**	**-**	**-**	**-**	**68**	**-**	**68**
Transactions with owners		**1,798**	**(4,278)**	**-**	**-**	**-**	**(2,480)**	**(40)**	**(2,520)**
Share of other movements in reserves of associate		**-**	**32**	**(32)**	**-**	**-**	**-**	**-**	**-**
Transfer to statutory reserve		**-**	**(8)**	**-**	**-**	**8**	**-**	**-**	**-**
At 30 June 2023		**4,907**	**71,323**	**2,655**	**1,913**	**8,965**	**89,763**	**3,332**	**93,095**

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Separate Statement of changes in equity

for the year ended 30 June 2023

COMPANY	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Total Equity RS'M
At 1 July 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**
Profit for the year		**-**	**4,297**	**-**	**4,297**
Other comprehensive expense for the year		**-**	**-**	**(51)**	**(51)**
Total comprehensive income/(expense) for the year		**-**	**4,297**	**(51)**	**4,246**
Dividends to ordinary shareholders	33	**-**	**(4,278)**	**-**	**(4,278)**
Issue of shares following conversion of preference shares into ordinary shares	22	**1,096**	**-**	**-**	**1,096**
Shares issued under the Scrip Dividend Scheme	22	**634**	**-**	**-**	**634**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**68**	**-**	**-**	**68**
Transactions with owners		**1,798**	**(4,278)**	**-**	**(2,480)**
At 30 June 2023		**4,907**	**3,891**	**(15)**	**8,783**

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

Consolidated and Separate Statements of cash flows

for the year ended 30 June 2023

	Notes	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
Operating activities					
Net cash flows from trading activities	36	**15,785**	31,772	**3,714**	4,413
Net cash flows from other operating activities	37	**22,916**	(63,231)	**1,616**	-
Dividends received from associates		**501**	457	**-**	-
Dividends paid to ordinary shareholders	33	**(2,734)**	(3,765)	**(2,734)**	(3,765)
Dividends paid to preference shareholders	19	**-**	(160)	**-**	(160)
Dividends paid to non-controlling interests in subsidiaries		**(40)**	(32)	**-**	-
Income tax paid		**(2,408)**	(2,247)	**-**	-
Net cash flows from operating activities		**34,020**	(37,206)	**2,596**	488
Investing activities					
Net refund of subordinated loan by associate		**-**	346	**-**	-
Investment in associate and joint venture		**(11)**	-	**(7)**	-
Purchase of property, plant and equipment		**(1,134)**	(1,079)	**(9)**	-
Purchase of intangible assets		**(957)**	(999)	**-**	-
Proceeds from sale of property, plant and equipment		**46**	82	**-**	-
Net subordinated loan granted to subsidiaries		**-**	-	**(25)**	(176)
Net investment in securities		**(204)**	-	**(218)**	202
Net cash flows from investing activities		**(2,260)**	(1,650)	**(259)**	26
Financing activities					
Employee share options exercised	22	**68**	86	**68**	86
Issue of debt securities	17	**13,506**	-	**-**	-
Refund of floating rate notes		**(2,000)**	-	**(2,000)**	-
Repayment of lease liabilities		**(126)**	(72)	**-**	-
Net issue/(refund) of subordinated liabilities	18	**6,285**	(225)	**-**	-
Net cash flows from financing activities		**17,733**	(211)	**(1,932)**	86
Increase/(Decrease) in cash and cash equivalents		**49,493**	(39,067)	**405**	600
Net cash and cash equivalents at 1 July		**70,774**	108,768	**1,188**	588
Effect of foreign exchange rate changes		**142**	1,073	**-**	-
Net cash and cash equivalents at 30 June	4	**120,409**	70,774	**1,593**	1,188

The notes on pages 220 to 317 form part of these financial statements.
Auditor's report on pages 204 to 208.

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

for the year ended 30 June 2023

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for the year ended 30 June 2023

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for the year ended 30 June 2023

Notes to the financial statements
for the year ended 30 June 2023

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"), as issued by the International Accounting Standards Board ("IASB") and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The Group 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. The directors further have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future.

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 ("The Company") and its subsidiary companies (The Group) and the separate financial statements of the parent company.

The financial statements have been prepared under the historical cost convention except for investment securities at fair value through other comprehensive income, financial assets and liabilities held at fair value through profit or loss, derivative contracts and defined benefit plan which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

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 2022, 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:

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.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

New and amended standards adopted by the Group (Cont'd)

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 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.

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.

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 to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments to IFRS 16 sale and leaseback transaction with variable payments that do not depend on an index or rate

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that related to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for reporting periods beginning on or after 1 January 2024.

These amendments will be applied in the financial statements for the annual periods beginning on the respective dates. The Group has not yet considered the potential impact of the application of these amendments on the financial statements.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(b) Basis of consolidation and equity accounting

(1) Subsidiaries

(i) 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 subsidiary 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 and joint venture

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 or joint venture are accounted for using the equity method except when classified as held-for-sale. Investments in associates or joint venture are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate or joint venture 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 or joint venture'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 or joint venture's profit or loss.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate or joint venture.

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group transacts with an associate or joint venture, profits and losses resulting from the transactions are recognised in the financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate or joint venture. 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 or joint venture 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 or joint venture are recognised in profit or loss.

In the separate financial statements of the Company, the investments in associates or joint venture 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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(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 the 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.

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 and are not subsequently retranslated.

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:

- 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.

- 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).

1. Significant accounting policies (Cont'd)

(f) Interest income (Cont'd)

The Effective Interest Rate (EIR) 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.

(g) Fees, commissions and other income

Fees and commissions

The Group recognises fee and commission income charged for services provided by the Group as and when performance obligations are satisfied, for example, on completion of the underlying transaction. Where the contractual arrangements also result in the Group recognising financial instruments in scope of IFRS 9, such financial instruments are initially recognised at fair value in accordance with IFRS 9 before applying the provisions of IFRS 15. 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. When it is unlikely that a loan is drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Other income

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.

(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. An expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and in debt instruments measured at fair value through other comprehensive income (FVOCI) 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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Recognition and measurement (Cont'd)

(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

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.

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).

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 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 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. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognized in profit or loss. 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 year in which it arises. A gain or loss on an equity investment elected to be measured at FVPL is presented in net gain from equity financial instruments carried at fair value through profit or loss.

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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.

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 FVPL.

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 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 gain/(loss) from equity financial instruments carried at fair value through profit or loss' line in the statement of profit or loss.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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.

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.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-months ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

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).

Where modification does not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment, the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-months ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

1. Significant accounting policies (Cont’d)

(i) Investments, other financial assets and financial liabilities (Cont'd)

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

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

(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) 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;

- 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 expired).

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(i) Investments, other financial assets and financial liabilities (Cont'd)

Financial Liabilities (Cont'd)

(ii) Derecognition (Cont'd)

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. 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 ECL is computed as follows:

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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:

- 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.

1. Significant accounting policies (Cont'd)

(j) Impairment of financial assets (Cont'd)

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-months 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 regulatory guidelines.

Credit impaired

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured. It is credit impaired and is in Stage 3 when contractual payments or accounts in excess are past due by more than 90 days and/or other quantitaive and qualitative factors indicate that the obligator is unlikely to honour its credit obligations.

Evidence of credit-impairment includes observable data about the following events:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower’s financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-months ECL. The Group’s accounting policy is not to use the practical expedient that financial assets with ‘low’ credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(j) Impairment of financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

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.

1. Significant accounting policies (Cont'd)

(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 properties comprise 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. 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.

(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 estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(n) Intangible Assets

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 management intends 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.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(o) Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

1. Significant accounting policies (Cont'd)

(o) Leases (Cont'd)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included as part of Property, plant and equipment in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment'.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other non-interest expense" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(p) Accounting for leases - where the subsidiary is the lessor (Cont'd)

Finance leases (Cont'd)

(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.

Operating leases

Assets leased out under operating leases are included in plant and equipment in the statement of financial position. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets classified as operating leases are depreciated over their useful lives on a basis consistent with similar fixed assets.

(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.

(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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(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.

1. Significant accounting policies (Cont'd)

(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.

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.

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(t) Employee benefits (Cont'd)

(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 via The Mauritius Commercial Bank Limited. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority.The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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).

(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).

Notes to the financial statements
for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(ac) Share-based payments (Cont'd)

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

As part of the process of preparing the financial statement of the Group, management is called upon to make judgement, estimates and assumptions. This affect the reported amount of revenues, expenses, assets, liabilities and the disclosures. 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.

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) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) Significant increase in credit risk

As explained in Risk and capital management report, ECL are measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

2. Critical accounting estimates and judgements (Cont'd)

(c) 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.

(d) Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available. Only where these are unavailable that the Group employs less observable inputs. Unobservable input are used where observable or less observable input are unavailable.

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.

(e) 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 management 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.

(f) Deferred Tax

Deferred tax is recognised to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Recognition of deferred tax assets depends on management's intention of the Group to generate future taxable profits which will be used against temporary differences and to obtain tax benefit thereon. The outcome of their actual utilisation may be different.

(g) Provision and Contingencies

Provision is recognised in the financial statements when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. A reliable estimate is required to be made. Management makes various assumptions in order to determine whether to recognise a provision and its amount thereafter. For potential litigation and claims, management relies on the advise of the Group's legal department and counsel.

Notes to the financial statements
for the year ended 30 June 2023

2. Critical accounting estimates and judgements (Cont'd)

(h) Measurement of expected credit loss

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:
- 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.

(i) 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.

(j) Leases

The adoption of IFRS 16 requires significant judgement and estimate. Critical judgement like the determination of whether an extension or termination option will be exercised. Other key assumption and estimate are:
- Determination of the appropriate rate to discount the lease payments
- Estimating the lease term
- Assessing whether the right of use is impaired

(k) 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 2023. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

(l) 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 and credit cards. 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.

More information on the credit risk profile and policies of the Group is provided in the Risk and capital management report.

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.

Notes to the financial statements
for the year ended 30 June 2023

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 2023

	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	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250
Total	818,702	4,146	814,556	19,271	3,898	15,373	11,794	7,825	2,115	3,969
Retail										
Housing loans	36,852	48	36,804	437	314	123	511	153	26	358
Small and medium enterprise	9,445	33	9,412	118	84	34	200	55	25	145
Unsecured and revolving	5,557	88	5,469	126	121	5	98	74	12	24
Other secured loans	4,323	5	4,318	126	90	36	218	26	57	192
Total retail	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale										
Sovereign	288,634	110	288,524	-	-	-	285	28	26	257
Financial institutions	85,668	847	84,821	-	-	-	-	-	-	-
Project finance	5,618	93	5,525	70	35	35	410	408	17	2
Energy & Commodities	179,799	532	179,267	4,848	911	3,937	890	733	13	157
Corporate	202,806	2,390	200,416	13,546	2,343	11,203	9,182	6,348	1,939	2,834
Total wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250

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 2023

	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	73,352	-	-	1	-	-	73,351	-	-
3	1,505	-	-	-	-	-	1,505	-	-
4	19,540	-	-	1	-	-	19,539	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	3,978	-	-	1	-	-	3,977	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	202,687	-	-	28	-	-	202,659	-	-
9	35	-	-	-	-	-	35	-	-
10	6,470	-	-	-	-	-	6,470	-	-
11	29,548	121	-	63	-	-	29,485	121	-
12	58,873	564	-	231	88	-	58,642	476	-
13	118,331	1,780	-	611	88	-	117,720	1,692	-
14	58,986	3,074	-	578	278	-	58,408	2,796	-
15	114,788	2,935	-	1,259	368	-	113,529	2,567	-
16	12,594	4,562	-	430	1,117	-	12,164	3,445	-
17	7,589	3,505	-	475	744	-	7,114	2,761	-
18	2,042	1,386	-	102	513	-	1,940	873	-
19	2,068	537	-	177	93	-	1,891	444	-
20	-	-	10,767	-	-	7,517	-	-	3,250
Total	762,525	18,464	10,767	3,972	3,289	7,517	758,553	15,175	3,250
Sovereign									
2	73,352	-	-	1	-	-	73,351	-	-
4	15,546	-	-	1	-	-	15,545	-	-
8	198,648	-	-	28	-	-	198,620	-	-
13	213	-	-	-	-	-	213	-	-
19	875	-	-	80	-	-	795	-	-
20	-	-	285	-	-	28	-	-	257
Total	288,634	-	285	110	-	28	288,524	-	257

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	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	1,505	-	-	-	-	-	1,505	-	-
4	105	-	-	-	-	-	105	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	2,044	-	-	1	-	-	2,043	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	4,039	-	-	-	-	-	4,039	-	-
9	35	-	-	-	-	-	35	-	-
10	6,344	-	-	-	-	-	6,344	-	-
11	2,391	-	-	7	-	-	2,384	-	-
12	262	-	-	1	-	-	261	-	-
13	1,419	-	-	10	-	-	1,409	-	-
15	3,708	-	-	36	-	-	3,672	-	-
16	4,675	-	-	244	-	-	4,431	-	-
17	7,143	-	-	440	-	-	6,703	-	-
18	1,859	-	-	93	-	-	1,766	-	-
Total	85,668	-	-	847	-	-	84,821	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	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	4,193	-	-	34	-	-	4,159	-	-
14	113	-	-	1	-	-	112	-	-
15	507	70	-	11	35	-	496	35	-
16	236	-	-	6	-	-	230	-	-
17	386	-	-	32	-	-	354	-	-
18	183	-	-	9	-	-	174	-	-
20	-	-	410	-	-	408	-	-	2
Total	5,618	70	410	93	35	408	5,525	35	2

	Gross exposure			Expected credit loss			Net exposure		
Energy & Commodities									
4	3,889	-	-	-	-	-	3,889	-	-
6	1,934	-	-	-	-	-	1,934	-	-
11	3,383	-	-	2	-	-	3,381	-	-
12	10,009	-	-	10	-	-	9,999	-	-
13	44,741	1,367	-	81	68	-	44,660	1,299	-
14	29,564	-	-	60	-	-	29,504	-	-
15	81,885	888	-	291	99	-	81,594	789	-
16	4,394	-	-	88	-	-	4,306	-	-
17	-	1,569	-	-	358	-	-	1,211	-
18	-	1,024	-	-	386	-	-	638	-
20	-	-	890	-	-	733	-	-	157
Total	179,799	4,848	890	532	911	733	179,267	3,937	157

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	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
Corporate									
10	126	-	-	-	-	-	126	-	-
11	23,774	121	-	54	-	-	23,720	121	-
12	48,602	564	-	220	88	-	48,382	476	-
13	67,765	413	-	486	20	-	67,279	393	-
14	29,309	3,074	-	517	278	-	28,792	2,796	-
15	28,688	1,977	-	921	234	-	27,767	1,743	-
16	3,289	4,562	-	92	1,117	-	3,197	3,445	-
17	60	1,936	-	3	386	-	57	1,550	-
18	-	362	-	-	127	-	-	235	-
19	1,193	537	-	97	93	-	1,096	444	-
20	-	-	9,182	-	-	6,348	-	-	2,834
Total	202,806	13,546	9,182	2,390	2,343	6,348	200,416	11,203	2,834

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 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**

Notes to the financial statements
for the year ended 30 June 2023

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	-	-
Total	**48,985**	**-**	**-**	**515**	**-**	**-**	**48,470**	**-**	**-**

Notes to the financial statements
for the year ended 30 June 2023

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**	**-**
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**

Notes to the financial statements
for the year ended 30 June 2023

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.

	2023	2022
	RS'M	RS'M
Amortised cost before restructure	**12**	24
Net modification gain or loss	**8**	3
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	**4**	7

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:

	2023	2022
	RS'M	RS'M
Property	**104**	101

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	
	2023	2022
	RS'M	RS'M
Derivative financial instruments	**1,283**	477
Investment securities	**2,420**	2,077

Credit risk for the Company is negligible and managed through the Group's policies and processes.

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. The Group considers that it is sufficiently collaterised against its impaired book.

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.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral. There was no change in the Group's collateral policy during the year.

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)

Notes to the financial statements
for the year ended 30 June 2023

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	
	2023	2022
	RS'M	RS'M
Agriculture and fishing	**532**	342
Manufacturing	**541**	9,787
Tourism	**4,342**	13,413
Transport	**2,527**	242
Construction	**7,112**	6,431
Financial and business services	**13,725**	8,784
Traders	**161,134**	220,054
of which Petroleum and Energy products	***141,050***	*191,280*
Global Business Licence holders	**405**	8,193
Others	**8,226**	8,808
	198,544	276,054

Refer to the risk and capital management report for further details on concentration risk management.

3. Financial risk management (Cont'd)

(c) Market risk

Market risk refers to the potential of market price fluctuations, such as those in interest rates, equity prices, foreign exchange rates and market credit spreads, impacting a Group's income or the valuation of its financial instrument holdings. The primary objective of market risk management is to proficiently handle and regulate these exposures within acceptable benchmarks, all while optimizing returns from risk-associated endeavors.

The formulation of market risk management policies within the Group lies under the jurisdiction of the Board Risk Monitoring Committee. The execution of these policies and the oversight of this risk category are entrusted to both the Risk Business Unit (BU) and the Asset and Liability Committee (ALCO). Central to the supervision and control of market risk activities are the Market Risk Business Unit (MRBU) and the Assets and Liabilities Management Unit (ALM Unit). These units play a pivotal role in the ongoing monitoring and regulation of market risk activities.

The MRBU is devoted to ensuring the effective adherence to market risk policies and guidelines, as well as maintaining a vigilant watch over predetermined limits. Similarly, the ALM Unit concentrates on monitoring the interest rate risk in the banking book. Their collective efforts contribute to a comprehensive approach to risk management within the Group.

(i) Investment price risk

Investment price risk pertains to the vulnerability of an investment's value to shifts in market prices. This risk emanates from a multitude of factors, including the interplay of supply and demand, prevailing economic conditions, geopolitical occurrences and prevailing market sentiment. The Group designates a portion of its investments under the categories of Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL).

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	
	2023	**2022**
	RS'M	**RS'M**
Financial assets at fair value through other comprehensive income	**178**	243
Financial assets at fair value through profit or loss	**451**	379
	629	622

(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**
2023 (RS'M)	**(28)**	**(36)**	**(49)**	**(21)**
2022 (RS'M)	(29)	(35)	(53)	(18)

Notes to the financial statements

for the year ended 30 June 2023

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 2023	EURO RS'M	USD RS'M	GBP RS'M	MUR RS'M	OTHER RS'M	TOTAL RS'M
Financial assets						
Cash and cash equivalents	11,215	36,869	6,038	54,156	5,365	113,643
Derivative financial instruments	446	242	-	526	-	1,214
Loans to and placements with banks	310	14,596	-	2	(28)	14,880
Loans and advances to customers	30,092	187,422	379	127,749	296	345,938
Investment securities	11,988	81,314	4,247	150,269	2	247,820
Other financial assets	2,963	4,835	510	24,426	351	33,085
	57,014	325,278	11,174	357,128	5,986	756,580
Less allowances for credit impairment						(17,525)
						739,055
Subsidiaries, net of eliminations						52,730
Total						791,785
Financial liabilities						
Deposits from banks	943	13,535	449	784	41	15,752
Deposits from customers	49,556	208,505	6,621	277,689	5,215	547,586
Derivative financial instruments	456	242	-	518	-	1,216
Other borrowed funds	3,370	80,867	288	(118)	15	84,422
Debt securities	-	13,759	-	2,001	-	15,760
Subordinated liabilities	-	7,113	-	1,059	-	8,172
Preference shares	-	-	-	2,300	-	2,300
Other financial liabilities	243	629	55	3,006	26	3,959
	54,568	324,650	7,413	287,239	5,297	679,167
Subsidiaries, net of eliminations						41,919
Total						721,086
Net on-balance sheet position	2,446	628	3,761	69,889	689	77,413
Less allowances for credit impairment						(17,525)
Subsidiaries, net of eliminations						10,811
						70,699
Off balance sheet net notional position	9,196	18,099	5,156	-	1,746	34,197
Credit commitments	4,655	108,353	153	20,370	1,542	135,073
Subsidiaries						15,781

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 (Cont'd)

COMPANY At 30 June 2023	EURO	USD	MUR	TOTAL
	RS'M	RS'M	RS'M	RS'M
Financial assets				
Cash and cash equivalents	1,064	479	50	1,593
Investment securities	14	388	206	608
Other financial assets	7	6	2,420	2,433
Total	1,085	873	2,676	4,634
Financial liabilities				
Other borrowed funds	-	-	1,616	1,616
Debt securities	-	-	2,001	2,001
Subordinated liabilities	-	-	1,113	1,113
Preference shares	-	-	2,300	2,300
Other financial liabilities	-	-	2,632	2,632
Total	-	-	9,662	9,662
Net on-balance sheet position	1,085	873	(6,986)	(5,028)
				(5,028)

Notes to the financial statements
for the year ended 30 June 2023

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 (Cont'd)

GROUP

At 30 June 2022	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS'M	RS'M	RS'M	RS'M	RS'M	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 (Cont'd)

COMPANY

At 30 June 2022	EURO	USD	MUR	TOTAL
	RS'M	RS'M	RS'M	RS'M
Financial assets				
Cash and cash equivalents	526	532	130	1,188
Investment securities	-	240	200	440
Other financial assets	14	-	1,750	1,764
Total	540	772	2,080	**3,392**
Financial liabilities				
Debt securities	-	-	4,008	4,008
Subordinated liabilities	-	-	1,109	1,109
Preference shares	-	-	3,396	3,396
Other financial liabilities	-	-	1,635	1,635
Total	-	-	10,148	**10,148**
Net on-balance sheet position	540	772	(8,068)	(6,756)
				(6,756)

Notes to the financial statements
for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk in the banking book encompasses the potential adverse effects on earnings resulting from fluctuations in market interest rates. This risk primarily affects non-traded assets and liabilities, specifically encompassing loans, deposits, and financial instruments held without the intent of trading. To effectively manage this risk, the Asset and Liability Management Business Unit, situated within the Finance Strategic Business Unit employs a variety of strategies.

Net interest income (NII) sensitivity stands as a key metric, evaluating the anticipated changes in net interest income across diverse interest rate scenarios, while holding all other economic factors constant. ALCO oversees the fluctuations in net interest income sensitivity.

The calculations of NII sensitivity assume uniform interest rate movements across all maturities within the 'up-shock' scenario. In contrast, the 'down-shock' scenario assumes a floor at zero for rates, except when market rates are already negative, as seen in the Euro case.

The below table delineates the carrying amount of the Group's financial instruments, categorized by the earlier of contractual repricing or maturity dates.

Interest Rate Risk Earnings Impact Analysis

The Group is exposed to interest rate risk (IRR), primarily manifested as repricing risk. To effectively measure and oversee this particular risk, the Group employs an interest rate risk gap analysis, illustrated below. One of the methodologies utilized involves the Bank of Mauritius (BOM) framework, which incorporates a 200 basis point parallel shift in interest rates. This framework provides insights into estimating the potential one-year earnings impact based on a static balance sheet scenario.

	GROUP	
	2023	2022
	RS'M	RS'M
Impact on Earnings	**1,813**	328

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 2023	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing*	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets								
Cash and cash equivalents	111,666	905	-	1	-	-	1,071	113,643
Derivative financial instruments	6	-	-	-	-	-	1,208	1,214
Loans to and placements with banks	1,560	9,893	3,015	-	101	311	-	14,880
Loans and advances to customers	204,015	50,507	34,247	15,026	19,993	10,948	11,202	345,938
Investment securities	27,171	14,343	23,158	38,439	71,298	66,941	6,470	247,820
Other financial assets	-	-	-	-	-	-	33,085	33,085
	344,418	75,648	60,420	53,466	91,392	78,200	53,036	756,580
Less allowances for credit impairment								(17,525)
								739,055
Subsidiaries, net of eliminations								52,730
Total								791,785
Financial liabilities								
Deposits from banks	9,645	1,065	3,938	1,104	-	-	-	15,752
Deposits from customers	284,367	12,545	9,785	17,136	9,340	634	213,779	547,586
Derivative financial instruments	-	-	-	-	2	-	1,214	1,216
Other borrowed funds	1,047	49,199	19,323	2,003	12,492	50	308	84,422
Debt securities	-	-	-	-	-	15,567	193	15,760
Subordinated liabilities	6,696	1,386	-	-	-	-	90	8,172
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	3,959	3,959
	301,755	64,195	33,046	20,243	21,834	16,251	221,843	679,167
Subsidiaries, net of eliminations								41,919
Total								721,086
On balance sheet interest sensitivity gap	42,663	11,453	27,374	33,223	69,558	61,949	(168,807)	77,413
Less allowances for credit impairment								(17,525)
Subsidiaries, net of eliminations								10,811
								70,699

COMPANY

At 30 June 2023	Up to 1 month	1-3 months	Over 3 years	Non-interest bearing *	Total
	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets					
Cash and cash equivalents	643	950	-	-	1,593
Investment securities	-	-	186	422	608
Other financial assets	2,430	-	-	3	2,433
Total	3,073	950	186	425	4,634
Financial liabilities					
Other borrowed funds	-	1,616	-	-	1,616
Debt securities	-	-	2,001	-	2,001
Subordinated liabilities	-	1,113	-	-	1,113
Preference shares	-	-	-	2,300	2,300
Other financial liabilities	2,632	-	-	-	2,632
Total	2,632	2,729	2,001	2,300	9,662
On balance sheet interest sensitivity gap	441	(1,779)	(1,815)	(1,875)	(5,028)

* Includes interest receivable

Notes to the financial statements
for the year ended 30 June 2023

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 (Cont'd)

GROUP At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing*	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	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

COMPANY At 30 June 2022	Up to 1 month	6-12 months	1-3 years	Over 3 years	Non-interest bearing *	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets						
Cash and cash equivalents	1,188	-	-	-	-	1,188
Investment securities	-	-	-	-	440	440
Other financial assets	1,750	-	-	-	14	1,764
Total	2,938	-	-	-	454	**3,392**
Financial liabilities						
Debt securities	8	2,000	-	2,000	-	4,008
Subordinated liabilities	-	-	1,109	-	-	1,109
Preference shares	-	-	-	-	3,396	3,396
Other financial liabilities	1,635	-	-	-	-	1,635
Total	1,643	2,000	1,109	2,000	3,396	**10,148**
On balance sheet interest sensitivity gap	1,295	(2,000)	(1,109)	(2,000)	(2,942)	(6,756)

* Includes interest receivable

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk entails the risk of being unable to procure readily available funds to satisfy immediate or near-term obligations in a cost-efficient manner. The Group recognizes the indispensable nature of skillfully managing liquidity, not only to foster market confidence but also to ensure the enduring viability of its operations.

In order to effectively navigate liquidity and funding risk, the Group has established a robust internal framework that synergizes Risk, Finance, and Treasury Management functions, all of which operate under the vigilant oversight of the Asset and Liability Committee (ALCO). The Group has implemented a series of key strategies to proficiently manage liquidity risk:

- Proactively forecast future cash flows and devise plans to address both routine operational necessities as well as diverse potential scenarios and contingencies.
- Oversee day-to-day liquidity by closely monitoring intra-day liquidity dynamics and projecting future cash flows, thereby guaranteeing the capability to meet all outgoing fund requirements.
- Uphold a reserve of liquid assets that can be promptly mobilized in situations of unanticipated cash outflows.
- Foster a diversified and stable funding foundation to fortify the Group's financial resilience.
- Rigorously monitor a set of early warning indicators that signal potential liquidity stress.
- Maintain a comprehensive Contingency Funding Plan to address liquidity emergencies.

The table provides a breakdown of financial assets and liabilities according to their remaining contractual maturities as of the end of the reporting period. The Group also holds financial assets and financial liabilities for which the expected cash flows are significantly different from the contractual cash flows. The most common examples of such instruments are the current deposits from customers which are largely repayable on demand are not expected to be withdrawn immediately but to remain stable or increase. Similarly, retail mortgage loans might have a longer average contractual maturity but the average expected maturity could be lower since customers may take advantage of early repayment options.

The amounts disclosed in the following table are undiscounted.

Notes to the financial statements
for the year ended 30 June 2023

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 2023**	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets								
Cash and cash equivalents	112,981	-	-	1	-	-	671	113,653
Derivative financial instruments	-	-	-	-	-	-	1,202	1,202
Loans to and placements with banks	1,543	7,217	2,043	87	4,125	311	-	15,326
Loans and advances to customers	101,393	28,896	30,570	22,595	86,502	131,743	11,738	413,437
Investment securities	27,002	11,963	20,319	36,595	80,441	86,949	4,836	268,105
Other financial assets	-	-	-	-	-	-	33,085	33,085
	242,919	48,076	52,932	59,278	171,068	219,003	51,532	844,808
Less allowances for credit impairment								(17,525)
								827,283
Subsidiaries, net of eliminations								52,730
Total								880,013
Financial liabilities								
Deposits from banks	9,902	808	3,949	1,159	45	-	-	15,863
Deposits from customers	483,153	13,933	11,963	20,801	17,507	4,321	-	551,678
Derivative financial instruments	-	1	1	2	5	-	1,204	1,213
Other borrowed funds	2,478	26,683	10,937	2,935	43,792	4,662	(118)	91,369
Debt securities	2,010	27	561	596	2,390	16,049	193	21,826
Subordinated liabilities	1,119	297	-	6,696	-	-	(63)	8,049
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	3,959	3,959
Lease liabilities	-	-	-	-	-	-	*200*	*200*
	498,662	41,749	27,411	32,189	63,739	25,032	7,475	696,257
Subsidiaries, net of eliminations								41,919
Total								738,176
Net liquidity gap	(255,743)	6,327	25,521	27,089	107,329	193,971	44,057	148,551
Less allowances for credit impairment								(17,525)
Subsidiaries, net of eliminations								10,811
								141,837
Off balance sheet net notional position	6,576	3,615	5,141	29,647	48,950	10,708	-	104,637
Credit commitments	5,425	10,808	6,359	1,678	2,799	373,184	-	400,253
COMPANY								
At 30 June 2023								
Financial assets								
Cash and cash equivalents	1,593	-	-	-	-	-	-	1,593
Investment securities	187	2	4	7	29	27	421	677
Other financial assets	-	-	-	-	-	-	2,433	2,433
Total	1,780	2	4	7	29	27	2,854	4,703
Financial liabilities								
Other borrowed funds	1,624	6	-	-	-	-	-	1,630
Debt securities	2,010	27	18	53	214	214	-	2,536
Subordinated liabilities	1,119	1	-	-	-	-	-	1,120
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	2,632	2,632
Total	4,753	34	18	53	214	214	4,932	10,218
Net liquidity gap	(2,973)	(32)	(14)	(46)	(185)	(187)	(2,078)	(5,515)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities (Cont'd)

GROUP At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	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	7,085	661,049
Subsidiaries, net of eliminations								38,817
Total								**699,866**
Net liquidity gap	(395,184)	27,161	31,840	33,410	84,540	191,295	84,736	57,798
Less allowances for credit impairment								(12,742)
Subsidiaries, net of eliminations								9,542
								54,598
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

COMPANY At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
Financial assets								
Cash and cash equivalents	1,188	-	-	-	-	-	-	1,188
Investment securities	-	-	-	-	-	-	440	440
Other financial assets	-	-	-	-	-	-	1,765	1,765
Total	1,188	-	-	-	-	-	2,205	**3,393**
Financial liabilities								
Debt securities	4,021	38	25	56	214	321	-	4,675
Subordinated liabilities	1,112	9	6	17	4	-	-	1,148
Preference shares	-	-	-	-	-	-	3,396	3,396
Other financial liabilities	-	-	-	-	-	-	1,635	1,635
Total	5,133	47	31	73	218	321	5,031	**10,854**
Net liquidity gap	(3,945)	(47)	(31)	(73)	(218)	(321)	(2,826)	(7,461)

Notes to the financial statements
for the year ended 30 June 2023

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 2023						
Financial assets						
Cash and cash equivalents	120,570	-	-	-	-	120,570
Derivative financial instruments	-	-	1,283	-	-	1,283
Loans to and placements with banks	13,780	-	-	-	-	13,780
Loans and advances to customers	349,285	-	-	-	-	349,285
Investment securities	254,896	9,013	-	910	2,653	267,472
Other financial assets	39,395	-	-	-	-	39,395
Total	777,926	9,013	1,283	910	2,653	791,785
Financial liabilities						
Deposits from banks	10,352	-	-	-	-	10,352
Deposits from customers	587,414	-	-	-	-	587,414
Derivative financial instruments	-	-	1,285	-	-	1,285
Other borrowed funds	87,657	-	-	-	-	87,657
Debt securities	15,760	-	-	-	-	15,760
Subordinated liabilities	8,172	-	-	-	-	8,172
Preference shares	2,300	-	-	-	-	2,300
Other financial liabilities	8,146	-	-	-	-	8,146
Total	719,801	-	1,285	-	-	721,086
Net on-balance sheet position	58,125	9,013	(2)	910	2,653	70,699

	Amortised cost	Fair value through other comprehensive income		Total
		Debt instrument	Equity instrument	
	RS'M	RS'M	RS'M	RS'M
COMPANY				
At 30 June 2023				
Financial assets				
Cash and cash equivalents	1,593	-	-	1,593
Investment securities	-	186	422	608
Other financial assets	2,433	-	-	2,433
Total	4,026	186	422	4,634
Financial liabilities				
Other borrowed funds	1,616	-	-	1,616
Debt securities	2,001	-	-	2,001
Subordinated liabilities	1,113	-	-	1,113
Preference shares	2,300	-	-	2,300
Other financial liabilities	2,632	-	-	2,632
Total	9,662	-	-	9,662
Net on-balance sheet position	(5,636)	186	422	(5,028)

Notes to the financial statements
for the year ended 30 June 2023

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 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**

	Amortised cost	Fair value through other comprehensive income	Total
		Equity instrument	
	RS'M	RS'M	RS'M
COMPANY			
At 30 June 2022			
Financial assets			
Cash and cash equivalents	1,188	-	1,188
Investment securities	-	440	440
Other financial assets	1,764	-	1,764
Total	**2,952**	**440**	**3,392**
Financial liabilities			
Debt securities	4,008	-	4,008
Subordinated liabilities	1,109	-	1,109
Preference shares	3,396	-	3,396
Other financial liabilities	1,635	-	1,635
Total	**10,148**	**-**	**10,148**
Net on-balance sheet position	**(7,196)**	**440**	**(6,756)**

3. Financial risk management (Cont'd)

(g) Fair values of financial assets and liabilities

The fair values of those financial assets and liabilities not presented on the Group's and the Company's statements of financial position at fair values are not materially different from their carrying amounts.

(i) Loans and advances to banks and to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Deposits at amortised cost

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and debt securities issued and not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iii) Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, the carrying amount approximates their fair value.

(iv) Subordinated liabilities

Fair values for loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

Notes to the financial statements
for the year ended 30 June 2023

4. Cash and cash equivalents

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Cash in hand	**3,342**	3,447	**1,593**	1,188
Foreign currency notes and coins	**245**	285	**-**	-
Unrestricted balances with Central Banks*	**5,401**	56,212	**-**	-
Balances due in clearing	**408**	364	**-**	-
Treasury bills	**46,402**	200	**-**	-
Money market placements	**13,538**	3,306	**-**	-
Balances with banks abroad	**51,294**	8,721	**-**	-
Interbank loans	**-**	815	**-**	-
	120,630	73,350	**1,593**	1,188
Allowances for credit impairment (12 months expected credit loss)	**(60)**	(56)	**-**	-
	120,570	73,294	**1,593**	1,188

* 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 2022	**56**
Provision for credit impairment for the year	**84**
Provision released during the year	**(28)**
Changes in models/risk parameters	**(52)**
At 30 June 2023	**60**
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

(ii) Cash and cash equivalents as shown in the statements of cash flows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Cash and cash equivalents as per above	**120,630**	73,350	**1,593**	1,188
Other borrowed funds (note 16)	**(221)**	(2,576)	**-**	-
Net cash and cash equivalents	**120,409**	70,774	**1,593**	1,188
Change in year	**49,635**	(37,994)	**405**	600
Effect of foreign exchange rate changes	**(142)**	(1,073)	**-**	-
Increase /(Decrease) in cash and cash equivalents as per the statements of cash flows	**49,493**	(39,067)	**405**	600

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 financial instruments held are set out below:

	GROUP		
	Contractual/ Nominal Amount	Fair value assets	Fair value liabilities
	RS'M	RS'M	RS'M
Fair value through profit or loss - Level 2*			
Derivative Instruments			
At 30 June 2023			
Currency forwards	**21,263**	**470**	**473**
Interest rate swaps	**4,792**	**266**	**627**
Currency swaps	**14,994**	**43**	**47**
Warrants	**493**	**69**	**69**
Commodities	**4,643**	**63**	**63**
Others	**13,225**	**372**	**6**
	59,410	**1,283**	**1,285**
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	3,597	13	-
	30,338	477	536

*Refer to definition of Level 2 in note 7

The derivative financial instruments are classified as non-current assets or non-current liabilities.

Notes to the financial statements

for the year ended 30 June 2023

6. Loans

(a) Loans to and placements with banks

	GROUP	
	2023	2022
	RS'M	RS'M
(i) Loans to and placements with banks		
in Mauritius	**178**	952
outside Mauritius	**79,222**	35,738
	79,400	36,690
Less:		
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(64,832)**	(12,842)
	14,568	23,848
Less:		
Allowances for credit impairment	**(788)**	(473)
	13,780	23,375
(ii) Remaining term to maturity		
Up to 3 months	**8,096**	8,856
Over 3 months and up to 6 months	**2,139**	2,753
Over 6 months and up to 1 year	**-**	8,651
Over 1 year and up to 5 years	**4,333**	3,588
	14,568	23,848

(iii) Reconciliation of gross carrying amount

	GROUP		
	12 months expected credit loss	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**23,848**	**-**	**23,848**
New loans and placements with banks, originated or purchase	**12,496**	**-**	**12,496**
Loans and placements with banks derecognised or repaid	**(21,776)**	**-**	**(21,776)**
At 30 June 2023	**14,568**	**-**	**14,568**
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	(36,995)	(1)	(36,996)
At 30 June 2022	23,848	-	23,848

(iv) Allowances for credit impairment

	12 months expected credit loss	Lifetime expected credit loss (credit impaired)	Total
At 1 July 2022	**473**	**-**	**473**
Provision for credit impairment for the year	**657**	**-**	**657**
Provision released during the year	**(76)**	**-**	**(76)**
Financial assets that have been derecognised	**(257)**	**-**	**(257)**
Changes in models/risk parameters	**(9)**	**-**	**(9)**
Provision at 30 June 2023	**788**	**-**	**788**
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

There were no non performing loans (NPL) under Loans to and placements with banks in 2023 and 2022.

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP	
	2023	2022
	RS'M	RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**1,045**	972
Mortgages	**39,355**	35,683
Other retail loans	**12,338**	11,969
Corporate customers	**148,739**	135,743
Governments	**1,306**	1,314
Entities outside Mauritius	**164,982**	153,883
	367,765	339,564
Less:		
Allowances for credit impairment	**(18,480)**	(13,951)
	349,285	325,613

Finance lease receivable included in Group loans amounts to Rs 3,127M (2022:Rs 3,076M) net of unearned future finance income on finance leases of Rs 456M (2022:Rs 413M).

(ii) Remaining term to maturity

	2023	2022
Up to 3 months	**135,685**	133,874
Over 3 months and up to 6 months	**21,161**	14,322
Over 6 months and up to 1 year	**13,900**	8,631
Over 1 year and up to 5 years	**92,724**	89,695
Over 5 years	**104,295**	93,042
	367,765	339,564

(iii) Reconciliation of gross carrying amount

	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 2022	**305,292**	**17,759**	**16,513**	**339,564**
Exchange adjustment	**(530)**	**(29)**	**70**	**(489)**
Transfer to 12 months ECL	**2,580**	**(2,089)**	**(491)**	**-**
Transfer to lifetime ECL not credit impaired	**(4,015)**	**5,026**	**(1,011)**	**-**
Transfer to lifetime ECL credit impaired	**(2,079)**	**(634)**	**2,713**	**-**
New loans and advances to customers, originated or purchase	**198,761**	**6,619**	**1,216**	**206,596**
Loans and advances to customers derecognised or repaid (excluding write off)	**(168,591)**	**(6,977)**	**(2,047)**	**(177,615)**
Write offs	**-**	**-**	**(291)**	**(291)**
At 30 June 2023	**331,418**	**19,675**	**16,672**	**367,765**
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)	(8,760)	9,274	-
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	17,759	16,513	339,564

Notes to the financial statements

for the year ended 30 June 2023

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 2022	**3,461**	**3,091**	**5,217**	**11,769**
Exchange adjustment	**(5)**	**(2)**	**79**	**72**
Transfer to 12 months ECL	**403**	**(273)**	**(130)**	**-**
Transfer to lifetime ECL not credit impaired	**(70)**	**746**	**(676)**	**-**
Transfer to lifetime ECL credit impaired	**(40)**	**(110)**	**150**	**-**
Provision for credit impairment for the year	**1,605**	**2,208**	**4,932**	**8,745**
Provision released during the year	**(2,132)**	**(1,470)**	**(305)**	**(3,907)**
Financial assets that have been derecognised	**(572)**	**(298)**	**(182)**	**(1,052)**
Write offs	**-**	**-**	**(183)**	**(183)**
At 30 June 2023	**2,650**	**3,892**	**8,902**	**15,444**
Interest in suspense	**-**	**-**	**3,036**	**3,036**
Provision and interest in suspense at 30 June 2023	**2,650**	**3,892**	**11,938**	**18,480**
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

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(v) Allowances for credit impairment by industry sectors

	GROUP					
	2023					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	**9,525**	**926**	**97**	**170**	**1,068**	**1,335**
Manufacturing	**17,253**	**213**	**159**	**187**	**193**	**539**
Tourism	**31,035**	**795**	**380**	**1,396**	**712**	**2,488**
Transport	**8,866**	**269**	**105**	**15**	**399**	**519**
Construction	**16,001**	**276**	**126**	**112**	**177**	**415**
Financial and business services	**50,205**	**325**	**450**	**225**	**253**	**928**
Traders	**121,468**	**1,070**	**576**	**883**	**1,096**	**2,555**
of which Petroleum and Energy products	***93,224***	**-**	***322***	***823***	**-**	***1,145***
Personal	**51,138**	**947**	**130**	**66**	**464**	**660**
of which credit cards	***1,025***	***33***	***9***	***3***	***29***	***41***
of which housing	***39,355***	***537***	***48***	***22***	***185***	***255***
Professional	**375**	**15**	**4**	**1**	**6**	**11**
Global Business Licence holders	**23,849**	**7,285**	**44**	**63**	**6,595**	**6,702**
Others	**38,050**	**1,515**	**579**	**774**	**975**	**2,328**
of which Energy and Commodities Asset Backed financing	***17,126***	***890***	***74***	***89***	***746***	***909***
	367,765	**13,636**	**2,650**	**3,892**	**11,938**	**18,480**

	GROUP					
	2022					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	8,904	903	134	131	590	855
Manufacturing	22,923	514	210	211	279	700
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	112,343	1,425	537	223	1,330	2,090
of which Petroleum and Energy products	*89,865*	*856*	*173*	*190*	*654*	*1,017*
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
Global Business Licence holders	16,175	7,414	142	25	3,080	3,247
Others	44,091	1,146	505	785	369	1,659
of which Energy and Commodities Asset Backed financing	*16,041*	*807*	*97*	*168*	*183*	*448*
	339,564	14,331	3,461	3,091	7,399	13,951

*Non performing loans excludes interest in suspense.

Notes to the financial statements
for the year ended 30 June 2023

7. Investment securities

(a) Investment securities

	GROUP	
	2023	2022
	RS'M	RS'M
Investment in debt securities at amortised cost	**255,350**	227,630
Less:		
Allowances for credit impairment on investment in debt securities at amortised cost	**(454)**	(389)
	254,896	227,241
Investment in debt and equity securities measured at fair value through other comprehensive income	**3,563**	4,856
Investment in debt and equity securities measured at fair value through profit or loss	**9,013**	7,587
	267,472	239,684

As at 30 June 2023 and 2022, there were no credit impaired investments fair valued through other comprehensive income.

12 months ECL at 30 June 2023: MUR 0.2M (2022:MUR 2M)

Investment securities can be classified as:		
Current	**96,884**	53,177
Non-current	**171,042**	186,896

(b) Investment in debt securities at amortised cost

	GROUP	
	2023	2022
	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	**107,008**	112,800
Treasury bills	**38,975**	24,869
Foreign bonds	**72,792**	55,855
Notes	**36,181**	33,722
Index linked note	**394**	384
	255,350	227,630

(i) Remaining term to maturity

	2023					
	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	**7,980**	**5,530**	**13,324**	**56,582**	**23,592**	**107,008**
Treasury bills	**26,928**	**9,757**	**1,236**	**1,054**	**-**	**38,975**
Foreign bonds	**2,471**	**2,505**	**18,284**	**38,756**	**10,776**	**72,792**
Notes	**2,617**	**2,872**	**1,995**	**14,145**	**14,552**	**36,181**
Index linked note	**-**	**-**	**-**	**226**	**168**	**394**
	39,996	**20,664**	**34,839**	**110,763**	**49,088**	**255,350**

	2022					
	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	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

7. Investment securities (Cont'd)

(b) Investment in debt 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 2022	**227,629**	**1**	**227,630**
Transfer to lifetime ECL not credit impaired	**(422)**	**422**	**-**
Investments originated or purchase	**79,232**	**15**	**79,247**
Investments derecognised or repaid (excluding write off)	**(51,502)**	**(9)**	**(51,511)**
Exchange adjustment	**(16)**	**-**	**(16)**
At 30 June 2023	**254,921**	**429**	**255,350**
At 1 July 2021	162,217	1,912	164,129
Transfer to 12 months ECL	1,504	(1,504)	-
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	227,629	1	227,630

(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 2022	**388**	**1**	**389**
Exchange adjustment	**(1)**	**-**	**(1)**
Transfer to lifetime ECL not credit impaired	**(5)**	**5**	**-**
Provision for credit impairment for the year	**320**	**62**	**382**
Provision released during the year	**(122)**	**(3)**	**(125)**
Financial assets that have been derecognised	**(31)**	**-**	**(31)**
Changes in models/risk parameters	**(160)**	**-**	**(160)**
At 30 June 2023	**389**	**65**	**454**
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

Notes to the financial statements
for the year ended 30 June 2023

7. Investment securities (Cont'd)

(c) Investment in debt and equity securities measured at fair value through other comprehensive income

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Quoted - Level 1				
Official list: shares (equity instrument)	**1,213**	1,245	**-**	-
Bonds (debt instrument)	**311**	1,662	**186**	-
Foreign shares	**553**	524	**-**	-
	2,077	3,431	**186**	-
Unquoted - Level 2				
Investment fund (debt instrument)	**599**	715	**202**	240
Shares (equity instrument)	**150**	121	**-**	-
	749	836	**202**	240
Unquoted - Level 3				
Preference shares (equity instrument)	**-**	-	**200**	200
Shares (equity instrument)	**737**	589	**20**	-
	737	589	**220**	200
	3,563	4,856	**608**	440

Reconciliation of level 3 fair value measurements

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
At 1 July	**589**	579	**200**	200
Additions	**7**	17	**20**	-
Movement in fair value	**137**	(7)	**-**	-
Exchange adjustments	**4**	-	**-**	-
At 30 June	**737**	589	**220**	200

(d) Investment in debt and equity securities measured at fair value through profit or loss

	GROUP	
	2023	2022
	RS'M	RS'M
Quoted - Level 1		
Local bonds	**6**	110
Local shares	**987**	1,221
Foreign bonds	**136**	-
Foreign shares	**2,975**	2,412
	4,104	3,743
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	**1,021**	196
Treasury bills	**364**	502
Investment funds	**681**	756
	2,066	1,454
Unquoted - Level 3		
Local shares	**2,097**	1,618
Foreign shares	**534**	259
Debt	**212**	513
	2,843	2,390
	9,013	7,587

7. Investment securities (Cont'd)

(d) Investment in debt and equity securities measured at fair value through profit or loss (Cont'd)

	GROUP	
	2023	2022
	RS'M	RS'M
Reconciliation of level 3 fair value measurements		
At 1 July	**2,390**	2,638
Additions	**567**	170
Disposals	**(384)**	(36)
Transfers	**-**	(66)
Movement in fair value	**270**	(316)
At 30 June	**2,843**	2,390

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.

Unquoted shares - Level 3 investments

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 available share prices which were available upon recent events, e.g. rights issue.

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.

Notes to the financial statements
for the year ended 30 June 2023

8. Investments in associates and joint venture

(a) The Group's interests in its associates and joint venture are as follows:

	Nature of business	Principal place of business	Country of incorporation	Holding % Direct	Holding % Indirect
2023					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Réunion**	**Réunion**	**-**	**49.99**
Société Générale Moçambique, S.A	**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**	**6.79**	**38.06**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
Kudos Pensions Ltd (Joint Venture)	**Pension administration**	**Mauritius**	**Republic of Mauritius**	**-**	**50.00**
2022					
Banque Française Commerciale Ocean Indien	Banking & financial services	Réunion	Réunion	-	49.99
Société Générale Moçambique, S.A	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	-

(i) The above associates are accounted for using the equity method.
(ii) Except for Credit Guarantee Insurance Co Ltd, the other above associates and joint venture are held through subsidiaries.
(iii) Banque Française Commerciale Ocean Indien, Société Générale Moçambique, S.A 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 as at 30 June are as follows:
Promotion and Development Limited : Rs 1,761M (2022: Rs 1,810M)
Caudan Development Limited : Rs 411M (2022: Rs 754M)

	GROUP 2023 RS'M	GROUP 2022 RS'M
Group's share of net assets	**12,558**	11,786
Goodwill	**68**	57
Subordinated loans to associate	**543**	513
	13,169	12,356

The directors are satisfied that there are no indications requiring an impairment of the Group's investments in associates and joint venture.

(b) Summarised financial information in respect of material entities, included for Group reporting

Banque Française Commerciale Ocean Indien

(i) Summarised statement of financial position:

	2023	2022
Current assets	**13,424**	11,607
Non current assets	**93,890**	88,224
Current liabilities	**23,905**	21,276
Non current liabilities	**73,715**	69,681

(ii) Summarised statement of profit or loss and other comprehensive income:

	2023	2022
Revenue	**5,125**	4,853
Profit	**978**	801
Other comprehensive income	**109**	47
Total comprehensive income	**1,087**	848

	2023	2022
(iii) Dividend received during the year	**410**	383

8. Investments in associates and joint venture (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 2023 RS'M	GROUP 2022 RS'M
Current assets	**372**	254
Non current assets	**17,346**	16,788
Current liabilities	**906**	932
Non current liabilities	**1,532**	1,386
Non-controlling interest	**1,303**	1,268

(ii) Summarised statement of profit or loss and other comprehensive income:

	GROUP 2023 RS'M	GROUP 2022 RS'M
Revenue	**728**	603
Profit	**633**	630
Other comprehensive income	**63**	469
Total comprehensive income	**696**	1,099

(iii) Dividend received during the year

	GROUP 2023 RS'M	GROUP 2022 RS'M
Dividend received during the year	**90**	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	Profit	Other comprehensive income	Other movements in reserves	Dividend	Closing net assets	Ownership interest	Interest in associates	Goodwill	Subordinated loan	Carrying value
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	%	RS'M	RS'M	RS'M	RS'M
2023											
Banque Française Commerciale Ocean Indien	**8,874**	**978**	**109**	**553**	**(820)**	**9,694**	**49.99%**	**4,846**	**68**	**543**	**5,457**
Promotion and Development Limited	**13,456**	**633**	**63**	**20**	**(195)**	**13,977**	**46.47%**	**6,495**	**-**	**-**	**6,495**
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

Notes to the financial statements
for the year ended 30 June 2023

8. Investments in associates and joint venture (Cont'd)

(d) Aggregate information of associates and joint venture that are not individually material

	GROUP	
	2023	2022
	RS'M	RS'M
Carrying amount of interests	**1,217**	1,097
Share of profit	**84**	106
Share of other comprehensive income	**1**	3

AT COST

	COMPANY	
	2023	2022
	RS'M	RS'M
At 1 July	**147**	147
Additions	**7**	-
At 30 June	**154**	147

(e) Movement in investment in associates and joint venture

	GROUP	
	2023	2022
	RS'M	RS'M
At 1 July	**12,356**	12,525
Share of profits	**867**	799
Share of other comprehensive income	**85**	244
Net subordinated loan granted to associate	**-**	(346)
Dividends	**(501)**	(457)
Addition	**11**	-
Exchange and other movements	**351**	(409)
At 30 June	**13,169**	12,356

Investments in associates and joint venture 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 2023 %	Proportion of ownership interests held by non-controlling interests 2023 %	Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Cost of Investment COMPANY 2023 RS'M	Cost of Investment COMPANY 2022 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	-	**-**	-
The Mauritius Commercial Bank Limited (Madagascar) S.A	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**	**24**	**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**	**173**	**100.00**	**-**	100.00	-	**-**	-
MCB Leasing Ltd*	Republic of Mauritius	Leasing	**Rs'M**	**-**	**57.73**	**42.27**	57.73	42.27	**-**	-

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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 2023 %	Proportion of ownership interests held by non-controlling interests 2023 %	Effective Holding 2022 %	Proportion of ownership interests held by non-controlling interests 2022 %	Cost of Investment COMPANY 2023 RS'M	Cost of Investment COMPANY 2022 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									2,089	2,064
									13,426	13,401

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 934M at 30 June 2023 (2022: Rs 1,253M).

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.

9. Investments in subsidiaries (Cont'd)

(b) Details of Fincorp Investment Ltd which has non-controlling interests that are material to the Company

GROUP	Profit attributable to non-controlling interests RS'M	Net assets attributable to non-controlling interests RS'M
2023	**152**	**3,179**
2022	138	2,997

(c) Summarised financial information of Fincorp Investment Ltd

	GROUP 2023 RS'M	GROUP 2022 RS'M
(i) Summarised statement of financial position:		
Total assets	**12,288**	11,431
Total liabilities	**4,767**	4,340
Total equity	**7,521**	7,091
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Profit	**360**	327
Other comprehensive income	**144**	253
Total comprehensive income	**504**	580
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	**574**	516
Investing activities	**(491)**	81
Financing activities	**(5)**	(568)
Taxation	**(7)**	(26)
Net increase in cash and cash equivalents	**71**	3

The summarised financial information above is the amount before intra-group eliminations.

Investments in subsidiaries are classified as non-current assets.

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10. Investment properties

	GROUP	
	2023	2022
	RS'M	RS'M
At 1 July	**4,799**	5,032
Revaluation	**-**	204
Exchange adjustment	**335**	(437)
Modification of lease	**5**	-
Fair value of land and buildings at 30 June	**5,139**	4,799
Rental income	**381**	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.

Valuation Process

The Company's policy is to fair value its investment property every year with a qualified independent valuer appointed every three years.

Each year, management assesses whether there is a significant change in current market conditions which could cause the fair value of the investment property to differ materially from the carrying amount.
Every three years and upon observance of significant change in market conditions, management recommends the appointment of an independent external valuer, who is responsible for the external valuations of the Company's investment properties for the annual financial statements. Selection criteria for an independent valuer include market knowledge, reputation, independence, objectivity and whether professional standards are maintained.

No independent valuer was appointed for the current year.

An independent valuation exercise of the investment property was carried out in 2022 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 discounted cash flow 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 103,770,000.

Discounted cash flow technique is a method of discounting the rental income based on expected net cash flows of the underlying hotel.

The Directors have reassessed the fair value of the investment property as at 30 June 2023 based on the following criteria:

- Consideration of current market conditions;
- Rolling forward the discounted cash flows used by the independent valuer JLL.

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 from the investment property that generated rental income during the year amounted to EUR 381,922 (2022: EUR 288,981). The expenses are reimbursable as they are recharged by the Company to 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 Unobservable Inputs	Sensitivity
Hotel located in Pointe aux Canonniers	- Income Approach - Discounted Cash Flow	- Rent growth p.a. - Discount Rate - Terminal Yield	- 1.4% - 1.9% -9.57% -7.92%

Significant increases/(decreases) in estimated rent growth per annum in isolation would result in a significantly higher/(lower) fair value of the property.

Significant increases/(decreases) in the discount rate and terminal yield would result in a significantly lower/(higher) fair value.

11. Goodwill and other intangible assets

(a) Goodwill

	GROUP	
	2023	2022
	RS'M	RS'M
At 1 July	**392**	392
Adjustment	**11**	-
At 30 June	**403**	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:

	2023	2022
	RS'M	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 2023 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 a reassessment of the independent valuation performed by Jones LaSalle (Pty) Ltd in June 2022 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 at least 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 9.01% (2022: 8.92%); 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%.

The directors are satisfied that there are no indications requiring an impairment of goodwill.

Notes to the financial statements
for the year ended 30 June 2023

11. Goodwill and other intangible assets (Cont'd)

(b) Other intangible assets

	GROUP		
	Computer software	Work in progress	Total
	RS'M	RS'M	RS'M
Cost			
At 1 July 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**
Additions	**45**	**912**	**957**
Scrap/Impairment	**(1)**	**-**	**(1)**
Transfer	**1,178**	**(1,178)**	**-**
Adjustment	**675**	**-**	**675**
Exchange adjustment	**(67)**	**(9)**	**(76)**
At 30 June 2023	**5,383**	**250**	**5,633**
Accumulated amortisation			
At 1 July 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**
Scrap/Impairment	**(1)**	**-**	**(1)**
Charge for the year	**652**	**-**	**652**
Adjustment	**675**	**-**	**675**
Exchange adjustment	**(71)**	**-**	**(71)**
At 30 June 2023	**3,237**	**-**	**3,237**
Net book value			
At 30 June 2023	**2,146**	**250**	**2,396**
At 30 June 2022	1,571	525	2,096
Total			
At 30 June 2023			**2,799**
At 30 June 2022			2,488

Intangible assets are classified as non-current assets.

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 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**
Additions	**21**	**310**	**619**	**184**	**182**	**1,316**
Scrap/Disposals	**-**	**(110)**	**(199)**	**(31)**	**(31)**	**(371)**
Exchange adjustment	**76**	**(8)**	**(18)**	**4**	**(131)**	**(77)**
Adjustment on remeasurement	**(32)**	**37**	**-**	**-**	**(58)**	**(53)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Transfer	**42**	**76**	**49**	**(167)**	**-**	**-**
At 30 June 2023	**5,745**	**4,376**	**3,288**	**212**	**847**	**14,468**
Accumulated depreciation						
At 1 July 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**
Charge for the year	**98**	**370**	**313**	**-**	**116**	**897**
Scrap/Disposal adjustment	**-**	**(107)**	**(120)**	**-**	**(23)**	**(250)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Exchange adjustment	**33**	**(7)**	**(9)**	**-**	**(54)**	**(37)**
Transfer	**3**	**-**	**-**	**-**	**(3)**	**-**
At 30 June 2023	**1,405**	**3,540**	**1,562**	**-**	**427**	**6,934**
Net book value						
At 30 June 2023	**4,340**	**836**	**1,726**	**212**	**420**	**7,534**
At 30 June 2022	4,367	787	1,459	222	494	7,329

*Includes assets under operating lease with NBV of Rs 1,168M (2022: Rs 887M).

Notes to the financial statements
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12. Property, plant and equipment (Cont'd)

	COMPANY		
	Land and buildings	Furniture, fittings and vehicles	Total
	RS'M	RS'M	RS'M
Cost			
At 1 July 2021 and 2022	**222**	**17**	**239**
Addition	**-**	**9**	**9**
At 30 June 2023	**222**	**26**	**248**
Accumulated depreciation			
At 1 July 2021	-	13	13
Charge for the year	-	1	1
At 30 June 2022	**-**	**14**	**14**
Charge for the year	**-**	**2**	**2**
At 30 June 2023	**-**	**16**	**16**
Net book value			
At 30 June 2023	**222**	**10**	**232**
At 30 June 2022	222	3	225

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 5 years.
Moreover, the Group does not have the possibility of acquiring the asset at the end of the lease.

13. Deferred tax assets/(liabilities)

	GROUP					
	Balance as at 1 July	Effect of change in tax rate	Exchange adjustments	Recognised in Statements of profit or loss	Recognised in Statements of Comprehensive income	Balance as at 30 June
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
At 30 June 2023						
Deferred tax assets:						
Provisions and post retirement benefits	**195**	**28**	**-**	**166**	**39**	**428**
Provisions for credit impairment	**2,197**	**291**	**17**	**550**	**-**	**3,055**
Tax losses carried forward	**7**	**-**	**4**	**(4)**	**-**	**7**
Leases	**1**	**-**	**-**	**8**	**-**	**9**
Accelerated tax depreciation	**(219)**	**(43)**	**(14)**	**(99)**	**-**	**(375)**
	2,181	**276**	**7**	**621**	**39**	**3,124**
Deferred tax liabilities:						
Accelerated tax depreciation	**(636)**	**-**	**(41)**	**(35)**	**-**	**(712)**
Provisions for credit impairment	**20**	**-**	**-**	**(7)**	**-**	**13**
Tax losses carried forward	**199**	**-**	**11**	**(20)**	**-**	**190**
Leases	**31**	**-**	**1**	**(1)**	**-**	**31**
	(386)	**-**	**(29)**	**(63)**	**-**	**(478)**
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)

Deferred tax assets are classified as non-current assets.

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14. Other assets

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	**34,984**	27,896	**-**	-
Prepayments and other receivables	**2,704**	2,069	**2,433**	1,750
Credit Card Clearing	**979**	522	**-**	-
Non-banking assets acquired in satisfaction of debts*	**104**	101	**-**	-
Impersonal and other accounts	**6,622**	5,968	**-**	14
	45,393	36,556	**2,433**	1,764
Less allowances for credit impairment	**(22)**	(24)	**-**	-
	45,371	36,532	**2,433**	1,764

* 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 2022	**10**	**6**	**8**	**24**
Transfer to lifetime ECL not credit impaired	**(5)**	**5**	**-**	**-**
Provision for credit impairment for the year	**1**	**1**	**1**	**3**
Provision released during the year	**(2)**	**(1)**	**-**	**(3)**
Write off	**-**	**-**	**(2)**	**(2)**
At 30 June 2023	**4**	**11**	**7**	**22**
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

15. Deposits

	GROUP	
	2023	2022
	RS'M	RS'M
(a) Deposits from banks		
Demand deposits	**3,781**	2,173
Money market deposits with remaining term to maturity:		
Up to 3 months	**1,484**	3,006
Over 3 months and up to 6 months	**3,893**	-
Over 6 months and up to 1 year	**1,150**	1,800
Over 1 year and up to 5 years	**44**	-
	6,571	4,806
	10,352	6,979

Deposits from banks can be classified as:

Current	**10,308**	6,979
Non-current	**44**	-

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15. Deposits (Cont'd)

	GROUP	
	2023	2022
	RS'M	RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	**53,150**	56,214
Savings deposits	**205,569**	195,567
Time deposits with remaining term to maturity:		
Up to 3 months	**7,072**	3,240
Over 3 months and up to 6 months	**4,042**	1,989
Over 6 months and up to 1 year	**7,173**	4,019
Over 1 year and up to 5 years	**14,747**	12,043
Over 5 years	**30**	6
	33,064	21,297
	291,783	273,078
(ii) Corporate customers		
Demand deposits	**222,213**	218,105
Savings deposits	**7,108**	6,497
Time deposits with remaining term to maturity:		
Up to 3 months	**36,222**	13,787
Over 3 months and up to 6 months	**8,105**	2,389
Over 6 months and up to 1 year	**13,595**	3,070
Over 1 year and up to 5 years	**7,417**	841
Over 5 years	**-**	1
	65,339	20,088
	294,660	244,690
(iii) Government		
Demand deposits	**766**	804
Savings deposits	**56**	59
Time deposits with remaining term to maturity:		
Up to 3 months	**8**	8
Over 3 months and up to 6 months	**105**	4
Over 1 year and up to 5 years	**36**	34
	149	46
	971	909
	587,414	518,677
Deposits from customers can be classified as:		
Current	**565,184**	505,752
Non-current	**22,230**	12,925

The carrying amounts of deposits are not materially different from their fair values.

16. Other borrowed funds

Other borrowed funds comprise the following:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Borrowings from banks:				
in Mauritius	**20,266**	9,982	**1,616**	-
abroad	**67,391**	85,013	**-**	-
	87,657	94,995	**1,616**	-
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**221**	2,576	-	-

Remaining term to maturity:

	GROUP 2023 RS'M	GROUP 2022 RS'M	COMPANY 2023 RS'M	COMPANY 2022 RS'M
On demand or within a period not exceeding 1 year	**40,181**	25,232	**1,616**	-
Within a period of more than 1 year but not exceeding 2 years	**42,268**	57,627	**-**	-
Within a period of more than 2 years but not exceeding 3 years	**20**	4	**-**	-
Within a period of more than 3 years	**5,188**	12,132	**-**	-
	87,657	94,995	**1,616**	-
Other borrowed funds can be classified as:				
Current	**40,181**	25,232	**1,616**	-
Non-current	**47,476**	69,763	**-**	-

17. Debt securities

Floating rate senior unsecured notes (Level 1)

		GROUP		COMPANY	
		2023	2022	2023	2022
		RS'M	RS'M	RS'M	RS'M
Rs 2.0 billion notes matured in January 2023 at an average interest rate of 1.92%		**-**	2,008	**-**	2,008
Rs 2.0 billion notes maturing in June 2028 at an average interest rate of 4.59% (2022: 2.77%) Market Price at 30 June 2023:Rs 1,000.00 (2022:Rs 1,000.00)	(i)	**2,001**	1,840	**2,001**	2,000
5-year senior unsecured notes maturing in 2028 at a fixed coupon rate of 7.95%	(ii)	**13,506**	-	**-**	-
Exchange adjustments and others		**253**	-	**-**	-
		15,760	3,848	**2,001**	4,008

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd.

(ii) During the year, The Mauritius Commercial Bank Limited launched a Global Medium Term Note Programme, which enables the Bank to tap into the international bond market for up to USD 3 billion. This programme has earned a Baa3 rating from Moody's and was registered on the International Securities Market of the London Stock Exchange in October 2022. It aims at diversifying the funding sources of the Bank and support its overall growth strategy.

Under this programme, the Bank issued its first bond for a notional value of USD 300 million on 26 April 2023.

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18. Subordinated liabilities

		GROUP		COMPANY	
		2023	2022	2023	2022
		RS'M	RS'M	RS'M	RS'M
Floating rate subordinated notes maturing in August 2023 at an average interest rate of 5.09 % (2022:3.27%)	(i)	**1,113**	1,109	**1,113**	1,109
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 6.1% (2022 :3.5%)	(ii)	**684**	875	**-**	-
Repayment of USD 9M during the year (2022: USD 5.3M)	(ii)	**(404)**	(225)	**-**	-
USD 147M floating rate unsecured Tier 2 notes maturing on 30 March 2033 at an average interest rate of 8.6%	(iii)	**6,689**	-	**-**	-
Exchange adjustments and others		**90**	34	**-**	-
		8,172	1,793	**1,113**	1,109
Subordinated liabilities can be classified as:					
Current		**1,113**	-	**1,113**	-
Non-current		**7,059**	1,793	**-**	1,109

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd and are presently available to individual and institutional investors for secondary trading.

(ii) In 2013, The Mauritius Commercial Bank Limited secured USD 30 million through a 10-year amortizing subordinated debt arrangement with the African Development Bank. The remaining balance on the facility was settled in August 2023.

(iii) On 31 March 2023, The Mauritius Commercial Bank Limited successfully concluded its inaugural Basel III compliant Tier 2 bond issuance, amounting to USD 147 million. This bond was issued under the umbrella of a private placement agreement with the African Development Bank. With an original maturity span of 10 years, it features semi-annual amortization, which comes into play starting from the sixth year. This bond helps consolidate the capital of the Bank and provides the necessary buffer to support its growth strategy.

19. Preference shares

	Number of shares	RS'M
At 1 July 2021 & 2022	**339,622,500**	**3,396**
Conversion of preference shares	(109,649,208)	(1,096)
At 30 June 2023	**229,973,292**	**2,300**

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 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 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.

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, are entitled to a fixed annual non-cumulative dividend of MUR 0.47 per share. During the non-conversion period, dividends to preference shareholders have been recognised in the statement of changes in equity. At 1 July 2022, dividend is recognised as interest expense.

Conversion of preference shares into ordinary shares

In July 2023, MCB Group Limited has received requests from holders of Preference Shares to convert an aggregate of 44,503,612 Preference Shares into Ordinary Shares. In this context, the Board has approved the issue of 1,471,081 Ordinary Shares of the Company for a total consideration of Rs 445M.

20. Post employee benefit (asset)/liability

	GROUP	
	2023	**2022**
	RS'M	**RS'M**
Post employee benefits (asset)/liability:		
(a) Staff superannuation fund (defined benefit section)	**(689)**	278
(b) Residual retirement gratuities	**234**	182
	(455)	460

(a) Staff superannuation fund (defined benefit section)

	2023 RS'M	2022 RS'M
Reconciliation of net defined benefit (asset)/liability		
Opening balance	**278**	(1,344)
Amount recognised in statements of profit or loss (Note 30(a))	**230**	131
Amount recognised in statements of comprehensive income	**234**	1,716
Less employer contributions	**(1,431)**	(225)
Closing balance	**(689)**	278
Reconciliation of fair value of plan assets		
Opening balance	**8,765**	8,952
Interest income	**492**	443
Employer contributions	**1,431**	225
Benefits paid	**(376)**	(401)
Return on plan assets below interest income	**(83)**	(454)
Closing balance	**10,229**	8,765
Reconciliation of present value of defined benefit obligation		
Opening balance	**9,043**	7,608
Current service cost	**253**	203
Interest expense	**469**	371
Benefits paid	**(376)**	(401)
Liability experience loss	**-**	96
Liability loss due to change in financial assumptions	**151**	1,166
Closing balance	**9,540**	9,043
Components of amount recognised in statements of profit or loss		
Current service cost	**253**	203
Net interest on net defined benefit asset	**(23)**	(72)
Total	**230**	131
Components of amount recognised in statements of comprehensive income		
Return on plan assets below interest income	**83**	454
Liability experience loss	**-**	96
Liability loss due to change in financial assumptions	**151**	1,166
Total	**234**	1,716

Notes to the financial statements

for the year ended 30 June 2023

20. Post employee benefit (asset)/liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

	GROUP	
	2023	2022
Allocation of plan assets at end of year	%	%
Equity - Local quoted	30	38
Equity - Local unquoted	1	1
Debt - Overseas quoted	1	-
Debt - Local quoted	13	11
Debt - Local unquoted	8	5
Property - Local	5	6
Investment funds	31	31
Cash and other	11	8
Total	100	100
Allocation of plan assets at end of year	%	%
Reporting entity's own transferable financial instruments	9	11
Property occupied by reporting entity	5	6
Other assets used by reporting entity	2	3
Principal assumptions used at end of year		
Discount rate	5.7%	5.3%
Rate of salary increases	4.2%	3.7%
Rate of pension increases	2.7%	2.2%
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

	2023	2022
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	1,718	1,628
Decrease due to 1% increase in discount rate	1,345	1,275
Increase due to 1% increase in salary increase rate	745	697
Decrease due to 1 % decrease in salary increase rate	629	597
Increase due to 1% increase in pension increase rate	897	850
Decrease due to 1 % decrease in pension increase rate	773	732

20. Post employee benefit (asset)/liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (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 asset of Rs 689M as at 30 June 2023 for the defined benefit pension plan (2022: net defined liability of Rs 278M).

The liability loss due to change in financial assumptions amounting to Rs 151M 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 1.6% p.a. in 2022 to 1.5% p.a. in 2023 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.1% p.a. in 2022 to 3.0% p.a. in 2023.

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 324 M**
Weighted average duration of the defined benefit obligation: **16 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 Group 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.

Notes to the financial statements
for the year ended 30 June 2023

20. Post employee benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	GROUP	
	2023	2022
	RS'M	RS'M
Reconciliation of net defined benefit liability		
Opening balance	**182**	126
Amount recognised in statements of profit or loss (Note 30(a))	**48**	14
Amount recognised in statements of comprehensive income	**29**	42
Employer contribution	**(25)**	-
Closing balance	**234**	182
Reconciliation of present value of defined benefit obligation		
Opening balance	**182**	126
Current service cost	**27**	8
Interest expense	**21**	6
Other benefits paid	**(25)**	-
Liability experience loss/(gain)	**19**	(6)
Liability loss due to change in financial assumptions	**10**	48
Closing balance	**234**	182
Components of amount recognised in statements of profit or loss		
Current service cost	**27**	8
Net interest on net defined benefit liability	**21**	6
Total	**48**	14
Components of amount recognised in statements of comprehensive income		
Liability experience loss/(gain)	**19**	(6)
Liability loss due to change in financial assumptions	**10**	48
Total	**29**	42
Principal assumptions used at end of year		
Discount rate	**5.7%**	5.3%
Rate of salary increases	**4.2%**	3.7%
Rate of pension increases	**2.7%**	2.2%
Average retirement age (ARA)	**63**	63

	2023	2022
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**52**	59
Decrease due to 1% increase in discount rate	**42**	45
Increase due to 1% increase in salary increase rate	**47**	50
Decrease due to 1% decrease in salary increase rate	**38**	38
Increase due to 1% increase in pension increase rate	**5**	8
Decrease due to 1% decrease in pension increase rate	**5**	9

The Group has also recognised a net defined benefit liability of Rs 234M as at 30 June 2023 (2022: Rs 182M) 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 loss of Rs 19M disclosed in the IAS 19 schedule 'Residual Retirement Gratuity' is due to the retirement gratuities paid to employees who retired during the year being higher than their past service reserve.

20. Post employee benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities (Cont'd)

The liability loss due to change in financial assumptions amounting to Rs 10M 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 1.6% p.a. in 2022 to 1.5% p.a. in 2023 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.1% p.a. in 2022 to 3.0% p.a. in 2023.

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: **22 years**

Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 4 September 2023.

Post employee benefit asset/(liability) is classified as non-current asset/(liability).

21. Other liabilities

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Impersonal, other accounts and deferred income	**12,533**	9,048	**537**	450
Structured products notes*	**4,187**	3,303	**-**	-
Proposed dividend	**2,095**	1,185	**2,095**	1,185
Lease liabilities	**992**	626	**-**	-
Allowances for credit impairment on off-balance sheet exposures	**490**	523	**-**	-
Others	**36**	36	**-**	-
	20,333	14,721	**2,632**	1,635

* 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	
	2023	2022
	RS'M	RS'M
Up to 3 months	**7**	1
Over 3 months and up to 6 months	**7**	2
Over 6 months and up to 1 year	**70**	11
Over 1 year and up to 5 years	**139**	218
Over 5 years	**423**	394
	646	626

Notes to the financial statements
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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)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**521**	**2**	**523**
Exchange adjustment	**(1)**	**-**	**(1)**
Transfer to 12 months ECL	**2**	**(2)**	**-**
Provision for credit impairment for the year	**396**	**-**	**396**
Provision released during the year	**(369)**	**-**	**(369)**
Changes in models/risk parameters	**(59)**	**-**	**(59)**
At 30 June 2023	**490**	**-**	**490**
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

22. Stated capital and reserves

(a) Stated capital

	Number of shares	RS'M
At 1 July 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**
Issue of shares following the exercise of Group Employee Share Options Scheme	**218,828**	**68**
Conversion of preference shares	**3,604,072**	**1,096**
Issue of shares following the Scrip Dividend Scheme (Non-cash)	**2,102,617**	**634**
At 30 June 2023	**246,493,830**	**4,907**

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

The Board has approved a Scrip Dividend Scheme whereby Ordinary Shareholders 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	
		2023	2022
		RS'M	RS'M
(a)	**Instruments**		
	Acceptances on account of customers	**287**	516
	Guarantees on account of customers	**53,013**	62,253
	Letters of credit and other obligations on account of customers (net)	**57,561**	48,601
	Other contingent items (net)	**1,473**	3,625
		112,334	114,995
(b)	**Commitments**		
	Loans and other facilities, including undrawn credit facilities	**13,307**	11,105
(c)	**Tax assessments**	**29**	18
		125,670	126,118

On 30 June 2023, the Group via The Mauritius Commercial Bank Limited and MCB Leasing Limited received income tax assessments against which they have objected.

Additional tax payable based on the notices of assessment amount to MUR 29M.

24. Interest income using the effective interest method

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Loans to and placements with banks	**3,631**	607	**-**	-
Loans and advances to customers	**22,514**	12,930	**7**	-
Investments at amortised cost	**7,688**	4,881	**3**	-
Investments at fair value through other comprehensive income	**53**	37	**-**	-
Other	**38**	-	**7**	1
	33,924	18,455	**17**	1

25. Interest expense

Deposits from banks	**196**	23	**-**	-
Deposits from customers	**8,594**	1,454	**-**	-
Other borrowed funds	**4,615**	1,609	**38**	-
Debt securities	**320**	32	**128**	93
Subordinated liabilities	**233**	94	**56**	36
Preference shares *(Refer to Note 19)*	**117**	-	**117**	-
Lease liabilities	**59**	52	**-**	-
	14,134	3,264	**339**	129

Notes to the financial statements

for the year ended 30 June 2023

26. Fee and commission income

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Cards and other related fees	**4,109**	3,335	**-**	-
Trade finance fees	**1,460**	1,597	**-**	-
Transaction fees	**1,403**	1,185	**-**	-
Guarantee fees	**1,344**	969	**-**	-
Loan related fees	**548**	487	**-**	-
Private banking and wealth management fees	**409**	426	**-**	-
Investment management	**215**	220	**-**	-
Others	**185**	145	**-**	-
	9,673	8,364	**-**	-

27. Fee and commission expense

Cards and other related fees	**2,581**	2,033	**-**	-
Loan related and trade finance fees	**398**	401	**-**	-
Transaction fees	**58**	61	**-**	-
Others	**30**	19	**-**	-
	3,067	2,514	**-**	-

28. Net gain from other financial instruments carried at fair value

Net gain from derivative financial instruments fair valued through profit or loss	**55**	272	**-**	-
Net gain from investment securities fair valued through profit or loss	**219**	222	**-**	-
Net loss from investment securities fair valued through other comprehensive income	**-**	(337)	**-**	-
Net gain from other investment securities	**16**	3	**-**	-
	290	160	**-**	-

29. Dividend income

Quoted investments FVOCI	**59**	44	**19**	19
Quoted investments FVPL	**48**	34	**-**	-
Unquoted investments FVOCI	**49**	4	**-**	-
Unquoted investments FVPL	**26**	31	**-**	-
Subsidiaries	**-**	-	**4,737**	4,081
	182	113	**4,756**	4,100

30. Non-interest expense

(a) Salaries and human resource costs

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Wages and salaries	**4,104**	3,410	**142**	91
Defined benefit plan	**230**	131	**-**	-
Residual retirement gratuities	**48**	14	**-**	-
Defined contribution plan	**241**	132	**-**	-
Compulsory social security obligations	**147**	152	**-**	-
Equity settled share-based payments	**4**	16	**-**	-
Other personnel expenses	**1,183**	1,117	**2**	2
	5,957	4,972	**144**	93

(b) Other non-interest expense

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Legal and professional fees	**768**	482	**25**	26
Rent, repairs, maintenance and security costs	**455**	377	**1**	1
Software licensing and other information technology costs	**1,090**	762	**-**	-
Electricity, water and telephone charges	**400**	383	**-**	-
Advertising, marketing costs and sponsoring	**249**	146	**1**	-
Postage, courier and stationery costs	**213**	212	**3**	-
Insurance costs	**199**	169	**-**	-
Others	**377**	249	**30**	44
of which short term leases	*21*	*8*	-	-
of which variable leases	-	*14*	-	-
	3,751	2,780	**60**	71

(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 2022, a further offer of 740,232 options was made on similar terms.

	GROUP			
	2023		2022	
	Weighted avg exercise price	Number of options	Weighted avg exercise price	Number of options
	RS		RS	
Outstanding and exercisable at 1 July	**192.56**	**510,038**	193.63	645,906
Expired during the year	**273.02**	**(426,046)**	192.42	(502,061)
Granted during the year	**285.70**	**740,232**	274.94	642,518
Exercised during the year	**282.48**	**(218,828)**	278.76	(276,325)
Outstanding and exercisable at 30 June		**605,396**		510,038

The options outstanding at 30 June 2023 under GESOS have an exercise price in the range of Rs 281.75 to Rs 313.75 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 22/23 was Rs 312.24 (2022:Rs 312.62).

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 310.50 (2022:Rs 299).

Notes to the financial statements
for the year ended 30 June 2023

31. Net impairment of financial assets

	GROUP	
	2023	2022
	RS'M	RS'M
Net allowance for credit impairment:		
Cash and cash equivalents	**4**	(8)
Loan and advances		
Loans to and placements with banks	**315**	217
Loans and advances to customers	**3,786**	3,501
Investment securities:		
Amortised cost	**66**	17
Fair value through other comprehensive income	**(2)**	76
Other assets - receivables	**-**	13
Off-balance sheet exposures	**(32)**	95
	4,137	3,911
Recoveries of advances previously written off	**(493)**	(430)
	3,644	3,481

32. Income tax expense

(a) The tax charge related to statements of profit or loss is as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Income tax based on the adjusted profit	**3,290**	1,730	**1**	-
Deferred tax	**(558)**	(345)	**-**	-
Special levy on banks	**645**	624	**-**	-
Corporate Social Responsibility contribution	**115**	124	**-**	-
Tax credit	**(53)**	(62)	**-**	-
Under/(Over) provision in previous years	**6**	(1)	**-**	-
Charge for the year	**3,445**	2,070	**1**	-

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Profit before tax	**17,758**	12,031	**4,298**	3,808
Less share of profit of associates	**(867)**	(799)	**-**	-
	16,891	11,232	**4,298**	3,808
Tax calculated at applicable rates (5%-33%)	**2,604**	1,685	**645**	571
Effect of change in tax rate	**287**	(281)	**-**	-
Impact of:				
Income not subject to tax	**(1,350)**	(555)	**(725)**	(619)
Expenses not deductible for tax purposes	**1,191**	536	**81**	48
Tax credits	**(53)**	(62)	**-**	-
Special levy on banks	**645**	624	**-**	-
Corporate Social Responsibility contribution	**115**	124	**-**	-
Under/(Over) provision in previous years	**6**	(1)	**-**	-
Tax charge	**3,445**	2,070	**1**	-

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Group is entitled, 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 Licence holders.

Applicable Tax Rates

As from 1 July 2019, the Segment A and Segment B regime was abolished for income tax purposes and a new tax regime is applicable for the banking sector.

The Mauritius Commercial Bank Limited was subject to income tax of 5% on the first Rs1.5 billion of its chargeable income, at 15% of its chargeable income between Rs1.5 billion and the base year chargeable income, and at a reduced rate of 5% on the remainder, subject to meeting prescribed conditions.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The Mauritius Revenue Authority is now of the view that the lapsing of the prescribed conditions implies that banks should no longer apply the reduced rate of 5% as from the year ended 30 June 2022.

(b) The tax credit related to statements of comprehensive income is as follows:

	GROUP	
	2023	2022
	RS'M	RS'M
Remeasurement of defined benefit pension plan and retirement residual gratuities	**263**	1,758
Deferred tax credit	**(39)**	(229)
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**224**	1,529

Notes to the financial statements
for the year ended 30 June 2023

33. Dividends

	COMPANY	
	2023	2022
	RS'M	RS'M
Ordinary shares		
Opening dividends payable	**1,185**	1,735
Declared during the year	**4,278**	3,462
Paid during the year	**(2,734)**	(3,765)
Scrip dividend	**(634)**	(247)
Closing dividend payable	**2,095**	1,185

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	
	2023	2022
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**14,133,000**	9,637,000
Weighted average number of ordinary shares (thousands)	**245,074**	240,064
Basic earnings per share (Rs)	**57.67**	40.14

(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.

	GROUP	
	2023	2022
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**14,133,000**	9,637,000
Weighted average number of ordinary shares - basic (thousands)	**245,074**	240,064
Effect of share options in issue (thousands)	**52**	55
Weighted average number of ordinary shares - diluted (thousands) at year end	**245,126**	240,119
Diluted earnings per share (Rs)	**57.66**	40.13

35. Commitments

(a) Capital commitments

	GROUP	
	2023	2022
	RS'M	RS'M
Expenditure contracted for but not incurred	219	192
Expenditure approved by the Board but not contracted for	92	121

(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	
	2023	2022
	RS'M	RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	7,631	7,113
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	37,647	32,620
	45,278	39,733

(c) The Company has pledged to invest EUR 5M in a carbon-impact fund.

36. Net cash flows from trading activities

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Operating profit	16,891	11,232	4,298	3,808
(Increase)/Decrease in other assets	(9,630)	(2,625)	(669)	236
Increase in other liabilities	4,579	160	83	368
Net Increase in derivative financial instruments	(57)	(312)	-	-
Net (Increase)/Decrease in investment securities at fair value through profit or loss	(1,426)	17,932	-	-
Release of provision for employee benefits	(104)	(94)	-	-
Provision for residual retirement gratuities	48	14	-	-
Net allowance for credit impairment on:				
Cash and cash equivalents	4	(8)	-	-
Loans and advances	4,101	3,718	-	-
Investment securities at amortised cost	66	17	-	-
Investment securities at fair value through other comprehensive income	(2)	76	-	-
Other assets - receivables	-	13	-	-
Off-balance sheet exposures	(32)	95	-	-
Exchange profit	(239)	(22)	-	-
Depreciation of property, plant and equipment	897	855	2	1
Amortisation of intangible assets	652	525	-	-
Loss on disposal of property, plant and equipment	75	53	-	-
Loss on scrapped intangible assets	-	10	-	-
Loss on disposal of investment securities	-	337	-	-
Revaluation gain on investment property	-	(204)	-	-
Bargain purchase on business combinations	(38)	-	-	-
	15,785	31,772	3,714	4,413

Notes to the financial statements
for the year ended 30 June 2023

37. Net cash flows from other operating activities

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Net increase in deposits	**72,687**	18,481	**-**	-
Net increase in loans and advances	**(18,725)**	(38,157)	**-**	-
Purchase of investments at fair value through other comprehensive income	**(237)**	(5,560)	**-**	-
Proceeds from sale of investments at fair value through other comprehensive income	**1,811**	9,732	**-**	-
Net increase in investment securities at amortised cost	**(27,798)**	(63,095)	**-**	-
Net increase in other borrowed funds	**(4,822)**	15,368	**1,616**	-
	22,916	(63,231)	**1,616**	-

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 2023

	GROUP	Banking	Non-Banking Financial	Other Investments	Eliminations
	RS'M	RS'M	RS'M	RS'M	RS'M
Income:					
External gross income	**48,993**	47,969	1,861	191	(1,028)
Expenses	**(28,458)**	(27,896)	(1,042)	(298)	778
Operating profit before impairment	**20,535**	20,073	819	(107)	(250)
Net impairment of financial assets	**(3,644)**	(3,671)	33	(6)	-
Operating profit	**16,891**	16,402	852	(113)	(250)
Share of profit of associates	**867**	544	15	308	-
Profit before tax	**17,758**	16,946	867	195	(250)
Income tax expense	**(3,445)**				
Profit for the year	**14,313**				
Other segment items:					
Segment assets	**810,889**	812,290	21,694	1,873	(24,968)
Investments in associates	**13,169**	6,085	53	7,033	(2)
Goodwill and other intangible assets	**2,799**				
Deferred tax assets	**3,124**				
Total assets	**829,981**				
Segment liabilities	**704,946**	706,432	12,597	1,381	(15,464)
Unallocated liabilities	**31,940**				
Total liabilities	**736,886**				

38. Operating segments (Cont'd)

Year ended 30 June 2022

	GROUP	Banking	Non-Banking Financial	Other Investments	Eliminations
	RS'M	RS'M	RS'M	RS'M	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**				

Notes to the financial statements
for the year ended 30 June 2023

38. Operating segments (Cont'd)

Year ended 30 June 2023

	GROUP	Net interest income/ (expense)	Net fee and commission income	Dividend income	Forex profit and others
	RS'M	RS'M	RS'M	RS'M	RS'M
Operating income:					
Banking	**31,160**	19,797	6,331	755	4,277
Non-Banking Financial	**1,433**	(3)	550	52	834
Other Investments	**185**	(4)	16	40	133
Eliminations	**(986)**	-	(291)	(665)	(30)
	31,792	19,790	6,606	182	5,214
Segment assets	**696,592**	687,346	-	9,246	-
Investments in associates	**13,169**				
Goodwill and other intangible assets	**2,799**				
Deferred tax assets	**3,124**				
Unallocated assets	**114,297**				
Total assets	**829,981**				

Year ended 30 June 2022

	GROUP	Net interest income	Net fee and commission income	Dividend income	Forex profit and others
	RS'M	RS'M	RS'M	RS'M	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	**411**	5	16	4	386
Eliminations	**(925)**	-	(440)	(402)	(83)
	23,845	15,191	5,850	113	2,691
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**				

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 23	**2,478**	**182**	**22**	**-**
30 June 22	2,397	343	409	-
Deposits				
Balance at year end:				
30 June 23	**67**	**415**	**261**	**621**
30 June 22	75	528	557	798
Amounts due from/(to)				
Balance at year end:				
30 June 23	**(986)**	**-**	**-**	**-**
30 June 22	(1,013)	-	-	-
Off Balance sheet items				
Balance at year end:				
30 June 23	**3**	**-**	**237**	**-**
30 June 22	74	-	195	-
Interest income				
For the year ended:				
30 June 23	**128**	**5**	**1**	**-**
30 June 22	77	3	14	-
Interest expense				
For the year ended:				
30 June 23	**1**	**8**	**-**	**7**
30 June 22	32	2	-	-
Fees and commissions and Other income				
For the year ended:				
30 June 23	**5**	**3**	**1**	**4**
30 June 22	4	3	4	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.

Notes to the financial statements

for the year ended 30 June 2023

39. Related party transactions (Cont'd)

(a) The Group (Cont'd)

The FY 2022/2023 figure for "Fees and commissions and Other income" from Associated Companies includes an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI').

During the year, 50,114 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 20M (FY 2021/2022: 88,343 share options for Rs 22M).

(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:

	Amount owed by	Amount owed to
	RS'M	RS'M
Subsidiaries		
2023	**4,488**	**389**
2022	2,761	6

(ii) Income and expenses for the year ended 30 June:

	Dividend income	Interest income	Other expense
	RS'M	RS'M	RS'M
Subsidiaries			
2023	**4,737**	**17**	**22**
2022	4,081	2	19

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2023	2022	2023	2022
	RS'M	RS'M	RS'M	RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**284**	240	**106**	81
Post employment benefits	**24**	18	**6**	3
	308	258	**112**	84

40. Events after reporting date

(i) In July 2023, the Board has approved the issue of additional notes, by way of preferential offer, for an aggregate nominal amount of up to Rs 2.5 billion.

(ii) Conversion of 44,503,612 Preference Shares into Ordinary Shares- *Refer to note 19*

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August 2023

MCB Foundation Scholarship

Gyan Digumber is the 34th MCB Foundation Scholarship laureate.

June 2023

InovApp (external)

LaunchTech 2.0 was the grand winner of the MCB InovApp Challenge 2023, held in June at MCB St Jean. This hackathon aims to showcase creativity innovation, and tech skills.

May 2023

Deba Klima

SSS Forest Side (Girls) won the 1st edition of Deba Klima, hosted by MCB Group, in collaboration with the Rajiv Gandhi Science Institute.

March 2023

Wellness fair

From 16 to 18 March 2023, MCB hosted its first-ever Wellness Fair for the benefit of its employees.

October 2022

MCB Live

On 14 October 2022, all employees of the Group were welcomed by our Chief Executives at Côte d'Or for the MCB Live, during which our Shared Ways of Working were launched.

Our Sustainability Report is available here:

report.mcbgroup.info