ANNUAL REPORT 2021

SUCCESS BEYOND NUMBERS

The Directors of The Mauritius Commercial Bank Limited are pleased to present its Annual Report for the year ended 30 June 2021.

The Annual Report was approved by the Board of Directors on 24 September 2021.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

MCB at a glance

Our identity

The Mauritius Commercial Bank Limited (referred to as 'MCB Ltd', 'MCB' or 'Bank') is a dynamic organisation with a rich heritage. It is the leading bank in Mauritius and an increasingly prominent regional player.

MCB is the main subsidiary of MCB Group Limited (hereinafter referred to as 'MCB Group Ltd' or 'Group'). The Group encompasses local and foreign banking and non-banking subsidiaries and associates.

Our purpose-driven approach

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

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

We set out to uphold shareholder value by pursuing the implementation of our diversification strategy and maintaining a robust business model. We actively monitor and assess the dynamic operating environment and ensure that we rise up to challenges and opportunities.

Our reporting suite

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

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

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

For a more comprehensive understanding of MCB's strategy, business, performance as well as approach to corporate governance, our **website** provides a full suite of publications, which cater for the diverse needs of our stakeholders.

Mobilised through an exceptional year

During the extraordinarily challenging times triggered by the COVID-19 pandemic, the Bank has lived up to its promise of being a responsible corporate citizen. Our teams took prompt actions to ensure the continuity and soundness of our services and operations, notably amidst the introduction of a second lockdown in Mauritius. The health and safety of employees and clients continue to be a key priority and we further encouraged the implementation of digital solutions. We accompanied individuals and businesses in facing up to the challenges by means of adapted solutions, after close collaboration with relevant authorities. The Bank also strengthened its risk management framework to tackle and mitigate pressures exerted on business activities. Thanks to its robust fundamentals and its ability to adapt to the constantly and rapidly changing operating landscape, the Bank upheld its operational and financial resilience.

Throughout this Annual Report, we highlight how we have, so far, successfully responded to the crisis alongside supporting our people, clients and communities, with a view to helping them emerge stronger.

Highlights areas that have gained prominence amidst the pandemic as well as our response thereto

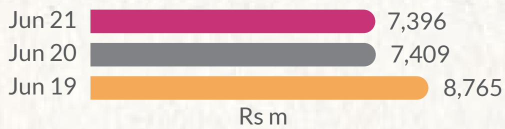
Financial highlights

Financial performance

Net profit

Rs 7,396 m

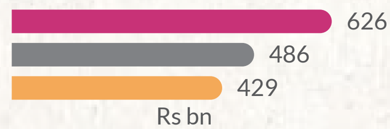
-0.2%



Total assets

Rs 626 bn

+28.7%

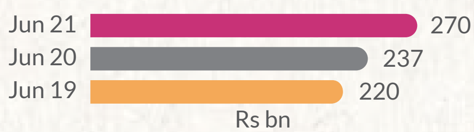


Market positioning

Customer loans

Rs 270 bn

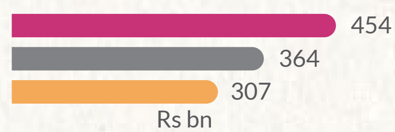
+14.0%



Customer deposits

Rs 454 bn

+24.7%

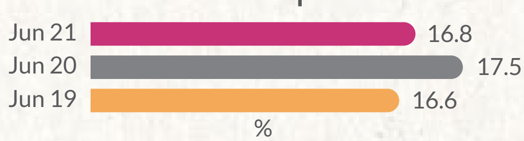


Capital & return ratios

Capital adequacy ratio

16.8%

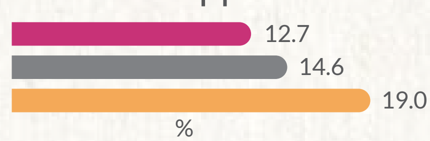
-73 bp



Return on equity

12.7%

-1.9 pp

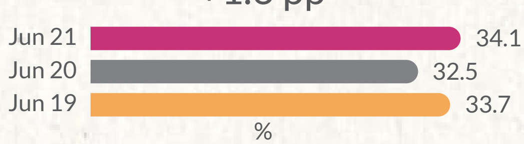


Efficiency & asset quality

Cost to income ratio

34.1%

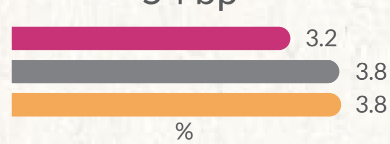
+1.6 pp



Gross NPL ratio

3.2%

-54 bp



Non-financial highlights

Shareholders and investors

Baa3/P-3

Long-term / short-term deposits ratings – Moody's Investors Service

AAA*

Issuer rating – CARE Ratings (Africa) Private Limited

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

Customers

~ 1 million

Total customers

~ 397,600

MCB Juice subscribers

95.9

Customer Satisfaction Score
(Retail-conducted only at branch counters)

Societies and communities

Rs 52.0 million

Amount allocated to MCB Forward Foundation

25%

Electricity consumption from renewable resources

17,345 tonnes CO_2-eq

Carbon emissions from 2019 operations offset to reach carbon neutrality

Authorities and economic agents

~ 5%

of the total value added generated in Mauritius

~ 10%

of total corporate tax paid in Mauritius
(inclusive of levies on income)

~ 36%

of total employment in the Mauritian banking sector

Employees

~ 3,000

Workforce

30%

Women at middle and senior management level

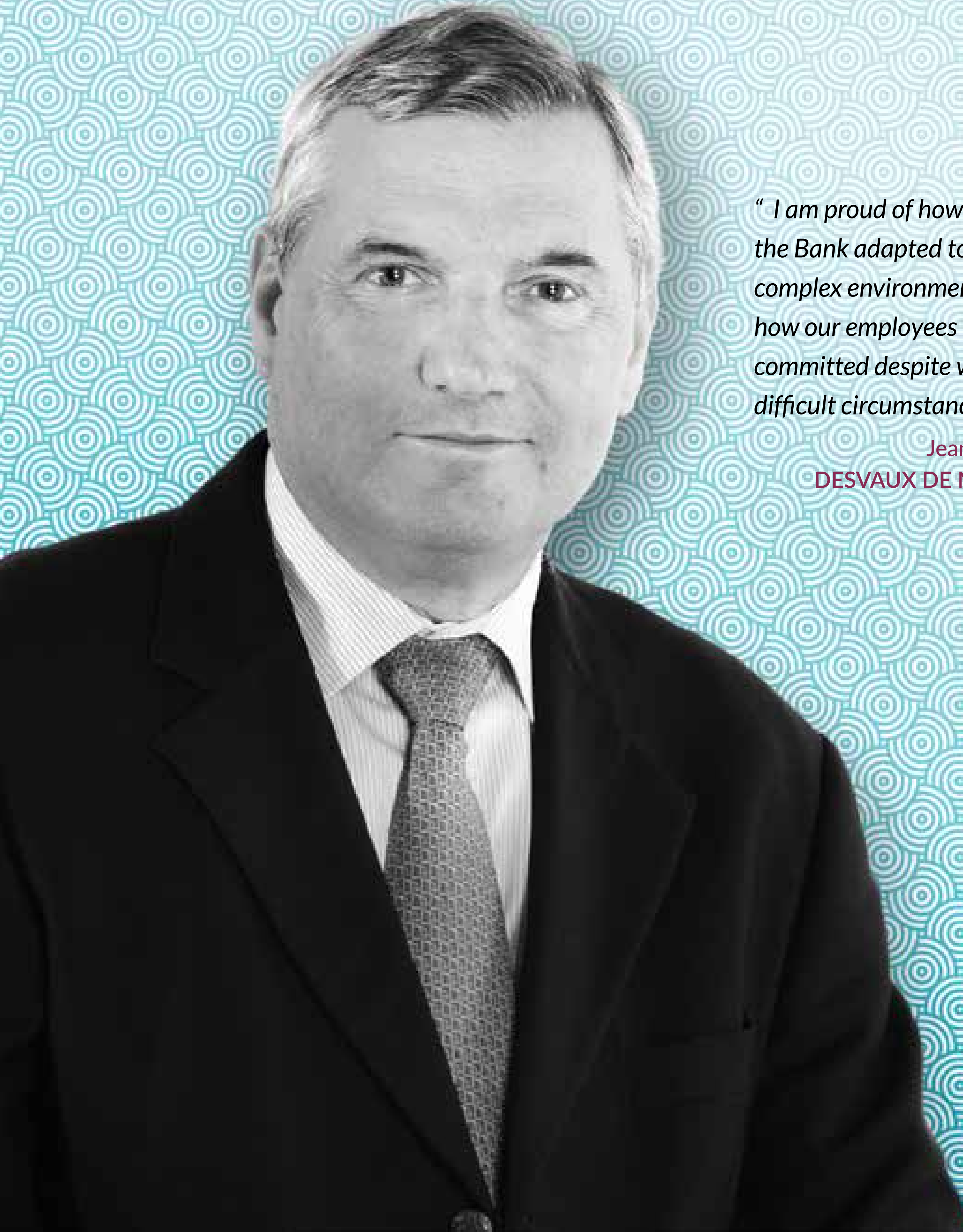
~ 97%

Employee Retention rate

Note: Figures above are as at 30 June 2021

Read more about our key stakeholders in the 'Creating value in a sustainable way for our stakeholders' section on pages 47 to 62

Read more in the Sustainability Report on our website



" I am proud of how quickly the Bank adapted to this complex environment and how our employees remained committed despite working in difficult circumstances."

Jean-François
DESVAUX DE MARIGNY

Reflections from the Chairperson

Reflecting on an unprecedented year

By any measure, this financial year has been seriously marred by turbulences and uncertainties as the profound effects of the COVID- 19 pandemic continued to be felt throughout. Our central priority has been to preserve the health and safety of our employees whilst maintaining our support to clients and other key stakeholders as well as the community at large. This increasingly demanding context tested our operational and financial resilience, our flexibility to deal with change and underlined the importance of purpose in everything we do. Personally, I am proud of how quickly the Bank adapted to this complex environment and how our employees remained committed despite working in difficult circumstances. As we have seen during this period of instability, our significant and continuing investments in our people, processes and technology proved to be fruitful as we maintained a contextually sound financial performance.

During FY 2020/21, notwithstanding squeezed margins induced by the low interest rate environment and the impact of market volatilities, our bottom line was maintained at the Rs 7.4 billion mark as we pursued a proactive and prudent approach to build up our provisioning levels. This performance reflects continued business growth, which contributed to an increase of 2.4% in operating income, being underpinned by our sound business model and disciplined market diversification strategy. Importantly, we preserved our financial soundness as substantiated by stable credit quality and robust funding and liquidity levels – both in rupee and foreign currency terms – resulting in the Bank remaining well poised to weather the storm. Backed by our long-standing efforts to build and maintain a strong capital base, our capital adequacy ratios were kept comfortably above regulatory requirements. Our solid foundation was consolidated by an expansion in shareholders' funds through an injection of capital amounting to Rs 2 billion from our holding company, following MCB Group's first issue of unsecured floating rate notes under its Rs 10 billion Multi-Currency Note Programme, to support our future growth. Our cost to income ratio remained relatively low at 34.1%, albeit increasing from the previous year in line with sustained capacity-building initiatives.

Responding to the pandemic and underpinning growth strategies

Whilst remaining confronted by the persisting effects of the pandemic, notably amidst the resurgence of positive cases in the local community which led to the introduction of a second lockdown in March 2021, the Bank successfully ensured the continuity and soundness of its services and operations on the basis of our established guidelines and protocols. Our teams were able to maintain high level of service to our clients, with a combination of minimal onsite presence of staff and remote working, backed by our strong operational platforms, coherent governance set-up and adapted technological infrastructures. As a trusted business partner, we continued to help our customers impacted by the crisis, with the offer of adapted financial solutions – such as additional working capital facilities and flexible repayment solutions – alongside working closely with the authorities to promote the stability of the financial services sector, with banks playing a vital role in these testing times.

"As we have seen during this period of instability, our significant and continuing investments in our people, processes and technology proved to be fruitful as we maintained a contextually sound financial performance."

On the business development front, whilst reviewing some of our priorities in view of the exceptional circumstances, the Bank has further progressed on its strategic pillars. We have implemented dedicated initiatives to grow our international business while delivering a world-class customer service through digitally enabled solutions. Despite remaining subject to notable pressures induced by the pandemic on the level and quality of credit demand in both the retail and corporate segments locally, we maintained our prominent market positioning on the back of our successful response to the dynamic operating context. We have market shares of 47% for local currency deposits and 40% in respect of domestic credit to the economy, with foremost position held in respect of housing loans and credit extended to key sectors. We remained the leading banking institution for the provision of student loans and services to small businesses. In the latter respect, reflecting its pledge to help entrepreneurs, MCB has enhanced the ease of doing business for SMEs and MMEs by providing additional features under its dedicated application MCB JuicePro, notably with the launch of our first digital SME lending product, Express Overdraft. This new service allows entrepreneurs to apply and obtain an overdraft facility within 4 working days. Additionally, we have strived to equip SMEs with an array of payment acceptance solutions adapted to the needs of different customer profiles, backed by a swift onboarding process and heightened commercial efforts. As a result, the number of new merchants adopting digital payments terminals registered a growth of over 140% in FY 2020/21. From a broader perspective, we boosted our efforts to help transform Mauritius into a cash lite society by accelerating the

Reflections from the Chairperson

move towards digital banking, with our contactless payment services and MCB Juice mobile banking application both witnessing significant growth since the outbreak of the virus. Illustratively the number of subscribers on MCB Juice reached some 401,000 as at August 2021, including nearly 60,000 issued over the past year, thus firmly strengthening our local leadership position in this segment.

On the regional front, we successfully pursued our market diversification agenda as gauged by a notable growth in exposures, thereby positioning ourselves as an increasingly prominent financial services player on the African continent. Reflecting the significance of our foreign-sourced activities, the latter accounted for some 54% of our profit for the year in FY 2020/21. We further broadened and deepened our involvement in Energy and Commodities financing while providing support to our clients for their infrastructure investments in our key geographical markets, including energy projects that contributed to the transition towards cleaner energy and helped to improve electrification rate on the continent. In parallel, we further consolidated our syndication offering and strengthened our position as lead arranger with financial institutions. We continued to harness mutually-beneficial relationships with foreign counterparts in the context of the MCB's 'Africa Forward Together' (AFT) brand and 'Bank of Banks' initiative to provide them access to a palette of adapted solutions to underpin their growth ambitions. As a key move to support our international expansion, we recently secured a syndicated medium term facility of USD 1 billion arranged by a consortium of six international banks and involving some 30 lenders. This testifies to our strong appeal to foreign investors, the recognition of our investment-grade credit worthiness and lenders' confidence in our international growth prospects.

Alongside implementing our business development strategy, we maintained our thrust to reinforce our internal capabilities for growth. In this respect, we deployed a comprehensive talent management plan as part of our HR Transformation initiative aimed at fostering the engagement, proficiency, advancement and well-being of our employees. We also made further headway in the execution of our Digital Transformation Programme. Key initiatives put into place helped the Bank further improve the quality of end-to-end customer experiences, using technology to enhance the richness of our value proposition and bolster our competitive edge. To underpin our digital transformation journey, we made further progress regarding our transition to a unique and leading omni-channel platform, seeking to provide all our customers with the same experience, whichever channels they prefer to use. On another note, the Bank undertook several business transformation and realignment initiatives to nurture a solid footing for the future as we aim to continuously enhance our operating models within the fast evolving context.

" We will pursue our strategic goals in a disciplined way, alongside standing ready to tap into opportunities and adapting our working practices to cope with imperatives surfacing in the post-COVID era. "

MCB's brand image and franchise demonstrated remarkable resilience despite coping with the impact of the pandemic as we moved on to make a sustainable contribution to the economy, society and environment towards fulfilling our engagement as a caring entity. In line with our 'Success Beyond Numbers' agenda, we have executed key initiatives across the three pillars of our Corporate Sustainability Programme. In addition to furthering the move towards carbon neutrality in our operations, we took actions in favour of strengthening the country's productive resilience and promoting a higher level of gender equality. Encouragingly, the Bank's noteworthy achievements and sound fundamentals have been acknowledged at various levels. As a testament to our credentials as strong and innovative banking institution, we earned numerous awards, notably from the Banker/FT Magazine, Euromoney and International Banker.

Charting our path ahead in the face of disruptive forces

The business environment is set to remain subject to the ramifications of the COVID-19 pandemic which should continue to have a bearing on our activities in the short term at least, although a progressive return to normality is anticipated in the periods ahead. Besides, we are conscious that disruptive forces, particularly technological shifts, are changing the way banking is undertaken, whereas regulatory and compliance requirements are getting increasingly stringent, with the Mauritian jurisdiction being under constant international scrutiny. Against this backdrop, MCB remains committed to creating value for its multiple stakeholders and pursuing its thrust to make banking quicker, simpler and more convenient and accessible. Capitalising on our integrated business model and enhanced recourse to digital, we will pursue our strategic goals in a disciplined way, alongside standing ready to tap into opportunities and adapting our working practices to cope with imperatives surfacing in the post-COVID era. Overall, in addition to consolidating our footprint in Mauritius and supporting our customers on their recovery paths, we will further push ahead with our regional market diversification drive. While building on inroads made in recent years, we seek to strengthen our positioning in specific areas such as wealth management and vis-à-vis global and international companies targeting the region. We will continue to embed sustainability into the fabric of the business and remain committed to advancing the sustainability agenda around responsible banking and business practices with a key focus on enhancing our finance proposition. When moving forward, we will also continue to abide by the best corporate governance practices and will ensure that our employees strictly adhere to principles of integrity, accountability and transparency when conducting their activities. In addition, we will anchor our business development thrust on our strong risk management framework, backed by reliable control mechanisms.

Concluding remarks

On behalf of the Board, I would like to express my thanks to the staff of MCB Ltd for their strong dedication and hard work in enabling the Bank navigate the exceptionally difficult environment. I would also like to extend my sincere gratitude to our esteemed clients who maintained their trust in the Bank.

To my fellow Directors of the Board, I thank you for your continued support and dedication as well as your wise counsel in tailoring the Bank's strategic objectives and drilling the path for achieving set targets. I would like to seize the opportunity to thank Mr. Jonathan Crichton for his invaluable guidance as Independent Non-Executive Director before leaving the Bank in September 2020. I also wish to express my appreciation to Alain Law Min and the Leadership Team of MCB Ltd for their unwavering support and strong dedication towards helping us deliver on our commitments and guiding the organisation towards greater heights. I also thank wholeheartedly our employees for steering the business towards its set short and long term objectives. MCB is building a bank for the future and I have every reason to believe that we can capitalise on our sound and sustainable business model and on the dedication of our people to continue delivering value for the benefit of all stakeholders in an ever-changing world.

Jean-François DESVAUX DE MARIGNY
Chairperson

Board of Directors

Chairperson

Jean-François DESVAUX DE MARIGNY

Independent Non-Executive Directors

Jonathan CRICHTON *(until September 2020)*

Uday GUJADHUR

Philippe LEDESMA

Su Lin ONG

Simon WALKER

Non-Executive Director

Jean Michel NG TSEUNG

Executive Directors

Alain LAW MIN

Raoul GUFFLET *(until December 2020)*

Secretary to the Board

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Committees of the Board

Supervisory and Monitoring Committee

Jean-François DESVAUX DE MARIGNY *(Chairperson)*

Raoul GUFFLET *(until December 2020)*

Alain LAW MIN *(also acts as Secretary)*

Conduct Review Committee

Su Lin ONG *(Chairperson)*

Uday GUJADHUR

Philippe LEDESMA

Secretary: Frederic PAPOCCHIA

Risk Monitoring Committee

Simon WALKER *(Chairperson as from July 2020)*

Jonathan CRICHTON *(until September 2020)*

Jean-François DESVAUX DE MARIGNY

Alain LAW MIN

Philippe LEDESMA

Jean Michel NG TSEUNG

Secretary: Frederic PAPOCCHIA

Audit Committee

Uday GUJADHUR *(Chairperson)*

Philippe LEDESMA

Su Lin ONG

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

Nomination and Remuneration Committee

Jean-François DESVAUX DE MARIGNY
(Chairperson) (also acts as Secretary)

Alain LAW MIN

Philippe LEDESMA

Simon WALKER

Leadership Team

Business Executives

Alain LAW MIN	**Chief Executive Officer**
Raoul GUFFLET	**Deputy Chief Executive Officer** *(until December 2020)*
Vincent CHATARD	Chief Operating Officer
Thierry HEBRAUD	Head – Corporate and Institutional Banking (CIB)
Bhavish NAECK	Head – Finance
Frederic PAPOCCHIA	Chief Risk Officer
Mike SOPHIE	Head – Human Resources

Business Leaders

Stephanie AH TOW	Head – Compliance
Xavier BATHFIELD	Head – Mauritian & Regional Corporate (CIB)
Matthieu BENOIT	Head – Marketing
Hema CEDERHAGE	Head – Securities Services
Paul CORSON	Deputy Head – Corporate and Institutional Banking (CIB)
Robin CUNDASAWMY	Head – Internal Audit
Koomaren CUNNOOSAMY	Head – Debt Restructuring & Recovery Management
Ashvin DEENA	Head – Global and International Corporate (CIB)
François DESVAUX DE MARIGNY	Head – Private Banking and Wealth Management

Vanessa DOGER DE SPEVILLE	Head – Communication and Corporate Sustainability
Marc HAREL	Head – Business Development (CIB)
Hemandra Kumar HAZAREESING	Head – Global Transactional Banking (CIB)
Jean-François HENRI	Head – Facilities Management and Procurement
Patrice HERVE	Head – Technology
Vicky HURYNAG	Head – Strategy, Research and Development
Anbar JOWAHEER	Head – Financial Institutions and Syndication (CIB)
Joel LAMBERT	Head – Legal
Vikash NATHOO	Head – Permanent Supervision, Operational and Information Risk
Stephanie NG TSEUNG - YUE	Head – Cards
Lindley PERRINE	Head – Global Markets and Treasury Management
Dominic PROVENCAL	Head – Business Banking
Neekeea RAMEN	Head – Credit Management
Abraham RAWAT	Head – Retail
Zaahir SULLIMAN	Head – Specialised Finance (CIB)
Anju UMROWSING-RAMTOHUL	Head – Banking Operations

Contents

About this report

Philosophy of the Annual Report

This Annual Report provides a holistic and transparent assessment of our ability to create sustainable value in the short, medium and long term for our multiple stakeholders. During the year, we continued to make progress towards comprehensively adhering to the key principles and requirements of the reporting framework of the International Integrated Reporting Council.

Reporting scope and boundary

Reporting period

The report is published annually and covers the period spanning 1 July 2020 to 30 June 2021. Material events taking place after this date and until approval of the report by the Board of Directors of MCB Ltd have also been communicated.

Reporting requirements

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

Financial and non-financial reporting

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

Operating business

The report sheds light on activities undertaken across the different segments and layers of the Bank. The nature and extent of information delivered depend on their materiality and relative significance to the Bank and its stakeholders.

Specific areas of reporting

The report contains information on the overall strategic progress achieved by the Bank during the period under review, while providing insights on our operating environment, business model and strategy, business performance, support to stakeholders, management of risk and adherence to corporate governance principles.

Assurance and independent assessment

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

Sustainable Development Goals (SDGs)

The organisation has assessed its contribution to each of the SDGs of the United Nations and accordingly identified and prioritised 11 SDGs that are most aligned and relevant to its operations and the local context. Throughout this report, we outline our approach to delivering on these SDGs, with more details available in our Sustainability Report.

Icons used in this report

- Read more in this Annual Report
- Read more in the Sustainability Report on our website
- Find out more online *(i.e. across our website)*
- Area gaining prominence amidst the pandemic and/or our response thereto

Value creation

Our capitals

Our relevance as a financial services provider today and in the future depends on our ability to leverage the forms of capital as inputs to achieve desired outputs and outcomes.

Financial capital
The pool of funds – derived notably through shareholders' equity as well as funding from investors and clients – underpinning our organisation's operations and business activities

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

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

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

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

Manufactured capital
The operational paradigms, mechanisms and processes that provide a framework for our services delivery, including our physical infrastructure as well as our information technology and digital platforms

Our key stakeholders

We engage with our internal and external stakeholders in a systematic, coherent and meaningful manner, with a view to promptly responding to their needs/requirements.

- Shareholders and investors
- Customers
- Societies and communities
- Authorities and economic agents
- Employees

Material matters

We apply the principle of materiality in determining what should be included in our report. We focus on matters that have the potential to materially impact our ability to create value in the short, medium and long term. Our material matters are assessed and, if need be, reviewed on an annual basis, in light of the evolving operating environment. Material matters that have been identified for the year under review are summarised below.

Implications of the pandemic and macroeconomic developments

Evolving competitive landscape

Regulatory change, risk management and governance standards

Strategy execution and alignment

Digital disruptions and cybersecurity

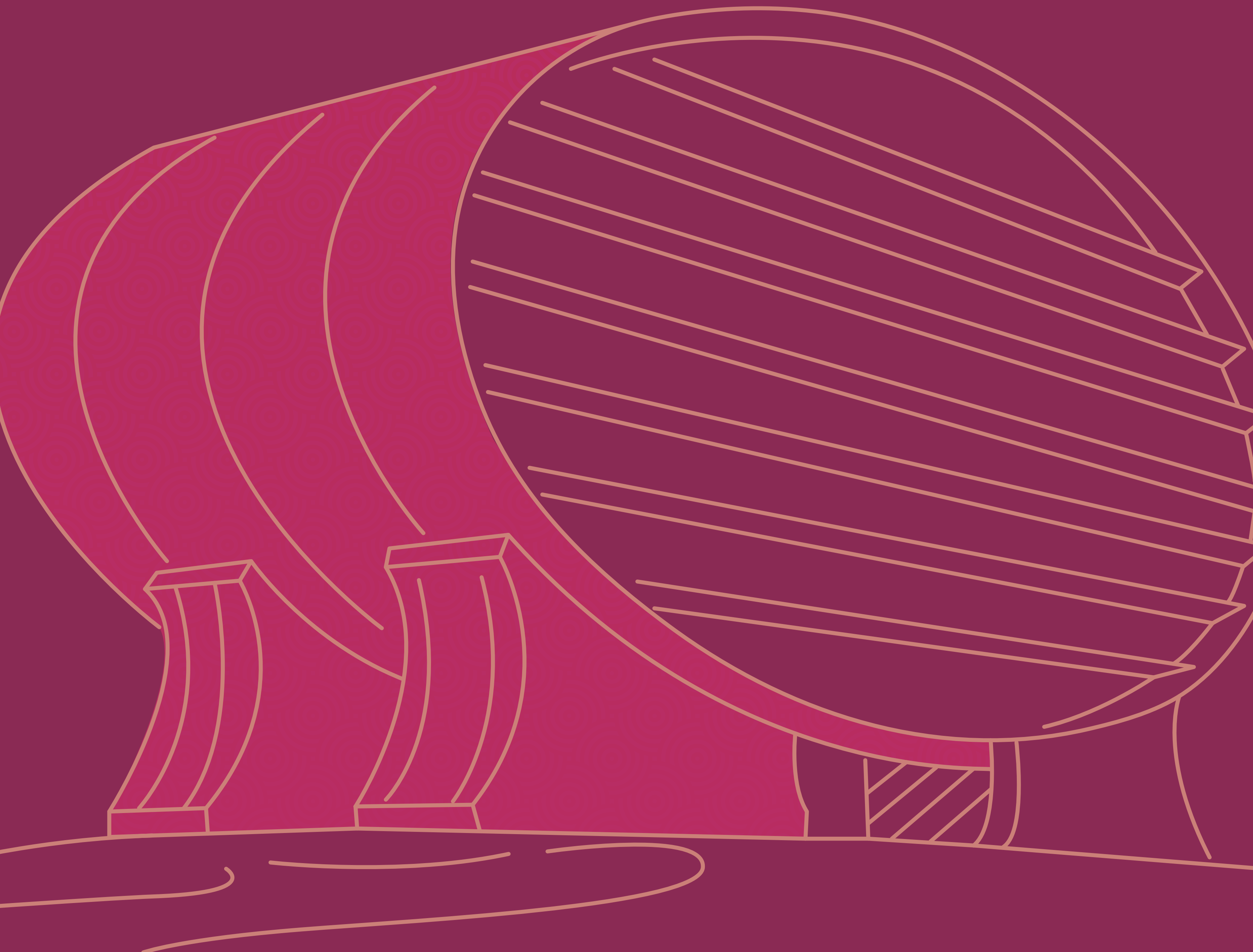
Customer experience and data privacy

Changing world of work

Environmental considerations and social welfare

Read more in the Sustainability Report on our website

Success Beyond Numbers



Our Mission

We will keep finding ways to meet the needs of our customers

We will listen to them and help them achieve their goals

We will help people with ideas to be entrepreneurs

We will be worthy of our shareholders' confidence

We will do what we can to make the world a better, greener place

And we will never go away

Our Core Values

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Our Corporate Profile

Our corporate profile

Who we are

Established in 1838, MCB Ltd is the longest-standing and leading banking institution in Mauritius.

Over time, we have diversified our business activities across market segments and geographies. We are actively involved in various markets across sub-Saharan Africa, while remaining alert to relevant growth opportunities within the continent and beyond.

Our strength and value drivers

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

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

Our channels and digital platforms

~ 460 Correspondent banks

41 Branches/Kiosks

182 ATMs

~ 11,100 POS terminals

~ 264,100 Internet Banking subscribers

~ 397,600 MCB Juice subscribers

Our credentials and recognition

Our domestic market shares

~40% Domestic credit to the economy

~47% Local currency deposits

Our credit ratings

MCB Ltd is investment-grade rated by Moody's Investors Service with a long-term bank deposit rating of Baa3. It is among the few financial institutions rated as such in sub-Saharan Africa. Domestically, MCB Ltd is assigned a 'AAA' credit rating by CARE Ratings (Africa) Private Limited which showcases the Bank's highest degree of safety regarding the timely servicing of financial obligations and hence carrying lowest credit risk. Both ratings carry a negative outlook amidst the current challenging context.

Accolades

Mauritius

Bank of the Year for Mauritius
The Banker Bank of the Year Awards 2020

Best Bank in Mauritius
Euromoney Awards for Excellence 2021

Best Commercial Bank Mauritius
International Banker 2021

Winner in the **'Sustainability' category**
PwC Corporate Reporting Awards 2020

Best Innovation in Retail Banking Mauritius
International Banker 2021

Excellence Award 2020
Attributed by Citibank for MCB's USD straight-through processing

Best Payment Hub/Wholesale Payments Implementation
IBS Intelligence Global FinTech Innovation Awards 2020

Best Trade Finance Bank in Mauritius
GTR Leaders in Trade for Africa 2020

Africa

Leading Regional Bank
In terms of operating income and profitability
L'Eco Austral, Top 500 Regional, Edition 2020

5th Strongest Bank in Africa by Balance Sheet
The Asian Banker 500 Largest and Strongest Banks Rankings 2020

27th in Africa
In terms of assets
Jeune Afrique, Top 200 Banks, The Africa Report, October 2020

Our corporate profile

How we operate

Our Group structure

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% (MCB Madagascar SA)
- 100% MCB Seychelles Ltd
- 100% MCB (Maldives) Private Ltd

** Relate to clusters*

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

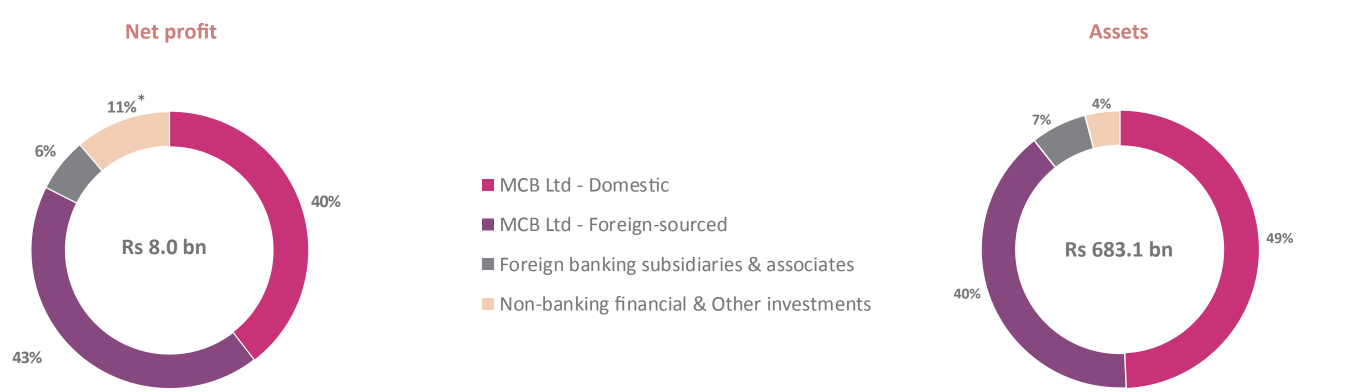
Other Investments*

- 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%

MCB Ltd is a wholly-owned subsidiary of **MCB Investment Holding Ltd**, itself a wholly-owned subsidiary of **MCB Group Ltd**. The latter is the ultimate holding company of MCB Group's entities.

The subsidiaries and associates of MCB Group Ltd operate under three distinct clusters, namely 'Banking', 'Non-banking financial', and 'Other investments', in line with international standards and regulatory requirements.

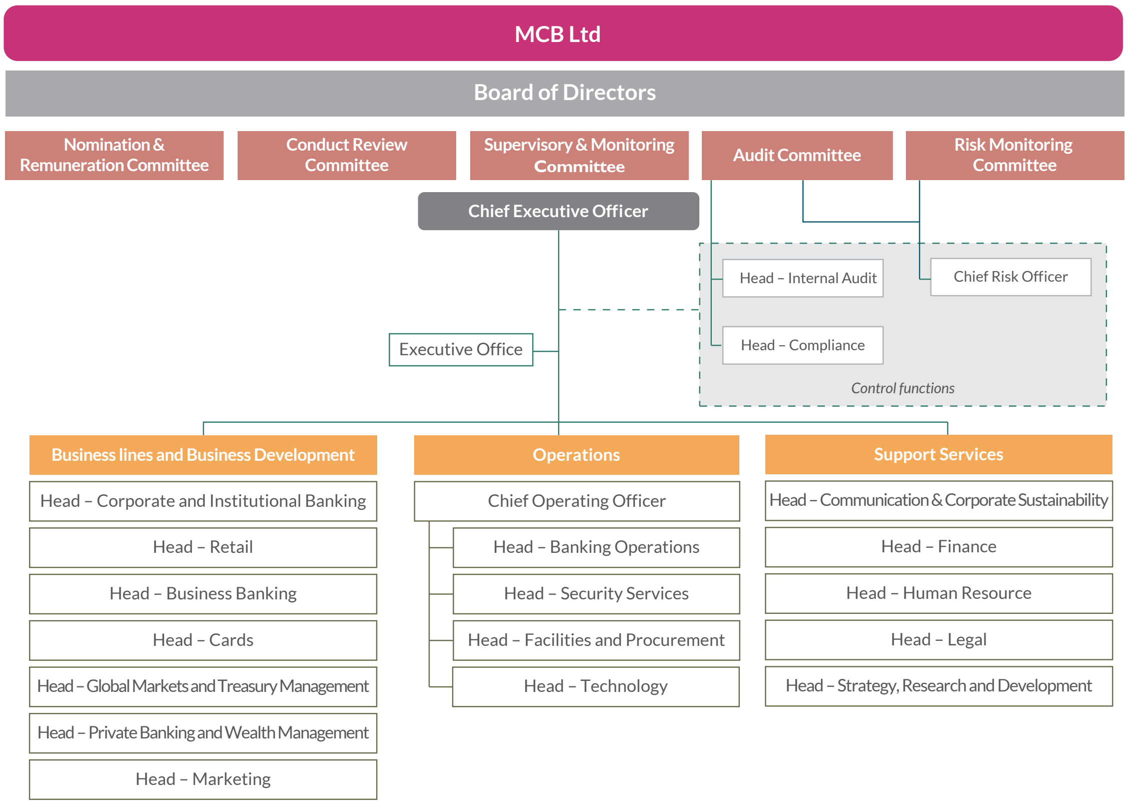
Contribution to Group performance



**Includes profit on disposal of shares in ICPS Ltd of Rs 356 million*

Organisation chart of the Bank

Our strategy execution is enabled by key operating pillars, which comprise business lines as well as coverage and support functions. Appropriate frameworks and policies guide our operations and ensure that the Bank works in an integrated way.



Note: The Chief Risk Officer reports to the Audit Committee on risk matters relating to Permanent Supervision, Operational and Information Risk and to the Risk Monitoring Committee on matters relating to the monitoring and management of other risk areas

The Bank has, in recent periods, reviewed the scope and operating models of specific functions to better support its strategic orientations and adhere to advocated practices.

- A new organisation structure has been implemented for the Corporate and Institutional Banking Strategic Business Unit (SBU) to align its coverage model with its business development ambitions. It provides for enhanced capabilities and synergies to cope with the increasing challenges and opportunities arising in the context of MCB's international expansion and the positioning of Mauritius as an International Financial Centre of repute and substance. The SBU's coverage now consists of teams focusing on: (i) Mauritian & Regional Corporates; (ii) Global & International Corporates; (iii) Specialised Finance (which comprises Energy & Commodities financing as well as Power & Infrastructure financing); and (iv) Financial Institutions and Syndication. A Global Transactional Banking unit has also been set up and operationalised so as to boost MCB's transactional banking business and its fee-based value proposition.
- In line with regulatory requirements and best practices, the Anti-Money Laundering/Fraud Prevention (AML/FP) Business Unit – which was formerly part of the Internal Audit SBU – has undergone a restructuring and change management process. The AML activities have integrated the Compliance SBU with the FP activities remaining within the Internal Audit SBU.
- The Finance SBU has been realigned with a view to affirming its role as a dedicated and trusted partner for its internal stakeholders. Amongst other changes, it has (i) redefined its value proposition through the provision of expert advice and delivery of value-added insights; (ii) reinforced its Business Partnering model and proximity with internal stakeholders by providing adapted financial advisory; and (iii) streamlined and automated processes across the organisation for enhanced efficiency.
- The Risk SBU has been reorganised under four functions, namely, (i) Financial Risk; (ii) Permanent Supervision, Operational and Information Risk; (iii) Credit Management and (iv) Debt Restructuring and Recovery. Read more in the 'Risk and capital management report' on pages 128 to 178.

Our corporate profile

Our market operations

To further their growth, our business segments can rely on their competent workforce, cutting-edge technology and innovative channels and solutions. The Bank also capitalises on its Representative Offices in Johannesburg, Nairobi, Paris and Dubai. Of note, in September 2021, our Representative Office license in Dubai was upgraded to Advisory Office under Category 4.

In addition, MCB leverages synergies among business lines and with Group entities as well as partnerships with external parties, while also tapping into a wide network of correspondent banks worldwide, including over 100 in Africa.

Our main business lines

Key clients

- Large corporates and institutions based in Mauritius; corporates operating in the Group's presence countries
- Foreign clients with structured finance needs; entities within Energy and Commodities field, notably traders, refineries, etc.
- Global business companies, funds, trusts and foundations as well as other entities using the Mauritian 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
- Financial institutions

Our approach

- The Bank assists domestic large corporate and institutional clients by offering them flexible solutions and dedicated advice to meet their growth and capacity building ambitions. While leveraging the Mauritian jurisdiction, it also attends to the needs of diverse customer segments doing business within and into Africa, and ventures beyond. Leveraging its solid track record, the Bank provides specialised finance solutions across the downstream, midstream and upstream segments of the Energy and Commodities value chain, while also gradually developing its Power & Infrastructure franchise. Additionally, it accompanies international corporates and funds by providing financing, transactional and investment solutions tailored to the specific needs of each business activity. In line with its 'Africa Forward Together' brand and the 'Bank of Banks' initiative, the Bank is also continuously collaborating with other financial institutions to help improve their value offering and build stronger and meaningful partnerships.

Key clients

- Small and Medium Enterprises (SMEs) (turnover below Rs 50 million)
- Mid-Market Enterprises (MMEs) (turnover between Rs 50 million and Rs 250 million)

Our approach

- Recognising the significance of SMEs as well as MMEs in the economic development of Mauritius, we provide them with tailored solutions to meet their growth endeavours and accompanying them throughout their business development cycle while facilitating their access to new markets and alternative sources of finance.
- We offer them cash flow facilities and tailor-made business banking products and services, including digital solutions, that are adapted to their needs.

Key clients

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

Our approach

- The Bank caters for the day-to-day and lifetime needs of its individual customers. In addition to lending and deposit facilities, adapted account packages are offered to individual customers across income and age groups.
- We offer digital and innovative payments solutions to help our clients manage their money on the go with convenience. Our customers can avail of multiple channels and platforms to carry out their banking transactions. Furthermore, in collaboration with other Group entities, clients can benefit from investment solutions, which are tailored to their specificities.

Key clients

- Resident affluent and high net worth individuals (e.g. professionals, executives, entrepreneurs and businessmen)
- Non-resident high net worth individuals
- External Asset Managers, including financial intermediaries such as fiduciaries, family offices and financial advisors

Our approach

- The Bank provides tailored solutions geared towards the safeguard, growth and transmission of the assets of its clients, both domestically and abroad. In particular, it is dedicated to providing day-to-day banking and financial solutions as well as a range of wealth management and advisory services to meet client needs.
- The Bank acts as a direct point of contact for attending to the needs of External Asset Managers, be it locally or internationally. It offers custodian services as well as real time execution services across asset classes through its open architecture and transactional banking services.

Read more in the 'Delivering on our strategic objectives' section on pages 34 to 76

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

Our corporate profile

Our extensive and customised financial solutions

Through its multiple channels, the Bank provides its clients in Mauritius, regionally and internationally, with customised and innovative financial solutions as well as dedicated advice to meet their ambitions.

Personal financial services

Everyday Banking

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

Banking Channels

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

Payment Services

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

Financing Solutions

- Home loans
- Personal loans
- Education loans
- Car loans & car lease
- Green loans
- Lombard facilities

Savings & Investment

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

Wealth Management Solutions

- Financial Planning
- Discretionary Portfolio Management
- Non-Discretionary Investment Management
- Investment Trade Execution
- Access to Private Equity groups and deals

The Bank works closely with its customers to understand their imperatives, challenges and priorities towards crafting solutions adapted to their needs. Furthermore, our business segments offer solutions conceived and managed by other Group entities.

Corporates & Institutions

Payments & Cash Management Solutions

- Electronic points of sale & cards acquiring services
- Corporate credit cards
- E-commerce
- International transfers
- SWIFT services
- Transfers & remittances
- Cash management solutions, Internet Banking and SmartApprove Application
- QR Payment

Financing Solutions

- Short & long term loans
- Green loans
- Syndicated loans
- Bridging loans
- Structured finance
- Asset-Based lending
- Lokal is beautiful Scheme
- Lombard facilities
- SME Scheme

Transactional Banking

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

International Trade Finance

- Import & export
- Credit protection
- Bank guarantees
- Standard trade finance
- Structured commodity finance
- L/C re-issuance/confirmation
- Secondary asset trading

Investment Related Services

- Securities & custodian services
- Dual currency deposits
- Investment trade execution

Business Services

- Checking facilities
- Payroll services
- Confidential reports

Foreign Exchange Services

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

Advisory & Capacity Building Services

- Corporate finance advisory
- Investment advisory
- Punch

More information on our financial solutions is available on our website

Our corporate profile

What we deliver

Our value-creating business model

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

Our key strategic orientations : **Extend our frontiers**

Our inputs and resources

Financial capital

Social and relationship capital

Human capital

Natural capital

Intellectual capital

Manufactured capital

Our outputs and outcomes

Value created

Shareholders and investors

We deliver appreciable and predictable returns for our shareholders and investors

Customers

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

Societies and communities

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

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

Employees

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

Executing our Corporate Sustainability Programme

Support a vibrant and sustainable local economy

Promote our cultural and environmental heritage

Invest in the individual and collective well-being

The global goals for Sustainable Development

Delivering financial outcomes for the Bank

Interest income – Interest expense + Non-interest income = [Net fee and commission revenue + Trading revenue + Other revenue] – Staff costs –

Deliver a world-class customer experience through digital

Nurture our values and deliver on our brand promise

Key drivers of change in our endeavours

- The macroeconomic environment
- Market, societal and technological landscapes
- Regulatory and supervisory oversight

Other operating expenses and impairment charges – Income tax expense = Net profit – Dividends to shareholders = Retained earnings

Read more in the 'Delivering on our strategic objecitves' section on pages 34 to 76

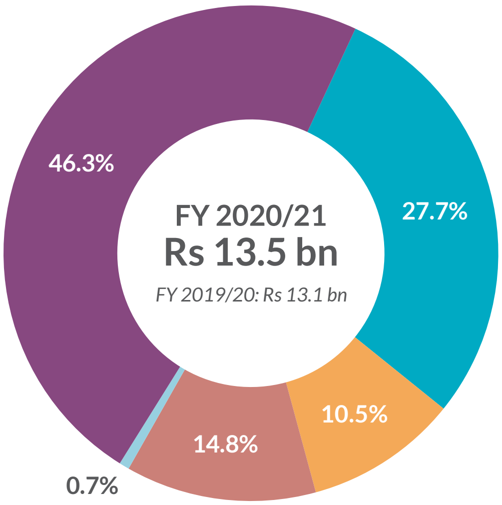
Read more in the Sustainability Report on our website

Our corporate profile

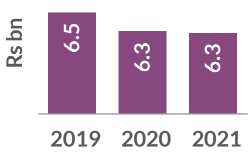
How we distributed value created

During the last financial year, the Bank continued to provide relevant and meaningful ways to promote the interests of its stakeholders and help them prosper, supported by its resilient financial results.

Wealth created by MCB Ltd

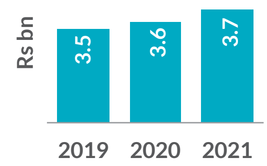


Retention to support growth



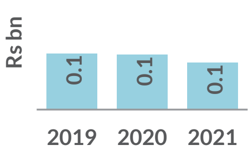
Wealth is allocated to support the Bank's future growth and sustainability via our retained earnings.

Employees



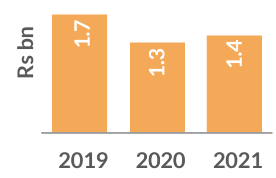
Our value proposition comprises competitive rewards and benefits, with particular emphasis laid on the personal and career development of our staff.

Society



We contribute to the welfare of the society in which we live and work via funds assigned for Corporate Social Responsibility (CSR) activities and sponsorships.

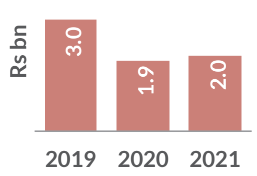
Authorities*



Via our direct and indirect tax payments, we support the authorities in fostering the execution of socio-economic development projects.

** Includes the proportion of our CSR contribution remitted to the Mauritius Revenue Authority*

Providers of capital



We provide shareholders with adequate dividend payout.

Read more in the 'Delivering on our strategic objectives' section on pages 34 to 76

Read more in the Sustainability Report on our website

Our Corporate Strategy

Message from the Chief Executive Officer

Navigating the most challenging times

During my 25-year career at MCB, this has, without a doubt, been the most difficult and challenging time for the Mauritian economy and for the Bank. The pandemic had a sudden and significant impact on the domestic economy, arresting the uninterrupted growth the country has witnessed since 1980 and affecting all businesses, large and small, as well as individuals, to varying degrees. Moreover, we also had to contend with the downgrade, by Moody's Investors Service, of the country's sovereign credit rating to Baa2 from Baa1, the inclusion of Mauritius on the list of 'jurisdictions under increased monitoring' by the Financial Action Task Force (FATF) and its categorisation in the European Commission's High Risk Third Countries. The oil spill that occurred after the freighter MV Wakashio ran aground and eventually cracked on the reef of the south of the island added further pressure. Although many of the above events were unrelated, their cumulative impact was deep and broad across our country.

At MCB, we bore the brunt of the pandemic on our operations and activities over the whole year in review. This unprecedented context has tested our business model in ways that we could not have imagined. Yet, the crisis taught us several lessons about humility, resilience and adaptability. Our role, as an organisation closely intertwined in our communities and society and as a key economic player, became even more prominent during the crisis. We remained committed to delivering on our purpose by showing care and extending our support to all stakeholders in the face of difficult times. I am immensely proud of how our employees, who are indeed our biggest asset, adapted to the demanding operating context and worked together, as a single and supportive MCB family, to continue serving our customers and taking care of each other. In fact, we successfully managed to maintain the delicate balance between the health, safety and well-being of our employees, which is our utmost priority, and providing our essential banking services to our customers. This was made possible thanks to technology, which enabled our staff to work effectively from home, with scheduled on-site rotation.

To mitigate the impact of the crisis, we implemented well-structured and adapted financial solutions – notably in terms of credit relief and working capital facilities – to help our clients confront the harsh market conditions. In the process, we have closely collaborated with the Central Bank and other authorities. For instance, the Bank approved nearly Rs 4 billion of working capital loans, while also collaborating with the Mauritius Investment Corporation to support selected large domestic economic operators. These support programmes have been instrumental in maintaining the livelihoods of many in the economic sectors most affected by the pandemic. The crisis has also created opportunities for our fellow citizens to adapt and conduct their business differently and we are proud to have been able to play a key role in this new era.

"Thanks to our three-pronged strategy of international diversification, digital transformation and sustainable development, we have built an operating model which has proved to be resilient during the crisis..."

During the lockdowns and constrained activities, we have witnessed a rapid adoption of online purchases, enabled by e-commerce and digital platforms. This was made possible thanks to our contactless and digital payment services and our mobile-banking apps for individuals and SMEs, namely MCB Juice and MCB JuicePro, both of which have witnessed substantial growth during the year. Additionally, to enable faster transactions approval by our corporate clients, we prompted them to avail of our recently launched SmartApprove application to approve transactions electronically. With the disruption in our supply chains and a refocus on local production, we are pleased that our initiatives 'Lokal is beautiful' and 'Lokal Rebound', under our broader sustainability programme 'Success Beyond Numbers', have encouraged many of our local entrepreneurs to review their business models, with better collaboration and integration in the local ecosystem.

Delivering a satisfactory financial performance in the face of adversity

In view of the particularly difficult market conditions, the Bank achieved a resilient performance for the year under review, with net profit remaining close to the previous year's level to stand at Rs 7,396 million as we maintained our stance to strengthen provisioning buffers, which kept impairment charges at high levels. Thanks to our three-pronged strategy of international diversification, digital transformation and sustainable development, we have built an operating model which has proved to be resilient during the crisis, leading to a growth of 2.4% in our operating income despite some of our revenue lines being impacted by the ramifications of the pandemic. In line with our capacity-building initiatives notably linked to our Bank-wide digitalisation efforts, operating expenses increased by

" This unprecedented context has tested our business model in ways that we could not have imagined."

Alain
LAW MIN

Message from the Chief Executive Officer

7.5%. Our cost to income ratio increased to 34.1%, which is still among the lowest in our industry.

As a major source of satisfaction amidst the challenging context, the Bank preserved its financial soundness. Our asset quality metrics improved, partly explained by the expansion in loans and advances, with gross NPL ratio declining to 3.2% and net NPL ratio falling to 2.0%. We maintained robust liquidity levels – both in rupee and foreign currency terms – with our US dollar Liquidity Coverage Ratio standing at 146%, i.e. above the Basel III regulatory norm. We also maintained our strong capital position as exemplified by an overall capital adequacy ratio of 16.8% and Tier 1 ratio of 15.8%, comfortably exceeding regulatory requirements. I wish to highlight the ongoing support from MCB Group which, during the year, injected Rs 2 billion in the capital of the Bank, raised by the Group in the form of unsecured floating rate notes under its Rs 10 billion Multi-Currency Note Programme. In general, our performance has assisted in upholding the resilience of the domestic banking sector.

Overall, we are comforted to note that the Bank remains investment grade rated by Moody's Investors Service and among the few financial institutions rated as such in sub-Saharan Africa. Even though MCB's long-term bank deposit and issuer ratings have been reviewed to Baa3 from Baa2 with a negative outlook as a consequence of the downgrade of the credit rating of Mauritius that I mentioned earlier, the rating agency has underlined the Bank's healthy fundamentals, solid franchise and adequate risk management framework. In the latter respect, the Bank has, during the year, pursued its agenda to further reinforce its risk management and compliance set-up in support of its growth ambitions while catering for regulatory norms and developments. As another mark of our credentials, the Bank successfully tapped into the global financial markets in September 2021 for a syndicated facility of USD 1 billion, receiving in excess of USD 1.6 billion commitments from 31 lenders, to refinance existing obligations and to pursue our strategic growth. At the time that it was concluded, the facility represented the largest financing to a corporate borrower in Africa this year. On another note, in February 2021, a USD 65 million loan was signed between Proparco (a subsidiary of Agence Française de Developpement), its German counterpart DEG and MCB Ltd. The loan shall enable MCB to assist small and medium sized companies in the sub-Saharan African region in their expansion or modernisation projects, while joining them in their journey towards sustainable recovery from the pandemic. This credit facility again reflects the international recognition of MCB's high level of creditworthiness and its active role in funding high-impact projects in the sub-Saharan African and Indian Ocean regions.

"Alongside accompanying our clients on their recovery journeys, we remain committed to supporting the country's socio-economic development as we build back better into a greener country."

Pursuing our strategic progress

Our operating results have been underpinned by progress on our business development agenda, with dedicated initiatives executed across our three strategic pillars, namely: (i) extend our frontiers; (ii) deliver a world-class customer experience through digital; and (iii) nurture our values and deliver on our brand promise. Whilst consolidating our domestic positioning and our contribution to the socio-economic development of the country, we have further extended our reach outside Mauritius by deepening and widening our regional footprint to diversify our revenue base. Indeed, the Bank pursued its international growth agenda by selectively exploring business avenues in areas where it has built expertise over time. During the year, we have reviewed the organisation structure of the Corporate and Institutional Banking SBU in order to better serve and cater for the needs of different customer segments, with a focus on major multinational corporations, regional corporates, private-equity funds and other entities using Mauritius as an International Financial Centre for investment in Africa. The Bank built on its strong franchise and excellent track record in commodity-trade and power and infrastructure financing, to further strengthen its position as a prominent player within the Energy and Commodities sector. In parallel, MCB made headway in upholding its syndication offering and its positioning as a lead arranger with financial institutions. With regard to our affluent and high net worth customer segment, the Bank reinforced its strategic positioning and geared up to address the needs of its growing and increasingly diverse client base across different markets.

To support our growth endeavours, we pursued our digital transformation journey. As mentioned earlier, we introduced a range of innovative digital solutions across different segments to help our customers through the pandemic, whilst continuing to redefine and digitise end-to-end customer journeys. A case in point is our mobile banking app, MCB Juice, which has undergone a major revamp this year for an enhanced user interface and experience. We also released a slew of innovative features on our app for SMEs, MCB JuicePro, including our first digital SME lending product, Express Overdraft. We launched 'Punch', a B2B online marketplace to provide local entrepreneurs with solutions to business challenges, make meaningful connections and have access to interesting resources for growth. Furthermore, we made headway in leveraging data as a strategic asset, with the rollout of our first analytics-enabled digital journeys. As a key foundation to the sound execution of our three-pronged strategy, we continuously uplift the skills and engagement of our people and cater for their well-being amidst a changing and increasingly complex world of work. To this end, we have deployed major people development initiatives under our HR Transformation Programme, including a pioneering Talent Management Programme and a Leadership Development Programme. To make learning accessible to all our employees, we digitalised our learning solutions and implemented Percipio, a digital learning platform, making resources available anywhere, anytime and through any device.

We also focused on furthering initiatives under the three pillars of our Corporate Sustainability Programme, namely: (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our environmental and cultural heritage; and (iii) promotion of individual and collective well-being. In addition to pursuing efforts to mitigate and offset our carbon footprint, we continued to promote local production and diversification with a view to strengthening the country's productive resilience. As part of our commitment to make gender equality a key focus of its sustainable development strategy, we set up a comprehensive action plan to achieve a target of 40% of female representation within the Middle and Senior Management of the MCB by 2026.

Moving ahead amidst an uncertain future

I remain positive about the outlook for the years ahead. While the Bank will continue to be exposed to an uncertain operating context, the progress on the vaccination front and the reopening of the country's borders are expected to support a gradual recovery in economic activities, especially within the tourism and hospitality sectors. I also believe in the potential of the Mauritian IFC especially as the jurisdiction looks set to exit the FATF and EU lists in a near future. The recently signed trade agreements with India and China coupled with the African Continental Free Trade Agreement should also provide new opportunities for Mauritius to act as a keystone in attracting trade and investment flows. That said, we need to remain alert, as the post-COVID economic recovery is likely to be slow and fragile locally and worldwide.

We also operate in a rapidly changing world with an acceleration in the adoption of digital technology. Particularly, disruptive technologies amidst increasingly sophisticated customer needs are giving rise to higher competitive pressures as bank and non-bank operators, are continuously enhancing their value propositions. The substantial investment in our Digital Transformation Programme since 2018 has positioned MCB strongly to reap the benefits of digitisation, which will make banking quicker, simpler and more convenient for our customers, leveraging our state of the art digital platforms and mobile applications.

Alongside accompanying our clients on their recovery journeys, we remain committed to supporting the country's socio-economic development as we build back better into a greener country. We will resolutely pursue the implementation of our 'Success Beyond Numbers' agenda to support the transition of Mauritius to a green economy by acting upon our internal operations as well as through the provision of adapted financial solutions for our customers. We have committed Rs 1 billion each year for the next 3 years to support the transition to cleaner energy as well as cater for new investment in renewable energy, in line with the Government's ambition to produce 60% of the country's energy needs from renewable sources by 2030.

As the leading investment grade player in the financial services sector in the region, MCB will continue to develop and deepen its core competencies to cater for the needs of diverse customer segments doing business within and into Africa and beyond. We will leverage our strong relationships developed over the years, in Specialised Finance (Energy and Commodities value chain), Global and International Companies within the Mauritius IFC and our Financial Institutions network, to cross sell our products and services, from the Bank and the Group. We will also continue to enhance our value proposition to provide tailored solutions for our high net worth clients in Africa. Overall, we will capitalise on our correspondent banks, with over 100 in Africa, the Group's foreign banking subsidiaries and associates, while also drawing on our strategically positioned Representative Offices. They play a pivotal role to reinforce existing coverage and relationship with clients and strengthen risk understanding, identification and management through on-field intelligence. The recent upgrade of our Representative Office license in the Dubai International Finance Centre to Advisory Office under

Message from the Chief Executive Officer

Category 4 should equip the Bank with an enhanced scope of intervention.

To enable our business growth in Mauritius and the region, we will focus on the implementation of our HR Transformation Programme for a more proficient and engaged workforce, with emphasis laid on talent management, our leadership brand and strategic talent acquisition. We will remain attentive to the changes in the future of work amidst and post pandemic together with the rising expectations of our millennials for diversity, mobility and flexibility. Lastly, to ensure our balanced business growth, we will further strengthen our risk management framework with a view to enhancing our resilience notably to emerging risks such as cyber-threats, given their rising prominence.

Concluding remarks

I would once again like to take this opportunity to thank our employees for their steadfast commitment and resilience in the face of the difficult operating context. Their efforts are instrumental to achieving our success and continuing to spearhead the Bank ahead.

I wish to acknowledge the contribution of the members of the Leadership Team for their invaluable support and drive as we navigated uncharted waters during the year. My gratitude also goes to our customers for placing their trust in us and in choosing MCB as their preferred partner in growth. Last but not least, I extend my appreciation to the Board of MCB Ltd and that of our ultimate shareholder, MCB Group Ltd, for their direction and guidance in driving the Bank forward.

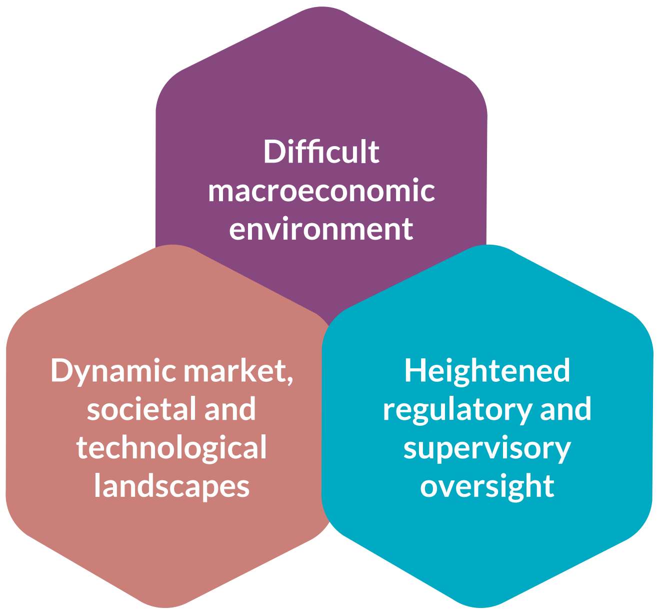
I am convinced that the Bank will, thanks to our sound fundamentals and the dedication of our people, respond effectively to future challenges in the post pandemic recovery and deliver on its strategic objectives in a timely, innovative and responsible manner. Throughout its long history, MCB has always stood by its customers and stakeholders, supporting the local economy and promoting its sustained progress. We remain committed to embedding sustainability in our daily activities and delivering a positive economic, social, environmental and cultural impact on society. As always, our long-term success is contingent on the value we create for our multiple stakeholders.

Alain LAW MIN
Chief Executive Officer

Our operating context

The COVID-19 crisis has materially altered the external environment in which the Bank operates, prompting us to navigate cautiously and adapt to the new emerging realities, while continuing to deliver value to our stakeholders amidst the prevalent uncertainties.

External dynamics impacting our strategy execution



Our responses

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

Delivering on our strategic objectives

Macroeconomic environment

The pandemic has triggered historic declines in GDP across countries where the Bank is involved during the past year. Whilst a recovery is expected as from this year, prospects diverge markedly, hinging on vaccine rollout and extent of policy support.

In Mauritius, the fallout of the pandemic and the stringent measures taken to curb the transmission of the virus have taken a severe toll on economic activity in 2020 as real GDP contracted by 14.9%. With the exception of the ICT and the financial services sectors, all industry groups suffered a negative growth last year, with the tourism sector being the most impacted. As for this year, while a resurgence of COVID-19 cases led to a second lockdown in March, the impact thereof was nonetheless contained due to its relatively short duration and the quick deployment of work access permits, which helped sustain a reasonable level of activity. As it stands, the domestic economy appears on course to stage a recovery, with growth projected at about 5% in 2021. Activity levels are being supported mainly by a rebound in export-oriented manufacturing and in construction activities amidst the execution of large-scale infrastructure projects while financial services and the ICT sector continue to perform reasonably well. Furthermore, the ongoing phased re-opening of the country's borders, underpinned by the progress on the vaccination front, is expected to support a gradual recovery in the tourism sector as from the latter part of the year with positive spillover effects on supporting sectors and SMEs.

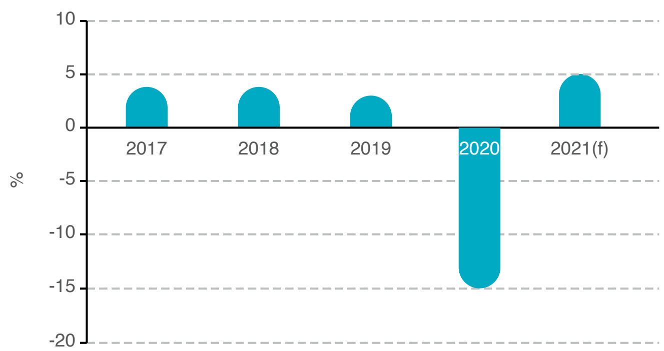
The downturn witnessed in the wake of the pandemic coupled with the huge fiscal stimulus deployed by the authorities in the form of income support schemes have led to a marked deterioration of the country's fiscal metrics, as gauged by a public sector gross debt to GDP ratio of 95% as at June 2021. As it has been the case in a number of countries worldwide, the weakening fiscal position has contributed to the downgrade, by Moody's Investors Service, of Mauritius' long-term foreign and local currency issuer rating to Baa2 from Baa1 in March 2021. On the external front, the sharp decline in foreign exchange earnings amidst the collapse in exports – notably tourism – triggered a hike in the current account deficit to 12.7% of GDP last year while the balance of payments fell into deficit territory for the first time in 15 years. High external imbalances are expected to persist this year, despite a progressive improvement in line with the gradual pickup in economic activities and recovery in capital and financial flows. Inflationary pressures have also built up lately amidst higher petroleum prices, higher freight charges and the impact of specific budgetary measures, compounded by the weakening of the rupee. In fact, headline inflation stood at 3.0% as at August 2021 and should pursue an upward trend but contextually stay at manageable levels over the coming months, partly suppported by the introduction of price control measures on various essential goods.

On the regional front, output in the sub-Saharan African region is set to recover by 3.4% in 2021 following last year's collapse, supported by the pickup in global activity and a recovery in commodity prices, notably oil. However, the recovery is still fragile, given legacies of the crisis, the slow pace of vaccination as well as limited policy support, although the foundations for growth over the medium term stay generally appreciable.

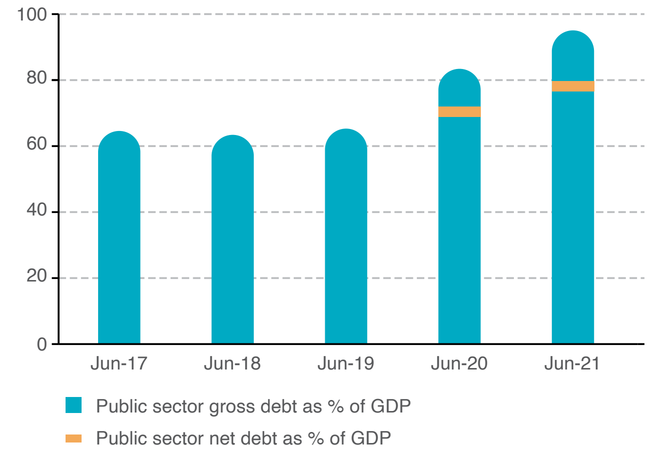
Key economic indicators

Domestic landscape

Real GDP growth at market prices

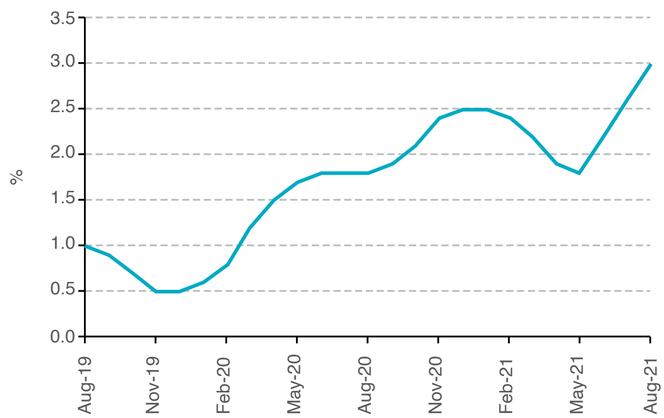


Public sector debt *



As from 2020, debt figures are also computed in net terms as per the amended Public Debt Management Act i.e. public sector gross debt minus cash and cash equivalent and equity investment held by Government and public sector bodies in private entities.

Headline inflation

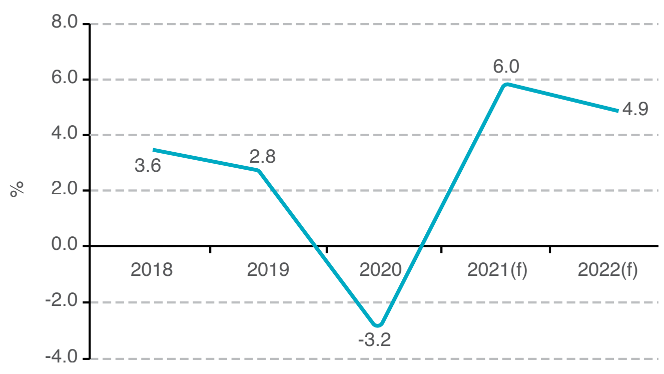


Selling rates of main currencies vis-à-vis the rupee

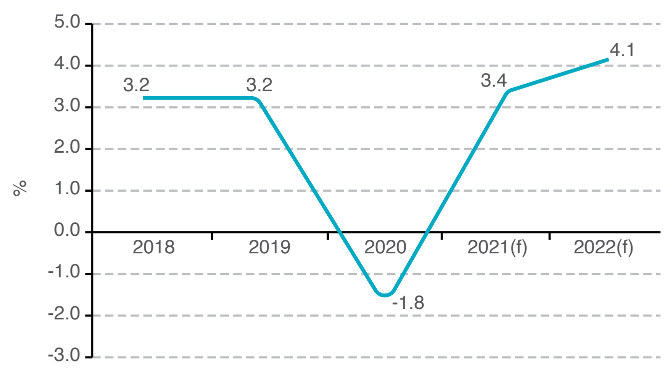
	Value as at		Annual average	
in MUR	30-Jun-20	30-Jun-21	FY 2019/20	FY 2020/21
USD	40.4	43.0	37.9	40.4
EUR	45.5	51.3	41.9	48.3
GBP	49.8	59.7	47.7	54.5

International and regional front

Real GDP growth of world economy



Real GDP growth of Sub-saharan Africa



(f) forecast

Sources: IMF, Statistics Mauritius, Bank of Mauritius, Ministry of Finance , Economic Planning & Development and MCB staff estimates

Delivering on our strategic objectives

Market, societal and technological landscapes

The Bank continued to navigate challenging market conditions while the pandemic has also accelerated shifts in customer behaviours and adoption of digital channels.

The ongoing uncertainties associated with the pandemic and the ensuing economic disruptions have adversely impacted the demand for credit, with the growth in bank loans and advances to the private sector moderating during FY 2020/21. Operators have also faced up to heightened market volatility. In the money markets, short-term yields dropped to very low levels before moving back within the interest rate corridor towards the end of the financial year, with the Bank of Mauritius (BoM) fully resuming the issuance of its own securities as from December 2020 in an attempt to mop up the level of excess liquidity in the banking system. Additionally, the drop in export proceeds restrained the availability of foreign currencies in the banking system and exerted pressures on the value of the rupee, with the BoM having to intervene regularly to supply foreign exchange to the market. Whilst the pandemic entailed increased risks to operators, the BoM stressed that banks have remained sound and resilient as highlighted in the latest Financial Stability Report. The sector's capital adequacy ratio remained well above the minimum regulatory requirement at 19.8% as at March 2021, while asset quality slightly worsened with a non-performing loans to total loans ratio of 6.2% as at March 2021 from 5.8% as at June 2020. In addition to reflecting their underlying fundamentals, the resilience of banks was upheld by support measures provided by the authorities. Indeed, alongside maintaining the Key Repo Rate at the historic low level of 1.85% to support the flow of credit in the economy, specific measures under the Central Bank's COVID-19 Support Programme, notably in the form of moratorium and funding facilities, were extended to June 2022. Additionally, the Mauritius Investment Corporation (MIC) which operates as a fully-owned subsidiary of the BoM is providing financial support to, *inter alia*, systemically important firms that are financially distressed as a result of the pandemic. As of August 2021, the MIC had approved applications worth around Rs 30 billion and disbursed some Rs 10 billion.

On another note, the strategy execution of the organisation remained constrained by travel restrictions, while the Bank continued to be exposed to high competitive pressures in specific segments. Particularly, operators have increasingly leveraged digital innovations and operating platforms to upgrade their offerings in response to the changing lifestyles and aspirations of customers in the wake of the pandemic. Another noticeable observation through the COVID-19 crisis is the increased prominence of ESG considerations in the strategy of operators as they strive to conduct business in a more responsible manner.

Key banking sector indicators

Credit to the private sector

	Jun-19	Jun-20	Jun-21
Y.o.y. growth (%)	3.2	4.0	3.6

Financial soundness indicators

Ratios (%)	Jun-19	Jun-20	Mar-21
Capital-based			
Regulatory capital to risk-weighted assets	20.0	20.4	19.8
Asset quality and liquidity			
Non-performing loans to total gross loans	6.3	5.8	6.2
Liquid assets to total assets	21.0	26.4	29.4
Profitability			
Return on assets	2.0	1.1	1.2
Return on equity	17.4	9.5	11.4

Note: Ratios refer to banks and non-bank deposit-taking institutions

Source: Bank of Mauritius

Evolution of yields

Weighted average yields on Government of Mauritius Treasury Bills/Bank of Mauritius Bills

2020		2021	
Month	Yield (%)	Month	Yield (%)
April	0.43	January	0.29
May	0.19	February	0.24
June	0.78	March	0.28
July	-	April	0.49
August	1.30	May	0.80
September	1.38	June	1.29
October	-	July	0.75
November	0.64	August	0.83
December	0.31	September	0.78

Note: There were no issuance during the months of July and October 2020

Regulatory and supervisory oversight

The response to the COVID-19 pandemic has seen increased regulatory interventions during the year, as the authorities focused on preserving the soundness and resilience of the banking industry, alongside pursuing their moves towards modernising the set-up on which the delivery of services is anchored.

In addition to extending the application of some support measures, the Bank of Mauritius (BoM) came forward with various regulatory forbearance policies to bolster the ability of banks to support customers facing cash flow and working capital difficulties in the wake of the pandemic. As such, the implementation of the Capital Conservation Buffer of 2.5% was further deferred to 1 April 2022, with the current rate of 1.875% thus applicable until 31 March 2022. The Central Bank also introduced a guidance on transitional arrangements for regulatory capital treatment of IFRS 9 provisions under expected credit losses, which allows financial institutions to retain a portion of their IFRS 9 provisions to prop-up the regulatory capital, provided they refrain from paying dividends and making other transfers from profit. On another note, in its bid to ensure that banking activities remain grounded on advocated principles, the BoM introduced new and revised several guidelines during the year, including those pertaining to the computation of debt-to-income ratio for residential property loans, recognition and use of external credit assessment institutions, liquidity risk management and cross-border exposures as well as the operational framework of primary dealers, while draft guidelines have been issued for consultations relating to private banking business and the use of cloud services. The BoM also released a Guidance on LIBOR Transition, which intends to assist banks in the transition process by setting out the expectations with regard to their governance structure, risk identification approaches and other actions in relation to the benchmark rate transition.

In the context of the Finance (Miscellaneous Provisions) Act 2021, provisions have been made for enhancing the country's AML/CFT framework, notably through the establishment of a Core Group focusing on the implementation of the Financial Action Task Force (FATF) standards while further disclosure powers have also been granted to relevant authorities. In the same vein, the Financial Services Commission (FSC) launched the 'One Platform', which provides a more seamless process for the filing and conduct of oversight of licensees. Overall, it is comforting to note that the FATF has, at its latest Plenary meeting held in June last, acknowledged that Mauritius had substantially completed the implementation of the Action Plan aimed at strengthening the effectiveness of its AML/CFT system. On the heels of the latter developments, the FATF conducted an on-site assessment in September 2021 to validate the progress achieved, with a decision regarding the exit of Mauritius from the list of 'jurisdictions under increased monitoring' set to be announced at its next meeting in October. It is worth stressing that the delisting of Mauritius from the FATF list and the subsequent removal of the jurisdiction from the European Commission's list of High Risk Third Countries are critical to the development of the financial services sector moving forward.

Provisions were also adopted to further modernise the financial services industry and support the country's objective of building back better. While incentives have been established to encourage home ownership amongst Mauritian citizens, the banking laws have recently been amended to make allowance for the establishment of frameworks for the issue of a digital currency, regtech and fintech solutions as well as sustainable bonds. Also of interest to MCB, trusts and foundations set up as from 1 July 2021 are no longer able to file a declaration of non-residence and be exempt from tax in Mauritius, with a grandfathering provision for existing companies available up to the year of assessment 2024/2025. Concomitantly, provisions have been made for the 10-year tax holiday granted to family offices to be extended subject to specific prescribed substance conditions being satisfied.

Our strategy

Adapting to the context to pursue our strategy execution

During the year under review, we continued to devote significant attention to addressing challenges linked to the exceptional circumstances created by the pandemic with a view to preserving the resilience of our activities. Whilst this has prompted a review of some short-term business objectives, we remained determined on executing our strategic pillars and pursuing our medium term growth agenda, alongside investing for the future.

Our strategy is geared towards creating sustainable value for our stakeholders. Anchored on our proven business model, our strategy paves the way for delivering sustained earnings growth and maintaining sound financial metrics, alongside ensuring that we operate within the precinct of our risk appetite. Amidst our ongoing endeavours to transform the Bank into a simpler and better organisation, we aim to deliver excellent customer service through adapted and innovative customer solutions and to tap into business development opportunities, with Africa being our main target. Concomitantly, in line with our commitment to be a responsible corporate citizen, a key objective is to embed sustainability principles in our culture, values and in the way we function and undertake business.

Delivering on our strategic objectives

Our main strategic orientation

Our long-term destination

A strong and innovative regional financial player within a diversified Group

Pursuing our strategic focus areas

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

General thrusts

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

Our key objectives and strategic focus areas

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

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

Key intents

- Position MCB Ltd as a prominent player within the Energy & Commodities segment, and gradually build an African Power and Infrastructure franchise
- Deepen relationships with regional and international corporates and Private Equity funds while leveraging and further promoting the Mauritian jurisdiction
- Transform MCB Ltd as a lead arranger for dedicated deals, while boosting syndication with financial institutions
- Develop stronger and more meaningful partnerships with regional banks and financial institutions in line with our 'Africa Forward Together' brand and 'Bank of Banks' strategy
- Bolster the Bank's Global markets offerings by providing adapted trading, liquidity and structuring solutions
- Expand Private Banking and Wealth Management activities internationally by providing a wider range of sophisticated investment solutions and dedicated advisory services

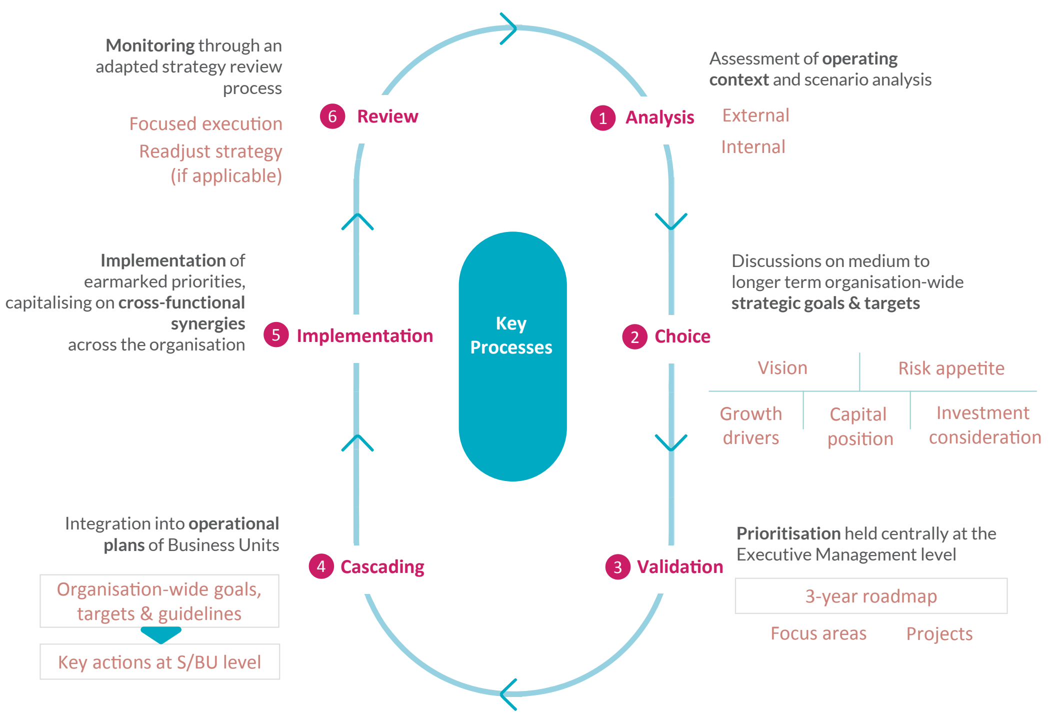
Our governance and processes

General framework

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

The Board of MCB Ltd sets the strategic directions of the Bank, approves strategic policies and ensures that they are communicated throughout the organisation

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



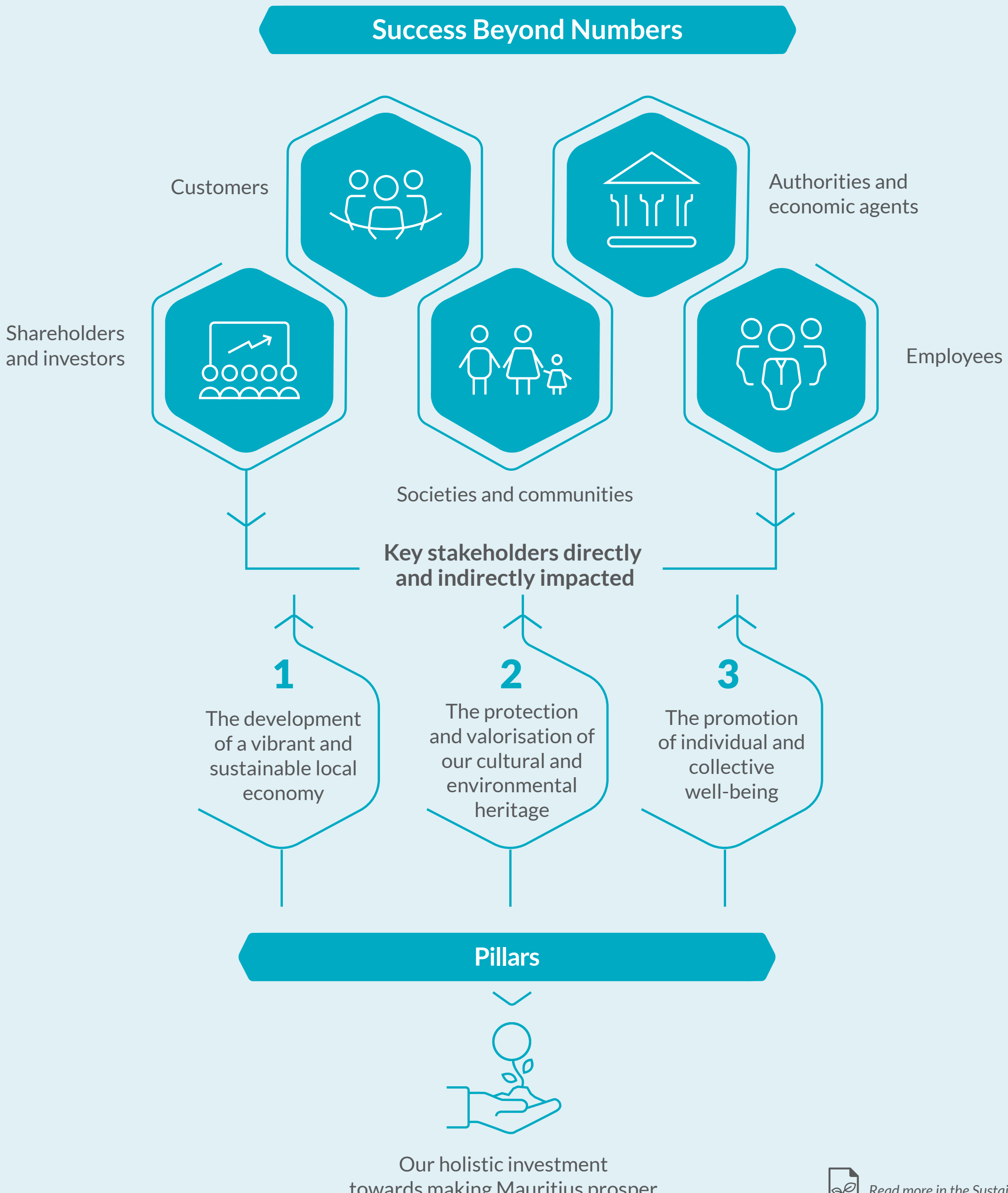
Creating value in a sustainable way for our stakeholders

Our underlying approach

Our proactive stakeholder engagement model informs and guides our actions and behaviours. While embracing an integrated vision that aims at providing a solid contribution to the advancement and prosperity of the society and economy, notably through the execution of our Corporate Sustainability Programme, we seek to make sense of and respond to the needs and expectations of our stakeholders. The organisation has a well-established governance and operational framework to ensure that engagement with stakeholders is managed in a transparent way, in alignment with international practices and regulatory stipulations. Stakeholders are kept informed about the Bank's business and strategy on a regular basis through various channels. Their views and concerns, gathered through ongoing dialogues, meetings and surveys, are considered in the Bank's decisions, with material issues escalated to the Board.

Our Corporate Sustainability Programme

Our Corporate Sustainability Programme, titled 'Success Beyond Numbers', was launched in November 2018 to integrate our sustainability vision and principles into our strategy and operations. The idea behind the programme is the conviction that, as a financial institution that has, over time, played a critical role in the socio-economic development of Mauritius, MCB has a responsibility to contribute to the nation's sustained well-being. That is why the Group has redefined the way it measures success. Our sustainability endeavours revolve around initiatives executed under three pillars: (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being.



Read more in the Sustainability Report on our website

Fostering our stakeholder engagement

During the period under review, the Bank pursued wide-ranging initiatives to underpin the advancement and welfare of key stakeholders, alongside responding to their needs and requirements. As a key focus area, the Bank upheld dedicated actions to strengthen its interactions with stakeholders and help them manage the ramifications of the particularly challenging operating environment triggered by the COVID-19 pandemic.

Read more in the 'Delivering on our growth pillars' section on pages 63 to 76

Read more in the Sustainability Report on our website

SHAREHOLDERS AND INVESTORS

83%
Contribution to Group profit

Baa3
Moody's Investors Service long-term bank deposit rating

AAA
Issuer rating CARE Ratings (Africa) Private Limited

Material matters

- Implications of the pandemic and macroeconomic developments
- Evolving competitive landscape
- Regulatory change, risk management and governance standards
- Strategy execution and alignment
- Environmental considerations and social welfare

WHAT THEY EXPECT FROM US ...

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

KEY OBJECTIVES AND METRICS ...

- Adequate earnings generation
- Level and quality of externally-sourced funds
- ESG ratings
- Investment-grade credit rating

SDGs IMPACTED

16 Peace, Justice and Strong Institutions

17 Partnerships for the Goals

CAPITALS IMPACTED

Note: Figures are as at 30 June 2021

Delivering on our strategic objectives

How we have engaged with shareholders and investors

- Open communication by way of timely and concise information on the positioning and performance of the Bank disseminated through various channels
- Access provided to a comprehensive set of corporate announcements and publications, notably quarterly financial statements and annual reports
- Regular interactions with our investors in order to better understand their perspectives
- Open, constructive and regular dialogue with international rating agencies with a view to reporting on the performance and prospects of the Bank as well as providing comfort on our risk management and business growth foundations via dedicated analyses
- Entrenching of sustainability principles in our activities and operations in line with our objective of being a responsible corporate citizen and investors' focus on ESG issues

Managing the challenging context

- We maintained our close proximity with investors, credit rating agencies and correspondent banks in order to reassure them of the inherent resilience of our operations and the soundness of our key financial metrics.
- While keeping our external stakeholders abreast of material developments influencing the Bank's operations and activities, we have regularly informed them about specific initiatives taken to cope with the impact of the pandemic on the organisation as a whole and key business segments.
- We continuously liaised with players across global markets amidst our efforts to consolidate our FCY funding resources.
- We reinforced our interactions with stakeholders to provide reassurance on the substance of our jurisdiction while highlighting measures taken by the authorities in the wake of the inclusion of Mauritius on the FATF and EU lists.

Resilience amidst challenging times

Our investment-grade rating

In March 2021, Moody's downgraded Mauritius Government's long-term issuer rating to Baa2 from Baa1, with a negative outlook maintained. As a consequence, the rating agency took rating actions on three banks in Mauritius with MCB Ltd's long-term bank deposit and issuer ratings reviewed to Baa3 from Baa2 with a negative outlook. In spite of this downgrade , MCB Ltd remains investment-grade rated by Moody's and among the few financial institutions rated as such in sub-Saharan Africa. The Bank is also assigned a 'AAA' credit rating by CARE Ratings (Africa) Private Limited, implying that MCB has the highest degree of safety regarding the timely servicing of financial obligations in Mauritius and hence carrying lowest credit risk.

Our international fundraising exercises

In February 2021, a USD 65 million loan has been signed between Proparco (a subsidiary of Agence Française de Développement), its German counterpart DEG and MCB Ltd. The loan should enable MCB to assist small and medium sized companies in the sub-Saharan African region in their expansion or modernisation projects. While highlighting the Bank's active role in funding high-impact projects in the sub-Saharan African and Indian Ocean region, this credit facility underscores the international recognition of MCB's high level of credit worthiness. Moreover, despite the uncertain market conditions, the Bank successfully tapped into the global financial markets in September 2021 for a syndicated facility of USD 1 billion-initially launched at USD 600 million-after receiving commitments in excess of USD 1.6 billion from 31 lenders, to refinance its obligations as part of its liability management strategy and to fund its asset growth. This testifies to our strong appeal to foreign investors, the recognition of our investment-grade credit worthiness and lenders' confidence in our strong fundamentals and international growth prospects.

Capital injection from MCB Group

In June 2021, as part of the implementation of its Rs 10 billion Multi-Currency Note Programme, the Group issued the first tranche of Notes amounting to Rs 2 billion, which were consequently invested in the capital of the Bank in order to support its future business growth, especially its international expansion while simultaneously strengthening the share capital of the Bank.

Read more in the 'Corporate governance report' on pages 88 to 127 and the 'Financial performance' section on pages 78 to 87

CUSTOMERS

~1,035,300
Overall customer base
(Y.o.y growth: 1.3%)

Individual customers
~998,200
Non-individual customers
~37,100

Customer Satisfaction Score

95.9
*Retail**

72.3
Business Banking

80
Financial institutions serviced by the organisation, as part of the 'Bank of Banks' initiative

**Conducted only at branch counters*

Material matters

- Implications of the pandemic and macroeconomic developments
- Evolving competitive landscape
- Digital disruptions and cybersecurity
- Customer experience and data privacy
- Environmental considerations and social welfare

WHAT THEY EXPECT FROM US ...

- Innovative and customised financial solutions
- Safe and convenient access to banking through a wide range of channels
- Excellent service quality and competitive pricing
- Transparent and timely advice on offerings
- Security and privacy of transactions
- Effective process for dealing with complaint
- Greater proximity amidst the difficult context with accompanying relief measures

KEY OBJECTIVES AND METRICS ...

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

SDGs IMPACTED

CAPITALS IMPACTED

Note: Figures are as at 30 June 2021

How we have engaged with customers

- Continuous engagement with clients, including surveys carried out by our Customer Lab or direct interactions, to understand and anticipate their needs, towards providing adapted solutions to help them meet their goals and improve our value proposition
- Digitalisation of our operations and services, and continuous improvement to the reach and appeal of our channels to allow customers to undertake payments and transactions in an easier, faster and safer way
- Appropriate communication and reporting channels in place 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 opportune manner – about 81% of customer complaints registered during FY 2020/21 were resolved within less than five days – while round the clock assistance is provided to customers by our Contact Centre
- Continuous enhancements brought to our internal platforms and processes, including our cyber risk management framework, to ensure the safety and confidentiality of client information and reliability of our channels
- Organisation of and participation in promotional and commercial initiatives, international seminars, conferences and roadshows to strengthen client relationships and promote the Bank's capabilities and value proposition
- Engagement with clients through our active presence on social media such as Facebook, Twitter, YouTube, Instagram and LinkedIn

Read more on our initiatives to deliver excellent customer experiences in the 'Delivering on our growth pillars' section on pages on 63 to 76

Supporting our customers during the COVID-19 pandemic...

Many of our customers were hard-hit during the pandemic. We further reinforced proximity with our customers, notably by leveraging digital platforms, to understand their needs and requirements as well as accompany and advise them. The Bank assisted individual and corporate clients in coping with challenges faced, alleviating their financial burden and sustaining their activities. We delivered well-structured financial solutions after collaborating with the authorities.

...by providing loan moratoriums

During the last financial year, the Bank provided moratoriums/repayment holidays on capital repayment and/or interest payment as well as rescheduling of existing facilities over a longer period of time. Of note, the Bank of Mauritius allowed for banks to extend moratorium on loans granted to economic operators, SMEs, households and individuals impacted by COVID-19 to 30 June 2022.

Read more in the 'Risk and capital management report' section on pages 128 to 178

...by helping customers with concessionary facilities

MCB provided working capital facilities with flexible repayment and pricing terms to help companies support critical payments and honour obligations towards suppliers. Notably, as part of the Special Relief Fund introduced by BoM, MCB Ltd provided some Rs 3 billion of working capital loans to impacted businesses as at 30 June 2021. We also collaborated with the Mauritius Investment Corporation in respect of support being provided to specific businesses.

...by being flexible in our banking services

MCB provided an extension to the validity of expired cards during the second confinement in Mauritius to allow customers, including customers abroad, to continue to use their cards. The cash withdrawal fee when availing of another local bank ATM was also waived during the lockdown. The Bank ensured that key branches were operational during the second national lockdown and also deployed mobile ATMs to service clients in restricted regions.

…by assisting them in taking their business online

MCB Ltd strived to equip SMEs with an array of payment acceptance solutions adapted to their needs, including mobile payment acceptance, POS terminals, a secured online payment gateway, and 'mPOS' terminals. As a result, the number of new merchants for digital payments acceptance registered a year-on-year growth of over 140%. Entrepreneurs can also avail of the Business Account Opening platform to create their bank account online at their own convenience in less than 3 days.

…by facilitating transactions through our digital channels

The Bank encouraged customers and the general public to opt for our digital and contactless channels. Of note, during the last FY, the number of contactless transactions increased fivefold. For customers who still needed in-branch services, we set up an appointment booking system that allows for better planning of customer visits across branches. We also prompted our corporate customers to avail of our SmartApprove application to approve transactions electronically.

…in every way we can

With regard to entrepreneurs for whom taking on additional debt would not be a viable solution, the Bank assisted them in their search for other means of financial support (e.g. through equity investors).

Delivering on our strategic objectives

SOCIETIES AND COMMUNITIES

Rs 52.0 million
Entrusted to MCB Forward Foundation, which spent Rs 35.8 million on 19 projects

17,345
tonnes CO_2-eq Carbon emissions from 2019 operations offset to reach carbon neutrality

EUR 5 million
Committed to the Livelihoods Carbon Fund 3

53/100
Sustainability rating of MCB Ltd by Ecovadis (equivalent to a Bronze medal)

Material matters

- Implications of the pandemic and macroeconomic developments
- Regulatory change, risk management and governance standards
- Digital disruptions and cybersecurity
- Environmental considerations and social welfare

WHAT THEY EXPECT FROM US ...

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

KEY OBJECTIVES AND METRICS ...

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

SDGs IMPACTED

CAPITALS IMPACTED

Note: Figures are as at 30 June 2021

How we have engaged with societies and communities

- The Bank partnered with relevant stakeholders, such as NGOs and public sector entities, towards promoting social welfare. Our corporate social responsibility activities are channeled via the MCB Forward Foundation (MCBFF), which is the dedicated vehicle for the effective design, implementation and management of initiatives meant to embed the Bank's engagement with the communities in which it operates. Aided by mobilisation of necessary logistics and execution of pedagogical programmes, MCBFF provided support in key focus areas, notably absolute poverty and community empowerment, preservation of the natural environment, arts and culture, youth development and sports as well as health and education. MCBFF also oversees the organisation's '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. In FY 2020/21, 47 employees participated in the programme, dedicating their time to the Mauritius Wildlife Foundation in conservation and habitat restoration activities

- Over and above activities undertaken through the MCBFF, the organisation took various other initiatives to promote the well-being and progress of societies and communities

- Of note, no political donations were made during the year under review

FINANCIAL INCLUSION

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

EDUCATION

- 33 scholarships 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
- 36 scholarships awarded since 2000 to students from Rodrigues, under the MCB Rodrigues Scholarship, enabling them to pursue tertiary studies at the University of Mauritius
- Initiatives to promote access to education for all children; 106 children were assessed for learning difficulties, of which 43 placed in special needs schools

~Rs 1.7 billion

student loans approved by MCB Ltd as at June 2021 (under normal banking terms and the Government Guarantee Scheme), accounting for a market share of around 67.0% (over the period April 2013 - June 2021)

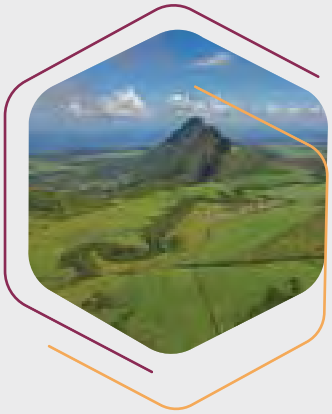
ARTS AND CULTURE

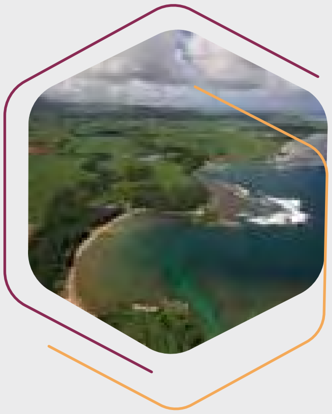
- We sponsored key projects aimed at promoting local talents at various levels, including music, singing/dance, art and writing, photography, painting and sculpting, as well as theatre and performing arts

ENVIRONMENT

- In line with its objective of achieving carbon neutrality by 2023 in its operations, MCB has focused on reducing its carbon emissions and then offsetting the residual emissions by investing in projects that have environmental and social benefits. MCB has been compensating for its residual carbon emissions on a retroactive basis, starting with the year 2018, through 'Klima Neutral', the carbon compensation online platform, and will continue to do so in the coming years
- MCB has committed to invest EUR 5 million in Livelihoods Carbon Fund 3 (LCF3), a carbon impact fund created by Livelihoods Funds to accelerate efforts on climate change mitigation and social impact
- MCB is in its third year of its partnership with the Mauritian Wildlife Foundation to protect the biodiversity of the country. The Bank also funds a program aimed at protecting the islets situated around Mauritius
- The organisation actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by around 25% during the financial year. In the same vein, the Bank launched 'MCB Digisign', a signing platform developed with Adobe, which aims to optimise our processes and reduce our paper usage
- MCB has further extended the preferential credit facilities called 'Green loans' to customers so that they could build back better and become increasingly sustainable in their recovery journey
- The MCBFF has made a contribution of EUR 41,040 to the UNDP Small Grants Programme to improve agricultural land resilience through nature-based solutions and support the farmers' community
- The organisation has launched a tailored financing facility to promote the purchase of electric and hybrid vehicles through the 'GreenDrive' solution for employees in Mauritius

Delivering on our strategic objectives





The Equator Principles

Since 2012, MCB Ltd adopted the Equator Principles, which is a voluntary and internationally recognised risk management framework. This framework stands as the foundation and guiding principle of the Bank's Environmental and Social Policy. It articulates the principles, policies, roles and responsibilities through which the Bank ensures the environmental and social risk management of its lending activities, in particular regarding any project or undertaking entailing loans of an aggregate amount greater than or equal to USD 2 million and with maturity of at least 24 months.

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

Supporting the health and well-being of societies and communities amidst the pandemic...

In keeping with our sense of corporate responsibility, we supported communities and vulnerable groups in a myriad of ways – by providing meals to those in need, empowering people who lost their jobs, or mobilising funds to combat COVID-19. The disruptions and consequences of the pandemic have been extensive and far-reaching, which is why we will continue to be engaged across societies and communities.

- After donating Rs 1.7 million in FY 2019/20, MCB Ltd contributed another Rs 1 million during the year under review to the crowd funding platform 'Small Step Matters' to provide food supplies to more than 1,000 households.
- MCBFF provided some 250 food packs to families during the lockdown (Mauritius and Rodrigues) as part of the MCB Football Academy's (MCBFA) schemes.
- MCBFF assisted families who were financially impacted by COVID-19 through various support measures, namely, by providing access to training courses and helping them find new jobs.
- 5 children with special needs received tablets to stay connected with their school while 59 children benefitted from school materials and uniforms.
- 110 families of MCBFA participated in Personal development programmes, therapeutic & Parental capacity building workshops for a total of 100 hours.
- As a means for income generation, a team of 8 women received 42 hours of training in the field of organic farming and agriculture as well as hands-on training, and an agro-ecological farm was set up at Riche en Eau.

Delivering on our strategic objectives

AUTHORITIES AND ECONOMIC AGENTS

36.0%
Domestic loans as a share of GDP

46.3%
Market share - Credit facilities approved under the Government-backed SME Financing Scheme

4,180
Reports sent to the Bank of Mauritius during FY 2020/21

Rs 1,248 m
Corporate tax and special levy

Material matters

- Implications of the pandemic and macroeconomic developments
- Regulatory change, risk management and governance standards
- Environmental considerations and social welfare
- Evolving competitive landscape
- Strategy execution and alignment

WHAT THEY EXPECT FROM US ...

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

KEY OBJECTIVES AND METRICS ...

- Financial soundness indicators
- Economic contribution to the economy
- Best-in-class policies based on ethical behaviour
- Strong risk management and compliance set-up
- Adherence to regulatory reporting requirements

SDGs IMPACTED

CAPITALS IMPACTED

Note: Figures are as at 30 June 2021

How we have engaged with authorities and economic agents

- Continuous support to the development and modernisation of the country's economic sectors
- Contribution to the positioning of Mauritius as a credible and competitive International Financial Centre, along with dedicated assistance to businesses transiting through Mauritius to conduct business across Africa
- Regular interactions and collaboration with the Central Bank and authorities to implement support measures amidst the pandemic
- Strict compliance with relevant regulatory limits and guidelines relating notably to business operations, product development, market development and risk management
- Perennity and soundness of our operations safeguarded along with full compliance with mandatory provisions and requirements
- Contribution to the strengthening of the regulatory framework through our close collaboration with the regulators
- Prompt attendance to regulatory reviews and response to matters raised
- Timely submission of reports to regulatory bodies and transparent relationships forged with them to promote adequate monitoring of our activities and informed discussions about relevant issues
- Thought leadership publications, such as MCB Focus and 'Lokal Rebound', to shed light and raise awareness on topical issues

Direct contribution to the Mauritian economy

(FY 2020/21)

Contribution to value added	~ 5%	of total value added	~ 58%	of value added by the banking sector
Paying taxes in support of government revenue mobilisation	~ 10%	of total corporate tax paid	~ 60%	of special levy paid by banks
Creating jobs on the nationwide scale	~ 20%	of employment in financial and insurance activities	36%	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

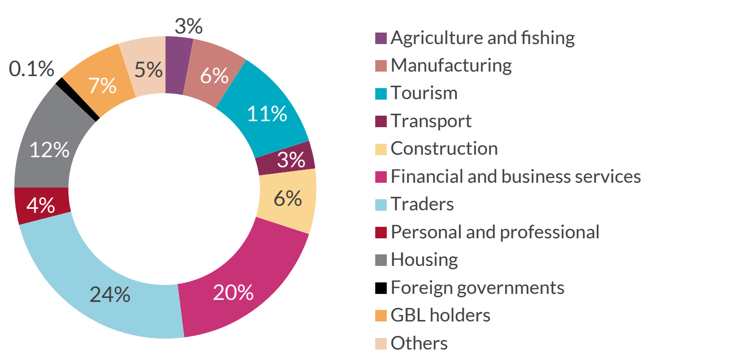
(iii) Figures displayed above are indicative, based on officially-reported data and MCB staff estimates.

Supporting pandemic-hit economies

- We accompanied small, medium and large-sized businesses facing up to hardships and cash flow difficulties to, as far as possible, remain afloat, pursue their activities and mitigate job losses.
- We interacted and collaborated with the Central Bank and the authorities (directly or through banking and relevant business associations) amidst concerted endeavours to implement macro-financial measures that are deemed necessary to underpin supply of credit and the delivery of dedicated clients solutions, after making allowance for new realities and requirements engendered by the pandemic.

Supporting businesses across economic sectors

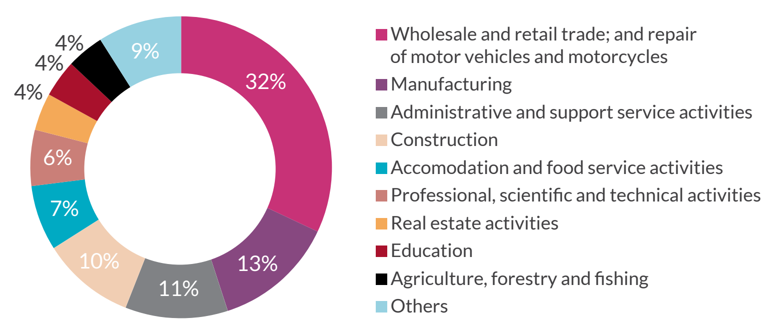
Rs 270 billion total loans and advances to customers



Rs 145 billion loans and advances to corporates in Mauritius

Note: Figure includes corporate notes

Rs 7.4 billion loans and advances to SMEs (MCB Ltd)



Figures are as at 30 June 2021

Delivering on our strategic objectives

EMPLOYEES

~3,000
Employees
(**49%** Female)

3%
Employee
turnover rate

30%
Women in middle and senior management

97%
Employee
retention rate

~ 17,400
Number of courses completed on 'Percipio' (our online learning platform)

Material matters

- Implications of the pandemic and macroeconomic developments
- Regulatory change, risk management and governance standards
- Strategy execution and alignment
- Changing world of work
- Environmental considerations and social welfare

WHAT THEY EXPECT FROM US ...

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

KEY OBJECTIVES AND METRICS ...

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

SDGs IMPACTED

CAPITALS IMPACTED

Note: Figures are as at 30 June 2021

How we have engaged with employees

- Continuous efforts to attract, develop and retain talents as well as empower them to deliver their best
- Regular engagement with staff to adequately understand and respond to their needs, via surveys and culture audit
- Dedicated initiatives, notably as part of the ongoing HR Transformation Programme, to promote an environment of trust, high aspiration and achievement and foster strategic talent acquisition
- Reinforcement of human resource frameworks, in support of enhanced operational efficiencies and sound business growth
- Upgrades to our learning and training framework to equip employees in order to better respond to evolving customer needs
- Continuous enrichment of training courses available to employees, notably through the MCB Institute of Finance and 'Percipio', as well as lectures delivered by international experts
- Adherence to the Bank's Code of Conduct and the National Code of Banking Practice
- Fair and robust remuneration philosophy in place to reward our employees, in line with market conditions and meritocracy principles
- 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
- Provision of a range of fringe benefits to our employees, including the employee share option scheme
- Promotion of a balanced and diversified workforce in terms of gender, age group and experience to tap into a wide range of knowledge, skills and specialist competencies and support our business strategies
- Flexible Working Arrangements (FWA) available to our employees, including flexi-time, staggered hours, hot desking, and 'Work From Home' initiative (implemented under specific conditions)

Key measures deployed during the period under review

Upskilling and employee development

Talent Management

Rollout of our ***Grow! Programme*** for People Managers to empower them with the key tools and principles of talent management
(Entailed 360 degree feedback, debrief sessions with international consultants, creation of Individual Development Plans)

Digital learning

Implementation of a **digital learning experience** platform (Percipio) to enhance accessibility to learning

Leadership brand

Launch of **Lead with Impact Academy** to further entrench the MCB Leadership Brand and promote desired leadership behaviours

Specialised learning

Deployment of bespoke **learning solutions** and set-up of **capability academies** (e.g. Digital Academy) to support MCB's shift to a more specialised organisation

Performance management

Enhanced performance management system

Review of philosophy, with focus based on **results** (team and individual objectives, and special assignments) and **attributes** (desirable and essential competencies)

Additional key changes

- Simplified performance scoring
- Continuous feedback from the manager
- Stakeholder feedback

Employee well-being

Staff welfare and quality of life

- Provision of a **support unit** comprising an in-house Psychologist and Wellness Coordinators
- Launch of a wellness track within the MCB St Jean premises
- Availability of staff offers for, namely, leisure activities
- Set up of an **Employee Solidarity Fund** to support our employees and their families impacted by adverse, unexpected events

COVID-19 measures

Safeguarding employee well-being:
- Adoption of Work From Home practices and split/rotating teams
- Adherence to strict health and safety protocols across premises as per our COVID-19 Emergency Protocol Guide
- Provision of remote medical advice and assistance
- Reinforced role of the Wellness Unit to provide guidance on COVID-19 related matters
- Facilitation of the vaccination exercise to encourage employees to get vaccinated so as to protect themselves as well as their colleagues and people in their surroundings

Raising awareness among employees:
- Dedicated COVID-19 information page on Workplace
- Awareness videos and webinar on the importance of vaccination
- Vaccination status for MCB Group in Mauritius as at end of August 2021: ~78%

Delivering on our strategic objectives

Zoom on gender equality initiatives

Our target

At least 40% of women in middle and senior management roles at MCB Ltd by 2026

Key enablers

- Adoption of the Gender Diversity Charter of the Africa CEO Forum - Women Working for Change
- Action plan based on the Gender Equality self-assessment evaluation conducted with the AFD
- Cross-functional working group to promote gender-related initiatives

Main initiatives (FY 2020/21)

- **Paternity leave doubled** to 10 days, with the leaves extended to unmarried fathers and a widened timeframe during which the leave can be taken
- Set up of **2 lactation rooms** at the two MCB main sites, for mothers returning to work after maternity leave
- Internal survey on gender and diversity to **understand our employees' perceptions** on the differences relating to conditions at work between men and women
- Provision of various online **awareness and training sessions** for our employees and leaders on gender equality related topics such as unconscious bias, diversity and women in leadership, and the business case for gender diversity
- Analysis on the importance of women to the economic development of Mauritius and fostering an inclusive society in our '**MCB Focus**' publication
- Launch of **'Lean-In Circles'**, a platform for women to share their experiences in order to progress together

Delivering on our growth pillars

1	2	3
Extend our frontiers	**Deliver a world-class customer experience through digital**	**Nurture our values and deliver on our brand promise**
Consolidating our domestic positioning and pursuing our regional diversification agenda by exploring new growth avenues	Embedding digital innovation and technology as a key enabler of enriched customer service quality and relationships	Strengthening the MCB franchise and cementing the organisation as a positive brand, while entrenching sustainability in our DNA and our behaviours

During the year under review, the Bank sustained its efforts to pursue its business development thrusts, alongside coping with the difficult and dynamic operating context. With a resurgence of COVID-19 cases in the local community and the introduction of a second lockdown in March 2021, the Bank remained focused on safeguarding the health and safety of employees and clients while ensuring an unwavering service delivery and propping up activities across markets.

On the domestic front, we continued to devote attention to finding optimal ways towards supporting our clients in these testing times, with the Bank being subject to pressures on the level and quality of credit demand in both the retail and corporate segments. At the same time, we took several initiatives to upgrade our value proposition across segments by notably leveraging digital solutions and platforms. Our international business remained resilient and expanded further, underpinned by our sound business model and credentials. Along the way, we maintained our thrust to reinforce our internal capabilities for growth. In addition to investing in best of breed technologies and deploying our HR Transformation Programme to build our human capital, the Bank proceeded with strengthening its risk management and compliance framework and reorganised some functions for a better alignment with set ambitions. Besides implementing the new operating model for the Corporate and Institutional Banking SBU as well as for the Finance SBU, the Bank initiated a rethinking of the positioning of the Securities Services function within the organisation to foster an enhanced and integrated wealth offering.

Looking ahead, market and economic conditions are likely to remain challenging, although a gradual improvement in the operating environment is foreseen after factoring in the reopening of borders and the progressive pickup in economic activities locally. While maintaining our quest to promote a seamless customer experience, we seek to help the country build back better into a greener and smarter economy. We will pursue our international expansion strategy, building on the expertise we have nurtured and leveraging the Mauritian jurisdiction. In the same vein, we aim to diversify our revenue streams by boosting our non-interest income activities, notably linked to wealth management, global markets and payments services. Overall, the Bank sets out to uphold its financial soundness by ensuring balanced business growth, with sustainability considerations to be also embedded as a key value driver in our activities.

Delivering on our strategic objectives

1 Extend our frontiers

The different lines of business of the Bank were effective in implementing their roadmap for the year and generally achieved their objectives after making allowance for the repercussions of the COVID-19 pandemic on their operations.

Corporate and Institutional Banking

This business line posted a noteworthy performance during the last financial year in spite of the tough context, as gauged by an appreciable growth in its exposures and deposit base. While efforts in the domestic market were geared towards helping customers confront the difficult market conditions, the Bank made interesting strides in furthering its foreign-sourced activities. In addition to increasing our penetration in traditional markets and deepening our relationships with existing clients, we made further progress in extending our customer base across segments and geographies. To this end, we capitalised on our competencies, customised solutions, investment-grade status, wide network of correspondent banks including over 100 in Africa, the Group's foreign presence via its subsidiaries and associates as well as our Representative Offices. With respect to the latter, the upgrade of our Representative Office license in the Dubai International Financial Centre (DIFC) to Advisory Office under Category 4, in September 2021, should equip the Bank with an enhanced scope of intervention and promote closer proximity with clients and business partners across targeted market segments. We have also initiated moves during the year to apply for a license to set up a representative office in Nigeria, in view of our already extensive involvement in the country and the interesting business opportunities in West Africa.

The Dubai International Financial Centre is home to MCB's Dubai Office, covering the Middle East, North Africa and Asia Region

A key focus during the year pertained to the implementation of a new organisation structure for the Corporate and Institutional Banking SBU. The new operating model seeks to enhance our capabilities to meet increasing challenges and tap into new opportunities as MCB continues its international expansion alongside better serving our clients and responding to their specific needs. The SBU's coverage has been reorganised and now consists of teams focusing on: (i) Mauritian & Regional Corporates (MRC); (ii) Global & International Corporates (GIC); (iii) Specialised Finance (which comprises Energy & Commodities financing as well as Power & Infrastructure financing); and (iv) Financial Institutions and Syndication. As part of the restructuring exercise, the Bank has also set up and operationalised a dedicated Global Transactional Banking unit with a view to boosting MCB's transactional banking business and its fee-based value proposition.

Reflecting our strategic intent of being the preferred partner for our clients, we consolidated our leading positioning locally in respect of domestic credit to corporates, with our market share standing at around 44% as at 30 June 2021. The MRC team provided support through dedicated facilities and helped corporates build resilience and steer their business amidst the prevailing challenging context. At the same time, the desk financed key projects across various segments that are reshaping the domestic and regional landscape and generating economic growth. We prudently expanded our exposures in various sectors and accompanied our clients in their capacity building moves, restructuring initiatives and strategic undertakings, including expansion endeavours in the Group's presence countries.

During the year, the GIC team pursued its engagement with global business entities, trusts and foundations leveraging Mauritius as a gateway for undertaking business within and into Africa, and ventures beyond. Our market development initiatives have been underpinned by adapted solutions and enhanced client interactions. As a key endeavour, the team embarked on a comprehensive realignment exercise aimed at reviewing its client segmentation, upgrading its value proposition and determining an optimal go-to-market approach. The objective is to bolster the Bank's positioning vis-à-vis companies leveraging Mauritius as an International Financial Centre (IFC) of substance by optimising the existing client ecosystem while tapping into new business openings. In this respect, we made notable inroads regarding our strategy to be the partner of choice for international corporates willing to do business and invest in Africa, notably through the development of new relationships with anchor clients such as private equity funds and large multinational corporates in Europe and Asia.

Our Specialised Finance team continued to build on its excellent track record to further entrench its commodity trade finance activity and strengthen its position as a prominent player within the Oil & Gas upstream value chain. As a key achievement, we further widened and deepened our involvement in Energy and Commodities financing, by capitalising on: (i) our broad experience as one of the leading providers of financing for the importation of Oil & Gas in the Indian Ocean and Africa; and (ii) our solid credentials and expertise as a privileged partner for direct and joint financing of Oil & Gas transactions in the region. Beyond consolidating the trade finance segment of our portfolio, we made solid inroads into the African Oil & Gas structured debt market. We gradually gained more market acceptance as we kept on playing a more prominent role in leading and structuring transactions, thereby helping clients grow, recover, adapt, adjust or reshape their business during one of the most challenging periods for Oil & Gas markets. With regard to our Power & Infrastructure activities, we continued to play an increasing role in addressing Africa's infrastructure needs while providing support to our clients for their infrastructure investments in our key geographical markets, including energy projects contributing to the transition towards cleaner energy and improving electrification rate on the continent.

In parallel, MCB continued to consolidate its syndication offering and strengthen its position as lead arranger with financial institutions. The Financial Institutions and Syndication team developed stronger business networks with FIs, DFIs and other partners as well as key intermediaries across African and Asian markets for enhanced market intelligence, enriched value offering and servicing a larger pool of international corporates. The syndicated facility of USD 1 billion recently secured by the Bank bears testimony to the close ties nurtured with these counterparts. As another key highlight, the Bank further positioned itself as an international player in the syndicated loan market by joining the Loan Market Association (LMA) as a full-fledged member since October 2020. With the key objective of improving liquidity, efficiency and transparency in the primary and secondary syndicated loan markets in Europe, the Middle East and Africa (EMEA), the LMA has over 750 member institutions from 65 countries, with members comprising commercial and investment banks, institutional investors, law firms, service providers and rating agencies.

MCB has, in close connection with the Group, remained an active promoter of the 'Bank of Banks' initiative, which consists of providing a palette of adapted solutions to financial institution counterparts, notably those operating in Africa. To underpin our strategic endeavours, we pursued image and relationship-building exercises to showcase our value proposition and capabilities. Africa Forward Together (AFT), the Group's flagship seminar with African bankers, reinvented itself in the wake of the pandemic and went digital.

Delivering on our strategic objectives

Specialised Finance

Supporting economic progress in Africa

We pride ourselves in being an African institution that is resolutely committed to the development of the continent. As such, we continued to participate in and contribute to Africa's transformation agenda by providing customised financial solutions that helped to underpin the realisation of projects geared towards the development of economic sectors, accelerating productive investments, boosting intra-African trade and stimulating the social and environmental progress of the targeted countries. In doing so, we continue to build strong and long-lasting relationships and forge active partnerships with banks and external parties on the continent. Some landmark deals that we struck during FY 2020/21 are outlined below:

Supporting Senegal in its electrification efforts

MCB facilitated Senegal's endeavour to improve its national electrification rate through a USD 60 million participation in a syndicated project finance facility of USD 140 million to operate a 235 MW Powership along the shores of Dakar. MCB was not only a co-mandated lead arranger but provided the highest loan commitment. The Powership is contributing to around 15% of Senegal's electricity supply. The Powership will soon shift from the use of heavy fuel oil to gas. This fuel switch-over will generate material reduction in Senegal's fuel bill with positive spill-over effect on electricity costs. Being the first power generation plant fueled by gas, the Powership is laying the foundation stone of Senegal's plan to diversify its energy mix while also cutting carbon emissions.

Contributing towards Nigeria's industrialisation

MCB participated in the structuring of a c. USD 255 million dual tranche Facility Agreement to finance the development of a landmark midstream project in the eastern area of the Niger Delta Basin. The gas infrastructure company – joint venture between a parastatal and a leading energy player in Nigeria – is strategically located near prolific upstream fields and existing infrastructures such as gas pipelines connected to the country's main demand centres. The joint venture will purchase wet gas from a neighboring upstream field and sell spec gas to the domestic gas market, liquefied petroleum gas at fence to local customers and condensate on the international markets. The addition of this 300MMscfd processing capacity will support the Nigerian Federal Government's drive to increase gas supply in the domestic market and unlock over 1,200MW of gas constrained power generation capacity. This milestone project will thus foster local economic development and employment through provision of gas to industrial consumers, providing significant and visible benefits to the host countries' inhabitants.

Further boosting regional trade

MCB deepened its involvement in providing adapted financing solutions to facilitate the import of refined petroleum products and liquefied petroleum gas in its core African markets. Thanks to its consistent and proactive client-centric approach, MCB adjusted its offering and continued to accompany its clients trading with African countries despite the challenging operating context which characterised FY2020/21. MCB has therefore gradually turned into one of the leading structured trade finance providers to refined petroleum product suppliers to Kenya and Nigeria, with sizeable market shares in its other targeted countries as well.

The 11th edition of AFT, themed 'Building Resilience Together' was built around 4 webinars and leveraged our network as a platform to share collective experience and guide banks' efforts for the 'new normal' in the post-COVID world. Going forward, the Group is looking to broaden the scope of the AFT brand and review its 'Bank of Banks' strategy in order to reinforce the partnership framework with its Financial Institutions network.

As a key enabler to our business development initiatives, we endeavoured to upgrade our product and service offerings alongside enhancing efficiency across the value chain. In this respect, the newly created Global Transactional Banking unit set out to bolster our cash management and global trade solutions and reinforce sales support to the coverage teams. Towards this end, inroads were made in improving the end-to-end transactional processes by way of the review of forms and templates (including smart functionalities), development of dashboards and reinforcement of capabilities like host-to-host integration. The Bank is making further headway in harnessing data and machine learning capabilities to enrich our interactions with corporate clients while unveiling opportunities for more business and cross-selling. At another level, the Credit Analysis and Structuring unit is being strengthened into a technical centre of excellence made of specialist teams offering insights and tailor-made solutions to clients on credit structuring. In parallel, the Bank is optimising the structure of support teams across the corporate value chain as well as workflows and processes to better support the ambitions of the new operating model. An Account Specialist team was also created to reinforce our compliance framework and help coverage teams to focus on client interactions and business development. Furthermore, we delivered a broadening range of adapted structured treasury solutions to meet the evolving needs of our clients, alongside further disseminating our electronic forex platform, i.e. MCB Wave, which treasurers leverage as an all-in-one digital and day-to-day tool to manage trading requirements. We deployed new features on the platform to enhance digital forex trading capabilities for clients namely in terms of FX Forward and Swaps offerings. We are also expanding the palette of currencies in which MCB can do business by leveraging the extensive network of banking partners and their platforms.

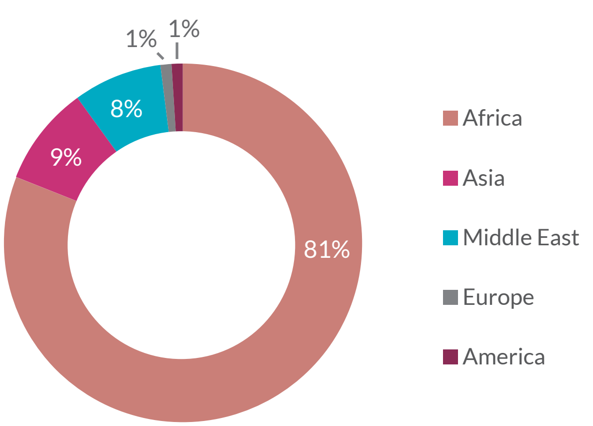
Pursuing our **'Bank of Banks'** strategy

In July 2021, a USD 20 million loan was successfully signed between MCB Ltd and Bank of Kigali Plc. The aim of this loan is to provide additional liquidity to Bank of Kigali Plc and facilitate the execution of its lending strategy. Bank of Kigali Plc remains a systemically important bank in Rwanda and injection of the funds into the economy will likely boost growth and development.

This transaction is one among the many partnership areas MCB Group has had with the Bank of Kigali Plc over the years as part of its 'Bank of Banks' strategy. The two institutions have established an excellent relationship and the interactions span across various spectrums of banking activities and more specialised advisory services from MCB Consulting and MCB Capital Markets.

Overall, through its 'Bank of Banks' initiative, the Group partnered with and assisted 80 financial institutions worldwide, including 65 in Africa, spanning 36 countries in FY 2020/21. We enabled clients to gain access to state-of-the-art services offered by various Group entities, thus helping them to underpin capacity building and business growth initiatives, while accessing industry best practices.

The Group has serviced financial institutions across the following regions:



On another note and in line with our sustainability ambitions, we are currently in the process of elaborating a distinct sustainable finance strategy for our corporate, institutional and investment banking activities. This would encompass: (i) an adapted Sustainable Finance value proposition; (ii) an assessment of client portfolios and targeted initiatives to accompany their transition towards ESG compliance and carbon neutrality; and (iii) the integration of ESG considerations into decision-making pertaining to profitability, risk and capital.

Delivering on our strategic objectives

Business Banking

With customers in this segment being quite vulnerable to the ramifications of the pandemic and recognising their significance in the economy, the Bank strived to provide adapted solutions to help them navigate through these turbulent moments. Backed by a thorough understanding of client requirements, an enriched value proposition and reinforced business partnerships, the Bank cemented its positioning as the foremost financial service provider for SMEs and MMEs in Mauritius. MCB is ranked 1st amongst the 12 participating banks in respect of credit facilities outstanding under the Government–backed SME Financing Scheme, with a corresponding market share of 47.3% posted during the December 2011 – June 2021 period. We pursued initiatives allowing us to act as the trusted business partner towards assisting our clients to start, manage and grow their businesses, while promoting entrepreneurship and boosting local production in the country.

To better respond to our customers' daily transactional and other banking needs, more features have been added to MCB JuicePro, our mobile banking app for SMEs. In addition to beneficiaries management and Scan to Pay, amongst others, we recently launched the first digital SME lending product, Express Overdraft, which will allow entrepreneurs to apply for and obtain an overdraft facility within 4 working days. Eligible Business Banking customers will be able to apply for an overdraft facility up to Rs 1 million on the app, with facilities up to Rs 200,000 being unsecured. This new product requires no documents to be physically handed by the customers with the document preparation process being fully automated. During the year, we also deployed a swift onboarding process and focused our commercial efforts to equip SME clients with an array of payment acceptance solutions adapted to their needs including mobile payments acceptance, secured payment links to accept online payments, a full-fledged online payment gateway and point-of-sale terminals to accept card payments. In this respect, it is worth highlighting that we have successfully completed the extension of 'till integration'. The latter integrates our electronic payment terminals directly with the merchant's cash register, which improves the speed of pay alongside eliminating the risk of typing errors and facilitating reconciliation. As a key achievement towards boosting the expertise of our clients and creating a durable ecosystem, MCB launched 'Punch', a B2B online marketplace developed in collaboration with local SMEs. Through the 'Punch' platform, our local entrepreneurs can find solutions to business challenges, make meaningful connections and have access to interesting resources for growth.

Punch is a multi-sided platform and is open to all local entrepreneurs from micro businesses to mid-market enterprises

MCB continued to fund the 'Made in Moris' campaign to promote the diversity and quality of local production while encouraging solidarity, particularly amidst such challenging times. The campaign emphasised the vital role of local businesses in guaranteeing the island's food security and domestic job supply, as well as the key contribution of Mauritians in supporting local businesses through their consumption choices. Furthermore, in our quest to increase proximity to and interactions with our clients, we created a full-fledged SME Hub in Rodrigues in collaboration with MCB Microfinance Ltd.

Retail

Operating within challenging conditions, the Retail SBU continued to lay a prime focus on preserving adequate service levels, especially during the lockdown period amidst strict sanitary measures to protect clients and employees. From a commercial perspective, it endeavoured to maintain the health and resilience of its loan portfolios while also having to deal with heightened competitive pressures in the wake of the excess liquidity situation in the country. Yet, the Bank maintained its prominent market positioning in the retail segment through the execution of its strategic intents. Alongside reflecting our strong brand, this was underpinned by: (i) strengthened operational and commercial capabilities; (ii) further moves to transform the branch experience; (iii) increased recourse to innovative technologies; (iv) a continuously refined value proposition; and (v) bolstered risk management processes. As a key focus area, we pursued efforts to upgrade and promote our digital channels towards offering increasingly seamless experiences to our clients. We remained active on the payments scene by allowing clients to make and accept payments in a quick and convenient way through multiple channels. In July 2021, we released an entirely new 'JuiceByMCB' application rebranded as 'MCB Juice', which is built on an omni-channel platform. 'MCB Juice' is home to over 25 features and illustrations carefully crafted by our designers and inspired by local artists. The application is bestowed with increased performance capabilities, a simple user experience and the potential to scale with a range of new features (read more on pages 73 and 74).

MCB's new branch at Beau Plan blends traditional and digital banking services and hosts a meeting place for customers in the region

In addition to maintaining our strong market foothold with respect to educational loans, we upheld our leadership position in the mortgage field, with our market share for housing loans standing at around 34% as at end-June 2021. During the year, the Bank refined the appeal of its mortgage solution with the launch of a new app for housing loan requests, backed by a series of workflow automation initiatives for faster approval and disbursement of loans and a simpler end-to-end customer journey (read more on page 73 and 74). As part of our efforts to boost sales effectiveness, the Bank launched 'Next Best Offer' (NBO), an advanced analytics tool, which allows for cross-selling opportunities based on customer profiles. In parallel, we consolidated our outbound team for increased campaigns and NBO leads nurturing and conversion. Towards upholding our strategic positioning, the Bank opened a resolutely modern branch at Beau Plan that seeks to offer a unique banking experience, notably by leveraging our digital capabilities and providing a connected and friendly space to facilitate exchanges with customers. Besides, we further reduced waiting time in branches through a series of initiatives such as the Appointment Booking System (ABS) and the e-KYC app for greeters while also simplifying the customer onboarding process, resulting in a significant drop in serving time. In our quest to improve customer satisfaction, we are also pursuing efforts to gear up the capabilities and channel coverage of our Contact Centre, the role of which has gained increasing prominence since the beginning of the pandemic, being one of the first contact points to respond to customer queries and address their needs (by phone, email and social media).

Delivering on our strategic objectives

Private Banking and Wealth Management

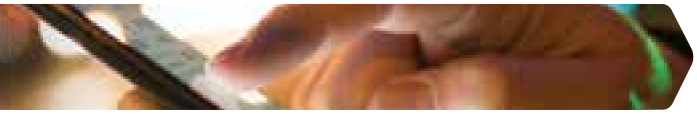
Notwithstanding the challenging operating environment and unsteady financial market conditions, the Bank made further progress towards entrenching its position as the trusted lifetime partner for its affluent and high net worth customer base. It capitalised on its differentiating service quality and bespoke offerings, including its sophisticated range of investment and wealth management solutions.

In support of its growth ambitions, the Private Banking and Wealth Management (PBWM) SBU undertook a transformation programme aimed at reinforcing its strategic positioning and better addressing the needs of its growing and increasingly diverse client base across markets. As part of this initiative, the Bank is gearing up its value proposition, anchored on a reviewed customer segmentation that notably caters for fiscal residence, reinforced system and people capabilities and increased operational efficiencies. As a major milestone, MCB unveiled its 'M' brand. Introduced by means of a comprehensive rebranding campaign, 'M' embodies a new approach to private banking built around a relationship of trust with High Net Worth (HNW) clients. By designing a holistic profile for each 'M' customer, this allows the Bank to adequately understand its clients' aspirations and provide relevant and successful banking and wealth solutions. Services provided are adapted to every client's unique situation, enabling our clients to protect, transmit and grow their assets. In addition to exclusive products and services meant for their day-to-day needs such as premium cards and 'My Conciergerie', 'M' clients are offered tailored financing and investment solutions. Indeed, they benefit from a range of wealth management offerings such as financial planning, discretionary and non-discretionary management, a fund selection service and access to exclusive Private Equity deals. Moreover, 'M' embraces the open architecture approach, which gives clients the ability to customise their investment strategies.

We pursued our international expansion and reinforced our presence in the Middle East, North Africa and Asia regions by leveraging our Representative Offices. Furthermore, underpinning the Bank's strategic intent of widening its private banking and wealth management activities internationally, our External Asset Managers (EAM) team has developed strong network and relationships with asset managers and international brokers across geographical locations for various asset classes, including equities, bonds, structured products, mutual funds, amongst others. With a view to strengthening our positioning on the tax landscape and further consolidating our client base through adapted offerings, we recently on-boarded an external tax support service provider to bolster related services, by way of *inter alia* tailored trainings, advice on international rulings and ongoing support.

We further leveraged organisational synergies and increased intra-bank partnerships towards enhancing client experience, enriching the palette of wealth management services and harnessing business development avenues via cross-selling opportunities in key target markets. For instance, through increased in-house collaboration, we were able to leverage advisory services, notably on fixed income instruments and market analysis. With a view to offering differentiated service levels, the Bank pursued its digitalisation endeavours and geared up its efforts, both in terms of technical capabilities and resource mobilisation, to accelerate the execution of earmarked projects that will allow clients to undertake trading transactions remotely through state of the art technology.

2 Deliver a world-class customer experience through digital



We have further expanded our digital footprint and continued to promote operational excellence and innovation as a key tenet for fostering enriched customer service quality and relationships, with the key objective of ensuring that clients' needs are fulfilled in a fast, convenient and simple manner. We catalysed the shift from physical to digital banking and supported the transition of Mauritius to a cash-lite society through our digitally enhanced payment offerings.

Pursuing our Digital Transformation Programme

We have made further inroads in the execution of an ambitious roadmap of initiatives as part of our Digital Transformation Programme (DTP), which we had embarked on back in 2018. The DTP is spearheaded by our Digital Factory, which serves as an incubator for embedding customer-centric operations across the Bank by redefining end-to-end customer journeys. Anchored on a culture of start-up, while favouring a co-creation paradigm, it consists of people with a broad mix of competencies across various fields and encompasses dedicated cross-functional and co-located teams, emanating from various segments of the Bank working in squads. During the year under review, we progressed on the development of our customer journeys with due emphasis laid on Change Management, across business units and the Bank in general. We continued to improve our products and services from a digital perspective while enhancing the efficiency of our internal processes. We further reinforced underlying enablers as evidenced by investment in enabling technologies and platforms alongside establishing or empowering dedicated units to facilitate an effective transformation such as the Data Business Unit (BU) and Customer Lab.

The Data BU has been set up to shore up the Bank's data management capabilities towards promoting availability, reusability and integrity of data for users. The objective is to help MCB leverage data as a strategic asset, including the use of advanced analytics to address business-related use cases and to underpin business growth and risk management. Key milestones achieved include the roll-out of the first analytics-enabled digital journeys whereby the latter were enhanced by predictive analytics, notably credit scoring and cross-selling models and deployment of an analytics-enabled cross-selling tool for front-liners, supported by a proper governance framework with the setting up of a Data Committee to oversee data strategy and approach to uphold data quality and integrity. Additionally, more than 8 enterprise dashboards have been deployed to provide insights across the customer, profitability and transactions dimensions (Read more on page 75).

In line with the Bank's aim to nurture customer-centricity and foster a culture of continuous improvement, our Customer Lab made further headway in embedding customer feedback and experience in our operating model and core processes. We combined user research with co-creation opportunities and design experimentation to re-imagine customer experiences, drive new product development and enable strategic planning.

As another key undertaking, we made further inroads in entrenching an agile way of working across the organisation, backed by our newly set up Digital Academy, training programmes and the experience garnered during the last three years. This enhanced collaborative way of working has brought about several advantages such as better alignment across teams, increased staff engagement, improved productivity, amongst others. We are thus expanding agile practices beyond the Digital Factory and the Business Banking Tribe to other areas of the Bank as appropriate. We have also been present on this front in the local community through participation in the Gender Initiatives Working Group and in the establishment of the Agile Mauritius community group.

Delivering on our strategic objectives

Upgrading our technology platforms to boost customer satisfaction, underpin information security and improve productivity levels

The Bank avails of cutting-edge technologies across the value chain, by continuously upgrading its IT systems and infrastructure to enhance operational efficiency levels and improve customer service quality.

To underpin our digital transformation journey and enable an omni-channel ecosystem, MCB has adopted Backbase, which is a leading and award-winning digital engagement banking platform, to align all different banking channels from a design, technological and process point of view. Backbase allows the integration and orchestration of different channels for a seamless and efficient customer experience. Other benefits include: (i) more options to transact and interact with the Bank – every channel works cohesively to steer the customer journey in the same direction; (ii) simplification of the on-boarding process; and (iii) a unified security architecture. Furthermore, all debit cards were successfully migrated onto an upgraded version of our Card Management System, which allows for increased integration and efficiency.

Adding to our strong credentials, the MCB Data Centre has been awarded the Uptime Institute Tier III Certification of Design Documents, a first for the banking sector on the island, stemming from a Tier Gap Analysis to benchmark our Data Centre against international standards. MCB not only increased its hosting capacity but also invested in building the resilience and concurrent maintainability of its air conditioning plant and power distribution systems as per Tier III standards. Also, as a key catalyst in our digital transformation journey, we pursued our 'Go to Cloud' strategy and furthered the cloudification of our core platforms through the Oracle Cloud solution. During the year under review, MCB has further expanded its Cloud footprint through full integration with Microsoft, Oracle & IBM Clouds, making MCB Hybrid Cloud adoption a reality in adherence to the recently published BoM Guidelines on Outsourcing by Financial Institutions.

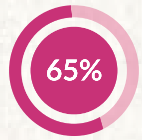
A strong and innovative payment player
locally and in the region

The payments industry is undergoing rapid changes with new products, players, regulations and payment rails, such as the Instant Payment System and MAUCAS QR launched by the Bank of Mauritius. We have also seen an acceleration in the adoption of digital forms of payments triggered by the COVID-19 pandemic. Against this backdrop, and in line with the Bank's ambitions to 'deliver a world-class customer experience through digital', MCB has launched a review of its payments business, with the objective to reinforce our position as a strong and innovative payment player locally and in the region.

Payments is a core component of our value proposition with MCB currently generating more than 55% of payment flows on the local landscape. Looking ahead, we believe that the payments business can play a key role in helping the Bank tap into emerging opportunities through wide-ranging payment solutions, allowing all customers, from the individual to SMEs and corporates, to undertake transactions in an easier, faster and safer way, while contributing to transform Mauritius into a cash-lite society.

Our digital customer journeys

Since we embarked on our Digital Transformation Programme, we have been **redefining** and **digitising end-to-end customer journeys**, backed by business process reviews and reengineering in our Digital Factory



Weighted average completion

22 Planned

2 Fully delivered

20 In progress

3 years since inception of Digital Factory

150 employees (2018: 23)

13 squads

Update on selected customer journeys

CIB Transactional Payments delivered in February 2020

- Allows corporate customers to approve transactions faster and on the go – SmartApprove won Best Adoption of Tools & Governance at the Global Fintech Innovation Award 2020
- 87% International Funds Transfer Payment STP Rate

CIB Lending ongoing

- Digitisation of the end-to-end corporate lending journey

SME Lending last updated in August 2021

- MCB's first digital lending product, Express Overdraft, that can be fulfilled end-to-end digitally
- Eligible SMEs will be able to apply for an overdraft facility of up to Rs 1 million on MCB JuicePro
- Takes 5 steps and at most 4 working days for the customer to obtain the Express Overdraft

MCB JuicePro last updated in August 2021

- New features added on our mobile app for SMEs such as Express Overdraft, beneficiaries management, Scan to Pay, become a merchant, cash flow graph etc.

SME Account Opening delivered in July 2020

- Online account opening for Mauritian SMEs
- 2,600 accounts opened through the application in FY 2020/21 i.e. 83% of the total SME accounts opened

Mortgage last updated in October 2020

- Digitisation of the end-to-end individual credit journey
- Customers applying online or in branch will have full visibility on the status of their home loan through its lifetime
- Eligible customers can get an Approval In Principle within 48 hours upon online or in branch application

MCB Juice last updated in September 2021

- Rebuilt our mobile banking app on a new platform while optimising customer flows and terminologies
- Part of a growing omni-channel ecosystem that is being put in place to align all different banking channels from a design, technological and process point of view

Key enablers in our digital transformation journey

A multi-year programme that will revisit the way platforms are being managed across the following areas, amongst others:

- **Channels:** Backbase
- **Core Banking Platform:** Temenos Transact
- **Human Capital:** Oracle Fusion
- **Cards:** PowerCARD
- **GMTM & PBWM:** Upgrading of dedicated softwares

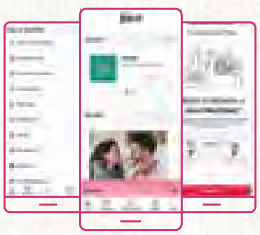
Delivering on our strategic objectives

Our digital channels and platforms

Internet Banking enables clients to handle most of their transactions online wherever, whenever, 24/7

264,139 users
+8.1% y.o.y

2.9 million transactions
+2.4% y.o.y



MCB Juice is our mobile app for individuals with embedded state-of-the-art banking features. Juice 4.0 was recently launched as a result of migration to a new platform for an enhanced user interface and experience

397,566 users
+19.0% y.o.y
+30.4% 3-year CAGR

24.0 million transactions
+53.0% y.o.y

6,129 merchants
+147.2% y.o.y

MCB JuicePro is a seamless and user-friendly mobile app for our SME customers' daily transactional and other banking needs

7,921 users

~131,000 transactions

SmartApprove is a convenient and secure web-responsive app that allows authorised signatories of companies to approve transactions electronically

981 registered users

39,389 approved transactions

Punch is our B2B digital marketplace, launched in 2021, enabling the community of entrepreneurs to access new markets, opportunities and alternative sources of finance while also acting as a knowledge centre to support them in their development

As at 31 August 2021:

565 entrepreneurs

75 growth partners

Enabling the **low-touch** way to pay...

~5 million
contactless transactions
+407.5% y.o.y

>75% of merchant **POS devices** are contactless

8,402 contactless **terminals**

+55.6% y.o.y
debit cardholders transacting online

+35.8% y.o.y
merchants offering online payments

Note: Figures above relate to FY2020/21 unless stated otherwise

Leveraging data as a strategic asset

Through the operationalisation of a dedicated Data BU, the Bank improved data management and leveraged advanced analytics to drive customer value, insights, and manage risk

2 years	24	4	6
since inception of Data Business Unit	employees (2018:3)	dedicated analytics labs	priority data domains launched

Data journeys

✓ Completed • Ongoing

Individuals

- ✓ Cross-selling using advanced analytics
- ✓ Segmentation using advanced analytics
- ✓ Credit scoring for personal loans
- • Credit scoring for secured loans

SMEs

- ✓ Credit scoring for for SME Lending
- • Segmentation for SME using advanced analytics

Corporate and Institutional Banking (CIB)

- ✓ Intelligent dashboards centralising both static and dynamic client information
- • Cross-selling for CIB using advanced analytics

Risk & Anti-Money Laundering (AML)

- ✓ Enhancement of AML monitoring using machine learning
- ✓ Interactive dashboards and descriptive analytics for management of past dues
- • Provising and CAESL adjustment & reporting tool

Capacity building through the MCB Digital Academy

- Holistic training & coaching were provided to our staff on **Data Science**
- Forthcoming data courses include the following:
  - **Data Engineering** course–covering *inter alia* engineering pipeline across cloud and on-premise storage; Devops, Datacops and Machine Learning Ops
  - **BI Specialist** course–covering data modelling and visualisation across technologies such as Microsoft Analysis Services & Power BI, IBM Cognos
  - **Analytics Translator** course–aimed at preparing the next wave of analytics model owners who will act as bridge between business and analytics team

Delivering on our strategic objectives

3 Nurture our values and deliver on our brand promise

In line with its purpose-driven approach, the Bank has remained committed to delivering a positive economic, social, environmental and cultural impact, through its ongoing actions amidst the COVID-19 pandemic. MCB has further implemented its far-reaching Corporate Sustainability Programme (CSP), launched in November 2018, on the back of a fitting operating framework and reinforced people capabilities. On the governance front, the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC) has been endowed with a sub-committee on Corporate Sustainability to assist in the monitoring of the CSP and its implementation across the organisation.

In line with our 'Success Beyond Numbers' philosophy, we have executed key initiatives across three pillars: (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our environmental and cultural and heritage; and (iii) promotion of individual and collective well-being. In particular, as part of our climate commitment unveiled during last year's 'Klima' conference and elaborated in the 'Klima Neutral 2050' report, MCB has set an objective to achieve overall carbon neutrality for its direct operations by 2023, through a mix of mitigation and offsetting actions. As a key move, MCB has taken the commitment to stop all new financing worldwide for coal infrastructure and trade (metallurgical or thermal) as from 2022 and to make available a green credit scheme amounting to Rs 1 billion per year over three years (2020-2022) for financing low-carbon transition projects for all economic sectors. We have also committed to invest EUR 5 million in Livelihoods Carbon Fund 3 (LCF3), a carbon impact fund created by Livelihoods Funds with leading companies worldwide joining forces to accelerate efforts on climate change mitigation and social impact. Our investment is expected to generate around 800,000 tonnes of carbon credits over the fund's lifetime. These credits will be available for our own compensation and to clients willing to contribute to carbon neutrality via a holistic carbon strategy. In June 2021, the Group launched its 'Lokal Rebound' study to better understand the Mauritian productive fabric and promote local production and diversification. The findings of this report call for strengthening the country's productive resilience - that is, its ability to develop alternatives in the wake of an economic shock. Additionally, the organisation adopted the MCB Gender Equality Charter, with the objective of fostering equal opportunity and fairness, work-life flexibility and a safe and respectful workplace. Moreover, the Bank sponsored the 'Dreams Without Borders' initiative, a mentoring programme, led by 'Association Mauricienne des Femmes Chefs d'Entreprises', which aims at enhancing the skills of women entrepreneurs, notably in the field of digital technology. We have also collaborated with the Mauritian Wildlife Foundation (MWF), committing to fund MWF's conservation efforts of our biodiversity over the next three years. In order to rally our customers to the cause, we launched the Your Card for Change program, through which each time a customer uses his MCB debit card, the Bank will donate money to help MWF finance its activities. The program also introduced new polylactic acid biodegradable cards.

Alain LAW MIN
Chief Executive Officer

Read more in the 'Creating value in a sustainable way for our stakeholders' section on page 47 to 62

Read more in the Sustainability Report on our website

Our Performance

Financial performance

Performance against objectives

PERFORMANCE IN FY 2020/21	OBJECTIVES FOR FY 2021/22
Return on average Tier 1 With profit remaining flat amidst the particularly challenging operating context, return on average Tier 1 declined to 13.4%.	Return on average Tier 1 capital is expected to improve, with results anticipated to be supported by further growth in operating income and a forecast drop in additional expected credit losses.
Return on average assets (ROA) ROA declined to reach 1.3%, taking into account a significant rise in low-yielding interest bearing assets.	ROA is expected to rise, in line with an improvement in performance.
Operating income Net interest income grew by 2.8%, mainly due to increased investment in Government securities and the expansion in our loan book, notably on the international front, which was, however, offset by lower margins. Non-interest income grew slightly with a rise in fee based income being mitigated by lower forex profits and dampened performance in respect of financial instruments amidst unfavourable market conditions.	Further expansion in our international business activities and a steady economic recovery locally are expected to contribute to growth in operating income picking up.
Operating expenses Operating expenses grew by 7.5%, underpinned by continuous investment in human resource and technology.	Operating expenses are projected to increase at a higher rate reflecting ongoing capacity building, notably linked to our people development and digitalisation initiatives.
Cost to income ratio Operating expenses having grown at a higher pace than operating income, cost to income ratio increased to 34.1%.	Cost to income ratio is expected to remain at around 35%.
Loans and advances growth The average customer loan book grew by around 14%, being boosted by an expansion in our international loan book.	The average customer loan book is forecast to post a double-digit growth, driven by further growth in our cross border activities.
Deposits growth Average customer deposits grew by around 19%, supported by both rupee and foreign currency deposits, with the latter in particular sustaining a significant growth.	Efforts by the Bank to further mobilise foreign currency deposits should help average customer deposits to continue to grow, albeit at a slower rate.
Asset quality Allowance for credit impairment declined by only 4.5% from the particularly high level recorded in FY 2019/20, as the Bank continued to build up provision buffers. The cost of risk in relation to loans and advances dropped to 1.43% while gross NPL ratio declined to 3.2%.	Allowance for credit impairment charges is anticipated to decrease on the back of lower additional expected credit losses.
Capital management The overall capital adequacy ratio and the Tier 1 ratio declined slightly to stand at 16.8% and 15.8% respectively, thus remaining comfortably above the minimum regulatory requirements.	The capital adequacy ratios are expected to remain at similar levels to FY 2020/21.

Performance against objectives by lines of business

PERFORMANCE IN FY 2020/21	OBJECTIVES FOR FY 2021/22
Retail Banking	
Whilst loans and deposits growth remained positive despite the difficult operating environment, gross operating margin increased by around 3%, supported by an appreciable rise in net fee income.	With a pick-up expected in business activities, the loan portfolio is expected to grow by 4%. This should underpin growth in net interest income and contribute to gross operating margin increasing at a higher pace.
Business Banking	
Notwithstanding a growth of some 7% in the average loan book, net interest income fell by around 19%, due to a compression in yields in view of the challenging operating context. Whilst non-interest income recorded an appreciable growth, operating margin dropped by 12% following an increase in operating expenses, in line with capacity building initiatives.	Net interest income and gross operating margin are projected to improve, driven by an expansion of some 6% in the loan book, on the back of an expected gradual recovery in economic conditions domestically.
Private Banking & Wealth Management	
Operating income grew by 6%, supported by a new business model that is geared towards wealth management services, and which contributed to a shift towards fee-based income in the operating income mix.	In view of the projected economic recovery both locally and globally, the aim is to expand further the international business whilst developing new wealth products which will help further grow its investable assets.
Corporate and Institutional Banking	
In spite of challenging market conditions, the lending portfolio expanded by around 16% due to the sustained growth of our commercial activities. However, gross operating margin saw only a slight growth of around 4%, due to the negative impact of falling yields on net interest income, whilst an expansion of some 20% in non-interest income was recorded as our strong focus on diversifying our revenue base started to pay off.	The average loan book is projected to rise by some 21% as the operating environment is set to improve gradually, favouring the continued growth of our international and local commercial activities. Gross operating margin is forecast to expand by around 15% supported by growth in net interest income and by strategies to boost the non-interest income share of total revenues with enhanced focus on harnessing trade, forex and transactional opportunities.

Financial performance

Overview of results

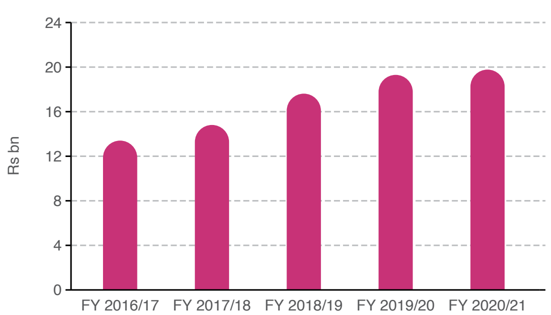
In view of the particularly difficult market conditions, the Bank achieved a broadly satisfactory performance for the year under review, with net profit remaining close to the previous year's level to stand at Rs 7,396 million.

Bank financial highlights

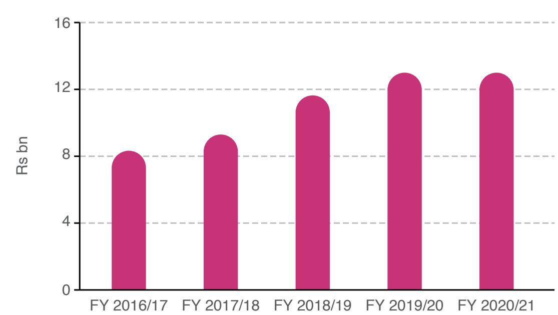
- Operating income grew by 2.4% with net interest income impacted by reduced margins and non-interest income bearing the brunt of the unfavourable market conditions
- Cost to income ratio increased to 34.1%, in line with our capacity building initiatives
- Slight drop in impairment charges on account of relatively lower additional ECL; cost of risk and NPL ratio declining to 1.43% and 3.2% respectively
- Share of profit of associates down by Rs 107 million, due to lower contribution from BFCOI
- Healthy liquidity positions, with a loans to deposits ratio of 60.2% and loans to funding base ratio, when including borrowings, of 51.9%; USD LCR of 146%
- Comfortable capital position, with both the BIS and Tier 1 ratios above minimum regulatory requirements of 14.375% and 12.375% respectively

Key figures	
Rs 7,396 million	**Profit for the year**
Rs 19,743 million	Operating income
34.1%	Cost to income ratio
Rs 4,601 million	Impairment charges (incl. ECL)
Rs 8,751 million	Profit before tax
12.7%	ROE ratio
16.8%	BIS ratio

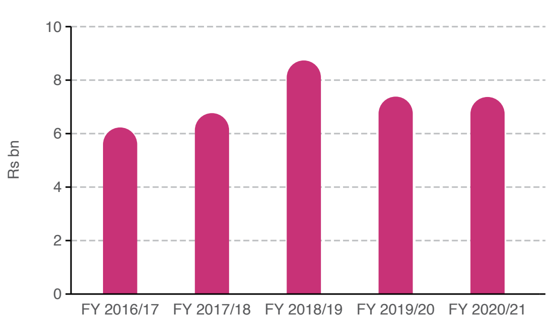
Operating income



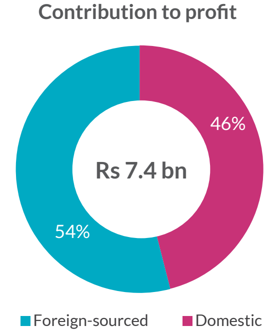
Operating profit before impairment



Profit for the year



Contribution to profit



Income statement analysis

Net interest income	As a % of average earning assets	
	FY 2019/20	FY 2020/21
Rs 13,836 million (+372 million)	3.3%	2.8%

A growth of 2.8% was recorded in net interest income following:

- A decline of 13.3% in interest income to Rs 15,908 million, with lower yields more than offsetting the effect of an increase in holdings of Government securities and in the loan portfolio;
- A fall of 57.6% in interest expense to Rs 2,072 million in spite of a rise in deposits and borrowings, on account of a sharp decline in interest rates over the year under review.

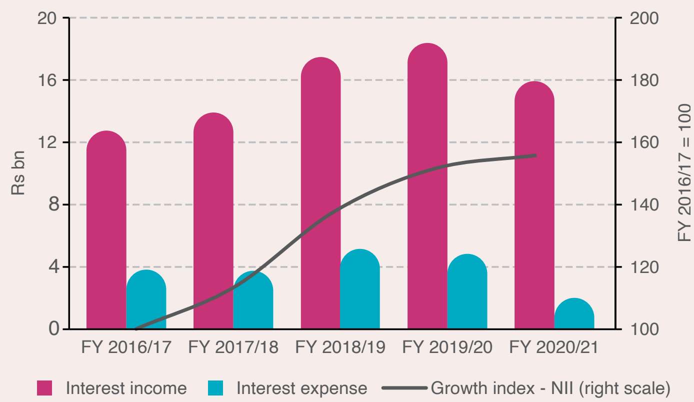
Overall, net interest income to average earning assets fell by around 56 basis points to 2.8%, notably reflecting lower margins on foreign activities in line with the drop in Libor, while the ratio in terms of average total assets declined by 46 basis points to 2.5%.

Non-interest income	As a % of operating income	
	FY 2019/20	FY 2020/21
Rs 5,907 million (+98 million)	30.1%	29.9%

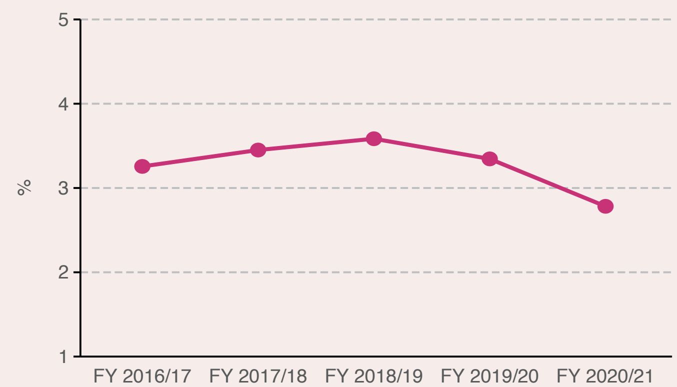
Non-interest income went up by 1.7%, with the growth in net fee and commission income partly offset by a dampened performance in 'other income' as explained below:

- Net fee and commission income rose by 15.6% to stand at Rs 3,866 million, mainly supported by higher revenues from regional trade financing and wealth management activities.
- 'Other income' declined by 17.2%, mainly explained by:
  - A fall of 11.9% in profit on exchange and net gain from financial instruments carried at fair value amidst market volatility
  - A net loss on sale of financial instruments compared to a significant gain registered one year earlier.

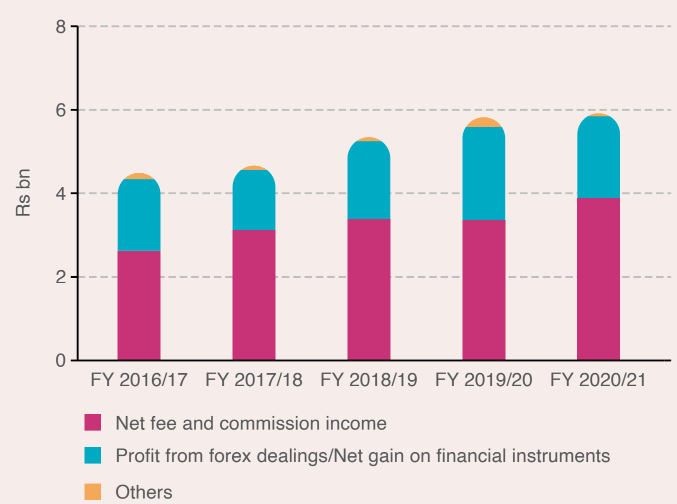
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Financial performance

Operating expenses	Cost to income ratio	
Rs 6,728 million	**FY 2019/20**	**FY 2020/21**
(+468 million)	32.5%	34.1%

Operating expenses increased by 7.5% driven by:

- A rise of 4.4% in staff costs, which represented 56% of the cost base, on the back of continued investment in human capital;
- A growth of 18.5% in depreciation and amortisation costs following the stepping up of our digitalisation efforts;
- An increase of 9.0% in other expenses, mainly due to the rise in software and IT related costs.

Thus, combined with a rise of 2.4% in operating income, the cost to income ratio worsened by 1.6 percentage points.

Impairment charges	As a % of loans and advances	
Rs 4,601 million	**FY 2019/20**	**FY 2020/21**
(-217 million)	1.87%	1.43%

Whilst specific provisions net of recoveries increased by Rs 377 million to Rs 1,902 million, additional ECL on the Bank's performing asset portfolio decreased from Rs 3,293 million in FY 2019/20 to Rs 2,699 million for the period under review, leading to impairment charges declining by 4.5% to reach Rs 4,601 million. As a result, the cost of risk in relation to loans and advances dropped by 44 basis points to reach 1.43%.

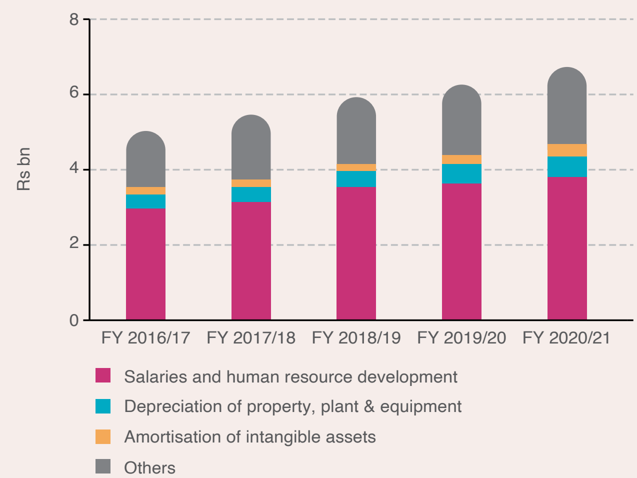
Tax expenses	Effective tax rate	
Rs 1,355 million	**FY 2019/20**	**FY 2020/21**
(+125 million)	14.2%	15.5%

While profit before tax rose by only 1.3%, tax expenses rose by 10.2% given that the figure in FY 2019/20 included a tax credit in relation to the change in tax regime for the banking sector.

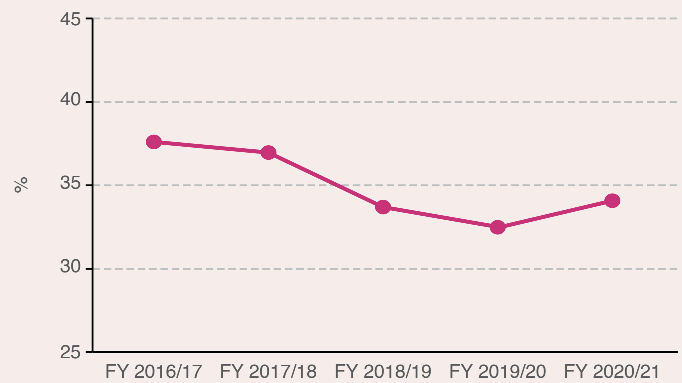
Share of profit of associates	As a % of profit for the year	
Rs 337 million	**FY 2019/20**	**FY 2020/21**
(-107 million)	6.0%	4.6%

Share of profit of associates fell by Rs 107 million, principally due to lower contribution from BFCOI.

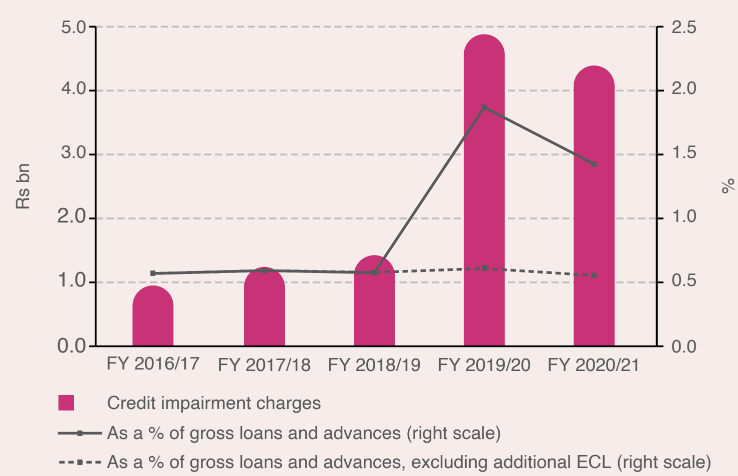
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges*



**Relate to loans & advances (including corporate notes)*

Financial position statement analysis

Gross loans	Gross NPL ratio	
Rs 286.1 billion	FY 2019/20	FY 2020/21
(+45.5 billion)	3.8%	3.2%

Gross loans of the Bank registered a year-on-year growth of 18.9% to reach Rs 286.1 billion as at 30 June 2021. This performance was driven by a significant expansion in the international loan book, mainly linked to Energy & Commodities and Financial Institutions, while rupee depreciation also weighed in the balance. At domestic level, the overall loan portfolio rose by 10.1%, underpinned by an increase of 13.8% in the corporate segment in line with facilities provided to support operators amidst the current context. On the back of difficult market conditions, the retail segment exposure increased by only 1.7% with mortgages, however, increasing at a higher rate of 4.7%. For its part, holdings of corporate notes rose by 4.0% to Rs 21.6 billion.

On the asset quality side, gross NPL ratio reached 3.2% as at June 2021 compared to 3.8% one year earlier, partly explained by the expansion in loans and advances, with the net NPL ratio declining to 2.0%, compared to 2.6% as at June 2020.

Funding	Loans to funding base ratio	
Rs 551.0 billion	FY 2019/20	FY 2020/21
(+127.5 billion)	56.8%	51.9%

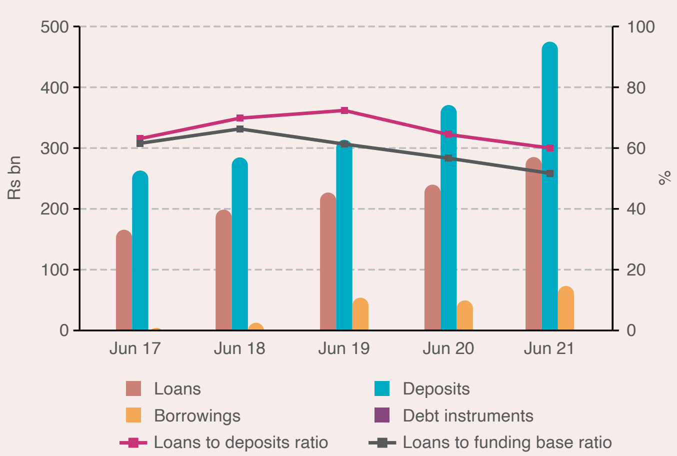
Total deposits increased by 28.0% to reach Rs 475.5 billion as at 30 June 2021. While rupee-denominated deposits grew by 9.2%, foreign currency deposits increased by 55.8%, reflecting our commercial initiatives as well as rupee depreciation to some extent. ‘Other borrowed funds’ went up by 46.9% to reach Rs 74.6 billion in line with funding initiatives undertaken by the Bank with a view to supporting its international business activities.

June 2021	Rs m	Y.o.y. growth (%)
Loans to customers	**269,770**	**14.0**
Agriculture and fishing	7,379	17.0
Manufacturing	12,902	(5.3)
of which EPZ	*2,040*	*(4.0)*
Tourism	30,012	29.1
Transport	8,130	8.4
Construction	17,365	3.2
Financial and business services	52,518	4.2
Traders	63,270	45.0
Personal and professional	43,629	2.2
of which credit cards	*779*	*3.3*
of which housing	*32,177*	*4.5*
Global Business Licence holders	19,770	2.9
Others	14,795	13.4
Loans to banks	**16,371**	**296.7**
Total loans	**286,141**	**18.9**
Corporate notes	21,643	4.0
Total loans and advances	**307,784**	**17.7**

June 2021	Loans to customers		
	Rs m	Y.o.y. growth (%)	Mix (%)
Domestic	146,812	10.1	54.4
Foreign	122,958	19.1	45.6
Total	**269,770**	**14.0**	**100.0**

Off balance sheet items as at 30 June 2021	Rs m	Y.o.y. growth (%)
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	123,333	98.8
Commitments	5,215	(18.0)
Others	-	(100.0)
Contingent liabilities	**128,548**	**87.7**

Loans and funding base



Financial performance

Investment securities and Cash & cash equivalents	Liquid assets to total assets	
	FY 2019/20	FY 2020/21
Rs 305.7 billion (+90.7 billion)	44.3%	48.9%

Liquid assets of the Bank grew by 42.2% during the last financial year. This was characterised by: (i) an increase of 51.0% in cash and cash equivalents, including placements, mainly through balances with banks abroad; (ii) a rise of 41.1% in investment securities (excluding shares and corporate notes) amidst persistently high liquidity levels domestically; and (iii) a growth of 10.9% in mandatory balances with Central Bank.

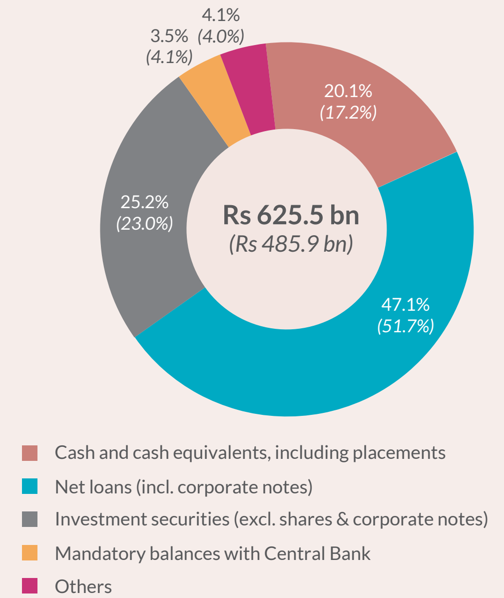
Overall, the above-mentioned liquid assets as a percentage of funding base stood at 55.5% as at 30 June 2021 (FY 2019/20: 50.8%). The Bank held comfortable liquidity positions both in rupee and foreign currency. As at 30 June 2021, our US dollar Liquidity Coverage Ratio stood at 146%, i.e. above the Basel III regulatory norm.

Shareholders' funds	Return on equity	
	FY 2019/20	FY 2020/21
Rs 63.3 billion (+10.1 billion)	14.6%	12.7%

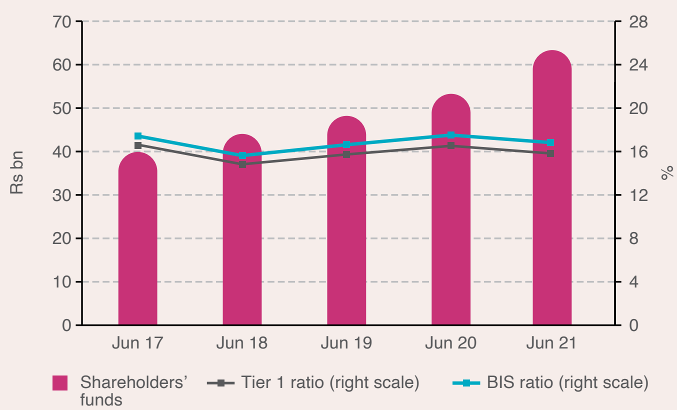
Shareholders' funds grew by 18.9% to reach Rs 63.3 billion as at 30 June 2021 on the back of a rise in retained earnings and 'other reserves' of Rs 8.1 billion after accounting for dividend payment for the year under review. The Bank's stated capital was also boosted by an injection of Rs 2 billion by way of rights issue with the proceeds derived from the first issue of Notes under the Group's Multi-Currency Note Programme, established to support its future business growth, especially its international expansion.

The overall capital adequacy ratio and Tier 1 ratio stood at 16.8% and 15.8% respectively.

Assets mix as at 30 June 2021
(Figures in brackets relate to 2020)



Shareholders' funds and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun-21	Jun-20	Jun-19
Operating income	19,743	19,273	17,580
Operating profit before impairment	13,015	13,013	11,656
Operating profit	8,414	8,195	10,201
Profit before tax	8,751	8,639	10,443
Profit for the year	7,396	7,409	8,765
Statement of financial position (Rs m)			
Total assets	625,541	485,873	428,501
Total loans (net)	272,864	230,882	221,446
Investment securities	183,560	135,915	116,398
Total deposits	475,484	371,608	314,377
Subordinated liabilities	875	1,013	1,040
Other borrowed funds	74,626	50,817	55,406
Shareholders' funds	63,296	53,214	48,151
Performance ratios (%)			
Return on average total assets	1.3	1.6	2.2
Return on average equity	12.7	14.6	19.0
Return on average Tier 1 capital	13.4	15.1	19.7
Non-interest income to operating income	29.9	30.1	30.3
Loans to deposits ratio	60.2	64.8	72.5
Cost to income ratio	34.1	32.5	33.7
Capital adequacy ratios (%)			
BIS risk adjusted ratio	16.8	17.5	16.6
of which Tier 1	*15.8*	*16.5*	*15.7*
Asset quality			
Non-performing loans (Rs m)	9,871	9,802	9,344
Gross NPL ratio (%)	3.2	3.8	3.8

Note: Capital adequacy ratios are based on Basel III

Corporate Governance Report

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

During the year under review, to the best of the Board's knowledge, the Bank has adhered 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] • 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 20 to 32

[2] 'Risk and capital management report' can be found on pages 128 to 178

[3] 'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 34 to 76

[4] 'Financial performance' provides an assessment of the Bank's results and can be found on pages 78 to 87

[5] 'Sustainability Report' provides an overview of our Corporate Sustainability Programme and our engagement with various stakeholders and is available on our website

Corporate governance report

Our philosophy

The Board of MCB Ltd is committed to applying high standards of corporate governance as a solid foundation for supporting the Bank's ability to create sustainable value for its stakeholders and the society at large. The Board provides ethical and effective leadership by setting the tone from the top in the way it conducts itself and oversees the business and affairs of the Company. It promotes a culture whereby the principles of integrity, accountability and transparency are embraced by employees within the organisation. During the year under review, the Board remained focused on addressing the challenges that emerged from the COVID-19 pandemic while adapting to the rapidly changing and demanding operating context. In this respect, the Board believes that good governance and increased stakeholder engagement are more important than ever to the successful delivery of the Bank's purpose and strategy. The Bank's sound governance standards and practices are anchored on key pillars as highlighted hereunder:

Strong commitment to ethics and values

- Adherence to the Mauritius Bankers Association's Code of Ethics and Banking Practice (2016)
- 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

Strict compliance to rules and regulations

- Compliance with the National Code of Corporate Governance for Mauritius (2016)
- Adherence to Bank of Mauritius Guidelines
- Compliance with international reporting requirements as applicable
- Adoption of the underlying Basel principles

Robust risk governance and internal control

- Board responsible for oversight and monitoring of risk profile against risk appetite
- Strong and transparent governance framework, underpinned by the 'three lines of defence' model
- Dedicated functions in place to ensure risks are properly identified, measured and monitored
- 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

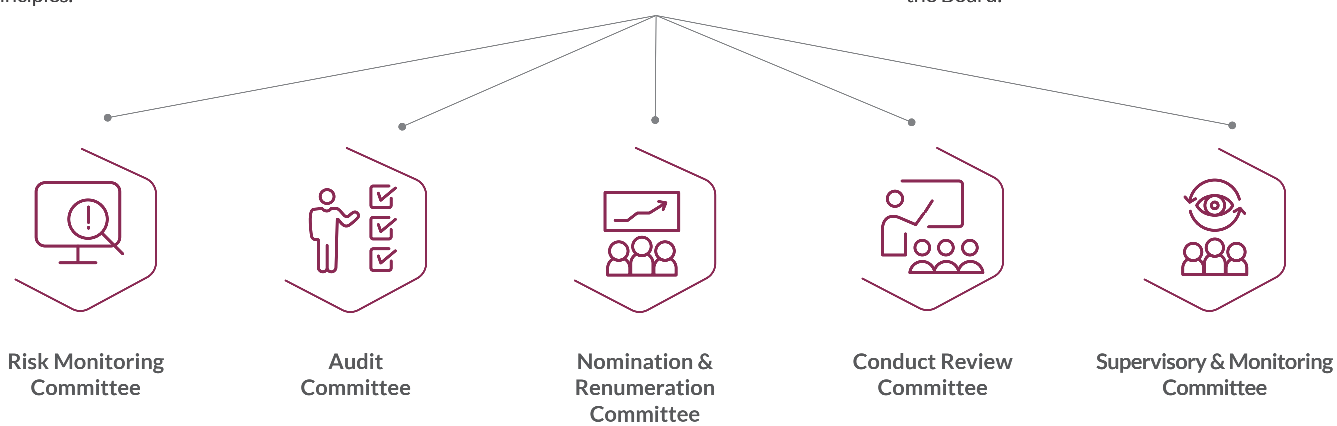
MCB Ltd is led by a committed and unitary Board, which has a collective responsibility for the leadership, oversight and long-term success of the organisation. The Bank operates within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility while 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 Bank's activities. Acting on the direction set by the Board, the Leadership Team is 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 Leadership Team as well as their main roles are illustrated in the following diagram.

Role of the Board

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

Role of Board Committees

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



Role of Leadership Team

The Leadership Team is responsible for strategy execution and day-to-day running of the business, with well-defined accountabilities as endorsed by the Board. They regularly report to the Board on the operational and financial performance of the Bank.

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

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

Corporate governance report

Key roles and responsibilities

Chairperson

- Provides overall leadership to the Board
- Ensures that the Board is effective in its duties of setting out and overseeing the implementation of the Bank's strategy
- Ensures that committees are properly structured with appropriate terms of reference
- Presides and conducts meetings effectively
- Advises and provides support and supervision to the Chief Executive Officer
- Ensures that directors receive accurate, timely and clear information
- Ensures that development needs of the directors are identified and that appropriate training is provided with a view to continuously updating their skills and knowledge
- Oversees the succession planning process at Board and Senior Executive level
- Maintains sound relations with stakeholders

Chief Executive Officer

- 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 Bank
- Acts as a liaison between the Leadership Team and the Board
- Provides leadership and direction to Business Executives
- Builds, protects and enhances the Bank's brand value
- Ensures the Bank has implemented the necessary frameworks and structures to identify, assess and mitigate risks
- Ensures the maintenance of a sound internal control system

Directors

- Contribute to the development of Bank's strategy
- Analyse and monitor the performance of the Leadership Team against the set objectives
- Ensure that the Bank has adequate and proper internal controls as well as a robust system of risk management
- Ensure that financial information released to markets and shareholder is accurate
- Actively participate in Board decision-making and constructively challenge, if necessary, proposals presented by Management
- 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 the shareholder and guarantees that shareholder's interests are duly taken care of

More information on the key roles is available on the website

Constitution of The Mauritius Commercial Bank Limited

The salient features of the Bank's Constitution are highlighted below:

- the Board may, subject to the Companies Act 2001 of Mauritius ("Act") and its Constitution and the terms of issue of any existing shares, issue shares of any Class at any time, to any person and in such numbers as the Board may approve. The Board shall not issue further shares unless such issue has been approved by ordinary resolution;

- the Company may purchase or otherwise acquire its own shares in accordance with, and subject to, sections 68 to 74, and 108 to 110 of the Act and may hold the acquired shares in accordance with section 72 of the Act;

- the Board may authorise a distribution by the Company, if it is satisfied on reasonable grounds that the Company will satisfy the Solvency Test immediately after the distribution;

- the quorum for a meeting of the Board is a majority of the directors;

- a director who has declared his interest in a transaction or proposed transaction with the Company, shall not be counted in a quorum present at the meeting;

- subject to the Banking Act, the directors shall have the power at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors but so that the total number of directors shall not at any time exceed the number fixed in accordance with the Constitution. The directors appointed shall hold office only until the next following Annual Meeting of Shareholders and shall then be eligible for re-election;

- the Constitution of MCB Investment Holding Limited (MCBIH) provides for Reserved Matters. These provide that the representatives of the shareholder shall not vote on a shareholder's resolution of The Mauritius Commercial Bank Ltd which would trigger shareholder's rights under sections 105, 108 or 114 of the Act without prior consent of the shareholders of MCB Group Limited. Such shareholders' resolutions include:
  - o adoption of a Constitution or the alteration or revocation of the Constitution;
  - o reduction of the stated capital of the Company under section 62 of the Act;
  - o approval of a major transaction;
  - o approval of an amalgamation of the Company under section 246 of the Act;
  - o putting the Company into liquidation; and
  - o variation of rights attached to a class of shares.

- at each Annual Meeting, one-third of the directors for the time being, or if their number is not a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office and shall be eligible for re-election. The directors to retire every year shall be those who have been longest in the office since their last election.

More information on the Constitution is available on the website

Corporate governance report

The Board

Mandate

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

Key facts (FY 2020/21)

7	57%	3.7	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 Ltd, which provides, *inter alia*, for the following:

- the composition of the Board, which shall comprise executive, non-executive and independent directors in compliance with applicable rules and regulations;
- the Chairperson of the Board who shall be an independent or non-executive director;
- the setting-up of Board Committees;
- the adherence to the Group's 'Code of Ethics';
- the approval of strategic objectives, policies and corporate values as well as their communication throughout the organisation;
- the monitoring of the Leadership Team 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 review of procedures and practices to ensure soundness and effectiveness of the internal control systems;
- the establishment of a robust Enterprise Risk Management system, with a view to ensuring that key risks across the Bank are effectively addressed and that risk discussions are elevated to the strategic level;
- the setting of principal guidelines and policies in respect of risk and conduct of business for the Company; and
- the provision of timely and accurate information to relevant stakeholders.

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

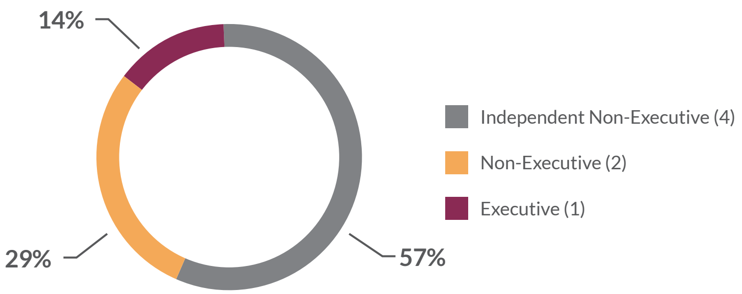
Composition and meetings

Composition

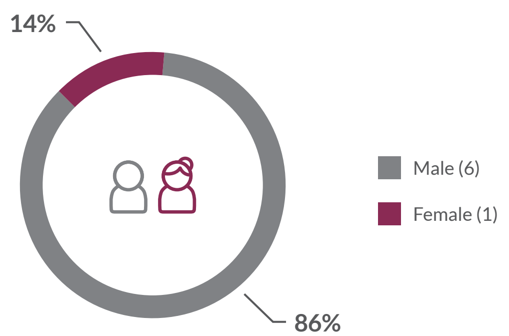
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors including the Chief Executive Officer. The Chairperson of the Board shall be an independent or a non-executive director. In case the Chairperson is an independent director, the Board shall comprise at least 40% of independent directors in line with Bank of Mauritius (BoM) Guidelines. Otherwise, independent directors should make up for at least 50% of the Board. The Board, assisted by the Nomination and Remuneration Committee, regularly reviews the Board size and composition, including the independence status of the non-executive directors. At the last Annual Meeting held in November 2020, Mr Philippe Ledesma has been re-elected as Director, in line with the Bank's Constitution. There have been two departures during the year, namely Mr Jonathan Crichton in September 2020 and Mr Raoul Gufflet in December 2020.

As at 30 June 2021, the Board consisted of 7 members, with a diverse mix of skills, knowledge and experience. The average age of Board members stood at around 62 years. The Board composition for the year under review is shown hereafter.

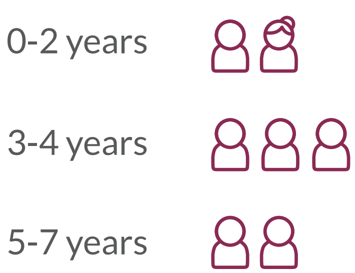
Composition



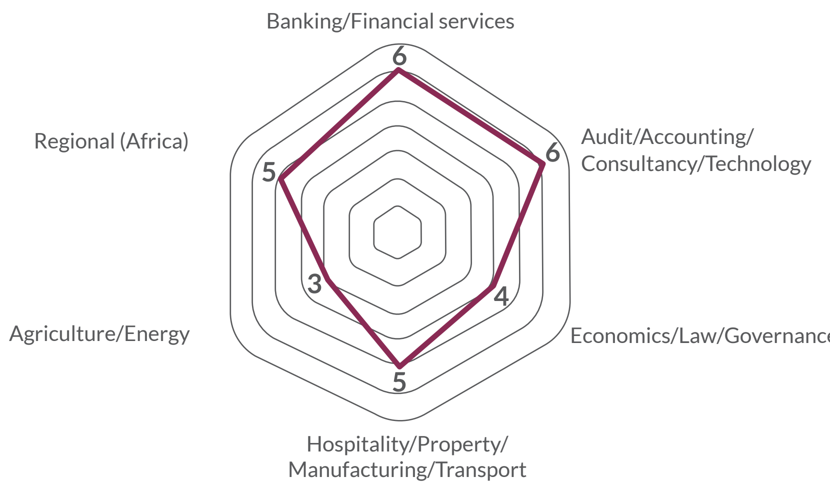
Gender



Length of tenure



Mix of skills and experience



Corporate governance report

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 the Board maintains a scheduled programme of meetings, the agenda for Board meetings remains sufficiently flexible to include specific items as and when required, in order to effectively respond to changing circumstances and emerging business priorities. In general, meetings are convened so that directors are able to attend and participate in person. In case personal attendance by any director is not possible, the latter can still participate in the meeting by means of audio and/or video conferences. In view of the COVID-19 pandemic, the Board recognised the need to be adaptable and flexible in the way meetings were organised. In the financial year under review, most of our meetings were held onsite whilst adhering to the COVID-19 social distancing measures, with directors residing abroad participating virtually. During the second national lockdown in Mauritius, only virtual meetings were conducted.

On another note, members of the Leadership Team and/or external advisors are sometimes invited to attend meetings to discuss topical issues identified by the Board. Directors receive Board papers in a timely manner to facilitate discussions and help make informed decisions at the meetings. All materials for Board meetings are uploaded onto a secure portal, which can be accessed by directors on tablet devices. 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 exchanges around the Board table 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.

Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2020/21 are provided in the following table:

Members	Board member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**December 2018**	**Non-Executive Director**	**10/10**
Jonathan CRICHTON *(until September 2020)*	December 2013	Independent Non-Executive Director	3/3
Uday GUJADHUR	December 2017	Independent Non-Executive Director	9/10
Philippe LEDESMA	December 2017	Independent Non-Executive Director	10/10
Su Lin ONG	November 2019	Independent Non-Executive Director	10/10
Simon WALKER	June 2020	Independent Non-Executive Director	10/10
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	10/10
Raoul GUFFLET *(until December 2020)*	August 2015	Executive Director	4/5
Alain LAW MIN	August 2015	Executive Director	10/10

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

Corporate governance report

Board focus areas

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

STRATEGY AND PERFORMANCE

- Discussed and regularly assessed in-depth the impact of COVID-19 on the Mauritian economy and on business activities of the Bank
- Assessed the impact of the ratings downgrade by Moody's on both Mauritius and MCB Ltd
- Assessed the impact of FATF grey list and EU blacklist
- Reviewed and approved the 3-year strategic orientations and budget plans of the Bank
- Assessed the development of the growth pillars of the Bank
- Apprised of initiatives under the Corporate Sustainability Programme
- Monitored the progress of the Digital and HR Transformation projects as well as the revamping of the Corporate and Institutional Banking (CIB) function

FINANCIAL

- Assessed and monitored the Bank's financial performance against budget
- Discussed and approved dividend payout proposal
- Approved a rights issue of two hundred million new ordinary shares for an amount of Rs 2 billion
- Approved financial budget

GOVERNANCE AND RISK

- Reviewed and approved the structure, size and composition of the Board and Board Committees
- Reviewed the Board and Committee Charters and other constitutive documents
- Monitored the implementation of the action plan following the last Board evaluation exercise
- Reviewed and approved the Bank's risk appetite
- Appraised the Bank's risk assessment and approved related action plan
- Reviewed the provisioning policy and the methodology adopted in the determination of Expected Credit Losses
- Reviewed the cybersecurity framework and initiatives
- Updated on the progress of the Bank's adherence to the Data Protection Act and General Data Protection Regulation
- Provided with a thorough assessment of the Energy and Commodity business exposures
- Assessed and discussed specific regulatory changes
- Approved policies and changes thereto
- Reviewed reports from the Risk Monitoring Committee and Audit Committee
- Reviewed the impact of stress testing scenarios

RECURRENT AGENDA ITEMS

- Approved the minutes of proceedings
- Reviewed reports from Chairpersons of Board Committees
- Reviewed and approved the Bank's accounts on a quarterly basis
- Updated on trends and developments in the operating environment

Corporate governance report

Directors' profiles

The Board comprises 7 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 responsibilities, 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.

Risk Monitoring Committee

Audit Committee

Nomination & Remuneration Committee

Conduct Review Committee

Supervisory & Monitoring Committee

Jean-François DESVAUX DE MARIGNY
Age 67

POSITION:
Chairperson, Non-Executive Director

CHAIRPERSON:

MEMBER:

RESPONSIBILITIES:
Non-Executive Director since December 2018. Jean-François is the Chairperson of the Supervisory & Monitoring Committee and Nomination & Remuneration Committee on which he also acts as Secretary. Moreover, he is a member of the Risk Monitoring Committee.

QUALIFICATIONS:
Chartered Accountant (UK)

SKILLS AND EXPERIENCE:
Jean-François has accumulated wide-ranging experience in the banking and financial sector, having worked as an Auditor in Europe for several years before joining MCB in 1986. During his career at the Bank, he shouldered various high-level responsibilities in his capacity as Head of Finance, Company Secretary and Deputy Chief Executive, amongst others. He has participated actively in the development of MCB's regional network and was also involved in the launching of the Stock Exchange of Mauritius in 1989. He was also an Executive Director of MCB Ltd from 2013 to 2015 when he retired. He is currently a director of several companies within the MCB Group.

DIRECTORSHIP IN OTHER LISTED COMPANIES:
Attitude Hotels Group

Alain LAW MIN
Age 62

POSITION:
Chief Executive Officer and Executive Director

MEMBER:

RESPONSIBILITIES:
Executive Director since August 2015. Alain is a member of the Risk Monitoring Committee, Nomination & Remuneration Committee, and Supervisory & Monitoring Committee on which he also acts as Secretary.

QUALIFICATIONS:
BA (Honours) in Economics, Chartered Accountant and MBA (UK)

SKILLS AND EXPERIENCE:
Prior to being appointed Chief Executive Officer in 2017, Alain was the Head of the Retail SBU, responsible for the Affluent, Individual, Small and Medium business customer segments, the multi-channel distribution, including the branch network, as well as the 'Retail Product' and 'Operations and Service' units. He started his career at MCB Ltd in 1995 as Head of Projects and he successfully launched the leasing, factoring and private banking services while also being responsible for Structured Project finance within the Corporate Banking division. He acted as Project Director for the Business Process Re-engineering exercise initiated with Accenture in 2001. Before joining the Bank, he was Senior Manager at De Chazal Du Mée's Consulting division, specialising in financial and strategy consulting. He is currently a director of MCB Forward Foundation, a subsidiary of MCB Group Ltd and a member of the MCB Group Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics and Sustainability Committee). He was the Chairperson of the Mauritius Bankers Association Ltd for two consecutive years until June 2021.

Uday GUJADHUR
Age 66

POSITION:
Independent Non-Executive Director

CHAIRPERSON:

MEMBER:

RESPONSIBILITIES:
Non-Executive Director since December 2017. Uday is the Chairperson of the Audit Committee and a member of the Conduct Review Committee.

QUALIFICATIONS:
Chartered Certified Accountant (UK)

SKILLS AND EXPERIENCE:
Uday has over 40 years of professional experience in the fields of auditing, taxation, consulting and structuring. He has been involved in advising both local and international firms in various business sectors, including investment funds seeking listing on the Stock Exchange of Mauritius. Between 1986 and 1994, he carried out several audits of companies and projects financed by the World Bank and African Development Bank in African countries. Until October 2008, he was the Chief Executive Officer, director and shareholder of a major Trust and Fiduciary company in Mauritius. He was a member of the Consultative committee set up by the Government of Mauritius to advise on the reforms to the non-banking financial services sector in 2000 which led to the setting up of the Financial Services Commission and the enactment of a new legal and regulatory framework in 2001. He is the Founder member of the International Fiscal Association (IFA) (Mauritius branch) and currently serves as an independent non-executive director of companies including investment funds and entities listed on the Stock Exchange of Mauritius. He is a resident director of Essar Capital (Mauritius) Limited. He is a member of the Institute of Directors (UK) and a Fellow of MIOD.

DIRECTORSHIPS IN OTHER LISTED COMPANIES:
Bravura Holdings Limited; Dacosbro; Quality Beverages Ltd; RHT Holding Ltd; Soap & Allied Industries Ltd

Corporate governance report

Philippe LEDESMA
Age 63

POSITION:
Independent Non-Executive Director

MEMBER:

RESPONSIBILITIES:
Non-Executive Director since December 2017. Philippe is a member of the Risk Monitoring Committee, Nomination & Remuneration Committee, Audit Committee and Conduct Review Committee.

QUALIFICATIONS:
Master's Degree (DESS and DJCE) in Business and Company Law (France)

SKILLS AND EXPERIENCE:
Philippe has more than 35 years of practice as a tax and business law adviser for governments, international financial institutions, banks and private groups in various countries. He has a dual experience both as an in-house lawyer and as a lawyer within large consultancy groups. He specialises in mergers and acquisitions, restructuring and privatisation process, drafting of new legal frameworks, negotiation and drafting of commercial agreements as well as in tax planning, particularly through offshore vehicles registered in Mauritius. Among his many assignments, he has been involved as a leading counsel for investments in hotel and real estate industries in Mauritius, privatisation of a state owned company in Madagascar, studying the feasibility of a transatlantic airline company and, in consortium with the Stock Exchange of Mauritius, the setting up of a regional stock exchange common to the Member States of the Central African Economic and Monetary Community (CEMAC). Previously, Philippe has been a foreign trade advisor for France and President of the corresponding section in Mauritius.

Su Lin ONG
Age 61

POSITION:
Independent Non-Executive Director

CHAIRPERSON:

MEMBER:

RESPONSIBILITIES:
Non-Executive Director since November 2019. Su Lin is the Chairperson of the Conduct Review Committee and a member of the Audit Committee. She also sits on the MCB Group Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics and Sustainability Committee).

QUALIFICATIONS:
BA (Hons) in Economics and Chartered Accountant (UK)

SKILLS AND EXPERIENCE:
Su Lin has 37 years of professional experience in Audit and Advisory. She trained as a Chartered Accountant in London with Deloitte, Haskins & Sells where she worked for 8 years before joining Coopers & Lybrand Mauritius (which subsequently became PwC) as a Partner in the Consulting Division. She has also been a Partner in De Chazal Du Mée Consulting (local partner of Accenture), specialising in digitalisation and systems integration and a Director at KPMG Advisory Services, specialising in internal audit and risk management. She was the Chairperson of the CSR Committee and is a Past President of the Society of Chartered Accountants in Mauritius. Throughout her career, she has worked with major local and international companies across industries. She sits as an Independent Non-Executive Director on several Boards in Mauritius.

DIRECTORSHIPS IN OTHER LISTED COMPANIES:
Tropical Paradise Co. Ltd; Les Moulins de la Concorde Ltée; Mauritius Oil Refineries Ltd

Simon WALKER
Age 60

POSITION:
Independent Non-Executive Director

CHAIRPERSON:

MEMBER:

RESPONSIBILITIES:
Non-Executive Director since June 2020. Simon is the Chairperson of the Risk Monitoring Committee and a member of the Nomination & Remuneration Committee.

QUALIFICATIONS:
BSc (Hons) in Geography (UK), Associate of the Chartered Institute of Bankers (UK), Fellow of Australasian Institute of Banking & Finance (Australia) and Executive MBA (Brazil)

SKILLS AND EXPERIENCE:
Simon built a diversified international career in the financial services industry, having worked for HSBC Holdings plc for nearly 30 years. Over this period, he has shouldered an array of senior executive positions within the group, acting namely as Country Manager, Deputy CEO, Head of Group Audit amongst others, in its various offices worldwide. Thereafter, he had a three-year stint as Regional General Manager for Europe at Qatar National Bank SAQ in London until the end of 2015. Prior to his retirement in 2019, he was the Founder and CEO of Silver Sparkle Ltd, a web portal company in the educational support services field. Simon also held external positions in various institutions, acting as either director or board member.

Non-Resident

Jean Michel NG TSEUNG
Age 53

POSITION:
Non-Executive Director

MEMBER:

RESPONSIBILITIES:
Non-Executive Director since August 2015. Jean Michel is a member of the Risk Monitoring 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 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 MCB Group namely MCB Group Ltd, MCB Investment Holding Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar, Banque Française Commerciale Océan Indien and MCB Leasing. He sits on the Supervisory & Monitoring Committee and Risk Monitoring Committee of MCB Group Ltd. Moreover, he is a member of the MCB Group Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics & Sustainability Committee).

Jean Michel is, since 1 September 2021, Chief Executive Designate of MCB Group Ltd.

Corporate governance report

Remuneration philosophy

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

Employees

Fair remuneration

The Bank aims at promoting a fair and competitive remuneration that encourages performance and assists in attracting and retaining talent, amongst others.
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 Bank:
- Staff members of the Bank receive an annual bonus based on the Company's performance as well as an assessment of their contribution thereto and for demonstrating behaviours in line with the Bank's values.
- Staff members have the added possibility to benefit from a share option scheme at the level of the Group.

Remuneration package

Generally, the remuneration package is anchored on a range of factors including qualifications, skills scarcity, past performance, individual potential, market practices, responsibilities shouldered and experience.
With a view to defining appropriate remuneration levels, the Bank 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 strong incentives
- Remuneration practices are regularly reviewed to reflect the current context while putting due emphasis on both individual and team performances

Employee benefits

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

- The Bank currently makes a pension contribution, representing 18.1% of employees' basic salaries, with the possibility for employees under the Defined Contribution Scheme to opt, depending on their age group, to receive part thereof, up to a threshold, by way of a cash supplement;
- The Bank provides employees with loans under preferential conditions;
- The Bank grants employees a monthly travelling allowance, with the amount varying according to their job grades;
- The Bank also provides contributory medical coverage for all employees and their dependents; and
- The Bank offers its staff the flexibility of saving part of their monthly emoluments for their holidays. Staff can save the equivalent of 6% of their Basic Salary on an annual basis to cater for their holidays expenses, be it abroad or in a resort in Mauritius. This amount is made available at the beginning of each financial year and arrangements can be made to pay directly to our preferred travel agent, or to obtain refund upon presentation of a receipt. Employees benefit from a tax rebate on this scheme, as prescribed by the Income Tax Act.

Employees of the Bank are entitled to the MCB Group Employee Share Option Scheme (GESOS), which provides them with the opportunity to partake in the growth and prosperity of the Group through an acquisition of a stake therein. This acts as an additional lever to promote a performance culture alongside upholding motivation and commitment across the organisation. Under the scheme, employees are granted non-transferable options to buy MCB Group Ltd shares with up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount of 10% is applied. Members of the Leadership Team are, 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 Bank in the last financial year.

	Leadership Team	Other Employees	Total
Number of options granted in October 2020	**121,275**	**604,302**	**725,576**
Initial option price (Rs)	211.25	190.25	-
Number of options exercised to date	49,222	118,655	167,877
Value (Rs)*	10,398,148	22,574,114	32,972,261
Percentage exercised (%)	40.6%	19.6%	-
Number of employees	10	444	454
Available for the 4th window and expiring in mid-October 2021	**72,053**	**485,647**	**557,699**

**Based on initial option price*

Directors

Executive directors

In line with the policy for employees, remuneration for executive directors consists of a base salary and short-term benefits, which reflect their responsibilities and experience, as well as a variable element in the form of an annual bonus, determined by the performance of both the Bank and the individual.

Non-executive directors

The Bank'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;
- Committee 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 meetings. Chairpersons of Committees are paid a higher basic retainer fee than members, in line with the rationale outlined above;
- There is an attendance fee for non-executive directors in respect to their presence at meetings of the Board and their respective Committees, and;
- No share option or bonus is granted to non-executive directors, except those who hold an executive position within the Group.

Corporate governance report

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

Remuneration and benefits received	Rs ‘000
Jean-François DESVAUX DE MARIGNY	3,636
Jonathan CRICHTON *(until September 2020)*	195
Uday GUJADHUR	1,037
Philippe LEDESMA	1,331
Su Lin ONG	913
Simon WALKER	1,167
Total Non-Executive	**8,279**
Alain LAW MIN	30,104
Raoul GUFFLET *(until December 2020)*	22,281
Total Executive	**52,385**
Total (Non-Executive and Executive)	**60,664**

Remuneration and benefits received by Jean Michel NG TSEUNG are paid by MCB Investment Holding Limited in his capacity as Chief Executive of the latter.

Directors' interests and dealings in securities

MCB Investment Holding Ltd being the sole direct shareholder of MCB Ltd, the directors do not hold shares of their own company. However, regarding directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests. Upon their appointment, all new directors are required to notify in writing to the Company Secretary their interest as well as the interest 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 2021 as well as the transactions effected by them during the financial year.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2021	Number of Ordinary shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	411,823	251,133
Uday GUJADHUR	-	142
Alain LAW MIN	263,524	2,817
Philippe LEDESMA	-	48,520
Jean Michel NG TSEUNG	36,683	-
Su Lin ONG	12,000	41,045
Simon WALKER	-	1,858

Transactions during the year	Number of ordinary shares			
	Purchased		Sold	
	Direct	Indirect	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	25,000	-	-	-
Alain LAW MIN	28,150	1,000	-	-
Su Lin ONG	2,000	-	-	-

Interests in MCB Group Ltd Preference shares as at 30 June 2021	Number of Preference shares	
	Direct	Indirect
Alain LAW MIN	-	300,000

Interests in MCB Group Ltd Floating Rate Senior Unsecured Notes as at 30 June 2021	Number of shares	
	Direct	Indirect
Alain LAW MIN	-	1,000
Philippe LEDESMA	-	4,100

Interests in MCB Group Ltd Unsecured Floating Rate Notes as at 30 June 2021	Number of shares	
	Direct	Indirect
Philippe LEDESMA	-	1,500

Interests in Fincorp Investment Ltd as at 30 June 2021	Number of shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	88,225	11,124
Alain LAW MIN	52,270	11,346
Simon WALKER	-	10,320

Directors' service contracts

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

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 main focus areas covered during the financial year of the five Committees namely, Supervisory and Monitoring Committee, Audit Committee, Risk Monitoring Committee, Nomination and Remuneration Committee and the Conduct Review Committee, are presented hereafter.

Supervisory and Monitoring Committee (SMC)

Mandate

The SMC assists the Board in setting the development strategy and objectives of MCB Ltd whilst monitoring and measuring the Bank's performance against such strategy. It oversees the overall management of the Bank in accordance with set policies.

Key facts (FY 2020/21)

2	4.4	27	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 the Chairperson, the Chief Executive and Deputy Chief Executive/s. 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 2020/21 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**January 2019**	**Non-Executive Director**	**27/27**
Raoul GUFFLET *(until December 2020)*	July 2015	Executive Director	9/10
Alain LAW MIN *(also acts as Secretary)*	July 2015	Executive Director	26/27

Focus areas in FY 2020/21

Key topics discussed

- Progress on key organisation wide initiatives, including major transformation projects
- Impact of COVID-19 on the strategy, financial performance and operations of the Bank
- Prospective candidates for senior positions
- Development of the growth pillars of the Bank
- Operating environment of the Bank
- Major credit risk issues and large credit exposures ratification
- Approval of policies
- Legal, operational and compliance issues
- Requests for early retirements
- Liquidity and capital position of the Bank
- Syndicated funding initiatives
- Review of cloud-based and other material outsourcing services

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

Corporate governance report

Audit Committee (AC)

Mandate

The AC assists the Board in overseeing the financial reporting process to ensure the balance, integrity and transparency of the financial information published by MCB Ltd. It monitors internal control processes and ensures compliance with relevant laws and regulations.

Key facts (FY 2020/21)

3	2.8	9	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 comprise between three and five members and shall consist solely of independent directors from whom the Chairperson shall be nominated. The Chairperson of the Board shall not be a member of the AC. The AC meets at least four times a year corresponding to the Company's quarterly reporting cycle and on an ad hoc basis when required. The directors who served on the AC and their attendance at committee meetings during FY 2020/21 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Uday GUJADHUR ***(Chairperson)***	**December 2017**	**Independent Non-Executive Director**	**9/9**
Philippe LEDESMA	December 2018	Independent Non-Executive Director	9/9
Su Lin ONG	November 2019	Independent Non-Executive Director	9/9

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

Focus areas in FY 2020/21

Key topics discussed

- The impact of COVID-19 pandemic on the business operations following the second national lockdown
- Interim and audited financial statements published by the Bank with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Audit plans of internal and external auditors
- Approval of internal audit charter
- Risk assessment framework and approval of related action plan
- Compliance plan and report
- Follow-up action plan of audit recommendations by the Bank of Mauritius
- The update of existing policies
- Approval of new policies with recommendations made to the Board
- Permanent supervision reports
- Operational and information risk reports
- Adequacy of allowance for credit impairment

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

Risk Monitoring Committee (RMC)

Mandate

The RMC assists the Board in setting up risk mitigation strategies and in assessing and monitoring the risk management process of the Bank. It also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite, in compliance with relevant regulations and advocated norms.

Key facts (FY 2020/21)

5	3.7	4	100%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the RMC shall consist of the Chief Executive and at least three non-executive directors. The Chairperson of the Committee shall be an independent non-executive director. 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 2020/21 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Simon WALKER ***(Chairperson as from July 2020)***	**June 2020**	**Independent Non-Executive Director**	**4/4**
Jonathan CRICHTON *(until September 2020)*	January 2014	Independent Non-Executive Director	1/1
Philippe LEDESMA	December 2017	Independent Non-Executive Director	4/4
Jean-François DESVAUX DE MARIGNY	December 2018	Non-Executive Director	4/4
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	4/4
Alain LAW MIN	January 2017	Executive Director	4/4

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2020/21

Key topics discussed

- Impact of COVID-19 on asset quality, provisioning and expected credit losses
- COVID-19: Forward looking analysis on deferments granted to clients
- Setting up and monitoring of early warning indicators linked to macro-economic variables used in ICAAP stress test scenarios, to eventually trigger additional stress tests
- Presentation of the Bank's risk heat map (also presented in Audit Committee, which is accountable on behalf of the Board for this one)
- The Bank's risk appetite and on-going quarterly monitoring of corresponding targets
- Country risk appetite and corresponding country limits
- Capital Management with a view to ensure target CAR and CAR Tier 1 ratios are met
- Review of updated Credit Risk Policy
- Review of updated Market Risk Policy

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

Nomination and Remuneration Committee (NRC)

Mandate

The NRC assists the Board by making recommendations in respect of nominations and remunerations for the Board and Committee members as well as Chief Executive/Senior Officers who form part of the Leadership Team of the Bank.

Key facts (FY 2020/21)

4	3.1	5	100%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the NRC shall comprise between three and five members, the majority of which shall be independent non-executive directors. The Chairperson shall be a non-executive director and the Chief Executive may be a member of the NRC. The NRC meets at least twice a year and on an ad hoc basis when required. The directors who served on the NRC and their attendance at committee meetings during FY 2020/21 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY ***(Chairperson & Secretary)***	**December 2018**	**Non-Executive Director**	**5/5**
Philippe LEDESMA	December 2017	Independent Non-Executive Director	5/5
Simon WALKER	June 2020	Independent Non-Executive Director	5/5
Alain LAW MIN	January 2017	Executive Director	5/5

Focus areas in FY 2020/21

Key topics discussed

- Board Committees composition
- Succession plan for leadership roles within the organisation
- Performance evaluation and reward system of the Bank
- Review of the financial and non-financial objectives set to Management
- Approval of salary reviews and bonuses
- Directors' fees for Board and Board Committees
- Appointment of senior officers to the Leadership Team with recommendations submitted to the Board
- Ongoing review of the action plan resulting from the last Board evaluation exercise carried out during the previous financial year

More information on the Nomination and Remuneration Committee Charter is available on the website

Conduct Review Committee (CRC)

Mandate

The CRC assists the Board in monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guidelines.

Key facts (FY 2020/21)

3	2.8	4	100%
Number of directors	Average length of tenure (years)	Number of meetings	Average meeting attendance

Composition and meetings

As per its Charter, the CRC shall consist of between three and five independent non-executive directors, from whom the Chairperson shall be nominated. The CRC meets at least four times per year and on an ad hoc basis when required. The directors who served on the CRC and their attendance at committee meetings during FY 2020/21 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Su Lin ONG *(Chairperson as from December 2019)*	**November 2019**	**Independent Non-Executive Director**	**4/4**
Uday GUJADHUR	December 2017	Independent Non-Executive Director	4/4
Philippe LEDESMA	December 2018	Independent Non-Executive Director	4/4

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2020/21

Key topics discussed

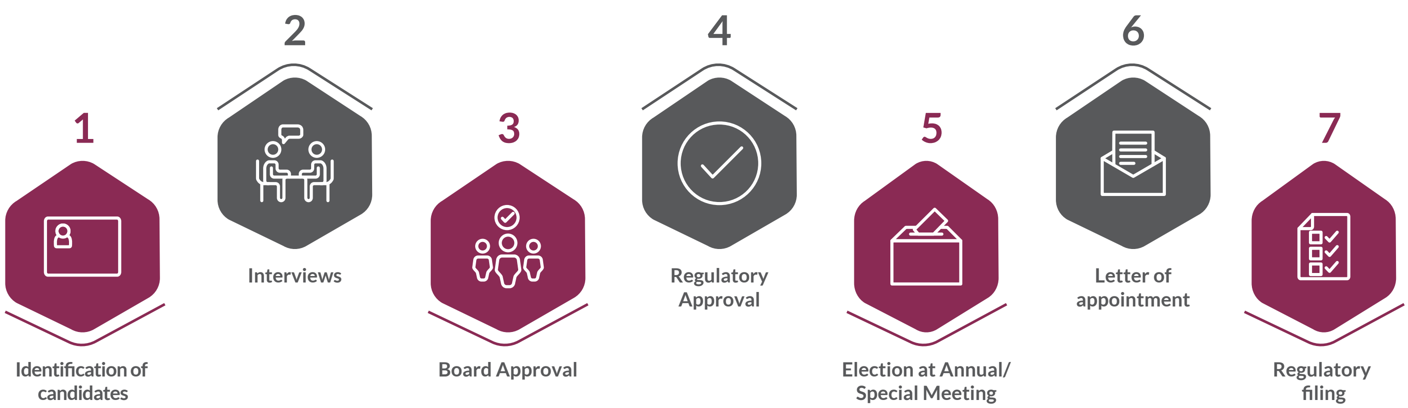
- Credit facilities granted to related parties
- Reporting to the BoM on related party exposures
- Reports with respect to deposits of related parties
- Financial positions (exposures and deposits) relating to external auditors as well as partners in charge of the audit of the Bank

More information on the Conduct Review 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 Nomination and Remuneration Committee (NRC), which is responsible for overseeing board directorship's renewal and succession planning. The NRC reviews the size, structure and composition of the Board on an annual basis or whenever appointments are considered. In so doing, it seeks to promote diversity of perspectives to enable a smooth execution of the Bank's strategy in a constantly changing market environment. The NRC is responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. The selection criteria used to assess prospective candidates relate, amongst others, to their specific skills, expertise, knowledge and experience. The NRC also considers gender diversity, time commitment and independence of the candidates in their assessment. The nomination and appointment process of directors for the Board is highlighted in the diagram below.



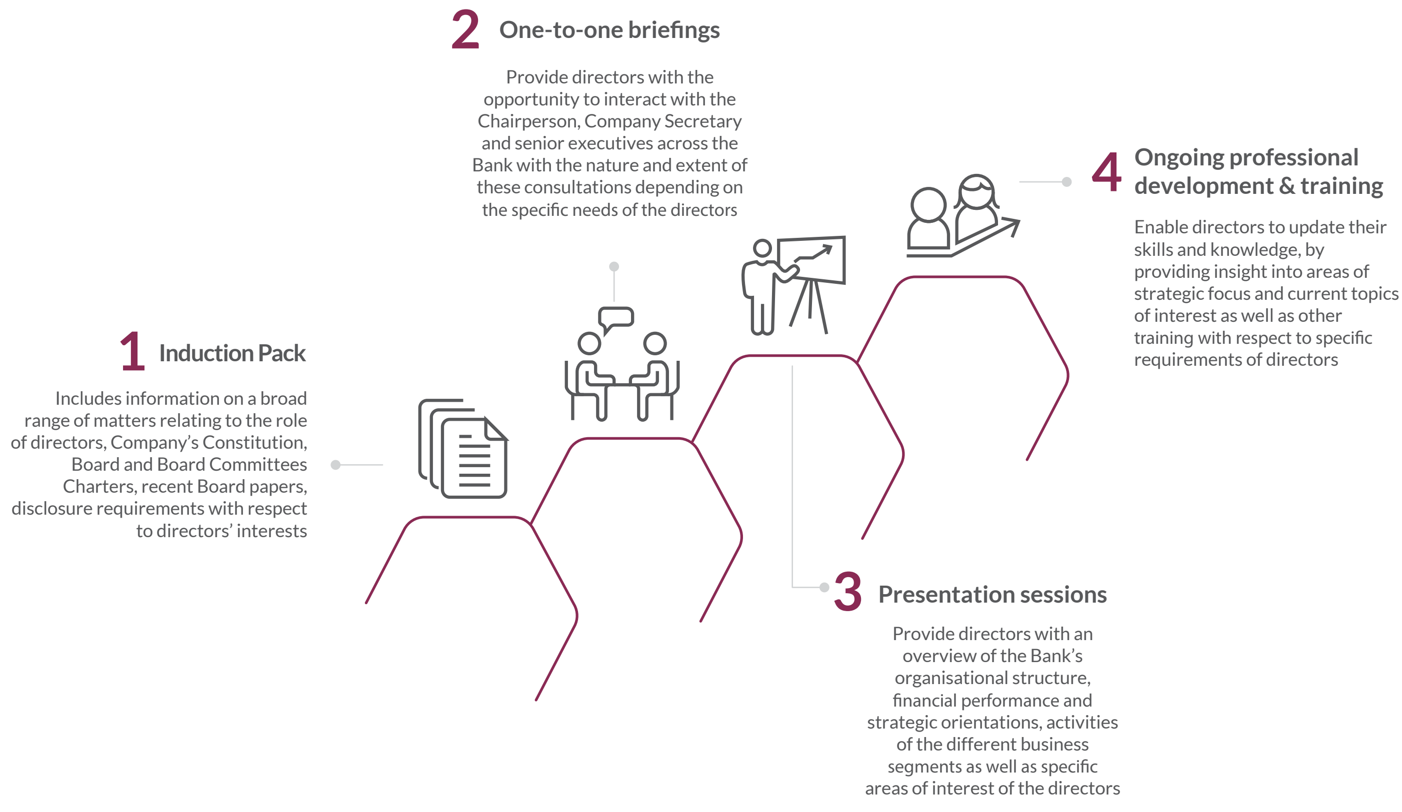
Whilst seeking to retain a core set of directors with long-standing knowledge, the Board recognises the importance of rotation of Board members to ensure that there is a good balance between continuity and fresh perspectives on the Board. It is worth highlighting that at each Annual Meeting, one third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

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

Board induction and training

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

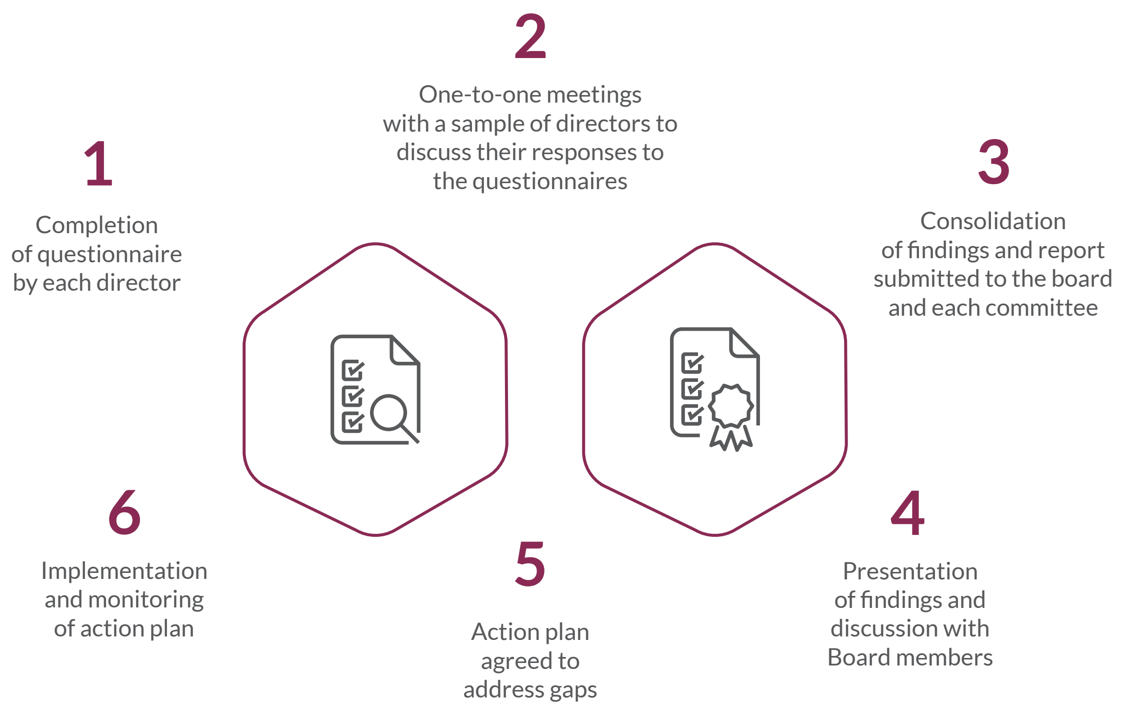
As part of its commitment for continuous improvement, the Board has established an ongoing training and development programme for directors, which is reviewed on a regular basis to ensure its pertinence. A training log is maintained for each director by the Company Secretary. Continuous development of directors is deemed essential to maintaining a highly engaged, well-informed and effective Board. During the last financial year, directors attended an e-learning course on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). The course provided them with the latest developments on the subject matter as well as an overview of the current AML/CFT regulatory and legislative framework in Mauritius. Besides, directors attended an online workshop titled 'Improving both board performance and director engagement', in collaboration with the Mauritius Institute of Directors, which enabled them to acquire practical insights on ways to further enhance overall board performance. They also attended a virtual interactive deep dive session on 'Energy & Commodities' exposures, delivered by the Head of the related business segment. It provided them with a greater understanding and appreciation of that segment, thus fostering better quality of debate. An outline of the induction and training programme is set out in the diagram hereafter.



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

Board/Director's performance

The Board recognises the need to undertake a regular review of its performance and effectiveness, as well as that of its committees and individual members. The evaluation is undertaken with the support of an independent external facilitator under the oversight of the Nomination and Remuneration Committee (NRC). In this respect, an evaluation exercise was conducted by Ernst and Young Ltd in August 2019, whereby the views of directors were sought notably on a range of governance topics and related documents. The reviews concluded that the Board and its committees are operating effectively and that directors continue to fulfil their roles as required. The report also identified a few areas for improvement and an action plan was subsequently agreed. The implementation of the action plan has been monitored by the Chairperson, with the support of the NRC, to ensure that issues identified are given due consideration within a reasonable timeframe. With significant additional time and efforts having been deployed at Board and Board Committee levels to monitor the evolution of the COVID-19 crisis, its impact on the Bank's operations, and the implementation of mitigation measures, the Board has taken the decision to perform the next evaluation exercise in 2022. An outline of the evaluation process methodology used in FY 2019/20 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 that may affect the achievement of the Bank's strategic objectives. During the year under review, the Board continued to monitor closely the evolution of the operating environment in view of the significant challenges induced by the pandemic. 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 Bank are integrated into the latter's overall risk governance framework. The Board has received assurance, through the regular reporting by the Chairperson of Risk Monitoring Committee, 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 whilst 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. Furthermore, the Audit Committee receives reports from the Company's external auditor and engages with the latter in the absence of Management to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management and regular reporting from the Chairperson of the Audit Committee, the Board satisfies itself that the internal control systems are adequate and effective.

More information is available in the 'Risk and capital management report' on pages 128 to 178

Information governance

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

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

External auditors

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditors on an ongoing basis before making a recommendation to the Board on their appointment and retention. The proposal to appoint Deloitte as external auditor, was approved by shareholders at the Annual Meeting of Shareholders of MCB Ltd, held in November 2020. As regards the timeframe, the total duration of the audit assignment is for a period of one year with the possibility of reappointment of the selected firm annually, subject to regulatory provisions and approval at the Annual Meeting of Shareholders of MCB Ltd. The latter retains the right to renew and extend the contract following an assessment by the Audit Committee of the external auditor's overall scope, terms of reference and independence.

Non-audit services

MCB 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 resulting from the provision of non-audit services. As such, non-audit services by external auditors, 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

	2021	2020
	Rs '000	Rs '000
Audit, Quarterly Review and Internal Control Review fees paid to:		
Deloitte Mauritius	16,050	-
PricewaterhouseCoopers	-	22,126
Fees for other services provided by:		
Deloitte Mauritius	3,105	-
PricewaterhouseCoopers	-	1,442

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

Business Executives

The conduct of business is entrusted to the Leadership Team of the Bank which has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to deliberate on key issues for informed decision making. Business Executives assist the Chief Executive Officer to manage the day-to-day running of the Bank's business and affairs. Of note also, oversight and monitoring of the various risk areas within the business are exercised through dedicated standing committees, namely the Executive Credit Committee, Country Risk Committee, Asset and Liability Committee, Information and Operational Risk Committee and Compliance, Anti-Money Laundering and Legal Committee.

Profiles of Business Executives

The profiles of Business Executives – excluding that for Alain LAW MIN, which appears in the Directors' Profiles section – are given hereunder.

Vincent CHATARD – Age 57
Chief Operating Officer

QUALIFICATIONS: Masters of Engineering (France) and MBA (France)

SKILLS AND EXPERIENCE: Vincent was appointed Chief Operating Officer in September 2015 and since February 2018, he is also steering the Digital Transformation Programme. He has accumulated wide-ranging experience in the banking sector, having occupied a number of senior executive positions in international banks. He spent 7 years working for Crédit Lyonnais International before joining KPMG France as a Management Consultant in 1995. In 1997, he was appointed as Head of Information Technology and Organisation of Banque Robeco France (a Personal Banking Unit of the Rabobank Group). From 2000 to 2008, he was appointed Chief Information Officer and Senior Vice-President Business Development of ING Direct, to establish the units both in France and the UK. From 2008 to 2011, he launched and was the Chief Operating Officer of BforBank, the direct banking unit of Crédit Agricole. He then acted as Chief Operating Officer, Chief Business Development Officer and Executive Board Director of MeDirect Bank, a privately owned investment and wealth bank operating in Malta and Belgium prior to joining MCB Ltd.

Thierry HEBRAUD – Age 59
Head of Corporate and Institutional Banking

QUALIFICATIONS: Diplôme d'Etudes Supérieures de Commerce, Administration et Finance (France)

SKILLS AND EXPERIENCE: Thierry joined MCB Ltd in October 2019 as Head of Corporate and Institutional Banking, with the responsibility to oversee the SBU's coverage teams namely 'Global and International Corporates', 'Specialised Finance', 'Mauritian and Regional Corporates' and 'Financial Institutions and Syndication', alongside its supporting 'Global Transaction Banking', 'Credit Analysis and Structuring', 'Middle Office' and 'Business Development' units. Prior to joining the Bank, he has accumulated extensive experience in Corporate and Investment Banking over the last 35 years, holding leading positions within Crédit Agricole Group in Eastern and Central Europe, Asia, and North Africa.

Bhavish NAECK – Age 50
Head of Finance

QUALIFICATIONS: BSc (Honours) in Economics with specialisation in Accounting and Finance and Fellow Chartered Accountant (UK)

SKILLS AND EXPERIENCE: Bhavish, who is the first MCB Foundation scholar, spent some years in Singapore, working in the Audit and Business Advisory division of Deloitte & Touche and as Financial Controller at JDA Asia, a subsidiary of a listed NASDAQ entity. After a stint at Sun Resorts, he joined MCB in May 2000 as Manager – Investment Administration and then worked as Project Leader on the Business Process Re-engineering project in 2001. He heads the Finance SBU since January 2014 and has been Project Sponsor on the Finance Transformation Project, initiated in September 2019, with the aim to better respond to stakeholders' expectations in the light of the growing internal, external and technological changes. He is responsible for the provision of internal and external financial/regulatory reports and a team of finance partners acting as a single point of contact to the business while having recently set up a number of strategic finance roles.

Frederic PAPOCCHIA – Age 47
Chief Risk Officer

QUALIFICATIONS: Master's Degree in Finance and MBA (France)

SKILLS AND EXPERIENCE: Frederic was appointed Chief Risk Officer in January 2016. He joined MCB in July 2012 as a Consultant to the Group Chief Executive and worked on various projects in the risk arena before taking office as Deputy Chief Risk Officer in April 2014. He currently oversees the following functions: Credit Management, Debt Restructuring and Recovery, Permanent Supervision, Operational and Information Risk as well as Financial Risk, which comprises Credit Risk, Credit Modelling and Market Risk. As part of his ongoing responsibilities, he also acts as Secretary to the Executive Credit Committee of the Bank and to the Risk Monitoring Committee and Conduct Review Committee of the Board. Prior to joining MCB, he had accumulated extensive experience in management consultancy particularly in areas of risk management and regulation, during which he engaged with several large banks such as Bank of America, Societé Générale and BNP Paribas, working on various assignments including the implementation of the Basel 2 and Basel 2.5 reforms, the development of stress-testing frameworks and the review of credit origination frameworks.

Mike SOPHIE – Age 52
Head of Human Resources

QUALIFICATIONS: Fellow member of the Association of Chartered Certified Accountant and MBA (UK)

SKILLS AND EXPERIENCE: Mike has a vast experience in banking. He spent 9 years in overseas subsidiaries of the Group from 1999 to 2008 before joining the Retail SBU. He held various positions therein namely as Regional Manager, Retail Operations and Service Manager and subsequently as Head of Retail since August 2017. He was appointed Head of Human Resources effective May 2018. His career within the Group gives him a sound oversight of the different business lines, to better shape HR strategies to accompany them to meet their business goals.

Interests in shares

The following table gives the interests of Business Executives in the Group's listed securities at the end of the financial year.

Interest as at 30 June 2021	MCB Group Limited shares		MCB Group Limited Preference shares		MCB Group Limited Floating Rate Senior Unsecured Notes	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Bhavish NAECK	32,444	7,023	100,000	150,000	4,333	500
Frederic PAPOCCHIA	19,093	-	-	-	-	-
Mike SOPHIE	12,857	-	-	-	-	-

Note: The above Business Executives do not hold any share in Fincorp Investment Ltd and COVIFRA.

Remuneration

The aggregate amount paid to the Business Executives in terms of remuneration can be found in Note 35 of the Financial Statements.

Related party transactions

For the purposes of these Financial Statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or entities. The Bank of Mauritius Guideline on Related Party Transactions, issued in January 2009 and revised in June 2015, is articulated around three main elements:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

In fact, the Guideline is more stringent than the applicable International Accounting Standard (IAS 24) in that a person holding directly or indirectly 10% or more of the capital or of the voting rights of the Bank also falls within the definition of related party. As a general rule, all transactions with a related party must be carried out at arm's length i.e. on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- guarantees issued on behalf of a related party;
- investments in any securities of a related party;
- deposits and placements; and
- professional service contracts.

As regards regulatory reporting on exposures to related parties, the latter are classified into three categories:

1. Directors, their close family members and any entity where any of them holds more than a 10% interest;
   Shareholders owning more than 10% of the financial institution's capital;
   Directors of any controlling shareholder; and
   Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.

2. Senior Management, their close family members and any entity where any of them holds more than 10% interest;
   Senior Management of any controlling shareholder; and
   Subsidiaries of the financial institution.

3. Senior Management,provided their exposures are within the terms and conditions of their employment contract.

Category 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at 60% of Tier 1 capital for category 1 and 150% thereof for the total of categories 1 and 2.

The Bank's policy on related party transactions sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them and reporting procedures to the Conduct Review Committee. Note 35 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2021.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 7,233 million (on-balance sheet) and Rs 3,075 million (off-balance sheet), which represented respectively 2.5% and 2.4% of Bank loans and Bank contingent liabilities as at 30 June 2021.

Exposure of the Bank's top six related parties as at 30 June 2021 were Rs 3,031 million, Rs 1,150 million, Rs 1,046 million, Rs 752 million, Rs 651 million and Rs 614 million. These balances represented 5.1%, 1.9%, 1.8%, 1.3%, 1.1% and 1.0% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2021.

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

Stakeholders' relations and communication

The Board is committed to building open and trustworthy relationships with stakeholders and the public at large through regular engagement. All material business developments that influence the Bank are communicated to stakeholders in a transparent, consistent and timely manner through various communication channels. In addition to direct interactions with stakeholders, official press announcements and occasional press conferences, the Bank's website, hosted at www.mcb.mu, provides for an adapted and comprehensive self-service interface.

Shareholders agreement

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

Dividend policy

Although there is no formal dividend policy, the Company aims to supply its shareholder with adequate returns to meet the objective of the Group to have a stable and relatively predictable dividend path whilst adapting to the context and ensuring that the Bank maintains a strong level of capitalisation.

Corporate governance report

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 Bank.

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 applicable accounting 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 Bank will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank while ensuring that the Financial Statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its 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, the Financial Reporting Act 2004 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

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 Bank 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 Bank.

The directors report that:

- adequate accounting records and an effective system of internal control system and risk management framework have been maintained;
- the Financial Statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used;
- International Financial Reporting Standards, the Mauritius Companies Act 2001, the Financial Reporting Act 2004 as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been adhered to; and
- the Financial Statements have been prepared on the going concern basis as the Bank is likely to continue in business in the foreseeable future.

On behalf of the Board

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

Statement of compliance

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

Name of Public Interest Entity ('the PIE'): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2020 to 30 June 2021

We, the Directors of The Mauritius Commercial Bank 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).

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

24 September 2021

Company Secretary's certificate

Name of Public Interest Entity ('the PIE'): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2020 to 30 June 2021

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 section166(d).

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

24 September 2021

Risk and Capital Management Report

Risk and capital management report

Guided by its underlying 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

Our key targets and objectives

- MCB Ltd is committed to remaining a well-capitalised bank with adequate liquidity buffers to help achieve sustainable business growth. To this end, we adopt a conservative and disciplined stance towards risk and capital management, which is ever more relevant in a highly uncertain context
- We follow a well-calibrated *modus operandi* to identify and assess risks faced and determine appropriate responses, alongside taking advantage of relevant opportunities to transform risk into a strategic value driver. To realise our objectives, we ensure that we embrace a solid control framework that guides employees in the way they behave and the decisions they take

Our main focus areas

- Ensuring that risk management principles are anchored on advocated industry norms and corporate governance principles
- Conferring ultimate responsibility for risk management to the Board, with supervision by the latter through sub committees
- Establishing a strong and transparent governance framework and clear segregation of duties and responsibilities for coherent risk management, with clear lines of defence, while ensuring that decisions are aligned with the Board-approved risk appetite
- Achieving an appropriate balance between risk and reward considerations to maximise shareholder returns; having recourse to the Return on Risk-Adjusted Capital (RoRAC) metric in order to ensure that the price charged for client solutions is reasonable in relation to the relative riskiness of exposures, while providing us with an adequate rate of return
- Fostering Bank-wide adherence to a common set of behaviours, attitudes, skills and guiding courses of action in support of decision-taking, alongside fostering the integration of the risk culture across the organisation

… MCB diligently coped with the evolving landscape and preserved its financial soundness …

During the period under review, MCB continued to be faced with a highly challenging external risk environment as the COVID-19 pandemic affected our employees, customers and other stakeholders across markets and exerted pressures on operational, credit as well as liquidity and funding risks faced by the Bank. Indeed, the difficult economic conditions have impacted the credit profiles of different customer segments, albeit tempered by support measures, and contributed to increased market volatility, with the Bank also having to cope with new ways of operating.

The Bank's primary focus has been on protecting the health and safety of our employees and continuing to serve and accompany our clients during these testing times, whilst managing key risks proactively, notably through systematic monitoring of our portfolios and operations. Towards this end, the Bank has capitalised on its robust risk management and internal control frameworks alongside bolstering existing safeguards. We leveraged an agile but responsible, accountable and effective governance and risk management, to attend to impending risks associated with our external environment and material matters. In parallel, we continued to collaborate closely with the authorities to work on sustainable solutions to help clients tackle the economic downturn. The Bank also maintained its prudent approach by building additional provisioning buffers through Expected Credit Losses (ECL) and geared up its oversight of market development implications on a prospective basis. Specifically, we have analysed our loan portfolio currently benefitting from moratoriums on a forward-looking basis with a view to anticipating our potential non-performing loans and assessing our ECLs. We also conducted ad-hoc stress tests in response to the emerging risks linked to the impact of COVID-19 and other events. Scenarios considered included (i) Mauritian borders remaining closed for an extended amount of time thereby dampening tourist arrivals; and (ii) Mauritius staying on the lists of the FATF and EU beyond 2023. Additionally, we set up and monitored 'Early Warning Indicators' linked to the evolution of key macroeconomic variables used in our Internal Capital Adequacy Assessment Process (ICAAP) stress test scenarios, to eventually trigger additional stress tests if deemed necessary. Overall, while we continued to address vulnerabilities inherent across key specific sectors locally, we have been comforted by the general resilience of our international segment notably the Specialised Finance business pertaining to our Energy and Commodities and Power and Infrastructure activities.

Reflecting the significant fallout of the pandemic, Moody's Investors Service, in March 2021, downgraded Mauritius Government's long-term issuer rating to Baa2 from Baa1, with a negative outlook maintained. As a consequence, MCB Ltd's long-term bank deposit and issuer ratings were revised to Baa3 from Baa2 with a negative outlook. The main driver for this rating action related to Moody's lowering of Mauritius Macro Profile score to 'Weak+' from 'Moderate-'. The negative outlook is driven primarily by the potential impact of a weakening of the operating environment on the Bank. In spite of this downgrade, MCB remains investment-grade rated by Moody's and is one of the few financial institutions rated as such in sub-Saharan Africa. Furthermore, Moody's acknowledged that MCB continues to display sound fundamentals, with strong capital levels, high liquidity positions and a stable funding profile. Indeed, despite facing up to an exceptionally challenging operating landscape in the wake of the COVID-19 pandemic, MCB was able to maintain sound risk metrics throughout the year in review. The Bank's capital ratios remained comfortably above regulatory requirements, being upheld by our resilient performance and capital injection by the Group amounting to Rs 2 billion. MCB also preserved the general quality of its exposures while maintaining strong liquidity and funding ratios, which helped the Bank to meet its obligations in a timely manner. In respect of the latter, in September 2021, the Bank successfully concluded a syndicated facility of USD 1 billion on the international loan market, part of which will be used to repay the debt of USD 560 million maturing in March 2022 (Read more on page 160 of this report).

Risk and capital management report

Financial metrics for FY 2020/21

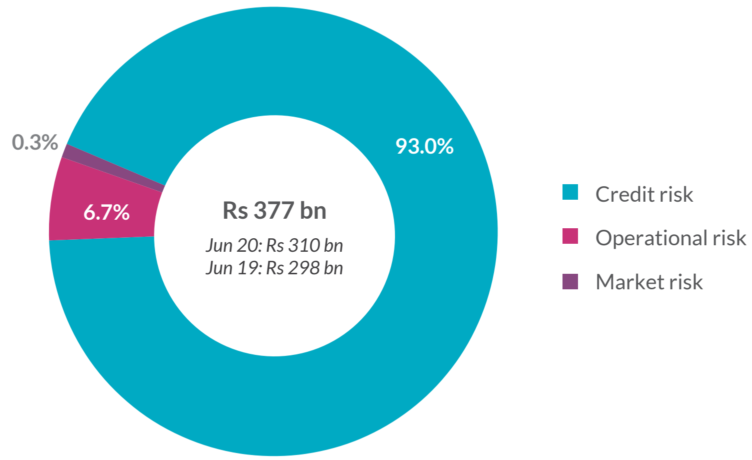
Capital adequacy ratio

16.8%
Jun 20: 17.5%
Jun 19: 16.6%

Tier 1 Capital ratio

15.8%
Jun 20: 16.5%
Jun 19: 15.7%

Risk-weighted assets by type of risk



Liquidity coverage ratio

322%
Jun 20: 503%
Jun 19: 400%

Gross NPL ratio

3.2%
Jun 20: 3.8%
Jun 19: 3.8%

Cost of risk

1.4%
Jun 20: 1.9%
Jun 19: 0.6%

Liquid assets to deposits

64.3%
Jun 20: 57.9%
Jun 19: 54.9%

Coverage ratio

Expected Credit Loss

2.7%
Jun 20: 2.2%
Jun 19: 0.9%

Specific[1]

40.2%
Jun 20: 33.1%
Jun 19: 28.9%

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

Notes:
(i) Liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds
(ii) Expected Credit Loss coverage ratio is calculated as a percentage of Stage 1 and Stage 2 on-balance sheet loans and advances, while specific coverage ratio is computed as a percentage of Stage 3 exposures

… while making further inroads in strengthening overall risk management

Alongside addressing the implications of the pandemic, the Bank pursued its agenda to reinforce the risk management and compliance set-up in support of its growth ambitions while catering for regulatory norms and developments.

Reorganisation of Risk SBU

The Risk Strategic Business Unit (SBU) has been reorganised under four segments to better reflect its scope and objectives, namely, (i) Financial Risk; (ii) Permanent Supervision, Operational and Information Risk; (iii) Credit Management; and (iv) Debt Restructuring and Recovery. Key changes included the following:

- The Financial Risk segment has been set up to regroup the Credit Risk, Country Risk (function being set up with the appointment of a Senior Country Risk Officer underway), Market Risk and Credit Modelling Business Units (BUs). It seeks to provide a combined oversight of the credit and market risks at the Bank whilst enhancing synergies among the aforementioned units. Accordingly, a newly-appointed Head of Financial Risk joined MCB Ltd in March 2021 and reports directly to the Chief Risk Officer. Additionally, a Product Control function is currently being set up within the Market Risk BU and will be responsible for providing daily trading Profit and Loss. The function aims to act as a bridge between the Global Markets and Treasury Management SBU and the Finance SBU and ultimately with Senior Management in an advisory, explanatory and reporting capacity.

- The scope of the Permanent Supervision BU, operating under the Permanent Supervision, Operational and Information Risk function, has also been reviewed to broaden the target framework and cover other risk sources at the Bank. As such, Risk & Control Executives (previously Business Risk Correspondents) will now be deployed to look into the whole spectrum of relevant operational, information and compliance risks across the Bank. Their coverage has also been reviewed such that they focus on high risk areas and proactively engage into risk management strategy execution with the host SBUs and BUs.

- With regard to the Debt Restructuring and Recovery BU (formerly Special Assets & Recovery BU), a new Head, who has an extensive corporate banking experience within the Group, has been appointed during the year.

Concomitantly, the SBU continued to focus on building its human capital through the upskilling of its employees with a view to better equip them in responding to the evolving business environment, while contributing to their personal development.

Moves to bolster our risk management framework and internal control mechanisms

To ensure that our business deals remain properly selected and structured, we undertook a comprehensive review of the risk appetite framework to align it with the new operating model of the Corporate and International Banking SBU. Additionally, we further bolstered our Compliance function and mechanisms with a key move being the integration of the Anti-Money Laundering unit of the Bank within the function for better synergies and coordinated actions to effectively manage related risks.

As a key Bank-wide initiative, a risk assessment exercise was undertaken with the aim of underpinning the successful execution of our business strategies by means of enhanced risk identification, assessment and management. The resulting overall Risk Heat Map was presented to the Board, which set the risk appetite for each risk type. As part of this initiative, the following were established: (i) a responsibility assignment matrix; (ii) major components of the action plans for each risk item; and (iii) target risk levels and action plans completion dates.

As an increasingly prominent focus area of the Bank, particularly in today's environment, we geared up our capabilities and frameworks to enhance our information security, thus improving our resilience against cyber threats. Among other initiatives, we implemented a Security Operations Centre (SOC), responsible for monitoring and detecting anomalous activities on our IT infrastructure. We have, in parallel, enhanced our cyber resilience through the setting up of a Cyber Threat Intelligence programme and the deployment of Red Team strategies.

We upgraded our information systems, notably towards facilitating the online recording, reporting and monitoring of our business activities. MCB also upgraded and enhanced its Asset and Liability Management (ALM) software. The latter allows us to harness the stringent data challenges and disciplined enterprise valuation processes required to provide regulator-ready cash flow-based ratios such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), whilst at the same time ensuring that these metrics are embedded and aligned with internal liquidity risk management techniques.

Credit scoring models and Expected Credit Loss (ECL)

To facilitate informed decisions, we strengthened our modelling capabilities through the development/refinement of credit models to enhance our predictive accuracy whilst making adjustments to reflect the ongoing uncertainty in the operating environment.

- ***Credit scoring models:*** We have developed two credit scoring models notably for Unsecured Personal Loans and SME Lending. These models have been built using machine-learning algorithms and exhibit high predictive power and stability. The implementation of the credit scoring models ensures 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.
- ***Recalibration of models:*** We have performed the annual recalibration of our models used for Expected Losses calculations, adding another year of historical data. The aim of the recalibration exercise was to include more recent data to better reassess the statistical relevance of the variables used in our models.
- ***Forward-looking indicators:*** The forward-looking element, used in the calculation of our ECL, was reviewed with a new set of macroeconomic and financial parameters being applied. Three types of economic scenarios have been incorporated into the range of reasonably possible outcomes as regard the evolution of macroeconomic indicators over the coming 36 months, with probabilities assigned to each, based on expert judgment regarding the outlook for the economic and market environment.
- ***Master Rating Scale and Term Structures:*** The Master Rating Scale, which is a mapping of ratings to a probability of default, was updated as well as the Term Structures for the different segments of the wholesale portfolio using latest available transition matrices and default rates information.

LIBOR transition

The announcement made by the UK's Financial Conduct Authority that it will no longer compel panel banks to continue submitting quotes for LIBOR and subsequent developments imply that LIBOR will cease by December 2021 for all currencies except for specific US dollar settings for which the transition period would run until June 2023. Whilst discussions continue on alternative benchmark rates in different working groups across jurisdictions, the Bank embarked on a project to prepare for the gradual phase-out of the LIBOR based pricing by the end of 2021. Right at the outset, we established a strong governance framework to carry out the transition with dedicated teams set up across several functions of the organisation to drive and deliver on identified work streams, including but not limited to contract transition, awareness and communication, and implications of using the new Risk Free Rates. In light of the paradigm shift triggered by the transition, the Bank is also gearing up on its system and operational capabilities, notably through internal change management initiatives to ensure readiness of stakeholders across the value chain. We are also working closely with regulators and leveraging our large network of international partners in different markets with a view to providing our clients with the latest information and ensuring a smooth transition. From an industry and regulatory perspective, the Bank is actively participating in, and contributing to, industry IBOR-related forums and closely monitors the developments at these forums. It accordingly reflects and aligns significant industry decisions into the organisation's transition plans, as required.

Looking ahead: Targets and intents

- Foster the sustained engagement of Risk SBU (as an independent function) with the Bank's front-line teams to (i) undertake a close and systematic monitoring and management of risks faced by clients; (ii) nurture an in-depth understanding of client needs; and (iii) continue to assess solutions being proposed to help clients cope with the lingering effects of the crisis and monitoring implications of unwinding of support measures
- Carefully assess our Expected Credit Losses, keep an adequate 'buffer' and stay in a strong position to absorb the impact of potential shocks on the Bank
- Maintain close discussions and interactions with the authorities and banking sector generally to promote the stability of the financial services sector
- Judiciously and speedily identify, appraise and manage emerging risks to which the Bank is exposed, with a key focus on (i) cyber risk given the rising adoption of technological and digital platforms; and (ii) climate risk amidst increased prominent of ESG considerations; Support the Bank's sustainability ambitions through the implementation of a portfolio assessment exercise from a sustainability angle and deployment of Environmental and Social Risk Management (ESRM) guidelines and Principles for Responsible Banking practices
- 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 (i) the strengthening of our risk management and compliance mechanisms, aided by continuous upgrades to relevant policies, practices and processes; and (ii) further entrenchment of an adequate risk culture across the organisation to embrace proper attitudes and behaviours
- Further reinforce our inherent capabilities and operating models, on the back notably of (i) continued upskilling of staff across risk functions; (ii) increased synergies amongst risk functions and with other areas of the Bank; and (iii) the full-fledged implementation of the Country Risk function within the Financial Risk function of the Risk SBU to diligently accompany our international expansion

Risk and capital management report

Our risk management strategy

To achieve its strategic objectives, the Bank adopts a consistent and integrated approach to risk identification, mitigation and management. Material risks that could impact our business model, performance, solvency and liquidity are continuously monitored.

Main risks faced

'Risk Trend' indicates the perceived change in risk profile (inherent risk) of the main risks faced during FY 2020/21, in light of prevailing economic and market dynamics, using the symbols shown below:

Increasing Decreasing Stable

Financial principal risks

General definitions	Key objectives	Risk trend
Credit risk		
The risk of financial loss should borrowers or counterparties fail to fulfill their financial or contractual obligations as and when they fall due; Credit risk includes counterparty risk, settlement risk and concentration risk, with the latter referring to the risk arising from anexcessive build-up of exposures to a counterparty, industry, market or product, amongst others	To foster sound credit risk management principles; To uphold a well-diversified credit portfolio consistent with the risk profiles defined in the risk appetite as well as the broad characteristics set out in target market criteria; To achieve the targeted risk-return profile of the portfolio; To promote, monitor and manage the quality of the credit portfolio	
Country risk		
The risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet their financial obligations	To provide for a comprehensive framework and adequate control processes for assessing country risk, determining risk tolerance and allocating exposures across geographies	
Market risk		
The risk of loss caused by movements in market price parameters (including interest rates, exchange rates as well as stock and commodity prices among others)	To monitor, report and control the overall market risk exposures, including market-contingent risks such as counterparty credit risk as well as profit and loss risks arising from the Bank's market risk activities	
Interest rate risk		
The risk arising from changes in interest rates or in the prices of interest rate related securities and derivatives, insofar as they tend to impact the Bank's earnings or economic value of equity	To manage the impact of interest rate changes on the Bank's overall risk profile both from an earnings and economic value perspective	
Foreign exchange risk		
The risk of losses on account of adverse foreign currency movements	To detect and manage impact of currency fluctuations, alongside properly managing the Bank's net open position	
Funding and liquidity risk		
Funding risk: The risk linked to a relative lack of availability of funds or the risk that a maturing liability or class of liabilities may not be able to be refinanced (without additional relative cost) over any given period of time *Liquidity risk:* The risk arising from insufficient realisable financial assets to meet the financial commitment as and when they fall due	To maintain adequate liquidity levels and have access to diversified funding sources to rapidly and effectively respond to the demands of our clients and foster our business development	
Model risk		
The risk of losses as a consequence of decisions principally based on the output of models that are flawed or inaccurate	To establish well-anchored and transparent model development, alongside consistently performing model validation	

Non-financial principal risks

General definitions	Key objectives	Risk trend
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, business continuity, information and IT risk, etc.	To identify, mitigate and manage the Bank's operational risks in line with acceptable tolerance limits and with the aim to provide our customers with seamless services and foster an adequate risk culture within the organisation	
Information risk		
The risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources which would compromise the confidentiality, integrity or availability of information	To maintain the confidentiality, integrity, security and availability of information assets stored, processed and transmitted throughout the organisation	
Cyber risk		
The risk of breach of information technology security arising from the malicious or unauthorised use of information systems that may have an adverse effect on the confidentiality, availability, or integrity of information or information systems	To handle and mitigate cyber risks and establish a strong IT platform to aid the delivery of the organisation's strategic objectives, while protecting confidentiality and preventing misuse of systems and business disruptions as well as strengthening the effectiveness and adequacy of human firewalls	
Regulatory and compliance risk		
The risk arising from changes in legislation, regulations and advocated norms on the operation and functioning of the Bank. It is the risk of sanction and material financial loss or reputational damage	To comply with all relevant stipulations in force and advocated norms to safeguard the assets of the organisation and shield it from legal and regulatory sanctions and financial/reputation losses	
Reputation risk		
The risk arising from the damage to the Bank'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 Bank's ability to retain and generate business	To bolster our brand image and values and ensure that our actions and behaviours are in line with best practice standards and advocated principles	
Strategic and business risk		
The risk arising from inappropriate business decisions or strategies in relation to the operating environment. The risk is linked to changes in the business environment, regulatory decisions, client behaviours and technological progress, as well as Bank-specific factors such as poor choice of strategy and inflexible cost structures	To set out and deploy our strategic orientations in a judicious and well-thought manner, remain attentive to changes in the operating environment and pay close attention to the current/ future exigencies of our customers	
Environmental and social risk		
The risk that unforeseen events stemming from changes in our environment and society will result in disruptions in business activities as well as impact our customers and counterparties, while influencing our internal operations	To mitigate and manage environmental and societal impact on our operations by properly evaluating and deploying an effective approach and strategy, while, in parallel, managing our footprint through environment-friendly and sustainable practices and products	

Risk and capital management report

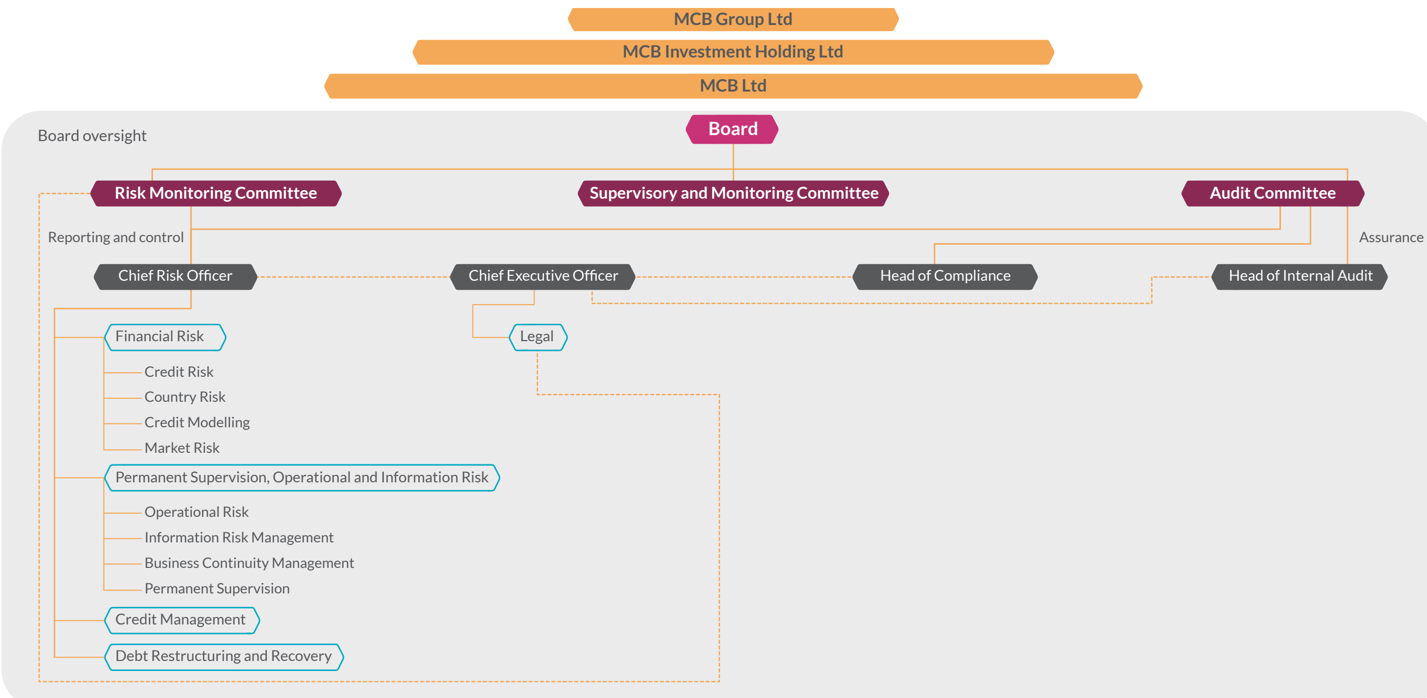
Key elements of our risk management set-up

The risk management set-up of the Bank applies to every area of its business and covers all material risks faced. It aims to ensure that the organisation adopts a consistent and integrated approach to risk identification, mitigation and management.

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
The Bank ensures 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 migration and management**	Defined processes are in place to mitigate observed risks, with actions undertaken based on informed and robust grounds
We aim to embed risk identification and management in our thinking, attitudes and behaviours	**Risk philosophy** | **Risk resources and capabilities**	Our human capital, processes and systems are continuously upgraded for judicious risk management
	Identification of risks	

Governance and oversight

Risk Management Framework



Board of MCB Ltd

- As highlighted before, the Board of MCB Ltd has the ultimate responsibility for ensuring adequate risk management across the Bank, in line with good corporate governance principles. It provides clear guidance for the setting out and regular review of applicable strategic thrusts, processes and policies for risk management.
- As a key focus area, the Board is responsible to validate the Bank's risk appetite towards achieving its objectives. It delegates authority to Board committees, which formulate the specific responsibilities and required policies for effective risk management.

Risk Monitoring Committee (RMC)

- It is the primary board committee overseeing financial and legal risk matters. It assists the Board in setting up risk strategies as well as assessing and monitoring MCB's risk management process. It recommends to the Board, for approval, the risk appetite in terms of credit risk and market risk, Asset Liability Management risk as well as the review of risk appetites and tolerances as appropriate. It analyses risk portfolios against the risk appetite, while reviewing and exercising oversight over capital management.
- The RMC is entrusted with the authority of determining the Bank's overall international capital allocation and exposure limits while monitoring country exposures against set limits at least quarterly and on an ad-hoc basis when required. It approves country risk policies and proposed amendments and reviews the country risk framework and risk appetite parameters. Four out of the five members of the RMC are non-executive directors, thus strengthening the Bank's independent oversight and control functions.

Other committees

- The Supervisory and Monitoring Committee sets the overall direction for the strategic development of the Bank. It monitors the Bank's performance against such strategy.
- The Audit Committee ensures that the internal control framework in place results in an acceptable level of risk exposure whilst guaranteeing compliance with internal established 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.

Risk and capital management report

Adherence to the three lines of defence approach

1

1st line of defence

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

Risk ownership

- The first line owns risks emanating from deployed strategic 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 Bank.

2

2nd line of defence

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

Risk control and compliance

- The Risk SBU bears the responsibility for providing independent risk control. While managing key financial, operational and information risks faced by the Bank, the Risk SBU also oversees the credit management and debt restructuring and recovery operations. The Chief Risk Officer (CRO) has direct oversight on all risk areas across the Bank, while relevant Heads and Managers of the SBU establish methodologies and activities for risk measurement and regularly monitor and report risk exposures and profiles. Alongside having an administrative reporting line to the Chief Executive Officer (CEO), the CRO reports to the Audit Committee on risk matters relating to Permanent Supervision, Operational and Information Risk and reports to the Risk Monitoring Committee on matters relating to monitoring and management of other risk areas.
- The Compliance SBU has a direct reporting line to the Audit Committee and administratively reports to the CEO. This reporting structure confers the required independence to the Head of Compliance to discharge responsibilities to ensure compliance with applicable laws, regulations, codes of conduct and standards of good practice.
- Independent teams oversee the legal and physical security functions. The Head of the Legal SBU acts as the Money Laundering Reporting Officer (MLRO) to ensure strict independence. The Physical Security BU reports to the Chief Operating Officer's office.

3

3rd line of defence

Evaluates and provides independent assurance on the effectiveness of the risk governance, the control environment and risk management processes and mechanisms

Risk assurance

- The Internal Audit SBU provides independent assurance that the control objectives are achieved by the first and second lines of defence in line with the set risk appetite. It has an administrative reporting line to the Chief Executive Officer and is accountable to the Audit Committee.
- The Fraud Prevention (FP) BU, also under the aegis of the Internal Audit SBU, promotes staff awareness on fraud risks, and provides expert advice in case of, and investigates suspected irregularities.

Key responsibilities of dedicated executive committees

Financial principal risks

Credit risk

Executive Credit Committees (ECC)

- The ECC (A), which comprises the Chief Executive Officer, the Head of Corporate & Institutional Banking (CIB), the Deputy Head of CIB, the Chief Risk Officer and the Head of Credit Management, 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

Credit Committee (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

Country Risk Committee (CoRC)

- The CoRC, which is chaired by the Chief Executive Officer and comprises the Chief Risk Officer, is responsible for setting individual country limits within the validated risk parameters on selected countries as well as reporting any excesses observed to the RMC, with the latter retaining the ultimate decision in terms of country limit

Market risk

Asset and Liability Committee (ALCO)

- The purpose of the ALCO is to oversee the asset/liability position, market risks and overall balance sheet management of the Bank. The ALCO ensures that the overall asset/liability position as well as the resulting market, liquidity and funding risks to which the Bank is exposed are managed within the relevant limits and targets set by its Market Risk Policy, alongside being aligned with guidelines laid down by the Bank of Mauritius, notably stipulations relating to capital adequacy, liquidity coverage and funding stability
- The ALCO sets and reviews all trading book limits and banking book targets, in alignment with the diversification and growth of the Bank's balance sheet, whether it is from a domestic, foreign currency or consolidated perspective
- The committee, which comprises members of the Bank's Leadership Team, is chaired by the Chief Executive Officer, with targeted monthly meetings and/or ad-hoc and special meetings, as deemed necessary

Non-financial principal risks

Information and Operational Risk Committee (IORC)

- Chaired by the Chief Executive Officer, the IORC acts as the focal point and coordinating committee to ensure that management of information risk, including cyber risk, and operational risk is in line with the relevant policies, guidelines and procedures of the Bank. Significant risks observed are escalated to the IORC and then, if warranted, to the Audit Committee

Compliance, Anti-Money Laundering and Legal Committee (CALC)

- Chaired by the Chief Executive Officer, the CALC is mandated to review and monitor the compliance, anti-money laundering and legal framework of the Bank. The committee assists Management and the Board through the Audit Committee in fulfilling their oversight responsibilities by reviewing adherence to applicable standards as well as policies/controls to be adopted, based on the identification and assessment of compliance, anti-money laundering and legal risks

Risk and capital management report

Our risk appetite and strategy

Framework

Our framework provides an informed guidance for the management and monitoring of our 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.
- Our appetite is regularly updated to reflect stakeholder aspirations and the context.

Key underpinnings

MCB *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

Key tenets of our risk management strategy

Risk capacity

MCB determines the maximum 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 its ability to take risk.

Risk appetite

The Bank ensures that its activities are undertaken within the precinct of its risk appetite. The latter is subject to constraints, such as the need to *inter alia* uphold the Bank's financial soundness, foster sound and sustainable revenue growth and preserve its investment-grade credit rating.

Risk tolerance

The Bank establishes the maximum level of risk that it is willing to tolerate for a particular risk category or specific initiative, while ensuring that it achieves its business strategies and operates within its broader-level risk appetite.

Risk profile

Expressed in terms of quantitative indicators and qualitative interpretations, our risk profile refers to our current net risk exposures for risk categories across customer segments and geographies. Amidst an evolving operating environment, the Bank regularly monitors its risk profile, thereby helping to prevent the level of risk from going beyond the set risk appetite.

Risk control

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

The size of the internal risk limits is a function of regulatory requirements and the risk appetite set by the Bank, 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

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
- Product limits
- Counterparty credit risk limit
  Valuation limit
  Daily settlement limit

Rating tools used by the Bank

Internally-developed model

- Country
- Banks
- Corporate clients

Country rating model (used when ratings from external rating agencies are not available)
The rating monitors macroeconomic developments, social unrest, nationalisation and expropriation of assets, Government repudiation of external indebtedness, foreign exchange controls and currency movements amongst others

Bank rating model
The credit worthiness is assessed by assigning a score based on the bank's financial strength, the probability of receiving affiliate and/or Government support in case of financial stress as well as the sovereign risk of the country in which the institution operates

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
- Corporate clients

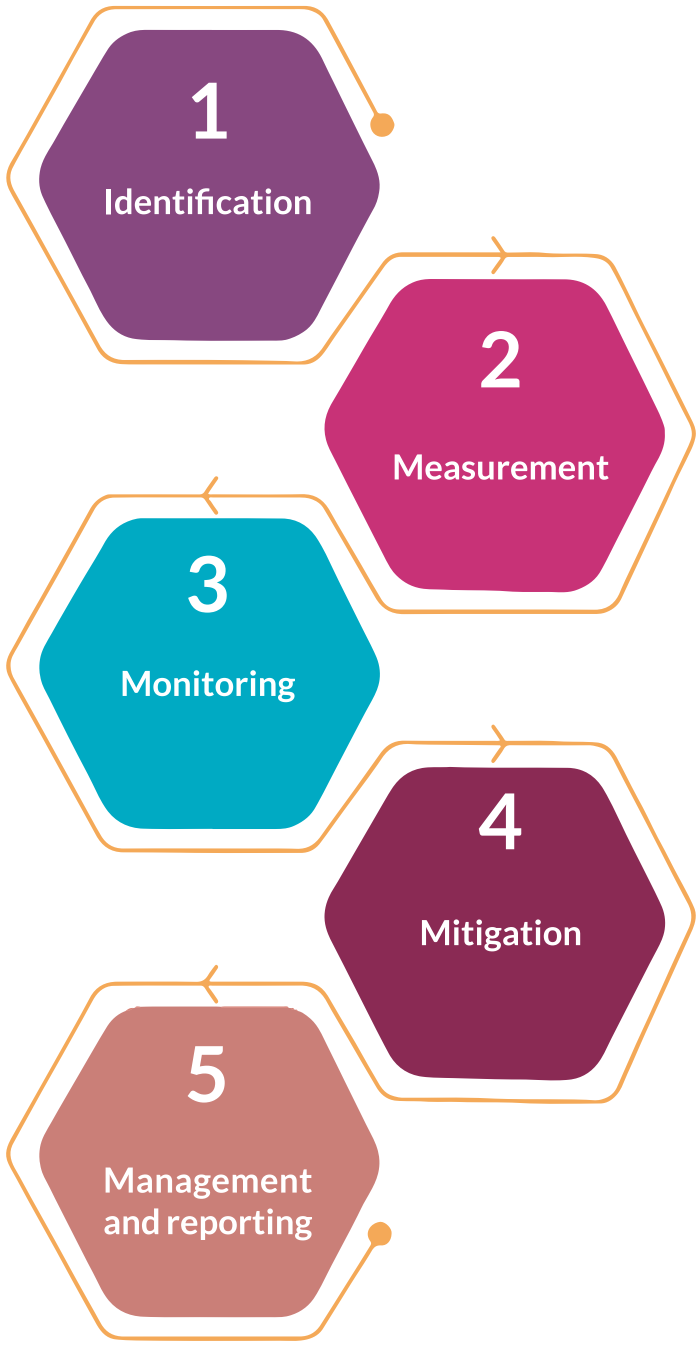
International ratings
Moody's Investors Service, Fitch Ratings, Standard & Poor's and others as deemed appropriate

International rating agencies including CARE Ratings (Africa) Private Limited (CRAF) and Global Credit Rating Co Ltd (GCR Ratings)
Financial obligations subscribed by the Bank in favour of domestic corporate customers can be rated by CRAF and GCR Ratings, with capital relief being applicable on investment-grade ratings

Key risk areas: Overview and management

Our risk management process

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



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

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

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

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

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 to internal parties and the authorities, wherever applicable

Risk and capital management report

Our approach, processes and methodologies

Credit risk

General approach

- Our credit risk management approach and framework guide the Bank in managing credit risk within the limits of its risk appetite, developing risk-response strategies and optimising risk-taking by anticipating and acting on potential opportunities and threats.

- The modus operandi shaping up our credit risk management set-up is governed by rules that are set out in BoM Guidelines. They include the Guideline on Credit Risk Management, the Guideline on Standardised Approach to Credit Risk, the Guideline on Credit Concentration Risk, the Guideline on Credit Impairment Measurement and Income Recognition, the Guideline on Country Risk Management, the Guideline for the write-off of non-performing assets and the Guideline on Cross-Border Exposure.

- The Credit Risk Policy of the Bank, which is approved and reviewed by the RMC, sets forth the principles by which the Bank conducts its credit risk management activities. The policy formulates the guidelines, roles and responsibilities whereby credit risk is to be managed across the business segments of the Bank. It provides guidance in the formulation of the appropriate structures and architectures that seek to ensure that our business generation is harmonised with the established target market criteria.

Risk measurement and monitoring

- Our credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of likely future behaviours of existing accounts. Subsequently, the Bank assesses 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 for the Bank. This is achieved by channelling risk capital from low-return to high-return business areas, commensurate with the risks shouldered.

Key principles

- Credit facilities granted are guided by the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle, the Bank does 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 exercised as regard the type, liquidity and volatility of the collateral value.

- The Bank 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 used for the purpose of the stress testing and limits determination exercises.

Assessment by key business lines

Corporate portfolio

Large corporate credits are assessed on an individual basis with the support of an internally-developed Customer Rating software. The latter evaluates the counterparty's financial position and uses the historical default data of MCB's clients. The ratings and probability of default rates generated are typically used to measure the risk profiles of the customers which consume a sizeable proportion of capital resources and to calculate Expected Credit Losses. The counterparty risk ratings assigned to smaller businesses are primarily based on their financial strength and account performance.internal and external audit recommendations.

Other portfolios

Credit comprising mainly residential mortgages, unsecured loans and credit cards are managed on a portfolio basis. The credit files are assessed through credit scoring models, records from the Mauritius Credit Information Bureau, customers' behavioural records as well as the application of relevant risk acceptance criteria. In collaboration with the Retail SBU, the Business Banking SBU and Private Banking and Wealth Management SBU, the Risk SBU regularly analyses default trends, identifies the underlying root causes and subsequently channels recommendations to Senior Management. The objective of such initiatives is to continuously fine-tune the relevant credit scoring parameters.

Risk mitigation and management

- Credit risk exposures are managed through a robust credit assessment, structuring and monitoring process. The Credit Management BU undertakes the daily monitoring of credit limit excesses and 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 and referred to a dedicated team for closer scrutiny.

- While being responsible for risk portfolio monitoring and disseminating risk measurement methodologies, the Credit Risk BU provides an independent and regular review of the aggregate loan portfolio in order to proactively manage the portfolio risk profile and minimise undue credit concentrations. Significant trends are regularly reported to the RMC, Senior Management as well as relevant platforms including committees and forums for the different lines of business. Notably, these platforms appraise the credit risk profile of portfolios, segments and products as well as the financing structure of our Energy and Commodities portfolio and that of banks.

- The main credit risk mitigation techniques applied by the Bank include security/collateral, netting, guarantees, credit insurance, comprehensive non-payment insurance and political risk covers. Exposures arising from foreign exchange and derivatives are mainly mitigated through agreements e.g. the International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) documentation.

Determination and review of impairment and provisioning

- This exercise is undertaken on a quarterly basis by MCB 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.

- A financial institution is, under the BoM Guideline on Credit Impairment Measurement and Income Recognition, required to compute credit impairment provisions in terms of both the applicable accounting standard and the prudential provisioning norm prescribed by the BoM. As at 30 June 2021, MCB's allowances for credit impairment computed under accounting standard was higher than under the prudential provisioning norm. Hence, the entire incurred loss amount computed under the accounting standard was treated as an expense in the statement of profit or loss account.

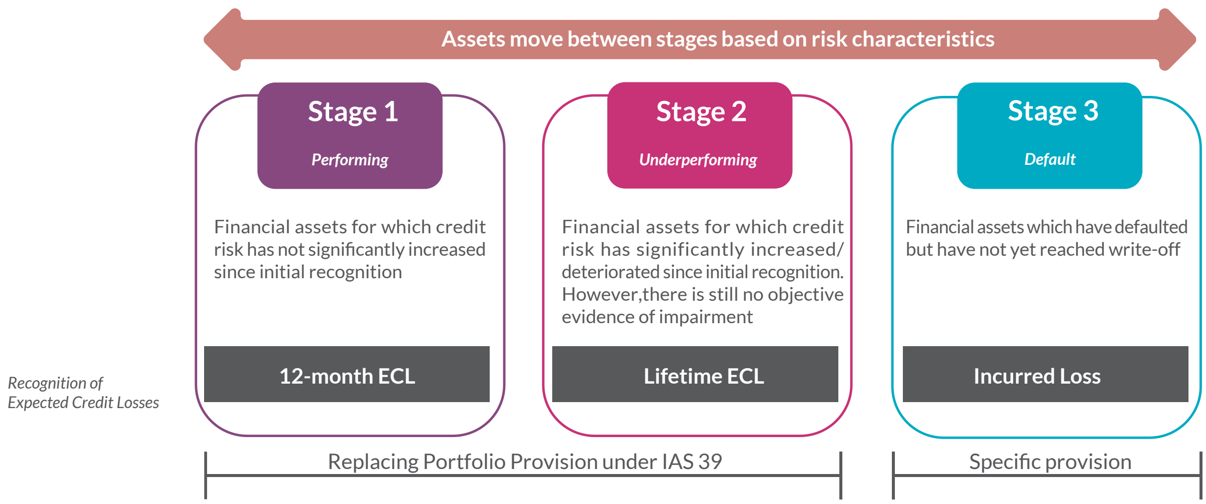
- While MCB continues to adhere to key principles therein, it is worth noting that BoM has put on hold the Guideline on Credit Impairment Measurement and Income Recognition as part of support measures to allow commercial banks continue assisting enterprises facing cash flow and working capital difficulties in the context of COVID-19.

Adherence to IFRS 9 requirements

- In measuring Expected Credit Losses (ECL), three main parameters are considered and estimated, namely: (i) Probability of Default (PD), which represents the likelihood of a default event occurring; (ii) Loss Given Default (LGD), which denotes the estimated losses in the event that a default event occurs; and (iii) Exposure at Default (EAD), which reflects the exposure at risk at a point of default. In addition, IFRS 9 requires that allowance be made of forward-looking information in the calculation of ECL, taking into consideration past, actual and future insights on customer behaviours and macroeconomic indicators.

- A three-stage approach to the impairment calculation of financial assets is applied under IFRS 9. To determine the staging status of the asset, IFRS 9 requires an assessment of whether or not there has been a significant increase in credit risk since initial recognition. This dictates the basis on which its ECL is calculated, as illustrated below.

Our staged approach



- In determining whether there has been significant increase in credit risk or credit deterioration, an entity considers reasonable and supportable information that is relevant and available without undue cost or effort. At MCB, quantitative and qualitative information are taken into account, based on the Bank's 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.

- MCB segmented its financial assets into nine portfolios for ECL calculation, which are described as follows: (i) Retail: housing loans, other secured loans, unsecured and revolving facilities, SMEs; and (ii) Wholesale: corporate, financial institution, sovereign, project finance, and Energy & Commodities.

  - **Retail:** PD, LGD and EAD parameters are calculated on a portfolio-based approach, i.e. facilities having homogeneous characteristics are assumed to have similar risk behaviours and can reasonably be assigned same parameter values.

  - **Wholesale:** MCB uses a combination of internal models and external benchmarking for the calculation of PDs, LGDs and EADs. Internal historical default rates and losses have been used to calibrate PDs and LGDs respectively. For portfolios where MCB has historically experienced low or no default, external benchmarking has been used for calibrating corresponding ECL parameters. Of note, PDs leverage ratings model for all wholesale portfolios, which is mapped to an Internal Master Rating Scale. As for EAD calculation, either amortisation schedules or historical data and regulatory credit conversion factors have been used as EAD ratios.

Risk and capital management report

Formulation of the Bank's Expected Credit Losses for FY 2020/21

Reflecting the proactive and prudent approach being endorsed by the Bank to hold adequate provisioning levels in light of the potential impact of the pandemic on our business activities and in view of the still uncertain operating environment, MCB further increased its ECL during FY 2020/21, underpinned by informed analyses, conservative assumptions and modelling exercises.

Our retail portfolio

With a view to providing an additional buffer for further risk mitigation and maintaining an adequate coverage ratio, we applied an additional overlay on our retail portfolio for each quarter.

Our wholesale portfolio

For each quarterly assessment and in light of the prevailing conditions, the Bank conducted an in-depth individual analysis of clients with an exposure amount of Rs 100 million or more. The outcomes were reflected, where deemed necessary and appropriate, in the clients' internal ratings (and thus in their 12-month Probability of Default) by means of rating overlays. In some cases, where we judged that the staging of the client was not reflective of the significance of the increase in credit risk, we proceeded with staging overlays (i.e. moving some clients of Stage 1 to Stage 2).

Quarter to	September 2020	December 2020	March 2021	June 2021
Additional ECL for the quarter	+Rs 811 million	+Rs 750 million	+Rs 551 million	+Rs 587 million
Total ECL	Rs 6,570 m	Rs 7,319 m	Rs 7,871 m	Rs 8,458 m

Total additional ECL for FY 2020/21 : Rs 2,699 million

Notes:
(i) Figures may not add up to totals due to rounding
(ii) Figures include investments fair valued through other comprehensive income

Provisions as at 30 June 2020

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	48,527	135,981	53,271	8,905	135,728	76,857
Expected Credit Losses	427	1,220	45	199	29	111
Coverage ratio (%)	0.9	0.9	0.1	2.2	0.0	0.1
Stage 2						
Exposures	1,733	26,465	0	241	0	6,647
Expected Credit Losses	357	3,093	0	45	0	224
Coverage ratio (%)	20.6	11.7	-	18.7	-	3.4
Stage 3						
Exposures	2,340	5,826	0	57	0	1,489
Incurred losses	554	2,156	0	5	0	281
Coverage ratio (%)	23.7	37.0	-	8.8	-	18.9

Provisions as at 30 June 2021

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institutions	Project finance	Sovereign	Energy & Commodities
	Rs m	*Rs m*	*Rs m*	*Rs m*	*Rs m*	*Rs m*
Stage 1						
Exposures	49,870	145,436	131,252	8,380	170,653	130,152
Expected Credit Losses	220	2,442	319	299	38	312
Coverage ratio (%)	0.4	1.7	0.2	3.6	0.0	0.2
Stage 2						
Exposures	874	27,889	0	0	0	6,946
Expected Credit Losses	475	3,871	0	0	0	473
Coverage ratio (%)	54.3	13.9	0	0	0	6.8
Stage 3						
Exposures	1,912	6,417	3	295	128	1,014
Incurred losses	575	2,326	1	253	3	626
Coverage ratio (%)	30.1	36.2	33.3	85.8	2.3	61.7

Notes:

(i) Figures may not add up to totals due to rounding

(ii) Stage 1 comprises both on- and off-balance sheet exposures while stages 2 and 3 comprise only on-balance sheet exposures

(iii) Incurred losses do not include interest in suspense on loans and overdrafts

(iv) Figures exclude investments fair valued through other comprehensive income

Risk and capital management report

Concentration risk management

- The Bank promotes the diversification of its lending portfolio by setting industry sector limits based on forecasts spanning a five-year horizon with a view to ensuring that its performance is not negatively impacted by a large sectoral exposure default.

- Regular stress tests are performed on the portfolio to ensure that the Bank holds sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers. The Bank limits credit risk exposures and concentrations within the constraints of its Tier 1 capital, while complying with applicable regulatory instructions.

- In FY 2020/21, we continued to diversify our market footprint across segments and geographies, which helped us to remain well positioned in terms of credit concentration, remaining within regulatory limits.

Concentration of exposures

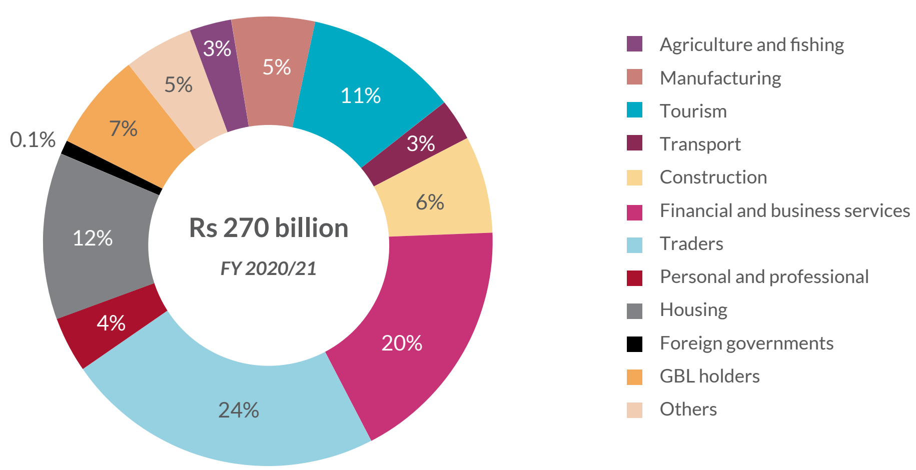
Bank of Mauritius Guideline on Credit Concentration Risk

Credit concentration limits (% of Bank's Tier 1 capital)	**Regulatory requirements**	**MCB Ltd 30 June 2021**
Aggregate credit exposure to any single customer	Not exceed 25%	17.9%
Aggregate credit exposure to any group of connected counterparties	Not exceed 40%	36.6%
Aggregate large credit exposures* to all customers and groups of connected counterparties	Not exceed 800%	382.3%

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

Gross exposure as at 30 June 2021	**Total gross exposure**	**Risk capital consumed**	***Risk capital consumed as a % of total credit risk capital***
	Rs bn	**Rs bn**	**%**
Top 5 customers / customer groups	70.1	6.6	13.1
Total large credit exposures	227.2	14.8	29.5

Sectorwise distribution of MCB's customer loan portfolio

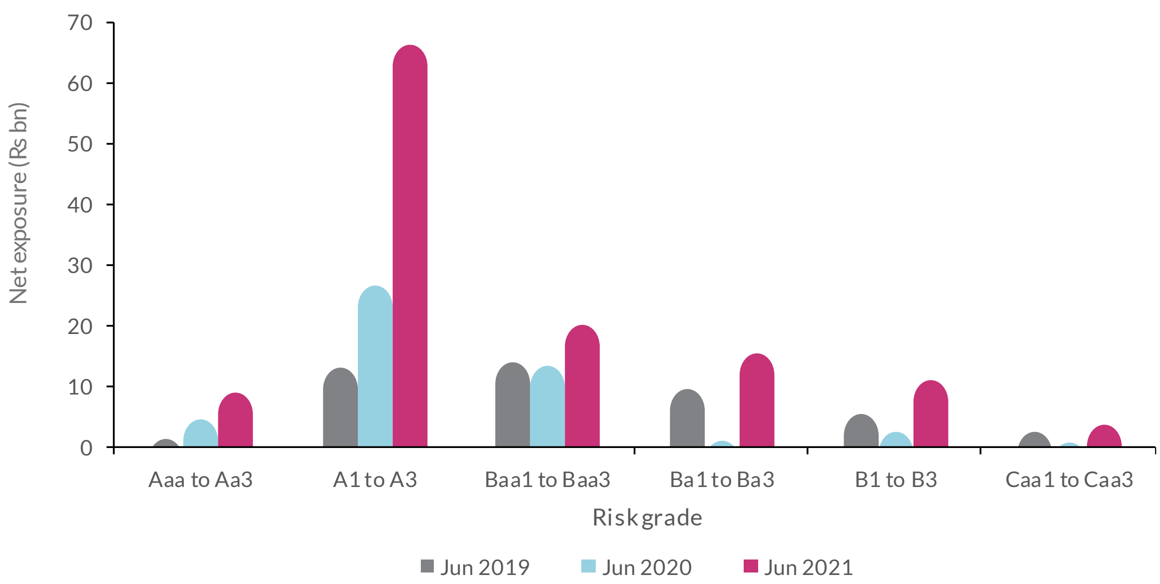


Asset quality

- In FY 2020/21, while being exposed to a highly challenging operating context, the Bank has preserved the general stability of its exposures, after making allowance for its disciplined market initiatives and dedicated measures taken to cope with the tough conditions witnessed across economic sectors. Our asset quality metrics decreased during the year, with gross NPL ratio standing at 3.2%, while net NPL ratio stood at 2.0%. The Bank's specific coverage ratio stood at 40.2%. The remaining portion is more than adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time. The breakdown of provisions by stages 1, 2 and 3 and industry sectors is provided in Note 6(b) of the Financial Statements.

Risk profile of exposures

Bank risk exposures



Notes:

i. Risk exposures to banks relate to placements, advances and financial guarantees

ii. For each bank, the worst of the ratings assigned by Moody's Investor Service, Standard & Poor's and Fitch Ratings was selected and converted into a Moody's equivalent rating; banks unrated by the above rating agencies have been assigned a rating determined by our in-house models

Quality of exposures

June 2021	Non-performing loans (NPLs)		Specific provisions	
MCB Ltd	Rs m	*% of exposures*	Rs m	*% of NPLs*
Loans to customers	**9,769**	***3.6***	**5,630**	***40.4***
Agriculture and fishing	1,164	*17.2*	1,181	*50.5*
Manufacturing	497	*3.9*	278	*43.6*
of which EPZ	*158*	*7.8*	*138*	*74.1*
Tourism	694	*2.3*	136	*18.6*
Transport	72	*0.9*	64	*55.2*
Construction *(including property development)*	1,249	*7.3*	851	*44.4*
Financial and business services	1,079	*2.1*	703	*37.4*
Traders	1,653	*2.6*	1,267	*65.8*
Personal and professional	1,354	*3.1*	540	*30.4*
of which credit cards	*21*	*2.7*	*18*	*85.7*
of which housing	*797*	*2.5*	*260*	*26.1*
Global Business Licence holders	1,809	*9.2*	568	*26.6*
Others	198	*1.3*	42	*18.8*
Corporate notes	**0**	-	**0**	-
Investments fair valued through other comprehensive income	**101**	***100.0***	**13**	***12.9***
Loans to banks	**1**	-	**2**	***200.0***
Total	**9,871**	***3.2***	**5,645**	***40.2***

Notes:
i. For the computation of asset quality ratios, total exposure include corporate notes and exclude interest in suspense on loans
ii. Figures may not add up to totals due to rounding

COVID-19 moratorium on loans

- In response to COVID-19 and its wide-ranging ramifications on economic operators, in line with Bank of Mauritius support measures, MCB provided moratorium on loans in respect of capital repayment as well as interest payment with a view to alleviating our customers' financial burden and helping them sustain their activities. Such support measures were provided to fundamentally sound business models that are experiencing temporary difficulties with the aim of maximising the customers' repayment ability. With respect to its retail portfolio, the Bank has established clear criteria to determine customers' eligibility. Regular reviews of the client's situation are also undertaken to ensure they remain going concern. It is worth noting that injection of quasi-equity by the Mauritius Investment Corporation in, *inter alia*, systemic domestic operators has enabled us to extend such measures.

- The initial granting of customer relief or an extension thereof do not automatically trigger a migration to Stage 2 or 3. However, information provided by payment deferrals is considered as part of reasonable and supportable information to assess whether there has been a significant increase in credit risk to identify exposures for which lifetime ECL is appropriate. The key accounting and credit risk judgment to ascertain whether a significant increase in credit risk has occurred is whether the economic effects of the COVID-19 outbreak on the customer are likely to be temporary and whether the financial difficulties faced by the customers are inconsistent with those classified under Stage 3.

As at 31 December 2020

Rs 40.2 bn of loans under moratorium

Representing **15%** of the Bank's loan book

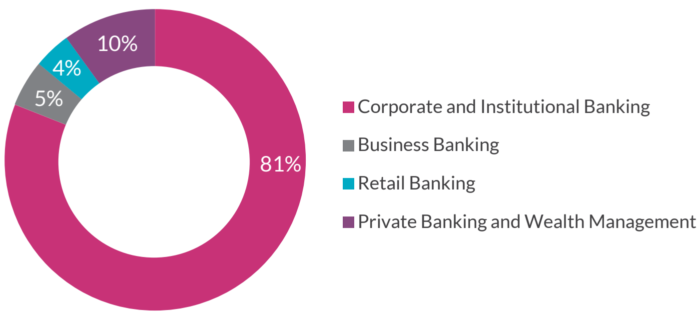
As at 30 June 2021

Rs 26.3 bn of loans under moratorium

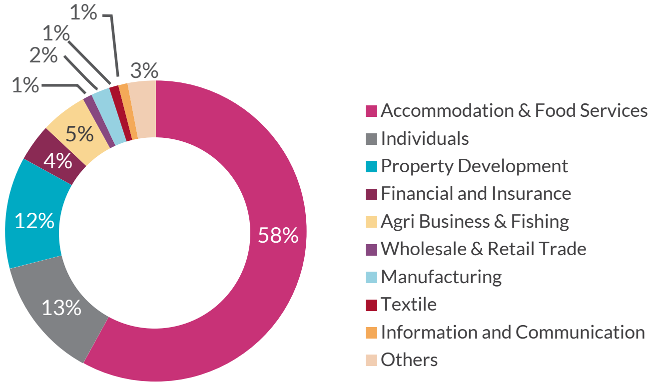
Representing **9%** of the Bank's loan book

Distribution of active moratoriums

By lines of business



By sector



Risk and capital management report

Country risk

General approach

- The Bank applies a coherent and comprehensive approach and framework to formulate its risk tolerance and determine exposures assigned to markets, alongside adhering to the Bank of Mauritius Guideline on Country Risk Management and the Guideline on Cross-Border Exposure.

- The RMC is entrusted with the task of evaluating risks and opportunities relating to setting and reviewing the country risk framework and country risk appetite parameters. The RMC meets at least quarterly to monitor the performance of the Bank's cross-border exposures, including compliance with the risk appetite, risk limits, overall requirements set out in the framework on cross-border exposure.

- With a view to fostering sound country risk management, we lay emphasis on the following: (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 specialised people handling complex deals), backed by the application of a series of risk mitigants and robust methodologies.

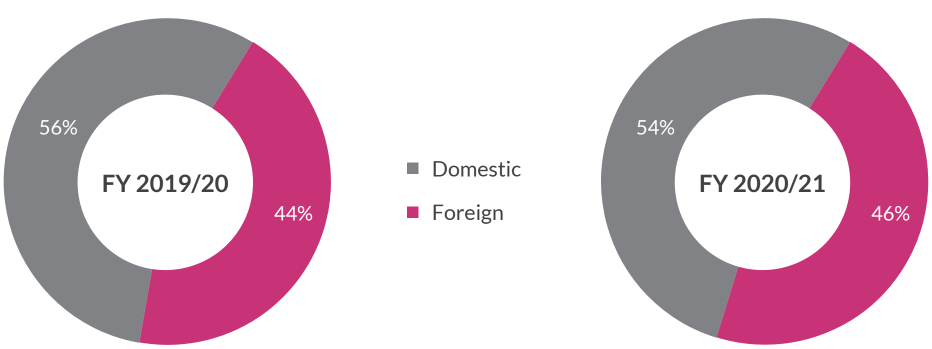
Risk measurement and monitoring

- MCB articulates a cogent risk appetite framework, with business units guided by clearly-established parameters and limits to assist them tap into markets. Target risk profiles are set at Bank level as well as for each portfolio and are complemented by target maturity profiles, consequently ensuring that its credit exposure portfolio is at all times balanced in terms of its risk profile.

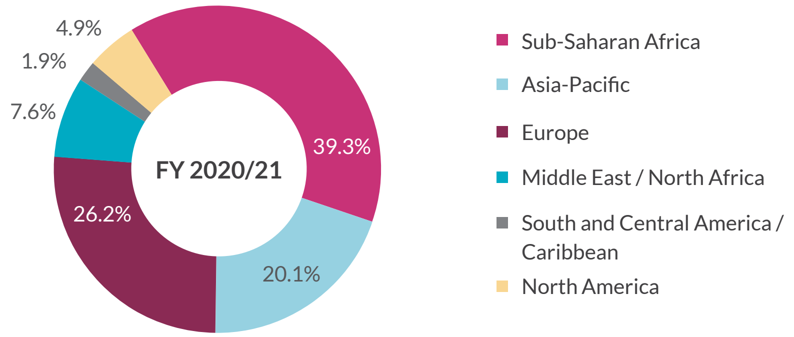
- We carefully monitor country risk events, including macroeconomic developments, sovereign credit worthiness, and specific occurrences such as social unrest, nationalisation and expropriation of assets, foreign exchange controls and currency depreciation/devaluation. Foreign country exposure limits are set by the Bank on the basis of: (i) its current exposures and growth ambitions; (ii) assigned capital for international exposures; (iii) the prevailing economic and market environments and sizes of economies under review; (iv) sovereign ratings; (v) its areas of expertise as far as its business involvement is concerned; and (vi) its knowledge of the economies. The Bank ensures the proactive monitoring of country risk exposures against country limits and sub-limits that have been set, while promptly reviewing such levels in case of unexpected events. MCB established a list of 'priority countries' to focus on appealing business opportunities identified therein. The Bank also set up a list of 'restricted countries'. No limits are established for the latter countries, with activities only conducted with approval of the Risk Monitoring Committee.

Diversification of exposures

Distribution of MCB 's customer loan portfolio

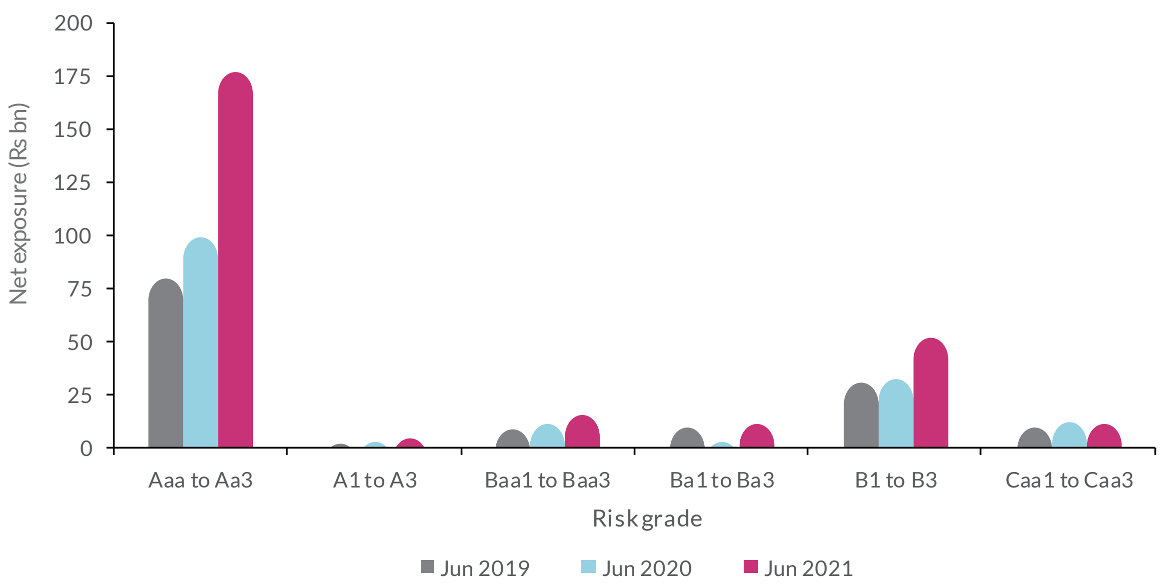


Total risk-weighted exposures by region
(Excluding Mauritius)



Risk profile of exposures

Country risk exposures



Note: 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 risk

General approach

- The market risk management approach and framework of the Bank 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 and liquidity risks.

- The Market Risk Policy purview covers both the trading and banking books. In line with relevant guidelines, the Policy ensures that market risk origination, settlement and control are appropriately segregated and that liquidity risk oversight is conducted independently of the risk-taking units. Of note, the Policy ensures that the broad principles set out in the FX Global Code, a set of global principles of good practice developed to promote the integrity and effective functioning of the wholesale foreign exchange market, are complied with.

- The Market Risk BU undertakes the monitoring and management of market risks, while providing financial position and risk analysis information to the Asset and Liability Committee (ALCO) and RMC. The RMC meets at least quarterly and on an ad-hoc basis when required and reviews a summary of market risk and liquidity risk exposures and metrics, while assessing regulatory and other developments affecting the Bank.

Risk measurement and management

Interest rate risk

- MCB is mainly exposed to repricing risk in its banking book 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 Bank monitors the resulting mismatch 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.

- The Bank also incurs interest rate risk in the trading book by virtue of: (i) its primary dealership status in the local Government and/or BoM securities market; (ii) its trading positions in international fixed income securities; and (iii) the holding of net open positions in derivatives that are subject to daily fluctuation in rates and yields. To constrain its exposure to interest rate risk in the trading book, the Bank resorts to hedging techniques or ensures that certain exposures are conducted on a back-to-back basis. It also sets several sensitivity limits on outstanding positions. Basically, the limit, which is a measure of the impact of price volatility on portfolio value, aims at limiting the loss in dollar terms of a parallel upward shift of one basis point in applicable interest rates. Such sensitivity limits are calculated by an engine on both the exposure and its hedge, and monitored by the Market Risk BU.

- To improve on its monitoring of trading risk, the Market Risk BU also leverages on its Product Control function to monitor the daily 'Profit or Loss' changes arising on both realised and open positions with the ultimate objective of limiting downside exposure.

Foreign exchange risk

- MCB 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 the Bank's assets and liabilities. The risk to which it is exposed can also be viewed from an off-balance sheet angle, i.e. through the Bank's outstanding positions, mainly in respect of its forward foreign exchange positions.

- Exposure to FX risk is monitored against both the regulatory limit and an internal target (which is set against tier 1 capital). In addition, the Bank determines prudential trading, transactional and daily stop-loss limits. The latter are reviewed annually and are set at individual desk and trader levels. The limits are system-embedded, with automatic email alerts launched to notify of any breaches on a real-time basis to designated personnel in both the trading and risk business units. We conduct Value-at-Risk analyses linked to our main foreign exchange risk positions. We use a historical observation period of one year, with a 99% one-tailed confidence interval and a holding period of 10 days.

Liquidity and funding risk

- Liquidity and funding fall under the oversight of ALCO and is actively managed through a robust ecosystem comprising of the Risk, Finance and Global Markets and Treasury Management functions. The Bank manages the liquidity profile of its balance sheet through both short-term liquidity management and long term strategic funding, focusing on both local and foreign currencies, and addressing both Business As Usual (BAU) and stressed conditions. To this end, it sets internal targets on key regulatory measures such as the LCR at currency level, whilst it monitors other ratios and 'Early Warning Indicators' to assess its liquidity situation.

Cash flow management

- MCB creates a time ladder of continuous assets and liabilities cashflows, while avoiding undue accumulation of cashflows in any time segment, especially those expected to fall due in the close future.
- The Bank uses cash and liquidity gap profiles in both local and significant foreign currencies to monitor the impact of projected disbursements by lines of business.
- It also conducts the behavioural analysis of its non-maturity current and savings balances so as to assign an actuarial maturity profile which reflects the stickiness of such account balances.

Liquid assets buffer management

- The Bank holds a stock of high quality and unencumbered assets that it can rapidly dispose of should the need arise. The aim is to meet unexpected outflows of funds or substitute expected inflows of funds (such as loan instalments) that do not eventually materialise at little or no loss in market value.
- The stock of liquid assets is proactively managed to cover day-to-day cash management as well as to 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, credit risk weighting and taking into account the low returns typically associated with the cost of holding these highly liquid assets.

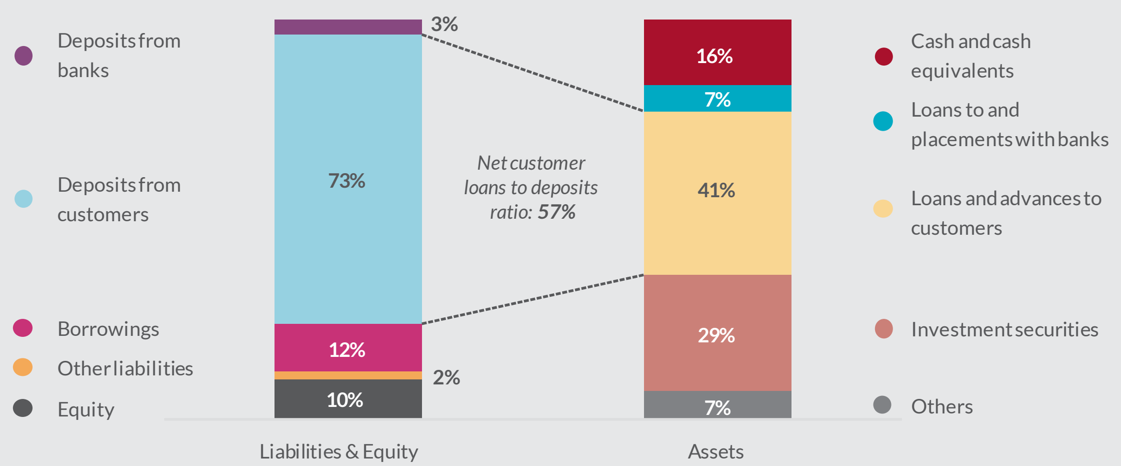
Funding risk management

- While it pursues its efforts to mobilise FCY deposits as a primary and relatively stable source of funding, the Bank remains committed to continuously optimising and diversifying its short and medium-term funding profile. Alongside exercising close scrutiny of market developments and investor sentiment, we are committed to entering international wholesale markets whenever required, while capitalising on our technical experiences as well as the relationships developed by dedicated teams dealing with financial institutions and banks. Ultimately, the key consideration for the Bank is to diligently manage and diversify the funding and maturity profile of its balance sheet in order to ensure that it can successfully deploy its strategic endeavours over the short and longer runs.

Risk and capital management report

During the period under review, MCB has upheld a good funding buffer in the form of placements from banks, trade loans and repurchasing agreements. The Bank also exercised the option to extend for one year as from March 2021 USD 560 million of Tranche B of its existing syndicated loan facility. Conscious of the March 2022 maturity of the extension option and as part of our liability management strategy, we engaged with the international wholesale markets to continue to optimise our funding profile, both in terms of refinancing existing obligations and funding our asset growth. Despite the uncertain market conditions, this new syndication was particularly successful, receiving in excess of USD 1.6 billion commitments from some 30 lenders. This testifies to our strong appeal to foreign investors, the recognition of our investment-grade credit worthiness and lenders' confidence in our strong fundamentals and international growth prospects. In September 2021, the Bank closed this syndication at USD 1 billion with the Dual Tranche Syndicated Facility comprising of two tranches, with Tranche A having a tenor of 2 years and Tranche B having a tenor of 3 years.

Asset funding structure



Counterparty credit risk

- Within the context of trading activities, counterparty credit risk is the risk that arises if a counterparty to a financial contract defaults before the contract expires. Given that the future value of the over-the-counter derivatives portfolio is uncertain and changes as a function of market factors such as interest rates or exchange rates, the counterparty risk exposure dynamically varies over the lifetime of the portfolio. MCB actively manages this type of risk by setting settlement, tenor and valuation limits as well as through the execution of formal international market agreements such as those governed by the International Swaps and Derivatives Association and International Security Management Association. It also performs collateral margin calls in accordance with European Market Infrastructure Regulation, while determining whether the value of the outstanding exposures is within MCB's or the counterparty's favour.

Liquidity and funding position

Liquidity Coverage Ratio (LCR)

- In alignment with Basel III rules, the objective of the LCR is to promote the short-term resilience of a bank to liquidity shocks by ensuring that it maintains an adequate reserve of unencumbered High Quality Liquid Assets (HQLA) in order to survive a period of significant liquidity stress lasting 30 calendar days. As per regulatory stipulations in the Mauritian banking system, the LCR is computed as the ratio of the stock of unencumbered HQLA to the net cash outflows over the next 30 days in the event of an acute liquidity stress scenario. Under the transitional arrangements set by the BoM, the minimum regulatory ratio rose to 100% as from 31 January 2020 for MUR, material foreign currencies and consolidated LCR. To denote the dynamic nature of liquidity, the reporting timeframe was also increased since July 2019 from month-end to fortnightly basis. Furthermore, effective September 2020, the Guideline was revised to incorporate changes with regard to transitory deposits, committed facilities in foreign currency provided by the Bank of Mauritius and to include that banks shall immediately notify the Bank of Mauritius of the use of HQLA denominated in major currencies that are freely convertible, transferable and actively traded in global foreign exchange markets to cover liquidity needs in other such major currencies.

- As at 30 June 2021, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 322%, which is equivalent to a surplus of some Rs 79 billion over stressed total net cash outflows. At currency level, we 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 146% as at 30 June 2021. It can be noted that HQLA eligible for the purpose of calculating the LCR as per set rules consists of cash or assets that can be converted into cash at little or no loss of value in markets. In this light, MCB maintained suitable levels of investment in sovereign, high-quality corporate and cash liquid assets.

MCB Ltd: Liquidity Coverage Ratio

As at 30 June 2021	Total unweighted value (quarterly average of monthly observations)	Total weighted value (quarterly average of monthly observations)
	Rs m	Rs m
High-Quality Liquid Assets		
Total High-Quality Liquid Assets (HQLA)	114,804	114,804
Cash outflows		
Retail deposits and deposits from small business customers, of which		
Less stable deposits	*219,519*	*20,536*
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	*14,358*	*3,589*
Non-operational deposits (all counterparties)	*202,209*	*90,264*
Secured wholesale funding		
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	*16,244*	*16,244*
Credit and liquidity facilities	*9,360*	*796*
Other contractual funding obligations	364	364
Other contingent funding obligations	119,995	6,000
Total cash outflows	**582,048**	**137,793**
Cash inflows		
Inflows from fully performing exposures	128,732	99,213
Other cash inflows	16,278	16,278
Total cash inflows	**145,009**	**115,490**
		Total adjusted value
		Rs m
Total HQLA		**114,804**
Total net cash outflows		**35,646**
Liquidity Coverage Ratio (%)		**322%**

Net Stable Funding Ratio (NSFR)

- Under Basel III, the NSFR aims to promote the resilience of a bank over a longer time horizon by requiring the latter to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities so as to mitigate any future funding stress. The NSFR effectively recognises a bank's maturity transformation role in the credit creation and resource allocation process. It seeks to limit the bank's overreliance on short-term wholesale funding or the running of large funding gaps meant to sustain rapid balance sheet growth.
- Though not yet a regulatory standard in Mauritius, MCB regularly monitors its performance in terms of NSFR, which requires an amount of available stable funding to be maintained in relation to required stable funding. As at 30 June 2021, MCB Ltd reported an NSFR of 133%, which exceeds the minimum level recommended by Basel III, itself set to at least 100% on an ongoing basis.

Operational risk

General approach

- Our operational risk management approach is governed by regulatory requirements, including the Bank of Mauritius Guideline on Operational Risk Management and Capital Adequacy Determination.
- The Operational Risk Policy of MCB formulates the principles and methodologies for the management of operational risk at the Bank. It sets out a framework which is aligned with advocated rules and norms on the local and international fronts, best practices and standards, while setting out the relevant roles and responsibilities within the Bank. The responsibility for implementing the Operational Risk Management Framework is entrusted to Senior Management.

Risk measurement and monitoring

- The determination of the Bank's risk exposures is anchored on the regular review of the operational risks inherent in people, internal processes, client solutions and external factors, with monitoring thereof performed against risk tolerance limits. MCB applies the Alternative Standardised Approach for calculating and reporting its operational risk capital charge.
- Information on operational risk events is recorded in a centralised database, which enables systematic root cause and trend analysis for necessary corrective actions.

Risk mitigation and management

- The Operational Risk BU is responsible for the identification, assessment and management of related risks. Nonetheless, it should be noted that operational risk management is not just a function of the Operational Risk BU but forms part of the day-to-day responsibilities of Senior Management and employees.
- 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 an appropriate risk culture, which is fostered through risk awareness sessions targeting relevant audiences. An overview of both operational risk and Business Continuity Management is provided to new staff at the onset of their career through induction courses. The Operational Risk Management Framework relies on three primary lines of control, as shown in the following illustration.

Primary lines of control

Risk ownership	Risk control	Independent assurance
Business units	**Audit Committee/IORC/ Operational Risk BU**	**Internal/External Audit**
• Implement internal control procedures • Identify inherent risks in products, activities, processes and systems • Initiate actions and apply mitigation strategies • Report risk incidents	• Oversee the implementation of policy • Implement integrated risk framework • Report on inherent and residual risks • Monitor corrective actions • Promote operational risk culture across the Bank	• Verify the effectiveness of the overall operational risk framework

- Operational risks are managed in a timely and effective manner through adherence to good practices for the prompt identification of risk incidents, the initiation of appropriate remedial actions and reporting of such incidents to the Operational Risk BU. The Operational Risk Cartography is leveraged for the assessment of operational risks and relevant controls and caters for risk transfer, with the latter being, to some extent, executed through insurance or outsourcing of non-banking activities where appropriate.

Health and Safety

- The Bank seeks to provide the highest standards of safety and health throughout all its business activities and on all MCB premises. Towards this end, it complies with the provisions of relevant legislations, namely the Occupational Safety and Health Act (OSHA) and other associated laws and regulations. Risk control measures are implemented through safety and health audits carried out during on-site inspection, 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 (hazard identification). The audits also seek to determine the appropriate ways to eliminate such hazards in order to protect our staff and visitors. Each Head of BU and SBU, and each BU Manager is responsible for ensuring that the safety and health of employees are not compromised at any time.

- Amidst the pandemic, MCB promptly deployed effective control measures and stringent sanitary protocols on all its premises, in order to safeguard the safety and health of all employees and visitors. These control measures contributed to control the transmission of the COVID-19 virus in the community at large. In addition, the Bank has facilitated the vaccination exercise to encourage employees to get vaccinated so as to protect themselves as well as their colleagues and people in their surroundings.

Risk and capital management report

Business Continuity Management (BCM)

General approach

- MCB adopts a robust and proactive approach to Business Continuity Management to ensure that it continues to conduct its operations and deliver products and services in case of unforeseen events or business disruptions at acceptable pre-defined levels.

- The Bank aims to minimise the potential damage that such disruptions can cause to people and business activities, while setting forward to safeguard its reputation and the interests of key stakeholders by effectively planning for and responding to incidents.

Framework and initiatives

- The Bank's Business Continuity Management framework is encapsulated in its BCM Policy. The latter outlines 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 at the Bank, the BCM framework is centrally coordinated and controlled by the Risk SBU, in collaboration with relevant support functions. A dedicated Crisis Management Team consisting of key members of Leadership Team shoulders central command during a crisis. Individual SBUs and BUs, 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.

- With the outbreak of the COVID-19 virus in Mauritius, the Bank's operational preparedness levels were put to test. Our Pandemic Preparedness Plan was activated, with key initiatives successfully executed to ensure continuity of activities during these uncertain times. Actions deployed also helped to safeguard the safety and health of employees and clients, backed by: (i) guidance and direction of the Crisis Management Team, with support from dedicated crisis-related tactical and operational teams; and (ii) the dissemination of clear procedures and guidelines to ensure compliance by relevant parties and stakeholders. A Bank-wide awareness campaign on MCB's response in case of onsite contamination was launched to ensure all employees are well-versed with the emergency protocols to be applied in such situations.

- The unexpected disruption brought by COVID-19 required agility, cross-functional expertise and leadership for bold and prompt response. Lessons learnt from the pandemic triggered an in-depth review of MCB's existing BCM and crisis management framework and strategies. The Bank's crisis communication strategy was further enhanced with the deployment of an online emergency mass notification system to ensure ongoing communication and coordination with staff.

- The annual Disaster Recovery (DR) simulation performed once again confirmed the Bank's resilience in the event of technological failures, requiring a failover to the Bank's DR site.

Permanent Supervision

General approach

- The Bank is committed to effectively supervising transactions and processes embedded in its regular activities, backed by adequate control mechanisms and procedures. The Bank's permanent supervision and internal control framework is governed by rules and standards prevailing domestically and abroad, notably (i) regulatory requirements such as the BoM Guideline on Maintenance of Accounting and Other Records and Internal Control Systems; (ii) guidance provided and principles formulated by the Committee of Sponsoring Organisation of the Treadway Commission, a US private sector organisations joint initiative to combat corporate fraud; and (iii) relevant Basel requirements.

- As part of the Permanent Supervision framework which ensures that critical controls are effectively performed, the dedicated team of Risk & Control Executives (formerly known as Business Risk Correspondents) across key SBUs regularly report the main risks and control events observed to the Risk SBU, while ensuring timely escalation of findings to Heads of host SBUs, the IORC and the Audit Committee as appropriate. Of note, with a view to further enhancing the risk management and control framework, the span of Risk & Control Executives is being broadened to cover all the major activities of the Bank, including support functions as well as non-financial risks (information risk, including cyber risk, and compliance risk).

Risk and control measurement and management

- The Bank 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. The information on operational control events is recorded in a centralised database, which enables systematic root cause and trend analysis for necessary corrective actions.

- Internal Control forms part of the day-to-day responsibilities of Senior Management and all employees. 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 internal control mechanism relies on appropriate processes and systems, backed by clear segregation of duties, dual control as well as regular verification and reconciliation of transactions. The control environment is based on an appropriate risk culture, fostered through risk awareness sessions targeting relevant audiences. 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.

- During the period under view, actions have been taken by the Bank to further improve the application of the internal control framework and relevant processes across the organisation. With the advent of the COVID-19 pandemic, the operational processes were reviewed to adjust to Work From Home conditions and realities, with adequate controls defined to monitor whether new procedures are being adhered to. Furthermore, dedicated awareness sessions have been conducted to enhance our staff's social engineering awareness with a view to enabling them properly and promptly recognise and react to social engineering attacks.

Information risk

General approach

- MCB adopts a dedicated approach to uphold its information security and ensures that it is prepared to respond in a timely and effective manner to cyber-attacks if they occur and to threats to its information assets. The Bank conducts regular assessments to identify threats that can potentially harm its assets, with adequate mitigating controls deployed.

- Importantly, the Bank has taken the necessary steps to ensure compliance with the requirements of the Data Protection Act (DPA) as well as the European Union's General Data Protection Regulation (GDPR).

Risk mitigation and management

- The Information Risk Management BU (IRM) is responsible for developing and maintaining information security policies, in line with the evolving operating landscape as well as requirements set by the 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. IRM's findings, recommendations and assessments are regularly reported to various Executive committees and the Audit Committee, with an emphasis on cyber security and data protection matters.

Risk and capital management report

Recent initiatives

- The Bank deployed several initiatives to uphold the robustness of its information risk and privacy framework:
  - o Security events monitoring and response capabilities have been enhanced, notably through the deployment of our Security Operations Centre (SOC)
  - o The Bank's critical infrastructure (which includes customer-facing applications) has been independently tested and assessed from a cyber security perspective
  - o Various actions, including running security awareness sessions, have been taken to enhance our staff's cyber security awareness, with a focus on social engineering
  - o Our 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
  - o The set of critical controls underpinning our cyber security resilience is being continuously monitored, and our cyber incident response framework has been reviewed
  - o General awareness on data privacy matters has been enhanced, with particular attention paid to ensure that privacy and security by design concepts become embedded within the Bank's culture
  - o Compliance to 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
  - o Our risk assessment framework and information security management systems and processes were upgraded to foster alignment with internationally-recognised standards

Compliance risk

General approach

- MCB ensures that the organisation and its staff adhere, at all times, to both the letter and spirit of applicable laws, rules and regulations, generally accepted business and industry standards, as well as advocated norms and codes.

- The Bank promotes a compliance-oriented culture with a view to supporting business lines in delivering fair outcomes for customers and preserving the Bank's reputation, while helping to achieve business development objectives.

Risk mitigation and management

- Fundamentally, the Bank seeks to ensure that its core values and standards of professional conduct are maintained at every level and within all its activities and operations. Towards this end and in addition to complying with relevant external norms and requirements, we adhere to our own policies, including those related to our ethical standards. We adopt dedicated systems and processes so as to properly identify and mitigate any risks of non-compliance while ensuring that we are sufficiently equipped in order to live up to the increasingly stringent regulatory environment and effectively cope with greater scrutiny by regulators and law enforcement authorities. To guarantee that our objectives are met in a consistent and judicious manner, we perform regular monitoring exercises, to ensure compliance with policies and procedures and ascertain that controls are operating in a sound way.

Core principles guiding compliance risk management at the Bank

- Paying continuous attention to and undertaking regular reviews of ongoing developments as regard laws and regulations, accurately understanding their impact and coming up with necessary responses so that the Bank can effectively address the risks arising from such changes
- Fostering a coherent compliance control mechanism within the Bank to pave the way for standardised processes and operations
- Maintaining a set of policies to promote strong ethical behaviour by staff as well as to prevent and manage conflicts of interests
- Promoting the awareness of Management and staff on requirements arising out of new/amendments to laws and regulations and other compliance-related matters
- Providing adequate training to the Compliance Officers and to the Bank's employees to ensure that they have the necessary knowledge and skills to accomplish their duties
- Maintaining close working arrangements and communication with business lines through the dissemination of compliance-related information, provision of advisory services and delivery of dedicated training courses to staff
- 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 ML/TF related risks and assessing its residual likelihood and impact based on the controls in place – corrective measures are taken and monitored to minimise likelihood of the risks materialising
- With regard to our AML/CFT obligations, we ensure that the Bank has adequate processes, systems and controls to render its services inaccessible to criminals, including money launderers and terrorists or their financiers, while tracking down suspicious activities. We ensure that staff are given appropriate training to help them identify suspicious transactions. The Whistleblowing Framework at MCB is designed to assist employees deemed to have discovered malpractices or impropriety. In this light, the Bank has a 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.

Recent initiatives

- After making allowance for the testing operating conditions and the increasingly stringent domestic and global landscape as regard alignment with advocated rules, norms and standards, the Bank continues to gear up its overall compliance framework, while ensuring that adequate processes, systems and controls are in place to underpin the deployment of its activities.

- MCB bolstered its Compliance SBU by integrating the Anti-Money Laundering unit therein for enhanced synergies and coordinated actions to effectively manage related risk management.

- With regard to KYC/AML procedures in place at the Bank, relevant policies and guidelines for the monitoring of High Risk Customers are being reviewed. We improved the mechanisms underpinning handling of alerts relative to unusual behaviours and suspicious transactions. We carried out a number of system revamps, notably the upgrade of our Financial Crime Risk Management system with a view to generating more pertinent alerts, alongside taking the necessary measures to foster the smooth implementation of earmarked modules linked to Customer On-Boarding, KYC, Watch List and Payment Fraud. Likewise, the Safewatch tool used by the Bank for customer screening purposes has been upgraded, with the new version providing more effective functionalities. The Bank also set up tailor-made AML/CFT e-learning training modules for members of the Board, Leadership Team, front-liners and control staff. Dedicated initiatives are in place in order to further shore up the customer on-boarding policy and process, including (i) adoption of a risk-based approach for the screening, review and rating of customers at the on-boarding stage, while reviewing the Money Laundering/Terrorist Financing customer risk scoring methodology and enhancing the automation of the process; (ii) upgrading of applicable procedures by establishing an escalation route for approval of client on-boarding (depending on the risk profile) by on-boarding committees (namely Business On-boarding Committee and Executive On-boarding Committee).

- The Bank has embarked in an eKYC (electronic Know Your Customer) journey in its quest to digitalise and transform its processes to reduce paper based hurdles and ease the customer journey, whilst ensuring adherence to applicable AML/CFT requirements.

- With regard to adherence to policies and rules guiding our operations, the following can be noted: (i) setting up of an underlying Policy for the Formulation and Management of Policies, which shall assist in establishing and harmonising the governance and approach underpinning the development, approval, and publication process regarding policies endorsed by the Bank; and (ii) review of the Bank's Policy on Economic and Financial Sanctions, in line with new regulatory developments and requirements.

- The Compliance function spearheaded the Enterprise Wide Risk Assessment (EWRA) exercise to help the Bank identify gaps and opportunities for enhancements in its internal AML/CFT framework. EWRA, which is a regulatory requirement, aims at identifying the ML/TF risks to which the Bank is exposed per products, services, channels and segments, as well as determining the risk mitigation controls embedded in our AML/CFT programme and establishing the level of residual or unmitigated risks which remain for the Bank.

Risk assurance: Internal audit

General approach

- Embodying the third line of defence, the Internal Audit function represents and provides independent assurance of the effectiveness of Management's control of business activities (first line of defence) and of the control processes maintained by the Risk Framework Owners and Policy Owners (second line of defence). The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls.

- The Internal Audit plan is determined by a risk-based assessment methodology. The three-year plan is reviewed in depth annually using a structured risk and control assessment framework, through which the risk universe is re-assessed and the control effectiveness of each identified risk is assessed. Continuous adjustments are brought to the plan with a view to ensuring that emerging risks are being punctually addressed. Audit assignments are planned and executed on the basis of results derived from these assessments, with priority given to the coverage of areas posing higher risks and as required by regulators, whilst anchoring due agility to navigate a dynamic risk landscape, with the pandemic being a key example.

Strategy and initiatives

- The Bank's Internal Audit function gauges the quality of risk management by considering (i) the appropriateness and efficacy of the control set-up; and (ii) Management's sensitivity to risks and respect of rules of conduct and professional practice. The key pillars which the Internal Audit function relies upon to roll out a disciplined approach to evaluate and improve the effectiveness of risk management and control processes are: (i) implementation of regularly-updated audit work programmes; (ii) increased usage of data analytics; and (iii) streamlining of tasks, namely relating to preparation of reports and working papers and the follow-up of recommendations for improved operations and customer experience.

- A Quality Assurance and Improvement Programme (QAIP) is in place within the Internal Audit function. In line with leading practices, it covers all aspects of the audit activity and adheres to the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA). As part of the QAIP programme, external Quality Assessment Reviews (QAR) are carried out at least once every five years by qualified independent assessor(s). In 2018, an external assessor conducted an external quality assurance review on the Internal Audit function, which assessed the latter against the requirements of key professional and regulatory bodies governing the practice of internal audit. It was recognised that Internal Audit "Generally Conforms" – the highest rating attributable – to the requirements of these standards. These external assessments undertaken created favourable conditions for (i) the identification of opportunities to enhance the effectiveness of internal audit processes; and (ii) the reinforcement of the Internal Audit function's image and credibility.

- Operationally, the main outcomes of the Bank's audit assignments, including a risk-based grading of relevant issues, are submitted to relevant functional heads and Line Managers as well as to a standard distribution list comprising the Chief Executive Officer, Chief Operating Officer, Chief Risk Officer and Head of Compliance to ensure strong alignment of Management's expectations.

- To maintain its independence, the Internal Audit function reports to the Audit Committee on a quarterly basis on the adequacy of the function, including the structure & staffing, coverage and frequency of internal audit including Information Systems Audit. Also featuring on the agenda, are any significant findings and follow up thereon and the outcome of the internal audit reports relating to internal control weaknesses.

Risk and capital management report

Focus areas of the Internal Audit function

- The function endeavours towards keeping abreast of changes within the organisation and across markets while developing new set of skills and competences, notably in relation to domains such as analytics and application of quantitative methods. This is being achieved through (i) both in-house and outsourced training for technical and human skills required for quality delivery; and (ii) professionalising the function further with team members obtaining certifications from globally-recognised sources such as IIA's Certified Internal Auditor (CIA) or ISACA's Certified Information Systems Auditor (CISA).

- Building quality into the Bank's internal audit activity through the conduct of internal Quality Assurance Reviews (QAR) on a yearly basis to foster sustainable practices. In the same light, the Three Lines Model – which is an update of the Three Lines of Defence Model and is adopted by the Institute of Internal Auditors to help organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management – is earmarked for adoption by the Bank's Internal Audit function and gradual dissemination across the organisation, to create value and promote stakeholder interests.

- Upholding the risk culture by exercising regular and effective coordination, collaboration and communication with the Permanent Supervision, Operational and Information Risk cluster of the Risk SBU and the Compliance SBU in order to work towards consolidating risk, compliance and regulatory assurance, alongside maintaining the overall consistency and effectiveness of the internal control system.

- Applying quantitative methods to enhance the risk-based audit methodology while incorporating more effective evaluations at each stage of the audit lifecycle – namely risk assessment, planning, fieldwork and reporting – resulting in increased efficiency and nimbleness of the function.

- Based on its assessments, the Internal Audit function is presently not aware of any significant area of the Bank where there are inadequate internal controls. The function does not believe that there are deficiencies in internal controls that could give rise to risks that could eventually jeopardise the Bank's operations in a substantial way.

More information on the structure, organisation and qualifications of the key members of the internal audit function is available on the website

Capital management

Our objective

- Our underlying capital management objective, which is aligned with general directions determined at Group level, is to ensure that MCB has adequate capital resources to operate effectively, foster sustained business growth as well as preserve or enhance its credit ratings. We aim to maintain a comfortable capital position, which is consistent with the expectations and requirements of our multiple stakeholders, notably the regulators and other authorities, rating agencies, customers and correspondent banks.

- Backed by the adoption of a forward-looking approach and a sensible governance framework, we determine the level and composition of our capital after making allowance for a wide range factors. They include the Bank's strategic orientations, the legal and regulatory landscape, the industry environment and conditions prevailing across the economy and financial markets.

Our Internal Capital Adequacy Assessment Process

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. Our 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

Stress testing is a key risk management tool used by the Bank and is an integral part of our 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.
Forecasts are made over a three-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 the Bank to evaluate how it can maintain adequate capital under such scenarios.

Stress testing at MCB

Framework

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

Results

In FY 2020/21, the Bank conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on key metrics. Forecasts are usually made over a three-year horizon. However, exceptionally in the context of the COVID-19 pandemic, given that we were already in a stressed environment and due to the uncertainty on the recovery path of the global and local economy, we ran the stress scenarios over a one-year horizon. As such, we undertook a more thorough approach by defining 4 stress scenarios, as provided hereafter. 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, NFSR, 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 4 scenarios below based on the shape of the economic recovery.

Scenario 1	U shape with modest recovery starting second half of 2021
Scenario 2	U shape with longer bottom down period and recovery starting only second half 2022
Scenario 3	L shape with further depression in 2021
Scenario 4	L shape with further depression in 2021 and full lockdown as from Feb/Mar 2021

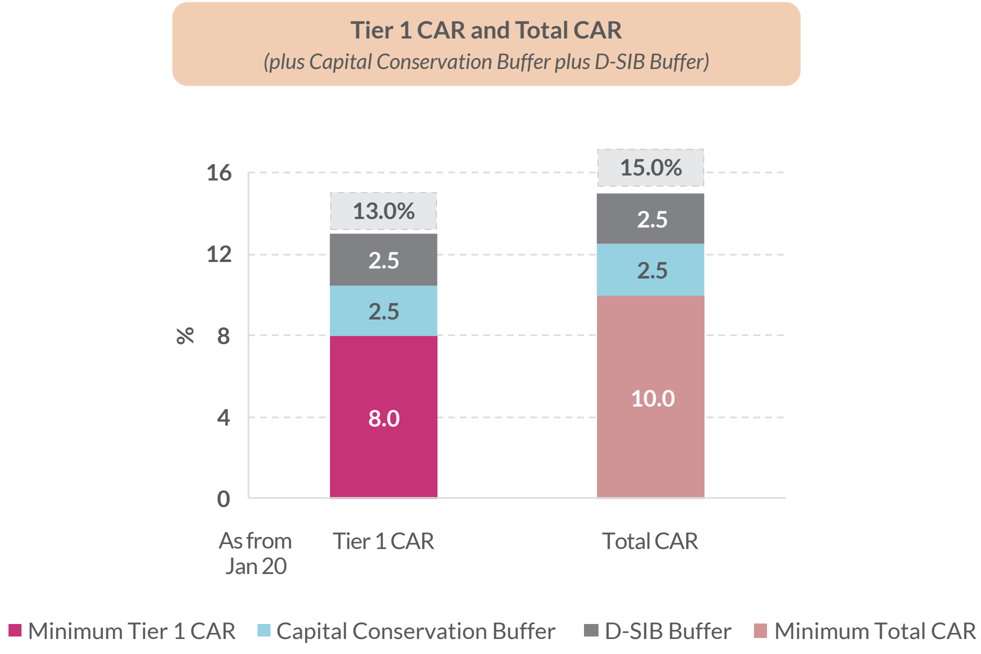
Our capital position

Adherence to Basel rules

- The Bank uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Alternative Standardised Approach used for operational risk. As for determination of its capital resources, the Bank adheres to the BoM Guideline on Scope of Application of Basel III and Eligible Capital. It also complies with the Guideline for dealing with Domestic-Systemically Important Banks (D-SIB). Under the latter, banks are required to hold a capital surcharge or D-SIB buffer ranging from 1.0% to 2.5% of their risk- weighted assets depending on their systemic importance. The assessment for determining domestic-systemically important banks is carried out on a yearly basis on end-June figures. As per the assessment carried out by the Central Bank, MCB Ltd features among the five banks that have been determined to be systemically important in our jurisdiction, based on the assessment of five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability. Overall, the underlying transitional arrangements set out by the Central Bank in respect of capital adequacy are summarised below.

Regulatory ratios applicable to MCB

(excluding COVID-19 capital requirement measures)



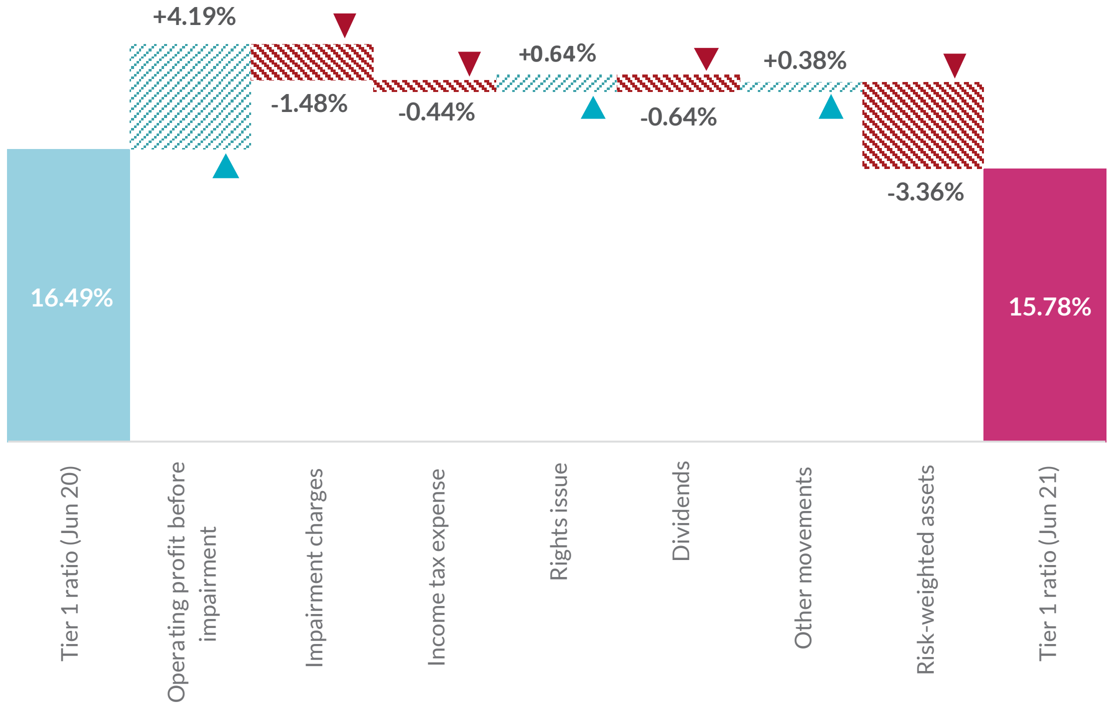
In May 2020, to provide additional flexibility to banks to support economic stakeholders, households and individuals impacted by the COVID-19 outbreak, the BoM deferred the Capital Conservation Buffer of 2.5% which was effective as from 1 January 2020 to 1 January 2021 such that banks will be required to maintain a Capital Conservation Buffer of 1.875% until 31 December 2020. This has been further deferred such that banks will be required to maintain a Capital Conservation Buffer of 1.875% until 31 March 2022. The minimum regulatory Tier 1 and capital adequacy ratios currently applicable to MCB are 12.375% and 14.375% respectively. In addition, the regulatory risk weights on certain categories of exposures including retail and residential mortgages were reviewed.

Risk and capital management report

Performance of MCB Ltd

- The capital position of the Bank has remained generally strong during the last financial year. In spite of notable growth in risk-weighted assets linked to our international business, our core and total capital ratios stood at 15.8% and 16.8% respectively as at 30 June 2021, thus comfortably exceeding minimum regulatory levels. The increase in the ratios were mainly driven by an expansion of our capital base on the back of higher retained earnings as well as injection of capital from MCB Group. Indeed, as part of the implementation of its Rs 10 billion Multi-Currency Note Programme, the Group has issued the first tranche of Notes amounting to Rs 2 billion which has been invested in the capital of the Bank in order to support its future business growth, especially its international expansion while simultaneously strengthening the share capital of the Bank.

Key drivers of the movement in Tier 1 ratio of MCB Ltd in FY 2020/21



Determination and evolution of the capital adequacy ratios of MCB Ltd

MCB Ltd	Jun 20	Jun 21
Capital base	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	6,880	8,880
Retained earnings	38,948	45,341
Accumulated other comprehensive income and other disclosed reserves	7,384	9,073
Common Equity Tier 1 capital before regulatory adjustments	**53,212**	**63,293**
Regulatory adjustments		
Other intangible assets	(1,014)	(1,462)
Deferred tax assets	(1,009)	(1,196)
Defined benefit pension fund assets	-	(1,211)
Common Equity Tier 1 capital (CET1)	**51,188**	**59,424**
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**51,188**	**59,424**
Capital instruments	304	175
Provisions or loan-loss reserves	3,592	4,379
Tier 2 capital before regulatory adjustments	**3,896**	**4,554**
Regulatory adjustments	(762)	(838)
Tier 2 capital (T2)	**3,135**	**3,716**
Total capital (T1 + T2)	**54,323**	**63,140**

Risk-weighted assets	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	259,213	319,976
Weighted amount of off-balance sheet exposures	28,151	30,382
Weighted risk assets for operational risk	21,830	25,100
Aggregate net open foreign exchange position	1,247	1,065
Total risk-weighted assets	**310,441**	**376,523**

Capital adequacy ratios	**%**	**%**
BIS risk adjusted ratio	17.5	16.8
of which Tier 1	*16.5*	*15.8*

Risk and capital management report

Determination of risk-weighted assets

Credit risk

- The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with the Guideline on Scope of Application of Basel III and Eligible Capital and the Guideline on Standardised Approach to Credit Risk issued by BoM. The risk-weighted exposures under the Standardised Approach to credit risk are based on the category of borrower, its risk weight and the credit conversion factor of the underlying facility. The Bank uses external ratings from Standard & Poor's, Moody's, Care Ratings and Fitch Ratings for credit exposures in its sovereign and bank portfolios.

- The Standardised Approach recognises the use of various techniques to mitigate the credit risks to which banks are exposed. For example, exposures may be collateralised by first priority claims, in whole or in part with cash or securities. Banks may agree to net loans owed to them against deposits from the same counterparty. On a conservative basis, for the purpose of calculating its capital requirements, the Bank considers only cash pledged and guarantees as eligible credit risk mitigations in its calculations.

Market risk

- With regard to its trading book, MCB adheres to the Standardised Approach as outlined by the BoM in its Guideline on Measurement and Management of Market Risk. As per this methodology, which is closely aligned with the Basel II Standardised Measurement Method, a bank is required to hold additional capital whenever its overall trading book position activities exceeds 5% of total assets. As at 30 June 2021, MCB's trading book significance was below 5% thus requiring no additional capital charge.

- The Guideline on Measurement and Management of Market Risk also encourages all banks to hold a capital buffer that adequately covers the interest rate risk exposures arising from non-trading activities in the banking book. MCB monitors the impact of interest rate shifts on its structural interest rate risk using repricing gap analysis techniques. Interest rate risk gap reports are submitted to the BoM on a quarterly basis for the Bank's significant currencies (MUR, USD and EUR) and on a consolidated basis. As at 30 June 2021, the Bank holds a capital buffer commensurate with the aggregate banking book interest rate risk both from an earnings and economic value perspective as per the aforementioned Guideline. Of note, the one-year earnings impact arising from a 200 basis points parallel shift in interest rates, using the earnings perspective framework prescribed by the BoM, is shown in Notes 3(c) (iii) to the Accounts.

Operational risk

- MCB applies the Alternative Standardised Approach to determine its operational risk capital. Under this approach, the Bank's activities are divided into eight business lines, namely (i) retail banking; (ii) commercial banking; (iii) corporate finance; (iv) trading and sales; (v) payment and settlement; (vi) agency services; (vii) asset management; and (viii) retail brokerage. The capital charge for retail banking and commercial banking is arrived at by applying a factor (denoted as beta) and a fixed factor of 3.5% to the average outstanding balance of loans and advances as at end of the previous three years. As for the other business lines, the capital charge is arrived at by applying a beta factor to the average positive annual gross income over the previous three years. Of note, beta, as recommended by Basel, serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for the latter.

Risk-weighted assets for credit risk

Risk-weighted on-balance sheet assets	Jun 20 Weighted Assets	Jun 21 Amount	Weight	Weighted Assets
	Rs m	Rs m	%	Rs m
Cash items	66	3,274	0 - 20	76
Claims on sovereigns	714	140,032	0 - 100	348
Claims on central banks	0	36,110	0	0
Claims on banks	16,096	121,752	20 - 100	46,441
Claims on non-central government public sector entities	0	1,624	0	0
Claims on corporates	189,872	224,533	20 - 150	215,408
Claims on retail segment	7,646	11,374	75	7,308
Claims secured by residential property	12,293	33,116	35 - 125	12,995
Fixed assets/other assets	20,467	15,066	100 - 250	23,195
Past due claims	12,058	11,257	50 - 150	14,205
Total	**259,213**			**319,976**

Non-market related off-balance sheet risk-weighted assets	Jun 20 Weighted Amount	Jun 21 Nominal Amount	Credit Conversion Factor	Credit Equivalent Amount	Weight	Weighted Amount
	Rs m	Rs m	%	Rs m	%	Rs m
Direct credit substitutes	1,885	2,691	100	2,625	0 - 100	3,126
Transaction-related contingent items	16,968	28,215	50	13,644	0 - 100	11,226
Trade related contingencies	5,329	67,442	20 - 100	14,150	0 - 100	12,682
Outstanding loans commitment	3,136	5,215	20 - 50	2,465	100	2,465
Total	**27,318**					**29,499**

Market-related off-balance sheet risk-weighted assets	Jun 20 Weighted Assets	Jun 21 Nominal Amount	Credit Conversion Factor	Potential Future Exposure	Current Exposure	Credit Equivalent Amount	Weighted Assets
	Rs m	Rs m	%	Rs m	Rs m	Rs m	Rs m
Interest rate contracts	570	31,830	0 - 1.5	427	660	1,087	560
Foreign exchange contracts	264	24,140	1 - 7.5	272	279	550	324
Total	**833**						**883**

	Jun 20	Jun 21
	Rs m	Rs m
Total credit risk-weighted assets	**287,364**	**350,358**

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

Risk and capital management report

Risk-weighted assets for operational risk

MCB Ltd		
Alternative standardised approach	**Jun 20**	**Jun 21**
	Rs m	**Rs m**
Weighted gross income (for 6 business lines*)	603	615
Average outstanding balance of loans and advances (retail and commercial banking)	309,396	369,550
Capital charge for operational risk	2,183	2,510
Weighted risk assets for operational risk	**21,830**	**25,100**

**Corporate finance, trading and sales, payment and settlement, agency services, asset management and retail brokerage*

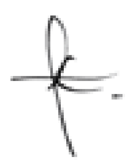
Risk-weighted assets for market risk

MCB Ltd	Jun 20	Jun 21
Market risk	**Rs m**	**Rs m**
Aggregate net open foreign exchange position	1,247	1,065
Capital charge for trading book position exceeding 5% or more of its total assets	-	-

Exposures covered by cash and bank guarantees which qualify as a zero risk-weight

Exposures covered by credit risk mitigation	Jun 20	Jun 21
Eligible collateral	**Rs m**	**Rs m**
On-balance sheet		
Corporate	867	2,253
Retail	1,995	1,852
	2,862	4,105
Eligible collateral	**Rs m**	**Rs m**
Off-balance sheet		
Direct credit substitutes	121	70
Transaction-related contingent items	817	4,923
Trade-related contingencies	313	9,035
	1,250	**14,028**
Total	**4,112**	**18,133**

Simon Walker
Director
Chairperson Risk Monitoring Committee



Alain LAW MIN
Chief Executive Officer

Financial Statement

Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Bank presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied for the year ended 30 June 2021 and Management has exercised its judgement and made best estimates where deemed necessary.

The Bank has designed and maintained its accounting systems, related internal controls and supporting procedures to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review Committee and Risk Monitoring Committee, which comprise, principally, independent directors, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

The Bank's external auditor, Deloitte, has full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Alain LAW MIN
Director
Chief Executive Officer

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **The Mauritius Commercial Bank Limited** (the "Bank" and the "Public Interest Entity") as set out on pages 190 to 307, which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 30 June 2021, and of its financial performance and 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
IFRS 9 requires the Bank 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 Bank has used the Run-off triangle model to estimate ECLs for the Retail portfolio, which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). For the Wholesale portfolio, statistical models were employed for estimating the PD and LGD. The PD and LGD models used are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • Reviewing a sample of the rating reports derived from the internal rating system; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro- economic forecasts used; • Independently assess probability of default, loss given default and exposure at default assumptions;

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	

- **Significant Increase in Credit Risk ('SICR')** - Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months.

- **Macro-Economic Forecasts** – IFRS 9 requires the measurement of ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions. Variables that were used to estimate future changes in the macro-economic environment were the credit index, the real Gross Domestic Product and the Consumer Price Index.

- **Economic scenarios** – For the wholesale portfolio, the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Three forward-looking scenarios (bull, bear and base) were probability weighted by management to determine the ECL. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment.

- Testing the accuracy and completeness of ECL by reperformance; and
- Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

We found the assumptions used in determining the expected credit losses in the financial statements and related disclosures to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are credit impaired	

Provision for expected credit losses on credit-impaired loans and advances to customers at 30 June 2021 amount to MUR 5,630 million and the charge to profit or loss for the year amount to MUR 2,174 million.

The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment.

The details of allowance for credit impairment on loans and advances to customers are disclosed in Note 6(b)(iii) to the financial statements.

Our audit procedures included amongst others:

- Obtaining audit evidence in respect of key controls over the processes for impairment events identification of impaired assets and impairment assessment;
- Inspecting the minutes of Impairment Management Committee, Credit Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment;
- Challenging the methodologies applied by using our industry knowledge and experience;
- Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach;

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are credit impaired	
The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used 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.	• Independently recalculate the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collateral 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. • 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. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.

Other matter

The financial statements of The Mauritius Commercial Bank Limited for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 September 2020.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Profile. Delivering on our Strategic Objectives, Financial Performance, Corporate Governance Report, Risk and Capital Management Report, Statement of Directors' responsibilities, Statement of Compliance and Company Secretary's Certificate but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the audit of the financial statements (Continued)

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on other legal and regulatory requirements

Mauritian 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 Bank 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 Bank as far as appears from our examination of those records.

Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Use of this report

This report is made solely to the Bank's shareholder, 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 Bank's shareholder those matters we are required to state to the shareholder 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 Bank and the Bank's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Deloitte

Chartered Accountants

24 September 2021

Twaleb Butonkee, FCA

Licensed by FRC

Statement of financial position

as at 30 June 2021

	Notes	2021 RS'M	2020 RS'M	2019 RS'M
ASSETS				
Cash and cash equivalents	4	**101,154**	68,128	45,398
Derivative financial instruments	5	**1,035**	997	269
Loans to and placements with banks	6(a)	**40,869**	19,353	20,754
Loans and advances to customers	6(b)	**256,750**	226,777	213,398
Investment securities	7	**183,560**	135,915	116,398
Investment in subsidiary	8(a)	**118**	118	118
Investments in associates	8(b)	**5,820**	4,984	4,079
Intangible assets	9	**1,462**	1,014	805
Property, plant and equipment	10	**5,211**	5,219	4,964
Deferred tax assets	11	**1,189**	1,009	340
Post employee benefit asset	16	**1,218**	-	-
Other assets	12	**27,155**	22,359	21,978
Total assets		**625,541**	485,873	428,501
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits from banks	13(a)	**21,656**	7,600	7,376
Deposits from customers	13(b)	**453,828**	364,008	307,001
Derivative financial instruments	5	**1,406**	961	509
Other borrowed funds	14	**74,626**	50,817	55,406
Subordinated liability	15	**875**	1,013	1,040
Current tax liabilities		**1,031**	1,270	899
Post employee benefit liability	16	**-**	1,170	360
Other liabilities	17	**8,823**	5,820	7,759
Total liabilities		**562,245**	432,659	380,350
Shareholder's equity				
Stated capital	19	**8,880**	6,880	6,880
Retained earnings		**45,343**	38,949	33,819
Other components of equity		**9,073**	7,385	7,452
Total equity		**63,296**	53,214	48,151
Total equity and liabilities		**625,541**	485,873	428,501
CONTINGENT LIABILITIES		**128,548**	68,496	71,758

These financial statements were approved for issue by the Board of Directors on the 24 September 2021.

Alain LAW MIN
Director
Chief Executive Officer

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

The notes on pages 201 to 307 form part of these financial statements.
Auditor's report on pages 184 to 188.

Statement of profit or loss

for the year ended 30 June 2021

	Notes	2021 RS'M	2020 RS'M	2019 RS'M
Interest income	21	**15,908**	18,348	17,449
Interest expense	22	**(2,072)**	(4,884)	(5,196)
Net interest income		**13,836**	13,464	12,253
Fee and commission income	23	**4,934**	4,421	4,433
Fee and commission expense	24	**(1,068)**	(1,077)	(1,070)
Net fee and commission income		**3,866**	3,344	3,363
Other income				
Profit arising from dealing in foreign currencies		**1,567**	1,322	1,216
Net gain from financial instruments carried at fair value	25	**403**	913	651
		1,970	2,235	1,867
Dividend income	26	**36**	36	59
Net (loss)/gain on sale of financial instruments fair valued through other comprehensive income		**(113)**	195	8
Other operating income/(expense)		**148**	(1)	30
		2,041	2,465	1,964
Operating income		**19,743**	19,273	17,580
Non-interest expense				
Salaries and human resource costs	27(a)	**(3,789)**	(3,629)	(3,527)
Depreciation of property, plant and equipment		**(556)**	(511)	(436)
Amortisation of intangible assets		**(321)**	(229)	(173)
Other	27(b)	**(2,062)**	(1,891)	(1,788)
		(6,728)	(6,260)	(5,924)
Operating profit before impairment		**13,015**	13,013	11,656
Net impairment of financial assets	28	**(4,601)**	(4,818)	(1,455)
Operating profit		**8,414**	8,195	10,201
Share of profit of associates	8(b)	**337**	444	242
Profit before tax		**8,751**	8,639	10,443
Income tax expense	29	**(1,355)**	(1,230)	(1,678)
Profit for the year		**7,396**	7,409	8,765
Earnings per share (Rs)	31	**10.73**	10.77	12.74

The notes on pages 201 to 307 form part of these financial statements.
Auditor's report on pages 184 to 188.

Statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 RS'M	2020 RS'M	2019 RS'M
Profit for the year		**7,396**	7,409	8,765
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss:				
Net fair value gain/(loss) on equity instruments		**111**	(191)	(69)
Reclassification adjustments on disposal of investments at fair value		**(1)**	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	29(b)	**2,108**	(671)	(404)
		2,218	(862)	(473)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	8(b)	**576**	368	23
Reclassification adjustments on disposal of investments at fair value		**-**	-	(25)
Net fair value (loss)/gain on debt instruments		**(108)**	5	82
		468	373	80
Other comprehensive income/(expense) for the year		**2,686**	(489)	(393)
Total comprehensive income for the year		**10,082**	6,920	8,372

The notes on pages 201 to 307 form part of these financial statements.
Auditor's report on pages 184 to 188.

Statement of changes in equity

for the year ended 30 June 2021

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	General Banking Reserve RS'M	Total Equity RS'M
At 1 July 2018		6,880	29,619	246	66	5,926	-	42,737
Profit for the year		-	8,765	-	-	-	-	8,765
Other comprehensive (expense)/income for the year		-	(404)	(12)	23	-	-	(393)
Total comprehensive income/(expense) for the year		-	8,361	(12)	23	-	-	8,372
Dividends	30	-	(2,958)	-	-	-	-	(2,958)
Transactions with owner		-	(2,958)	-	-	-	-	(2,958)
Transfer to statutory reserve		-	(954)	-	-	954	-	-
Transfer to general banking reserve		-	(249)	-	-	-	249	-
At 30 June 2019		6,880	33,819	234	89	6,880	249	48,151
Profit for the year		-	7,409	-	-	-	-	7,409
Other comprehensive (expense)/income for the year		-	(671)	(186)	368	-	-	(489)
Total comprehensive income/(expense) for the year		-	6,738	(186)	368	-	-	6,920
Dividends	30	-	(1,857)	-	-	-	-	(1,857)
Transactions with owner		-	(1,857)	-	-	-	-	(1,857)
Transfer from general banking reserve		-	249	-	-	-	(249)	-
At 30 June 2020		6,880	38,949	48	457	6,880	-	53,214
Profit for the year		-	7,396	-	-	-	-	7,396
Other comprehensive income for the year		-	2,107	3	576	-	-	2,686
Total comprehensive income for the year		-	9,503	3	576	-	-	10,082
Rights issue		2,000	-	-	-	-	-	2,000
Dividends	30	-	(2,000)	-	-	-	-	(2,000)
Transactions with owner		2,000	(2,000)	-	-	-	-	-
Transfer to statutory reserve		-	(1,109)	-	-	1,109	-	-
At 30 June 2021	19	8,880	45,343	51	1,033	7,989	-	63,296

The notes on pages 201 to 307 form part of these financial statements.
Auditor's report on pages 184 to 188.

Statements of cash flows

for the year ended 30 June 2021

	Notes	2021 RS'M	2020 RS'M	2019 RS'M
Operating activities				
Net cash flows from trading activities	33	**4,126**	13,425	16,386
Net cash flows from other operating activities	34	**30,725**	15,034	(64)
Dividends received from associates		**134**	-	173
Dividends paid		-	(3,405)	(2,752)
Income tax paid		**(2,080)**	(1,418)	(1,517)
Net cash flows from operating activities		**32,905**	23,636	12,226
Investing activities				
Investment in associate		-	(50)	(98)
Purchase of property, plant and equipment		**(439)**	(589)	(422)
Purchase of intangible assets		**(717)**	(518)	(354)
Proceeds from sale of property, plant and equipment		**3**	2	5
Net cash flows from investing activities		**(1,153)**	(1,155)	(869)
Net cash flows before financing activities		**31,752**	22,481	11,357
Financing activities				
Issue of share capital	19	**2,000**	-	-
Payment of lease liabilities		**(60)**	(42)	-
Refund of subordinated liability	15	**(179)**	(137)	(51)
Net cash flows from financing activities		**1,761**	(179)	(51)
Increase in cash and cash equivalents		**33,513**	22,302	11,306
Net cash and cash equivalents at 1 July		**67,696**	45,394	34,088
Net cash and cash equivalents at 30 June	4	**101,209**	67,696	45,394

The notes on pages 201 to 307 form part of these financial statements.
Auditor's report on pages 184 to 188.

General information

The Mauritius Commercial Bank Limited ("the Bank") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18 August 1955. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius.

The main activities of the Bank consist of providing a whole range of banking and financial services. The Bank is wholly owned by MCB Investment Holding Limited.

The ultimate holding company is MCB Group Limited which is listed on the Official Market of The Stock Exchange of Mauritius Ltd.

Index to notes to the financial statements

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

Index to notes to the financial statements
(Cont'd)

Notes to the financial statements
for the year ended 30 June 2021

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

The financial statements of The Mauritius Commercial Bank Limited (the "Bank"), have been prepared in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Act 2004 and in compliance with the Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

The Board at the time of approving the financial statements is not aware of any uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis.

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements 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.

New and amended standards adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on 1 July 2020, 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 Bank in the current reporting period. For this financial year, the following has been adopted:

Amendments to IAS 1 and IAS 8: Definition of material

The Bank has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments in IAS 1 clarify the definition of material. The concept of 'obscuring' material information with immaterial information has been included in the definition.

The definition of material in IAS 8 has been replaced by reference to the definition of paragraph 7 of IAS 1. In addition, the IASB amended other standards and the conceptual framework that contain a definition of material to ensure consistency. The Bank assesses materiality in the context of the financial statement as a whole.

The amendments to IAS 1 and IAS 8 did not have a significant impact on the Bank.

Amendments effective as at 1 January 2020 which are not applicable to the Bank:

- IFRS 3 Business Combinations - Definiton of business
- IFRS 16 Leases - Covid 19 Related Rent Concessions amendments

New and revised standards in issue but not yet effective

- Amendments to IAS 16 - Property, plant and equipment - Proceeds before intended use

New standards, amendments and interpretations issued but not effective for the financial year and not adopted early

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning 1 July 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

New standards, amendments and interpretations issued but not effective for the financial year and not adopted early (Cont'd)

Interest Rate Benchmark Reform Phase 2

Following the decision to replace the IBOR with alternative risk free rates in 2018, the IASB has undertaken a two phased project. The phase 1 amendments provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by IBOR reform. This is not applicable to the Bank.

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 that addresses issues that arise from the implementation of the reforms and the replacement of one benchmark with another nearly risk free rate. The amendments apply only to changes required by the reform to the financial instruments and hedging relationships. It addresses the effects of the reform on a company's financial statements that arise when for example an interest rate benchmark used to calculate interest on a financial instrument is replaced with an alternative benchmark rate.

The amendments affect the following key areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform
- Relief from specific hedge accounting requirements (Not applicable to the Bank)
- Disclosure requirements

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform

The Bank will apply the practical expedient as prescribed in the amendment to IFRS 9. In other words, for instruments measured at amortised cost, the Bank will account for a change in the basis for determining the contractual cash flows as a result of the IBOR reform by updating the effective interest rate. As a result no gain or loss is recognised. It applies only to change as a direct consequence of the IBOR reform and the new basis is economically equivalent to the previous basis.

Disclosure requirements

IFRS 7 was amended to require a company to make additional disclosures in its financial statements so that investors can better understand the reform's effect on the company. The Bank is required to disclose:

- How it is managing the transition, its progress at the reporting date and the risks it is exposed to arising from the financial instruments as a result of the transition.
- Quantitative information about derivatives and non-derivatives that have yet to transition to an alternative benchmark rate as at the reporting date
- A description of any changes to the risk management strategy as a result of IBOR reform

A Steering Committee has been set up to assess the impact of the IBOR change on the bank as a whole. It will also assess the impact of this transition on systems, processes and procedures of MCB. The new financial reporting and disclosure requirements will also be taken on board by this committee. An initial analysis of actual instruments reveals that swap, bonds, structured flows, Repo and cap/floor trades are primarily in USD 3M/6M LIBOR, EURIBOR 3M, GBP LIBOR 3M. As EURIBOR rate will continue to exist, the Bank will change the rate indices only for GBP and USD. Of these, the EURIBOR rate index will continue to exist for the foreseeable future. As a result, currencies in focus in which Risk Free Rates (RFR) are required to be initially configured at the Bank are USD and GBP.

Investment in subsidiary

A subsidiary is an entity which the Bank controls. The Bank controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank performs a reassessment of control whenever there is a change in the substance of the relationship between the Bank and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

Investment in subsidiary (Cont'd)

Investment in subsidiary is carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investment. The impairment loss is taken to profit or loss.

The financial statements contain information about The Mauritius Commercial Bank Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Bank has taken advantage of the exemption under IFRS 10 Paragraph 4 from the requirement to prepare consolidated financial statements as MCB Group Limited, the ultimate parent, prepares consolidated financial statements that comply with IFRS. A copy of the consolidated financial statements is available at the registered office of the MCB Group Limited at 9-15, Sir William Newton Street, Port Louis.

Investment in associates

An associate is an entity over which the Bank has significant influence but no control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Bank's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Bank'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 Bank's share of the associate's profit or loss.

When the Bank's share of losses exceeds its interest in an associate, the Bank discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Bank's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Bank. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The Bank's financial statements are presented in Mauritian Rupees, which is the Bank's functional currency. All amounts are in million, except as otherwise stated. The Mauritian rupee is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Bank.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are remeasured.

1. Significant accounting policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(ii) Transactions and balances (Cont'd)

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(c) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially at fair value and 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.

Where the derivatives are managed with debt securities issued by the Bank that are designated at fair value, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

(d) 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.

(e) Interest income

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for:

(i) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(f) Fees and commissions

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

(g) 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.

1. Significant accounting policies (Cont'd)

(h) 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 Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and in debt instruments measured at fair value through other comprehensive income (FVOCI), as described in note 7, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the differences as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, treasury bills, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank classifies its debt instruments.

Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost and
- those to be measured subsequently at fair value (either through OCI or through profit or loss).

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Amortised cost and effective interest rate

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Bank 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 on sale of financial instruments in the statement of profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank 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 on sale of financial instruments. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in profit arising from dealing in foreign currencies in the statement of profit or loss and impairment expenses are presented as a separate line item in the statement of profit or loss.

FVPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in net gain on sale of financial instruments in the statement of profit or loss in the year in which it arises.

Debt instruments

The classification depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows, that is, whether the Bank'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 Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Debt instruments (cont'd)

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank 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 Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Bank 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 Bank subsequently measures all equity investments at FVPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank'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 Bank's right to receive payments is established.

Gains or losses on equity investments at FVPL are included in the 'Net (loss)/gain on sale of financial instruments fair valued through other comprehensive income' line in the statement of profit or loss.

Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different from the original terms. The Bank 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.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Modification of loans (Cont'd)

(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 Bank 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 Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss in net impairment of financial assets.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 3.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank 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 Bank:

(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 Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank 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 Bank retains a subordinated residual interest.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivative financial instruments, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit and loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of profit or loss (the remaining amount of change in the fair value of the liability.) This is applicable unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in statement of profit or loss;

- 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 Bank 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).

The exchange between the Bank 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.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Financial guarantee contracts and loan commitments (Cont'd)

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 20). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instruments.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank 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.

(i) Impairment of financial assets

The Bank 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 Bank 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.

Write off Policy

Financial Assets are written off either partially or in its entirety when the Bank has no reasonable expectations of recovering them. This occurs when the Bank 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 Bank has forfeited its legal right to claim the sums due. The Bank retains the right to proceed with enforcement actions under the bank's recovery procedure and any recovery will be recognised in the statement of profit or loss under 'Net impairment of financial assets' as recoveries of advances written off.

Definition of Default

The definition of default is critical to the determination of the ECL. It is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank 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 Bank; or
- The borrower is unlikely to pay its credit obligations in full to the Bank.

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 Bank takes into account both qualitative and quantitative indicators such as breach of covenants and financial performance. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources such as BOM guidelines on impairment.

1. Significant accounting policies (Cont'd)

(j) 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 Bank 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 is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their disposal proceeds and their carrying amounts and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(k) Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the directors intend to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of eight years.

1. Significant accounting policies (Cont'd)

(l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise unrestricted cash and balances with Central Bank, treasury bills and amounts due to and from other banks which are short term, highly liquid with original maturities of 90 days or less, and borrowings of original maturities of 90 days or less that can fluctuate in value changing from an asset to a liability and vice versa across periods. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

(m) Provisions

Provisions are recognised when the Bank 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.

(n) 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.

(o) Employee benefits

The Bank 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 Bank pays fixed contributions into a separate entity. The Bank 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 Bank 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.

1. Significant accounting policies (Cont'd)

(o) Employee benefits (Cont'd)

(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 16 to the financial statements.

The Bank 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 benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

(iii) Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers' Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

(iv) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank 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.

1. Significant accounting policies (Cont'd)

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(q) 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.

(r) Dividend declared and unpaid

Dividend declared and unpaid to the Bank's shareholder at reporting date is recognised as a liability in the period in which dividend is declared.

(s) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(t) 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.

1. Significant accounting policies (Cont'd)

(u) 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.

(v) Leases

The present value of future lease payments are recognised in the books as right-of-use assets. Depreciation is calculated to write down the cost of the leased assets to their residual values on a straight-line basis over their estimated useful lives. A lease 'liability' to pay rentals is recognised on the statement of financial position and the interest payment on the lease liability is recognised within the statement of profit or loss.

(w) 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).

(x) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of shares outstanding during the reporting year.

2. Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the directors consider the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Additional disclosures on pension benefits are shown in note 16.

(b) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Bank using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Bank would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

2. Critical accounting estimates and judgements (Cont'd)

(d) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the Risk and Capital Management report, which also sets out the key sensitivities of the ECL to changes in those elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- 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 Bank in above areas is set out in the Risk and Capital Management report.

Impact of COVID-19

The ECL models set up by the Bank are driven by internal and external data and this required significant judgements and estimates in relation to the determination of forward-looking information, defining elements of a significant increase in credit risk and staging of financial instruments.

The economic outlook of the markets in which the Bank is present has been impacted by the ongoing COVID-19 pandemic. The consequent impact on the Bank is uncertain, thereby increasing the degree of judgement required to be exercised in calculating ECL:

- Models used to calculate ECL are inherently complex and judgement is applied in determining the appropriateness of the ECL model.
- A number of inputs and assumptions are made by the Bank concerning the values of inputs to the models and how the inputs correlate with one another; including the incorporation of the current macro-economic scenario through the forward-looking information.
- Evidence of significant increase in credit risk and hence the relevant staging and credit ratings of the Bank's clients. These were analysed either by industry sector and nature of business activities at the level of each individual client to reflect the more pervasive impact of COVID-19, data and model limitations.

The Bank also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event, the amount and timing of their expected future cashflows as well as the determination of the value of collaterals, when taking into account the impact of COVID-19.

(e) Significant influence in Banque Française Commerciale Ocean Indien

The Bank holds 49.99% of Banque Française Commerciale Ocean Indien (BFCOI) and it is considered as an associate. The directors consider that the Bank only has significant influence over BFCOI since it does not have the practical ability to control the relevant activities of BFCOI.

3. Financial risk management

(a) Strategy in using financial instruments

The use of financial instruments is a major feature of the Bank's operations. It has been the Bank's policy to take deposits from customers at variable rates and investing these funds in a wide range of assets and granting loans to customers and banks.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Bank's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfill their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.
Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality

The following tables set out the credit quality of exposures measured at amortised cost by different segments for the year ended 30 June 2021.

At 30 June 2021	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Portfolio										
Retail	49,870	220	49,650	874	475	399	1,912	575	224	1,337
Wholesale	585,873	3,410	582,463	34,835	4,344	30,491	7,857	3,209	1,624	4,648
Total	635,743	3,630	632,113	35,709	4,819	30,890	9,769	3,784	1,848	5,985
Retail										
Housing loans	31,377	54	31,323	427	223	204	797	208	52	589
SME	8,983	48	8,935	189	102	87	642	210	84	432
Unsecured and revolving	4,734	100	4,634	99	68	31	187	104	21	83
Other secured loans	4,776	18	4,758	159	82	77	286	53	67	233
Total Retail	49,870	220	49,650	874	475	399	1,912	575	224	1,337
Wholesale										
Sovereign	170,653	38	170,615	-	-	-	128	3	1	125
Financial institutions	131,252	319	130,933	-	-	-	3	1	-	2
Project finance	8,380	299	8,081	-	-	-	295	253	1	42
Energy & commodities	130,152	312	129,840	6,946	473	6,473	1,014	626	251	388
Corporate	145,436	2,442	142,994	27,889	3,871	24,018	6,417	2,326	1,371	4,091
Total Wholesale	585,873	3,410	582,463	34,835	4,344	30,491	7,857	3,209	1,624	4,648

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 follows.

At 30 June 2021	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Total Wholesale									
2	21,690	-	-	1	-	-	21,689	-	-
3	16,422	-	-	2	-	-	16,420	-	-
4	5	-	-	-	-	-	5	-	-
5	59,267	-	-	33	-	-	59,234	-	-
6	4,968	-	-	1	-	-	4,967	-	-
7	142,813	-	-	27	-	-	142,786	-	-
8	6,536	-	-	2	-	-	6,534	-	-
9	10,820	-	-	6	-	-	10,814	-	-
10	6,583	-	-	1	-	-	6,582	-	-
11	1,195	1	-	4	-	-	1,191	1	-
12	23,134	8	-	89	-	-	23,045	8	-
13	97,928	819	-	423	41	-	97,505	778	-
14	63,512	2,027	-	468	99	-	63,044	1,928	-
15	100,147	11,684	-	1,334	684	-	98,813	11,000	-
16	19,931	6,806	-	610	1,001	-	19,321	5,805	-
17	6,385	9,706	-	309	1,742	-	6,076	7,964	-
18	4,343	2,205	-	75	415	-	4,268	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	7,857	-	-	3,209	-	-	4,648
Total	585,873	34,835	7,857	3,410	4,344	3,209	582,463	30,491	4,648
Sovereign									
2	21,690	-	-	1	-	-	21,689	-	-
3	7,559	-	-	-	-	-	7,559	-	-
7	140,500	-	-	24	-	-	140,476	-	-
15	472	-	-	4	-	-	468	-	-
16	432	-	-	9	-	-	423	-	-
20	-	-	128	-	-	3	-	-	125
Total	170,653	-	128	38	-	3	170,615	-	125

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2021	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Financial Institutions									
3	8,863	-	-	2	-	-	8,861	-	-
4	5	-	-	-	-	-	5	-	-
5	59,267	-	-	33	-	-	59,234	-	-
6	4,968	-	-	1	-	-	4,967	-	-
7	2,313	-	-	3	-	-	2,310	-	-
8	6,536	-	-	2	-	-	6,534	-	-
9	10,820	-	-	6	-	-	10,814	-	-
10	5,879	-	-	-	-	-	5,879	-	-
11	766	-	-	2	-	-	764	-	-
12	1,271	-	-	2	-	-	1,269	-	-
13	13,551	-	-	28	-	-	13,523	-	-
14	145	-	-	2	-	-	143	-	-
15	9,028	-	-	142	-	-	8,886	-	-
16	3,830	-	-	50	-	-	3,780	-	-
18	4,010	-	-	46	-	-	3,964	-	-
20	-	-	3	-	-	1	-	-	2
Total	131,252	-	3	319	-	1	130,933	-	2

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2021	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Project Finance									
13	3,348	-	-	18	-	-	3,330	-	-
14	182	-	-	2	-	-	180	-	-
15	1,332	-	-	27	-	-	1,305	-	-
16	2,910	-	-	194	-	-	2,716	-	-
17	394	-	-	39	-	-	355	-	-
18	214	-	-	19	-	-	195	-	-
20	-	-	295	-	-	253	-	-	42
Total	8,380	-	295	299	-	253	8,081	-	42

Energy & Commodities									
12	4,474	-	-	-	-	-	4,474	-	-
13	36,687	439	-	50	22	-	36,637	417	-
14	29,434	1,323	-	20	66	-	29,414	1,257	-
15	55,615	2,854	-	165	52	-	55,450	2,802	-
16	780	-	-	14	-	-	766	-	-
17	3,162	2,330	-	63	333	-	3,099	1,997	-
20	-	-	1,014	-	-	626	-	-	388
Total	130,152	6,946	1,014	312	473	626	129,840	6,473	388

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2021	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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	704	-	-	1	-	-	703	-	-
11	429	1	-	2	-	-	427	1	-
12	17,389	8	-	87	-	-	17,302	8	-
13	44,342	380	-	327	19	-	44,015	361	-
14	33,751	704	-	444	33	-	33,307	671	-
15	33,700	8,830	-	996	632	-	32,704	8,198	-
16	11,979	6,806	-	343	1,001	-	11,636	5,805	-
17	2,829	7,376	-	207	1,409	-	2,622	5,967	-
18	119	2,205	-	10	415	-	109	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	6,417	-	-	2,326	-	-	4,091
Total	145,436	27,889	6,417	2,442	3,871	2,326	142,994	24,018	4,091

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

The following tables set out the credit quality of exposures measured at amortised cost by different segments for the year ended 30 June 2020.

At 30 June 2020	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	48,527	427	48,100	1,733	357	1,376	2,340	554	291	1,786
Wholesale	410,743	1,604	409,139	33,353	3,362	29,991	7,372	2,442	1,363	4,930
Total	**459,270**	**2,031**	**457,239**	**35,086**	**3,719**	**31,367**	**9,712**	**2,996**	**1,654**	**6,716**
Retail										
Housing loans	29,520	65	29,455	626	60	566	1,053	220	80	833
SME	9,198	78	9,120	733	178	555	643	139	93	504
Unsecured and revolving	5,044	220	4,824	115	51	64	279	130	44	149
Other secured loans	4,765	64	4,701	259	68	191	365	65	74	300
Total Retail	**48,527**	**427**	**48,100**	**1,733**	**357**	**1,376**	**2,340**	**554**	**291**	**1,786**
Wholesale										
Sovereign	135,729	29	135,700	-	-	-	-	-	-	-
Financial institutions	53,271	45	53,226	-	-	-	-	-	12	-
Project finance	8,905	199	8,706	241	45	196	57	5	-	52
Energy & commodities	76,857	111	76,746	6,647	224	6,423	1,489	281	95	1,208
Corporate	135,981	1,220	134,761	26,465	3,093	23,372	5,826	2,156	1,256	3,670
Total Wholesale	**410,743**	**1,604**	**409,139**	**33,353**	**3,362**	**29,991**	**7,372**	**2,442**	**1,363**	**4,930**

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 follows.

At 30 June 2020	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Total Wholesale									
3	4,990	-	-	-	-	-	4,990	-	-
4	6	-	-	-	-	-	6	-	-
5	15,228	-	-	3	-	-	15,225	-	-
6	140,847	-	-	11	-	-	140,836	-	-
7	6,446	-	-	2	-	-	6,444	-	-
8	701	-	-	-	-	-	701	-	-
9	13,571	-	-	3	-	-	13,568	-	-
10	2,419	-	-	1	-	-	2,418	-	-
11	13,190	-	-	7	-	-	13,183	-	-
12	42,709	10	-	118	-	-	42,591	10	-
13	54,530	701	-	175	11	-	54,355	690	-
14	37,487	1,935	-	218	30	-	37,269	1,905	-
15	55,428	13,910	-	496	1,422	-	54,932	12,488	-
16	18,373	9,087	-	322	1,001	-	18,051	8,086	-
17	2,005	2,986	-	112	159	-	1,893	2,827	-
18	1,931	3,455	-	66	451	-	1,865	3,004	-
19	882	1,269	-	70	288	-	812	981	-
20	-	-	7,372	-	-	2,442	-	-	4,930
Total	**410,743**	**33,353**	**7,372**	**1,604**	**3,362**	**2,442**	**409,139**	**29,991**	**4,930**
Sovereign									
6	134,736	-	-	10	-	-	134,726	-	-
14	691	-	-	2	-	-	689	-	-
18	302	-	-	17	-	-	285	-	-
Total	**135,729**	**-**	**-**	**29**	**-**	**-**	**135,700**	**-**	**-**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Financial Institutions									
3	4,577	-	-	-	-	-	4,577	-	-
4	6	-	-	-	-	-	6	-	-
5	15,228	-	-	3	-	-	15,225	-	-
6	6,111	-	-	1	-	-	6,110	-	-
7	6,446	-	-	2	-	-	6,444	-	-
8	204	-	-	-	-	-	204	-	-
9	13,571	-	-	3	-	-	13,568	-	-
10	1,252	-	-	-	-	-	1,252	-	-
11	10	-	-	-	-	-	10	-	-
12	519	-	-	2	-	-	517	-	-
13	483	-	-	3	-	-	480	-	-
14	241	-	-	1	-	-	240	-	-
15	634	-	-	1	-	-	633	-	-
16	2,626	-	-	8	-	-	2,618	-	-
17	119	-	-	-	-	-	119	-	-
18	1,244	-	-	21	-	-	1,223	-	-
Total	**53,271**	**-**	**-**	**45**	**-**	**-**	**53,226**	**-**	**-**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Project Finance									
12	1,033	-	-	4	-	-	1,029	-	-
13	1,353	-	-	3	-	-	1,350	-	-
14	623	-	-	6	-	-	617	-	-
15	3,233	-	-	61	-	-	3,172	-	-
16	2,057	-	-	76	-	-	1,981	-	-
17	378	-	-	25	-	-	353	-	-
18	135	241	-	9	45	-	126	196	-
19	93	-	-	15	-	-	78	-	-
20	-	-	57	-	-	5	-	-	52
Total	**8,905**	**241**	**57**	**199**	**45**	**5**	**8,706**	**196**	**52**
Energy & Commodities									
3	413	-	-	-	-	-	413	-	-
8	497	-	-	-	-	-	497	-	-
11	6,222	-	-	-	-	-	6,222	-	-
12	8,476	-	-	5	-	-	8,471	-	-
13	16,212	437	-	16	2	-	16,196	435	-
14	10,325	769	-	13	7	-	10,312	762	-
15	28,166	2,288	-	41	23	-	28,125	2,265	-
16	6,546	1,214	-	36	59	-	6,510	1,155	-
17	-	951	-	-	29	-	-	922	-
18	-	988	-	-	104	-	-	884	-
20	-	-	1,489	-	-	281	-	-	1,208
Total	**76,857**	**6,647**	**1,489**	**111**	**224**	**281**	**76,746**	**6,423**	**1,208**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2020	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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	1,167	-	-	1	-	-	1,166	-	-
11	6,958	-	-	7	-	-	6,951	-	-
12	32,681	10	-	107	-	-	32,574	10	-
13	36,482	264	-	153	9	-	36,329	255	-
14	25,607	1,166	-	196	23	-	25,411	1,143	-
15	23,395	11,622	-	393	1,399	-	23,002	10,223	-
16	7,144	7,873	-	202	942	-	6,942	6,931	-
17	1,508	2,035	-	87	130	-	1,421	1,905	-
18	250	2,226	-	19	302	-	231	1,924	-
19	789	1,269	-	55	288	-	734	981	-
20	-	-	5,826	-	-	2,156	-	-	3,670
Total	**135,981**	**26,465**	**5,826**	**1,220**	**3,093**	**2,156**	**134,761**	**23,372**	**3,670**

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 cost by different segments for the year ended 30 June 2019.

At 30 June 2019	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	50,430	106	50,324	441	17	424	1,836	484	293	1,352
Wholesale	363,777	1,710	362,067	16,337	624	15,713	7,508	2,014	1,666	5,494
Total	**414,207**	**1,816**	**412,391**	**16,778**	**641**	**16,137**	**9,344**	**2,498**	**1,959**	**6,846**
Retail										
Housing loans	29,176	19	29,157	181	4	177	759	184	93	575
SME	8,688	44	8,644	118	7	111	501	103	83	398
Unsecured and revolving	7,223	35	7,188	79	4	75	290	129	47	161
Other secured loans	5,343	8	5,335	63	2	61	286	68	70	218
Total Retail	**50,430**	**106**	**50,324**	**441**	**17**	**424**	**1,836**	**484**	**293**	**1,352**
Wholesale										
Sovereign	100,956	31	100,925	-	-	-	-	-	-	-
Financial institutions	50,751	179	50,572	-	-	-	69	-	7	69
Project finance	14,861	176	14,685	268	6	262	688	141	65	547
Energy & commodities	70,760	115	70,645	3,288	91	3,197	1,575	464	41	1,111
Corporate	126,449	1,209	125,240	12,781	527	12,254	5,176	1,409	1,553	3,767
Total Wholesale	**363,777**	**1,710**	**362,067**	**16,337**	**624**	**15,713**	**7,508**	**2,014**	**1,666**	**5,494**

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 follows.

At 30 June 2019	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Total Wholesale									
3	958	-	-	-	-	-	958	-	-
4	446	-	-	-	-	-	446	-	-
5	5,641	-	-	1	-	-	5,640	-	-
6	105,778	-	-	8	-	-	105,770	-	-
7	3,798	-	-	1	-	-	3,797	-	-
8	4,616	-	-	1	-	-	4,615	-	-
9	5,025	-	-	2	-	-	5,023	-	-
10	8,269	-	-	4	-	-	8,265	-	-
11	21,483	640	-	40	3	-	21,443	637	-
12	61,969	314	-	131	1	-	61,838	313	-
13	39,994	110	-	110	1	-	39,884	109	-
14	44,545	384	-	372	5	-	44,173	379	-
15	38,603	5,141	-	465	211	-	38,138	4,930	-
16	14,275	4,965	-	317	143	-	13,958	4,822	-
17	3,645	891	-	87	65	-	3,558	826	-
18	1,424	1,202	-	37	92	-	1,387	1,110	-
19	3,308	2,690	-	134	103	-	3,174	2,587	-
20	-	-	7,508	-	-	2,014	-	-	5,494
Total	**363,777**	**16,337**	**7,508**	**1,710**	**624**	**2,014**	**362,067**	**15,713**	**5,494**
Sovereign									
5	1	-	-	-	-	-	1	-	-
6	99,810	-	-	7	-	-	99,803	-	-
13	220	-	-	-	-	-	220	-	-
14	611	-	-	2	-	-	609	-	-
18	314	-	-	22	-	-	292	-	-
Total	**100,956**	**-**	**-**	**31**	**-**	**-**	**100,925**	**-**	**-**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Financial Institutions									
3	958	-	-	-	-	-	958	-	-
4	446	-	-	-	-	-	446	-	-
5	3,513	-	-	1	-	-	3,512	-	-
6	5,968	-	-	1	-	-	5,967	-	-
7	3,798	-	-	1	-	-	3,797	-	-
8	3,979	-	-	-	-	-	3,979	-	-
9	4,595	-	-	2	-	-	4,593	-	-
10	6,640	-	-	1	-	-	6,639	-	-
11	1,887	-	-	2	-	-	1,885	-	-
12	5,693	-	-	5	-	-	5,688	-	-
13	1,904	-	-	2	-	-	1,902	-	-
14	449	-	-	6	-	-	443	-	-
15	3,978	-	-	20	-	-	3,958	-	-
16	3,135	-	-	35	-	-	3,100	-	-
17	914	-	-	-	-	-	914	-	-
18	626	-	-	9	-	-	617	-	-
19	2,268	-	-	94	-	-	2,174	-	-
20	-	-	69	-	-	-	-	-	69
Total	**50,751**	**-**	**69**	**179**	**-**	**-**	**50,572**	**-**	**69**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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
Project Finance									
13	4,563	-	-	17	-	-	4,546	-	-
14	3,879	-	-	40	-	-	3,839	-	-
15	4,718	32	-	89	1	-	4,629	31	-
16	1,701	-	-	30	-	-	1,671	-	-
18	-	236	-	-	5	-	-	231	-
19	-	-	-	-	-	-	-	-	-
20	-	-	688	-	-	141	-	-	547
Total	**14,861**	**268**	**688**	**176**	**6**	**141**	**14,685**	**262**	**547**
Energy & Commodities									
5	2,127	-	-	-	-	-	2,127	-	-
8	637	-	-	1	-	-	636	-	-
11	649	516	-	-	2	-	649	514	-
12	22,666	-	-	5	-	-	22,661	-	-
13	11,451	-	-	3	-	-	11,448	-	-
14	13,956	-	-	12	-	-	13,944	-	-
15	15,911	1,830	-	76	3	-	15,835	1,827	-
16	1,900	-	-	18	-	-	1,882	-	-
17	1,453	-	-	-	-	-	1,453	-	-
18	-	942	-	-	86	-	-	856	-
19	10	-	-	-	-	-	10	-	-
20	-	-	1,575	-	-	464	-	-	1,111
Total	**70,760**	**3,288**	**1,575**	**115**	**91**	**464**	**70,645**	**3,197**	**1,111**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2019	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	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									
9	430	-	-	-	-	-	430	-	-
10	1,629	-	-	3	-	-	1,626	-	-
11	18,947	124	-	38	1	-	18,909	123	-
12	33,610	314	-	121	1	-	33,489	313	-
13	21,856	110	-	88	1	-	21,768	109	-
14	25,650	384	-	312	5	-	25,338	379	-
15	13,996	3,279	-	280	207	-	13,716	3,072	-
16	7,539	4,965	-	234	143	-	7,305	4,822	-
17	1,278	891	-	87	65	-	1,191	826	-
18	484	24	-	6	1	-	478	23	-
19	1,030	2,690	-	40	103	-	990	2,587	-
20	-	-	5,176	-	-	1,409	-	-	3,767
Total	**126,449**	**12,781**	**5,176**	**1,209**	**527**	**1,409**	**125,240**	**12,254**	**3,767**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

The Bank defines "rescheduling" as any amendments 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.

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Amortised cost before restructure	741	595	3,844
Net modification gain or loss	44	20	38
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	2	2	28

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:

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Property	79	60	61

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)

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Derivative financial instruments	1,035	997	269
Investment securities	18,019	12,747	16,592

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

Our 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 Bank has the ability to call on the different types of collaterals which in turn are driven by portfolio, product or counterparty type.

Fixed and floating charges on properties and other assets constitute the bulk of our collateral while cash and marketable securities are immaterial.

Long-term finance and lending to corporate entities are generally secured whilst revolving individual credit facilities are generally unsecured. When the borrower's credit worthiness is not sufficient to justify an extension of credit, corporate guarantees are required.

In extending credit facilities to small and medium sized enterprises, the Bank 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.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Sensitivity analysis

As part of IFRS 9, the Bank 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
- In (lending rate)

<u>Retail Portfolio</u>

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

3. Financial risk management (Cont'd)

(c) Market risk

Market risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as currency or interest rate risk. The market risk management policies at the Bank are set by the Board Risk Monitoring Committee and executive management of this class of risk is delegated to the Risk BU and Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

(i) Price risk

The Bank is exposed to equity securities price risk because of investments held and classified at FVOCI and FVPL financial assets. The table below summarises the impact of increases/decreases in fair value of the investments on the Bank's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Financial assets at fair value through other comprehensive income	**396**	1,035	1,093
Financial assets at fair value through profit or loss	**1,036**	742	913
	1,432	1,777	2,006

(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank'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 Global Markets & Treasury Management. 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 the ALCO.

The Bank 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 Bank 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

	As at 30 June	Average	Maximum	Minimum
2021 (RS 'M)	**(13)**	**(15)**	**(39)**	**(7)**
2020 (RS 'M)	(13)	(12)	(26)	(5)
2019 (RS 'M)	(18)	(25)	(42)	(11)

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

At 30 June 2021	EURO RS 'M	USD RS 'M	GBP RS 'M	MUR RS 'M	OTHER RS 'M	TOTAL RS 'M
Financial Assets						
Cash and cash equivalents	19,678	44,865	4,825	22,901	8,942	101,211
Derivative financial instruments	513	242	-	280	-	1,035
Loans to and placements with banks	2,117	39,009	-	-	-	41,126
Loans and advances to customers	30,402	120,149	481	118,615	123	269,770
Investment securities	8,877	28,421	1	146,619	-	183,918
Other financial assets	1,121	2,283	196	20,269	113	23,982
	62,708	234,969	5,503	308,684	9,178	621,042
Less allowances for credit impairment						(13,692)
Total						607,350
Financial liabilities						
Deposits from banks	1,364	19,400	182	617	93	21,656
Deposits from customers	44,048	144,928	6,164	242,070	16,618	453,828
Derivative financial instruments	6	888	-	512	-	1,406
Other borrowed funds	1,728	72,896	-	-	2	74,626
Subordinated liability	-	875	-	-	-	875
Other financial liabilities	205	337	50	1,243	30	1,865
Total	47,351	239,324	6,396	244,442	16,743	554,256
Net on-balance sheet position	15,357	(4,355)	(893)	64,242	(7,565)	66,786
Less allowances for credit impairment						(13,692)
						53,094
Off balance sheet net notional position	21,332	50,198	302	-	557	72,389
Credit commitments	4,134	104,986	161	17,320	1,947	128,548

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

At 30 June 2020	EURO RS 'M	USD RS 'M	GBP RS 'M	MUR RS 'M	OTHER RS 'M	TOTAL RS 'M
Financial Assets						
Cash and cash equivalents	12,472	27,986	2,023	23,180	2,483	68,144
Derivative financial instruments	249	401	84	263	-	997
Loans to and placements with banks	1,783	11,312	-	6,116	164	19,375
Loans and advances to customers	26,053	98,097	437	111,882	76	236,545
Investment securities	1,397	19,614	1	115,262	-	136,274
Other financial assets	911	1,858	167	17,533	137	20,606
	42,865	159,268	2,712	274,236	2,860	481,941
Less allowances for credit impairment						(10,165)
Total						**471,776**
Financial liabilities						
Deposits from banks	1,137	5,684	204	417	158	7,600
Deposits from customers	36,837	95,692	5,031	221,791	4,657	364,008
Derivative financial instruments	-	747	59	155	-	961
Other borrowed funds	1,950	48,417	314	1	135	50,817
Subordinated liability	-	1,013	-	-	-	1,013
Other financial liabilities	169	411	48	2,263	30	2,921
Total	40,093	151,964	5,656	224,627	4,980	**427,320**
Net on-balance sheet position	2,772	7,304	(2,944)	49,609	(2,120)	54,621
Less allowances for credit impairment						(10,165)
						44,456
Off balance sheet net notional position	8,628	37,945	5,409	-	293	52,275
Credit commitments	4,365	47,386	8	14,665	1,974	68,398

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

At 30 June 2019	EURO RS 'M	USD RS 'M	GBP RS 'M	MUR RS 'M	OTHER RS 'M	TOTAL RS 'M
Financial Assets						
Cash and cash equivalents	10,179	17,989	3,590	10,971	2,687	45,416
Derivative financial instruments	187	-	13	69	-	269
Loans to and placements with banks	1,012	11,387	-	8,276	145	20,820
Loans and advances to customers	21,571	85,203	389	112,594	63	219,820
Investment securities	1,349	20,453	-	94,695	-	116,497
Other financial assets	797	2,367	388	16,878	71	20,501
	35,095	137,399	4,380	243,483	2,966	423,323
Less allowances for credit impairment						(6,605)
Total						**416,718**
Financial liabilities						
Deposits from banks	1,120	5,595	221	385	55	7,376
Deposits from customers	26,890	76,106	4,541	195,625	3,839	307,001
Derivative financial instruments	59	159	31	260	-	509
Other borrowed funds	5,206	50,194	-	2	4	55,406
Subordinated liability	-	1,040	-	-	-	1,040
Other financial liabilities	269	192	48	2,219	30	2,758
Total	33,544	133,286	4,841	198,491	3,928	**374,090**
Net on-balance sheet position	1,551	4,113	(461)	44,992	(962)	49,233
Less allowances for credit impairment						(6,605)
						42,628
Off balance sheet net notional position	7,867	17,340	2,993	-	772	28,972
Credit commitments	3,371	52,625	22	14,157	1,493	71,668

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending and deposit taking. Fixed interest rates are applied to some short-term deposits in foreign currencies.

Interest Rate Risk Earnings Impact Analysis

The Bank incurs interest rate risk (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown below to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as shown below. The basis of preparation has been refined in the previous year following the implementation of a new software.

	2021 RS 'M	2020 RS 'M	2019 RS 'M
Impact on Earnings	273	514	385

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

At 30 June 2021	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	12,667	457	-	-	-	-	88,087	101,211
Derivative financial instruments	-	-	1	1	4	14	1,015	1,035
Inflow	*2*	*2*	*7*	*14*	*50*	*173*	*1,015*	*1,263*
(Outflow)	*(2)*	*(2)*	*(6)*	*(13)*	*(46)*	*(159)*	*-*	*(228)*
Loans to and placements with banks	18,870	16,314	4,053	189	1,635	-	65	41,126
Loans and advances to customers	179,926	24,175	28,726	14,852	4,676	6,266	11,149	269,770
Investment securities	419	13,341	10,409	14,514	59,247	80,614	5,374	183,918
Other financial assets	-	-	-	-	-	-	23,982	23,982
	211,882	54,287	43,189	29,556	65,562	86,894	129,672	621,042
Less allowances for credit impairment								(13,692)
Total								607,350
Financial liabilities								
Deposits from banks	7,764	893	1,663	426	-	-	10,910	21,656
Deposits from customers	263,365	5,157	2,335	3,661	147	31,700	147,463	453,828
Derivative financial instruments	-	-	-	-	-	-	1,406	1,406
Other borrowed funds	4,904	26,077	12,092	14,008	9,982	7,320	243	74,626
Subordinated liability	-	864	-	-	-	-	11	875
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
Total	276,033	32,991	16,090	18,095	10,129	39,020	161,898	554,256
On balance sheet interest sensitivity gap	(64,151)	21,296	27,099	11,461	55,433	47,874	(32,226)	66,786
Less allowances for credit impairment								(13,692)
								53,094

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

At 30 June 2020	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-interest bearing RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	8,365	56	-	-	-	-	59,723	68,144
Derivative financial instruments	-	-	1	-	2	3	991	997
Inflow	-	*4*	*6*	*13*	*45*	*175*	*991*	*1,234*
(Outflow)	-	*(4)*	*(5)*	*(13)*	*(43)*	*(172)*	-	*(237)*
Loans to and placements with banks	2,515	7,342	3,161	5,970	-	304	83	19,375
Loans and advances to customers	133,909	33,822	26,711	19,782	6,885	3,903	11,533	236,545
Investment securities	8,207	11,030	18,489	17,033	31,862	46,008	3,645	136,274
Other financial assets	-	-	-	-	-	-	20,606	20,606
	152,996	52,250	48,362	42,785	38,749	50,218	96,581	481,941
Less allowances for credit impairment								(10,165)
Total								**471,776**
Financial liabilities								
Deposits from banks	3,763	874	1,429	201	-	-	1,333	7,600
Deposits from customers	225,005	7,285	3,817	2,288	159	25,969	99,485	364,008
Derivative financial instruments	-	-	-	-	-	-	961	961
Other borrowed funds	3,197	11,453	28,742	6,417	267	105	636	50,817
Subordinated liability	-	993	-	-	-	-	20	1,013
Other financial liabilities	-	-	-	-	-	-	2,921	2,921
Total	231,965	20,605	33,988	8,906	426	26,074	105,356	**427,320**
On balance sheet interest sensitivity gap	(78,969)	31,645	14,374	33,879	38,323	24,144	(8,775)	54,621
Less allowances for credit impairment								(10,165)
								44,456

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

At 30 June 2019	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-interest bearing RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	16,163	2,716	-	-	-	-	26,537	45,416
Derivative financial instruments	-	-	-	-	-	10	259	269
Loans to and placements with banks	5,280	4,881	1,683	2,484	6,255	125	112	20,820
Loans and advances to customers	129,950	26,377	16,327	9,713	12,297	22,404	2,752	219,820
Investment securities	6,635	17,395	21,772	12,129	26,784	27,711	4,071	116,497
Other financial assets	-	-	-	-	-	-	20,501	20,501
	158,028	51,369	39,782	24,326	45,336	50,250	54,232	423,323
Less allowances for credit impairment								(6,605)
Total								**416,718**
Financial liabilities								
Deposits from banks	3,889	1,621	1,416	-	-	-	450	7,376
Deposits from customers	194,285	7,014	2,518	1,174	692	15,300	86,018	307,001
Derivative financial instruments	-	-	-	-	-	-	509	509
Other borrowed funds	5,521	14,044	32,922	1,787	-	710	422	55,406
Subordinated liability	-	1,015	-	-	-	-	25	1,040
Other financial liabilities	-	-	-	-	-	-	2,758	2,758
Total	203,695	23,694	36,856	2,961	692	16,010	90,182	**374,090**
On balance sheet interest sensitivity gap	(45,667)	27,675	2,926	21,365	44,644	34,240	(35,950)	49,233
Less allowances for credit impairment								(6,605)
								42,628

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk can be defined as the risk of being unable to raise liquid funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management:

(a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day.
(b) the maintenance of a stock of liquid assets to ensure that the Bank has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds.

The Bank has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. Global Markets and Treasury Management Strategic Business Unit manages liquidity in accordance with this policy, on a day-to-day basis.

Liquidity and funding risk are dynamically managed through a robust ecosystem comprising of Risk, Finance and Treasury Management, under the oversight of ALCO. Liquidity and funding metrics have been internally defined and include Liquidity Coverage ratio and Net Stable Funding ratio targets. Early Warning Indicators have been identified and are monitored by the ALM unit within Finance SBU.

The amounts disclosed in the following tables are undiscounted.

Maturities of assets and liabilities

At 30 June 2021	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	85,675	1,417	-	-	-	-	14,117	101,209
Derivative financial instruments	-	-	-	(1)	(2)	11	956	964
Loans to and placements with banks	17,555	12,631	5,639	2,200	2,984	342	-	41,351
Loans and advances to customers	62,626	20,198	21,436	20,704	62,230	105,469	9,591	302,254
Investment securities	1,435	12,400	10,412	14,503	59,283	80,406	4,535	182,974
Other financial assets	-	-	-	-	-	-	23,982	23,982
	167,291	46,646	37,487	37,406	124,495	186,228	53,181	652,734
Less allowances for credit impairment								(13,692)
Total								639,042
Financial liabilities								
Deposits from banks	18,672	853	1,665	428	1	41	-	21,660
Deposits from customers	425,192	6,623	4,024	7,408	7,363	3,680	173	454,463
Derivative financial instruments	-	-	-	-	-	-	1,355	1,355
Other borrowed funds	688	6,663	1,297	38,271	17,902	10,673	-	75,494
Subordinated liability	-	230	-	227	447	-	-	904
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
Total	444,552	14,369	6,986	46,334	25,713	14,394	3,393	555,741
Net liquidity gap	(277,261)	32,277	30,501	(8,928)	98,782	171,834	49,788	96,993
Less allowances for credit impairment								(13,692)
								83,301

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

At 30 June 2020	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-maturity items RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	40,901	56	-	-	-	-	27,187	68,144
Derivative financial instruments	-	1	1	2	5	1	944	954
Loans to and placements with banks	2,543	7,360	3,178	6,379	69	323	-	19,852
Loans and advances to customers	47,180	17,351	14,165	20,881	59,178	97,964	7,869	264,588
Investment securities	5,662	9,987	18,277	12,950	31,706	52,261	3,912	134,755
Other financial assets	-	-	-	-	-	-	20,606	20,606
	96,286	34,755	35,621	40,212	90,958	150,549	60,518	508,899
Less allowances for credit impairment								(10,165)
Total								**498,734**
Financial liabilities								
Deposits from banks	5,090	842	1,633	-	1	39	-	7,605
Deposits from customers	327,233	9,495	5,391	7,224	11,322	3,866	178	364,709
Derivative financial instruments	-	-	-	-	-	-	923	923
Other borrowed funds	3,651	11,381	850	29,298	2,321	4,141	-	51,642
Subordinated liability	-	-	190	180	523	170	-	1,063
Other financial liabilities	-	-	-	-	-	-	2,921	2,921
Total	335,974	21,718	8,064	36,702	14,167	8,216	4,022	**428,863**
Net liquidity gap	(239,688)	13,037	27,557	3,510	76,791	142,333	56,496	80,036
Less allowances for credit impairment								(10,165)
								69,871

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

At 30 June 2019	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-maturity items RS 'M	Total RS 'M
Financial assets								
Cash and cash equivalents	30,103	2,729	-	-	-	-	12,628	45,460
Derivative financial instruments	-	-	-	-	-	-	244	244
Loans to and placements with banks	5,408	4,517	1,712	2,762	6,890	-	-	21,289
Loans and advances to customers	41,908	18,255	12,452	17,231	55,497	110,016	19,638	274,997
Investment securities	4,644	16,907	19,390	13,551	31,842	39,959	3,408	129,701
Other financial assets	-	-	-	-	-	-	20,501	20,501
	82,063	42,408	33,554	33,544	94,229	149,975	56,419	492,192
Less allowances for credit impairment								(6,606)
Total								**485,586**
Financial liabilities								
Deposits from banks	4,321	1,636	1,436	-	-	-	-	7,393
Deposits from customers	268,944	9,217	4,946	6,399	14,644	4,526	8	308,684
Derivative financial instruments	-	-	-	-	-	-	505	505
Other borrowed funds	4,355	9,207	1,235	12,529	25,695	4,921	-	57,942
Subordinated liability	-	143	-	140	511	355	-	1,149
Other financial liabilities	-	-	-	-	-	-	2,758	2,758
Total	277,620	20,203	7,617	19,068	40,850	9,802	3,271	**378,431**
Net liquidity gap	(195,557)	22,205	25,937	14,476	53,379	140,173	53,148	113,761
Less allowances for credit impairment								(6,606)
								107,155

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 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 Bank 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 cashflows 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 risk 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
At 30 June 2021						
Financial assets						
Cash and cash equivalents	101,154	-	-	-	-	101,154
Derivative financial instruments	-	-	1,035	-	-	1,035
Loans to and placements with banks	40,869	-	-	-	-	40,869
Loans and advances to customers	256,750	-	-	-	-	256,750
Investment securities	154,924	20,722	-	6,859	1,055	183,560
Other financial assets	23,982	-	-	-	-	23,982
Total	577,679	20,722	1,035	6,859	1,055	607,350
Financial liabilities						
Deposits from banks	21,656	-	-	-	-	21,656
Deposits from customers	453,828	-	-	-	-	453,828
Derivative financial instruments	-	-	1,406	-	-	1,406
Other borrowed funds	74,626	-	-	-	-	74,626
Subordinated liability	875	-	-	-	-	875
Other financial liabilities	1,865	-	-	-	-	1,865
Total	552,850	-	1,406	-	-	554,256
Net on-balance sheet position	24,829	20,722	(371)	6,859	1,055	53,094

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
At 30 June 2020						
Financial assets						
Cash and cash equivalents	68,128	-	-	-	-	68,128
Derivative financial instruments	-	-	997	-	-	997
Loans to and placements with banks	19,353	-	-	-	-	19,353
Loans and advances to customers	226,777	-	-	-	-	226,777
Investment securities	100,382	14,839	-	19,766	928	135,915
Other financial assets	20,606	-	-	-	-	20,606
Total	**435,246**	**14,839**	**997**	**19,766**	**928**	**471,776**
Financial liabilities						
Deposits from banks	7,600	-	-	-	-	7,600
Deposits from customers	364,008	-	-	-	-	364,008
Derivative financial instruments	-	-	961	-	-	961
Other borrowed funds	50,817	-	-	-	-	50,817
Subordinated liability	1,013	-	-	-	-	1,013
Other financial liabilities	2,921	-	-	-	-	2,921
Total	**426,359**	**-**	**961**	**-**	**-**	**427,320**
Net on-balance sheet position	**8,887**	**14,839**	**36**	**19,766**	**928**	**44,456**

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
At 30 June 2019						
Financial assets						
Cash and cash equivalents	45,398	-	-	-	-	45,398
Derivative financial instruments	-	-	269	-	-	269
Loans to and placements with banks	20,754	-	-	-	-	20,754
Loans and advances to customers	213,398	-	-	-	-	213,398
Investment securities	76,289	18,258	-	20,747	1,104	116,398
Other financial assets	20,501	-	-	-	-	20,501
Total	**376,340**	**18,258**	**269**	**20,747**	**1,104**	**416,718**
Financial liabilities						
Deposits from banks	7,376	-	-	-	-	7,376
Deposits from customers	307,001	-	-	-	-	307,001
Derivative financial instruments	-	-	509	-	-	509
Other borrowed funds	55,406	-	-	-	-	55,406
Subordinated liability	1,040	-	-	-	-	1,040
Other financial liabilities	2,758	-	-	-	-	2,758
Total	**373,581**	**-**	**509**	**-**	**-**	**374,090**
Net on-balance sheet position	**2,759**	**18,258**	**(240)**	**20,747**	**1,104**	**42,628**

4. Cash and cash equivalents

	2021 RS'M	2020 RS'M	2019 RS'M
Cash in hand	**2,804**	2,738	2,802
Foreign currency notes and coins	**89**	204	109
Unrestricted balances with Central Bank*	**14,117**	27,189	12,137
Balances due in clearing	**381**	331	491
Treasury bills	**5,092**	56	2,130
Money market placements	**4,140**	5,422	14,779
Balances with banks abroad	**73,588**	32,204	10,982
Interbank loans**	**1,000**	-	1,986
	101,211	68,144	45,416
Allowances for credit impairment	**(57)**	(16)	(18)
	101,154	68,128	45,398

Allowances for credit impairment

	12 months expected credit loss RS'M
At 1 July 2020	**16**
Provision for credit impairment for the year	**13**
Provision released during the year	**(2)**
Changes in models/risk parameters	**30**
At 30 June 2021	**57**
At 1 July 2019	18
Provision for credit impairment for the year	4
Provision released during the year	(3)
Financial assets that have been derecognised	(3)
At 30 June 2020	16
At 1 July 2018	12
Provision for credit impairment for the year	11
Provision released during the year	(3)
Financial assets that have been derecognised	(2)
At 30 June 2019	18

* Unrestricted balances with Central Bank represent amounts above the minimum cash reserve requirement.
** Interbank loans represent loans with banks having an original maturity of less than three months.

Cash and cash equivalents as shown in the statements of cash flows

	2021 RS'M	2020 RS'M	2019 RS'M
Cash and cash equivalents	**101,211**	68,144	45,416
Other borrowed funds (see note 14(a))	**(2)**	(448)	(22)
Net cash and cash equivalents	**101,209**	67,696	45,394
Increase in cash and cash equivalents	**33,513**	22,302	11,306

5. Derivative financial instruments

The Bank 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 Bank'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 Bank assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments held are set out below:

	Contractual/ Nominal Amount RS'M	Fair value assets RS'M	Fair value liabilities RS'M
Fair value through profit or loss - Level 2*			
At 30 June 2021			
Derivative Instruments			
Currency forwards	**9,378**	**143**	**98**
Interest rate swaps	**31,830**	**733**	**895**
Currency swaps	**32,672**	**158**	**413**
Others	**235**	**1**	**-**
	74,115	**1,035**	**1,406**
At 30 June 2020			
Derivative Instruments			
Currency forwards	5,738	143	62
Interest rate swaps	30,128	725	806
Currency swaps	18,538	127	93
Others	101	2	-
	54,505	997	961
At 30 June 2019			
Derivative Instruments			
Currency forwards	8,472	62	35
Interest rate swaps	14,212	200	249
Currency swaps	11,715	6	224
Others	223	1	1
	34,622	269	509

*Refer to definition of Level 2 in note 7.

6. Loans

(a) Loans to and placements with banks

	2021 RS'M	2020 RS'M	2019 RS'M
(i) Loans to and placements with banks			
in Mauritius	**39**	6,114	10,261
outside Mauritius	**119,815**	50,887	38,306
	119,854	57,001	48,567
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(78,728)**	(37,626)	(27,747)
	41,126	19,375	20,820
Less:			
Allowances for credit impairment	**(257)**	(22)	(66)
	40,869	19,353	20,754
(ii) Remaining term to maturity			
Up to 3 months	**29,577**	9,901	9,207
Over 3 months and up to 6 months	**5,248**	3,163	2,037
Over 6 months and up to 1 year	**1,014**	6,008	3,090
Over 1 year and up to 5 years	**4,965**	-	6,219
Over 5 years	**322**	303	267
	41,126	19,375	20,820

(iii) Allowances for credit impairment

	12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2020	**10**	**-**	**10**
Provision for credit impairment for the year	**146**	**1**	**147**
Financial assets that have been derecognised	**(11)**	**-**	**(11)**
Changes in models/risk parameters	**110**	**-**	**110**
At 30 June 2021	**255**	**1**	**256**
Interest in suspense	**-**	**1**	**1**
Provision and interest in suspense at 30 June 2021	**255**	**2**	**257**
At 1 July 2019	59	-	59
Provision for credit impairment for the year	4	-	4
Provision released during the year	(6)	-	(6)
Financial assets that have been derecognised	(47)	-	(47)
At 30 June 2020	10	-	10
Interest in suspense	-	12	12
Provision and interest in suspense at 30 June 2020	10	12	22
At 1 July 2018	101	31	132
Exchange adjustment	-	1	1
Provision for credit impairment for the year	48	-	48
Provision released during the year	(57)	(24)	(81)
Financial assets that have been derecognised	(33)	(8)	(41)
At 30 June 2019	59	-	59
Interest in suspense	-	7	7
Provision and interest in suspense at 30 June 2019	59	7	66

Non performing loans (NPL) under Loans to and placements with banks amounted to Rs 1M in 2021 with provision Rs 1M. (2020: NPL Rs Nil/Provision Rs Nil, 2019: NPL - Rs 69M/Provision Rs Nil).

6. Loans (Cont'd)

(b) Loans and advances to customers

	2021 RS'M	2020 RS'M	2019 RS'M
(i) Loans and advances to customers			
Retail customers:			
Credit cards	**821**	794	1,250
Mortgages	**32,177**	30,802	29,676
Other retail loans	**10,118**	10,761	11,188
Corporate customers	**123,015**	110,051	105,598
Governments	**244**	459	611
Entities outside Mauritius	**103,395**	83,678	71,497
	269,770	236,545	219,820
Less:			
Allowances for credit impairment	**(13,020)**	(9,768)	(6,422)
	256,750	226,777	213,398
(ii) Remaining term to maturity			
Up to 3 months	**81,354**	62,014	64,783
Over 3 months and up to 6 months	**4,856**	4,425	6,168
Over 6 months and up to 1 year	**15,557**	13,471	5,730
Over 1 year and up to 5 years	**78,673**	70,248	59,451
Over 5 years	**89,330**	86,387	83,688
	269,770	236,545	219,820

(iii) Allowances for credit impairment

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2020	1,681	3,452	2,993	8,126
Exchange adjustment	-	-	95	95
Transfer to 12 months ECL	291	(183)	(108)	-
Transfer to lifetime ECL not credit impaired	(159)	193	(34)	-
Transfer to lifetime ECL credit impaired	(44)	(153)	197	-
Provision for credit impairment for the year	1,026	1,764	2,585	5,375
Provision released during the year	(645)	(820)	(300)	(1,765)
Financial assets that have been derecognised	(140)	(432)	(166)	(738)
Write offs	-	-	(1,479)	(1,479)
Changes in models/risk parameters	667	892	-	1,559
At 30 June 2021	2,677	4,713	3,783	11,173
Interest in suspense	-	-	1,847	1,847
Provision and interest in suspense at 30 June 2021	2,677	4,713	5,630	13,020

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iii) Allowances for credit impairment (Cont'd)

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2019	1,331	641	2,498	4,470
Exchange adjustment	-	-	173	173
Transfer to 12 months ECL	108	(30)	(78)	-
Transfer to lifetime ECL not credit impaired	(195)	205	(10)	-
Transfer to lifetime ECL credit impaired	(24)	(9)	33	-
Provision for credit impairment for the year	351	2,684	2,237	5,272
Provision released during the year	(494)	(81)	(196)	(771)
Financial assets that have been derecognised	(170)	(44)	(409)	(623)
Write offs	-	-	(1,255)	(1,255)
Changes in models/risk parameters	774	86	-	860
At 30 June 2020	1,681	3,452	2,993	8,126
Interest in suspense	-	-	1,642	1,642
Provision and interest in suspense at 30 June 2020	1,681	3,452	4,635	9,768

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2018	1,533	785	2,347	4,665
Exchange adjustment	-	-	31	31
Transfer to 12 months ECL	171	(78)	(93)	-
Transfer to lifetime ECL not credit impaired	(55)	75	(20)	-
Transfer to lifetime ECL credit impaired	(12)	(262)	274	-
Provision for credit impairment for the year	991	464	2,110	3,565
Provision released during the year	(861)	(188)	(196)	(1,245)
Financial assets that have been derecognised	(198)	(36)	(246)	(480)
Write offs	-	-	(1,709)	(1,709)
Changes in models/risk parameters	(238)	(119)	-	(357)
At 30 June 2019	1,331	641	2,498	4,470
Interest in suspense	-	-	1,952	1,952
Provision and interest in suspense at 30 June 2019	1,331	641	4,450	6,422

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors

	2021					
	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	7,379	1,164	127	13	1,181	1,321
Manufacturing	12,902	497	164	271	278	713
of which EPZ	*2,040*	*158*	*22*	*152*	*138*	*312*
Tourism	30,012	694	458	1,626	136	2,220
Transport	8,130	72	49	175	64	288
Construction	17,365	1,249	277	14	851	1,142
Financial and business services	52,518	1,079	637	248	703	1,588
Traders	63,270	1,653	402	515	1,267	2,184
Personal	42,260	1,223	150	41	462	653
of which credit cards	*779*	*21*	*13*	*1*	*18*	*32*
of which housing	*32,177*	*797*	*54*	*18*	*260*	*332*
Professional	1,369	131	11	5	78	94
Foreign governments	244	-	-	-	-	-
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	14,551	198	194	589	42	825
	269,770	9,769	2,677	4,713	5,630	13,020

	2020					
	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	6,309	1,161	26	243	889	1,158
Manufacturing	13,620	473	93	200	211	504
of which EPZ	*2,126*	*139*	*11*	*121*	*94*	*226*
Tourism	23,250	243	281	1,538	44	1,863
Transport	7,498	1,183	95	61	1,427	1,583
Construction	16,833	1,327	228	12	515	755
Financial and business services	50,423	1,265	242	166	211	619
Traders	43,647	2,078	192	286	598	1,076
Personal	41,504	1,643	324	109	570	1,003
of which credit cards	*754*	*27*	*21*	*2*	*19*	*42*
of which housing	*30,802*	*1,039*	*64*	*33*	*297*	*394*
Professional	1,198	142	13	37	79	129
Foreign governments	459	-	-	-	-	-
Global Business Licence holders	19,211	114	96	643	64	803
Others	12,593	83	91	157	27	275
	236,545	9,712	1,681	3,452	4,635	9,768

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors (Cont'd)

	2019					
	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	8,562	1,057	11	93	450	554
Manufacturing	9,835	587	79	79	185	343
of which EPZ	*2,964*	*510*	*3*	*13*	*149*	*165*
Tourism	21,438	153	319	17	163	499
Transport	7,597	1,050	30	-	1,011	1,041
Construction	16,023	1,922	166	4	857	1,027
Financial and business services	41,755	1,108	248	10	429	687
Traders	40,618	1,633	192	109	345	646
Personal	41,240	1,293	51	10	551	612
of which credit cards	*1,178*	*28*	*4*	*-*	*22*	*26*
of which housing	*29,676*	*755*	*20*	*4*	*273*	*297*
Professional	1,048	207	3	1	122	126
Foreign governments	611	-	-	-	-	-
Global Business Licence holders	17,858	168	153	295	311	759
Others	13,235	97	79	23	26	128
	219,820	9,275	1,331	641	4,450	6,422

* Lifetime expected credit loss (credit impaired) includes interest in suspense

(v) Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Bank to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital, classified by industry sectors.

	2021	2020	2019
	RS'M	RS'M	RS'M
Agriculture and fishing	**5,115**	7,536	7,863
Manufacturing	**909**	947	7,912
of which EPZ	***61***	*33*	*1,215*
Tourism	**17,818**	13,541	17,305
Transport	**9,046**	7,254	7,467
Construction	**11,223**	9,482	11,299
Financial and business services	**64,024**	64,823	31,745
Traders	**99,865**	68,866	57,088
Global Business Licence holders	**10,217**	10,090	10,584
Others	**8,961**	8,112	6,674
	227,178	190,651	157,937

7. Investment securities

(a) Investment securities

	2021 RS'M	2020 RS'M	2019 RS'M
Amortised cost	**155,282**	100,741	76,388
Fair value through other comprehensive income	**7,914**	20,694	21,851
Fair value through profit or loss	**20,722**	14,839	18,258
	183,918	136,274	116,497
Less allowances for credit impairment	**(358)**	(359)	(99)
	183,560	135,915	116,398

Credit impaired investments at fair value through other comprehensive income amounted to Rs 101M/Provision Rs 11M in 2021 (2020: Rs 90M/Provision Rs 10M, 2019: NIL)

(b) (i) Amortised cost

	2021 RS'M	2020 RS'M	2019 RS'M
Government of Mauritius and Bank of Mauritius bonds	**103,843**	72,143	49,895
Treasury bills	**7,415**	7,084	8,498
Foreign bonds	**22,000**	387	338
Notes	**21,643**	20,803	17,348
Index linked note	**381**	324	309
	155,282	100,741	76,388

(ii) Remaining term to maturity

	2021					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	**327**	**3,688**	**9,457**	**71,356**	**19,015**	**103,843**
Treasury bills	**7,248**	**167**	**-**	**-**	**-**	**7,415**
Foreign bonds	**-**	**-**	**-**	**8,945**	**13,055**	**22,000**
Notes	**-**	**407**	**-**	**14,403**	**6,833**	**21,643**
Index linked note	**-**	**-**	**-**	**204**	**177**	**381**
	7,575	**4,262**	**9,457**	**94,908**	**39,080**	**155,282**

	2020					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	3,444	1,835	6,716	40,212	19,936	72,143
Treasury bills	3,075	2,325	1,684	-	-	7,084
Foreign bonds	-	-	-	238	149	387
Notes	-	-	2,725	11,181	6,897	20,803
Index linked note	-	-	-	324	-	324
	6,519	4,160	11,125	51,955	26,982	100,741

7. Investment securities (Cont'd)

(b) (ii) Remaining term to maturity (Cont'd)

	2019					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	1,218	2,823	3,575	32,654	9,625	49,895
Treasury bills	3,337	2,625	2,536	-	-	8,498
Foreign bonds	-	-	-	215	123	338
Notes	976	-	-	8,011	8,361	17,348
Index linked note	-	-	-	-	309	309
	5,531	5,448	6,111	40,880	18,418	76,388

(iii) Allowances for credit impairment

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Total RS'M
At 1 July 2020	**92**	**267**	**359**
Transfer to 12 months ECL	**133**	**(133)**	**-**
Provision for credit impairment for the year	**37**	**-**	**37**
Provision released during the year	**(87)**	**(42)**	**(129)**
Financial assets that have been derecognised	**(8)**	**(5)**	**(13)**
Changes in models/risk parameters	**85**	**19**	**104**
At 30 June 2021	**252**	**106**	**358**
At 1 July 2019	99	-	99
Transfer to lifetime ECL not credit impaired	(44)	44	-
Provision for credit impairment for the year	8	214	222
Provision released during the year	(12)	-	(12)
Financial assets that have been derecognised	(5)	-	(5)
Changes in models/risk parameters	46	9	55
At 30 June 2020	92	267	359
At 1 July 2018	40	-	40
Provision for credit impairment for the year	78	-	78
Financial assets that have been derecognised	(40)	-	(40)
Changes in models/risk parameters	21	-	21
At 30 June 2019	99	-	99

7. Investment securities (Cont'd)

(c) (i) Fair value through other comprehensive income by levels

	2021 RS'M	2020 RS'M	2019 RS'M
Quoted - Level 1			
Official list : shares	797	684	860
Bonds	6,182	19,141	20,201
	6,979	19,825	21,061
Unquoted - Level 2			
Investment fund	677	625	545
Unquoted - Level 3			
Shares	258	244	245
	7,914	20,694	21,851

(ii) Reconciliation of level 3 fair value measurements

	2021 RS'M	2020 RS'M	2019 RS'M
At 1 July	244	245	230
Additions	99	-	-
Disposal of investment	(101)	-	-
Movement in fair value	16	(1)	15
At 30 June	258	244	245

(d) Fair value through profit or loss by levels

	2021 RS'M	2020 RS'M	2019 RS'M
Quoted - Level 1			
Foreign bonds	1	1	733
Foreign shares	2,703	2,092	1,666
	2,704	2,093	2,399
Unquoted - Level 2			
Government of Mauritius and Bank of Mauritius bonds	1,251	893	864
Treasury bills	16,767	11,853	14,995
	18,018	12,746	15,859
	20,722	14,839	18,258

The Bank 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 Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 : Quoted prices (unadjusted) for identical assets. This level includes listed equity securities.
Level 2 : Inputs other than quoted prices that are observable for the assets.
Level 3 : Inputs for the assets that are not based on observable market data.

Valuation techniques used to estimate the fair values of unquoted equity securities include models based on earnings/dividend growth, discounted cash flows and net asset values, whichever is considered to be appropriate. The Bank 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.

8. Investments in subsidiary and associates

(a) Investment in subsidiary

(i) The Bank's interest in its subsidiary is as follows:

	Country of incorporation	Nature of business	Assets RS'M	Liabilities RS'M	Holding %	Cost RS'M
MCB Madagascar SA **Year ended 30 June 2021**	**Madagascar**	**Banking & Financial Services**	**8,973**	**8,184**	**80.00**	**118**
Year ended 30 June 2020	Madagascar	Banking & Financial Services	6,817	6,140	80.00	118
Year ended 30 June 2019	Madagascar	Banking & Financial Services	5,646	5,087	80.00	118

(ii) Movement in investment in subsidiary is as follows:

	2021 RS'M	2020 RS'M	2019 RS'M
At 30 June	**118**	118	118

(b) Investments in associates

(i) The Bank's interest in its associates are as follows:

	Country of incorporation	Nature of business	Assets RS'M	Liabilities RS'M	Revenues RS'M	Profit/(loss) RS'M	Holding %
At 30 June 2021							
Banque Française Commerciale Océan Indien	**Reunion**	**Banking & Financial Services**	**114,864**	**105,317**	**4,547**	**662**	**49.99**
Société Générale Moçambique	**Mozambique**	**Banking & Financial Services**	**11,328**	**10,146**	**878**	**16**	**35.00**
At 30 June 2020							
Banque Française Commerciale Océan Indien	Reunion	Banking & Financial Services	96,990	88,875	4,027	876	49.99
Société Générale Moçambique	Mozambique	Banking & Financial Services	7,344	6,340	729	16	35.00
At 30 June 2019							
Banque Française Commerciale Océan Indien	Reunion	Banking & Financial Services	76,006	69,551	4,136	482	49.99
Société Générale Moçambique	Mozambique	Banking & Financial Services	3,957	3,116	526	2	35.00

(ii) The above associates are accounted for using the equity method.

(iii) Banque Française Commerciale Océan Indien (BFCOI) and Société Générale (SG) Moçambique are unquoted.

8. Investments in subsidiary and associates (Cont'd)

(b) Investments in associates (Cont'd)

(iv) Movements in investments in associates

	BFCOI RS'M	SG Moçambique RS'M	Subordinated loan to BFCOI RS'M	Total RS'M
At 1 July 2018	3,233	250	413	3,896
Share of profit of associates	241	1	-	242
Share of other movements in associates	2	21	-	23
Dividend received from associates	(173)	-	-	(173)
Increase in shareholding	-	98	-	98
Adjustments	(9)	-	2	(7)
At 30 June 2019	3,294	370	415	4,079
Share of profit of associates	438	6	-	444
Share of other movements in associates	392	(24)	-	368
Increase in shareholding	-	50	-	50
Adjustments	-	-	43	43
At 30 June 2020	**4,124**	**402**	**458**	**4,984**
Share of profit of associates	**331**	**6**	**-**	**337**
Share of other movements in associates	**526**	**50**	**-**	**576**
Dividend received from associates	**(134)**	**-**	**-**	**(134)**
Adjustments	**(7)**	**6**	**58**	**57**
At 30 June 2021	**4,840**	**464**	**516**	**5,820**

(v) Summarised financial information in respect of material entities:

Banque Française Commerciale Océan Indien

	2021 RS'M	2020 RS'M	2019 RS'M
Summarised statement of financial position:			
Current assets	**17,753**	14,980	9,743
Non current assets	**97,111**	82,010	66,263
Current liabilities	**25,362**	23,830	21,559
Non current liabilities	**79,955**	65,045	47,992
Summarised statement of profit or loss and other comprehensive income:			
Revenue	**4,547**	4,027	4,136
Dividend received	**134**	-	173
Profit	**662**	877	482
Total comprehensive income	**662**	877	482

The directors are satisfied that there are no indications requiring an impairment of the Bank's investment in subsidiary and investments in associates.

9. Intangible assets

	Computer software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 1 July 2018	2,834	158	2,992
Additions	78	276	354
Scrap/Impairment	(1,810)	-	(1,810)
Transfer	351	(351)	-
At 30 June 2019	1,453	83	1,536
Additions	56	462	518
Scrap/Impairment	(700)	(22)	(722)
Transfer	265	(265)	-
At 30 June 2020	**1,074**	**258**	**1,332**
Additions	**153**	**564**	**717**
Scrap/Impairment	**(1)**	-	**(1)**
Transfer	**356**	**(356)**	-
At 30 June 2021	**1,582**	**466**	**2,048**
Accumulated amortisation			
At 1 July 2018	2,448	-	2,448
Scrap/Impairment	(1,810)	-	(1,810)
Amortisation adjustment	(80)	-	(80)
Charge for the year	173	-	173
At 30 June 2019	731	-	731
Scrap/Impairment	(700)	-	(700)
Amortisation adjustment	58	-	58
Charge for the year	229	-	229
At 30 June 2020	**318**	-	**318**
Scrap/Impairment	**(1)**	-	**(1)**
Amortisation adjustment	**(52)**	-	**(52)**
Charge for the year	**321**	-	**321**
At 30 June 2021	**586**	-	**586**
Net book values			
At 30 June 2021	**996**	**466**	**1,462**
At 30 June 2020	756	258	1,014
At 30 June 2019	722	83	805

The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

10. Property, plant and equipment

	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Right-of-Use assets (Land and Buildings) RS'M	Total RS'M
Cost						
At 1 July 2018	4,552	3,314	831	14	-	8,711
Additions	4	270	11	137	-	422
Scrap/Disposals	(3)	(708)	(11)	-	-	(722)
Transfer	-	50	27	(77)	-	-
At 30 June 2019	4,553	2,926	858	74	-	8,411
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	-	151	151
Additions	83	215	16	275	-	589
Scrap	-	(77)	(11)	-	-	(88)
Disposals	-	(29)	(9)	-	-	(38)
Transfer	32	116	31	(179)	-	-
At 30 June 2020	**4,668**	**3,151**	**885**	**170**	**151**	**9,025**
Additions	**9**	**248**	**3**	**179**	**90**	**529**
Scrap	**-**	**(60)**	**(17)**	**-**	**-**	**(77)**
Disposals	**(1)**	**(74)**	**(12)**	**-**	**-**	**(87)**
Cancellation	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Adjustment on re-measurement*	**-**	**-**	**-**	**-**	**2**	**2**
Transfer	**39**	**123**	**38**	**(200)**	**-**	**-**
At 30 June 2021	**4,715**	**3,388**	**897**	**149**	**240**	**9,389**
Accumulated depreciation						
At 1 July 2018	859	2,534	477	-	-	3,870
Charge for the year	74	309	53	-	-	436
Depreciation adjustment	-	(126)	(13)	-	-	(139)
Scrap/Disposal adjustment	(1)	(708)	(11)	-	-	(720)
At 30 June 2019	932	2,009	506	-	-	3,447
Charge for the year	76	334	56	-	45	511
Depreciation adjustment	-	(39)	9	-	-	(30)
Scrap adjustment	-	(74)	(11)	-	-	(85)
Disposal adjustment	-	(29)	(8)	-	-	(37)
At 30 June 2020	**1,008**	**2,201**	**552**	**-**	**45**	**3,806**
Charge for the year	**78**	**363**	**56**	**-**	**59**	**556**
Depreciation adjustment	**-**	**(16)**	**(10)**	**-**	**-**	**(26)**
Scrap adjustment	**-**	**(60)**	**(15)**	**-**	**-**	**(75)**
Disposal adjustment	**-**	**(73)**	**(10)**	**-**	**-**	**(83)**
At 30 June 2021	**1,086**	**2,415**	**573**	**-**	**104**	**4,178**
Net book values						
At 30 June 2021	**3,629**	**973**	**324**	**149**	**136**	**5,211**
At 30 June 2020	3,660	950	333	170	106	5,219
At 30 June 2019	3,621	917	352	74	-	4,964

10. Property, plant and equipment (Cont'd)

Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment'.
The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.
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 Bank does not have the possibility of acquiring the asset at the end of the lease.

*The Bank reviewed the discounting rate used upon adoption of IFRS 16 to measure the present value of the remaining lease payments from 5.6% to 4.1%.

11. Deferred tax assets

	Balance as at 1 July RS'M	Exchange adjustments RS'M	Recognised in Statement of profit or loss RS'M	Recognised in Statement of comprehensive income RS'M	Balance as at 30 June RS'M
2021					
Provisions and post retirement benefits	**320**	-	(12)	(315)	(7)
Provisions for credit impairment	**916**	2	534	-	1,452
Accelerated tax depreciation	**(227)**	-	(29)	-	(256)
At 30 June 2021	**1,009**	2	493	(315)	1,189
2020					
Provisions and post retirement benefits	304	-	(84)	100	320
Provisions for credit impairment	318	9	589	-	916
Accelerated tax depreciation	(282)	-	55	-	(227)
At 30 June 2020	340	9	560	100	1,009
2019					
Provisions and post retirement benefits	246	-	(25)	83	304
Provisions for credit impairment	383	-	(65)	-	318
Accelerated tax depreciation	(247)	-	(35)	-	(282)
At 30 June 2019	382	-	(125)	83	340

The applied deferred tax rate for the year 30 June 2021 is 13%. (2020: 13%, 2019: 17% and 3%)

12. Other assets

	2021 RS'M	2020 RS'M	2019 RS'M
Mandatory balances with Central Bank	**21,990**	19,821	18,609
Prepayments and other receivables	**1,126**	813	612
Credit card clearing	**152**	155	99
Non-banking assets acquired in satisfaction of debts*	**79**	60	61
Impersonal and other accounts	**3,808**	1,510	2,597
	27,155	22,359	21,978

* The Bank's policy is to dispose of such assets as soon as the market permits.

13. Deposits

	2021 RS'M	2020 RS'M	2019 RS'M
(a) Deposits from banks			
Demand deposits	**16,955**	4,484	3,452
Money market deposits with remaining term to maturity:			
Up to 3 months	**2,570**	1,447	2,507
Over 3 months and up to 6 months	**1,663**	1,430	1,417
Over 6 months and up to 1 year	**427**	201	-
Over 1 year and up to 5 years	**41**	38	-
	4,701	3,116	3,924
	21,656	7,600	7,376
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	**46,602**	40,815	29,881
Savings deposits	**169,830**	152,765	132,280
Time deposits with remaining term to maturity:			
Up to 3 months	**3,419**	4,532	4,564
Over 3 months and up to 6 months	**1,673**	2,125	2,229
Over 6 months and up to 1 year	**3,302**	4,596	4,405
Over 1 year and up to 5 years	**9,320**	10,257	11,720
Over 5 years	**8**	49	36
	17,722	21,559	22,954
	234,154	215,139	185,115
(ii) Corporate customers			
Demand deposits	**193,036**	120,215	96,873
Savings deposits	**6,145**	5,077	5,444
Time deposits with remaining term to maturity:			
Up to 3 months	**12,598**	12,777	9,421
Over 3 months and up to 6 months	**2,315**	3,403	2,403
Over 6 months and up to 1 year	**4,131**	2,677	1,602
Over 1 year and up to 5 years	**1,326**	4,522	5,923
Over 5 years	**-**	-	31
	20,370	23,379	19,380
	219,551	148,671	121,697
(iii) Government			
Demand deposits	**54**	44	36
Savings deposits	**69**	154	153
	123	198	189
	453,828	364,008	307,001

The carrying amounts of deposits are not materially different from their fair values.

14. Other borrowed funds

(a) Other borrowed funds comprise the following:

	2021 RS'M	2020 RS'M	2019 RS'M
Borrowings from banks:			
in Mauritius	**24,158**	17,535	12,068
abroad	**50,468**	33,282	43,338
	74,626	50,817	55,406
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**2**	448	22

The carrying amounts of other borrowed funds are not materially different from their fair values.

(b) Remaining term to maturity:

	2021	2020	2019
On demand or within a period not exceeding 1 year	**43,844**	43,556	24,135
Within a period of more than 1 year but not exceeding 3 years	**17,154**	352	23,929
Within a period of more than 3 years	**13,628**	6,909	7,342
	74,626	50,817	55,406

15. Subordinated liability

Subordinated liability comprises the following:

	2021 RS'M	2020 RS'M	2019 RS'M
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (2020: 5.2% and 2019: 5.8%) (Level 3)	**1,013**	1,040	1,068
Repayment of USD 4.5M during the year (2020: USD 3.8M, 2019: USD 1.5M)	**(179)**	(137)	(51)
Adjustment	**41**	110	23
	875	1,013	1,040

The carrying amount of the subordinated liability is not materially different from its fair value.

The Bank obtained a USD 30M 10-year subordinated debt from the African Development Bank. This facility forms part of a wider package of USD 150M granted by the latter to allow the Bank to increase its foreign currency lending to clients operating in the region and in mainland Africa.

16. Post employee benefit (asset)/liability

		2021 Rs'M	2020 Rs'M	2019 Rs'M
	Post employee benefit (asset)/liability			
(a)	Staff superannuation fund (defined benefit section)	(1,344)	1,041	301
(b)	Residual retirement gratuities	126	129	59
		(1,218)	1,170	360

(a) Staff superannuation fund (defined benefit section)

	2021 Rs'M	2020 Rs'M	2019 Rs'M
Reconciliation of net defined benefit (asset)/liability			
Opening balance	1,041	301	152
Amount recognised in statement of profit or loss	255	261	211
Amount recognised in statement of comprehensive income	(2,407)	715	487
Less capital injection	-	-	(317)
Less employer contributions	(233)	(236)	(232)
Closing balance	(1,344)	1,041	301
Reconciliation of fair value of plan assets			
Opening balance	7,555	7,688	7,193
Interest income	241	459	462
Capital injection	-	-	317
Employer contributions	233	236	232
Transfer of assets	(45)	-	-
Benefits paid	(322)	(310)	(294)
Return on plan assets above/(below) interest income	1,290	(518)	(222)
Closing balance	8,952	7,555	7,688
Reconciliation of present value of defined benefit obligation			
Opening balance	8,596	7,989	7,345
Current service cost	229	230	219
Interest expense	270	471	454
Past service cost	(3)	19	-
Transfer of assets	(45)	-	-
Benefits paid	(322)	(310)	(294)
Liability experience gain	-	(13)	-
Liability (gain)/loss due to change in financial assumptions	(1,117)	210	265
Closing balance	7,608	8,596	7,989
Components of amount recognised in statement of profit or loss			
Current service cost	229	230	219
Past service cost	(3)	19	-
Net interest on net defined benefit	29	12	(8)
Total	255	261	211
Analysed as follows:			
The Mauritius Commercial Bank Limited (see note 27(a))	223	228	184
Other members of The MCB Group Limited	32	33	27
	255	261	211
Components of amount recognised in other statement of comprehensive income			
Return on plan assets (above)/below interest income	(1,290)	518	222
Liability experience gain	-	(13)	-
Liability (gain)/loss due to change in financial assumptions	(1,117)	210	265
Total	(2,407)	715	487

16. Post employee benefit asset)/liability (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

Allocation of plan assets at end of year	2021 %	2020 %	2019 %
Equity - Local quoted	**32**	30	34
Equity - Local unquoted	**1**	1	1
Debt - Overseas quoted	**1**	1	2
Debt - Local quoted	**12**	12	8
Debt - Local unquoted	**5**	5	11
Property - Local	**5**	6	4
Investment funds	**37**	31	34
Cash and other	**7**	14	6
Total	**100**	100	100

Allocation of plan assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	**10**	8	9
Property occupied by reporting entity	**6**	6	3
Other assets used by reporting entity	**3**	4	2

Principal assumptions used at end of year	2021	2020	2019
Discount rate	**5.0%**	3.2%	6.0%
Rate of salary increases	**2.5%**	1.0%	3.5%
Rate of pension increases	**1.0%**	0.5%	3.3%
Average retirement age (ARA)	**63**	63	63
Average life expectancy for:			
Male at ARA	**17.3 years**	17.3 years	17.3 years
Female at ARA	**21.7 years**	21.7 years	21.7 years

	2021 RS' M	2020 RS' M	2019 RS' M
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**1,301**	1,617	1,487
Decrease due to 1% increase in discount rate	**1,027**	1,254	1,169

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 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.

16. Post employee benefit (asset)/liability (Cont'd)

For this year's exercise, a projection of the liabilities at 30 June 2020 one year forward has been done while allowing for actual cash flows during the year ended 30 June 2021. Following the sale of ICPS Ltd during the year, the Defined Benefit (DB) Section's share of assets for ICPS Ltd to be transferred from MCB Ltd to ICPS Ltd has been estimated to Rs 45M. The release of the liabilities as agreed with the buyer in respect of DB members under ICPS Ltd resulted in a negative past service cost of Rs 3M. This amount relates to the difference between the past service reserve held for these members and the assets transferred as at the date of disposal.

The Bank sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Bank. The Bank has recognised a total net defined benefit asset of Rs 1,344M as at 30 June 2021 for the plan (a defined benefit liability for 2020: Rs 1,041M and 2019 : Rs 301M).

The Bank operates a final salary defined benefit pension or retirement plan for some of its employees which is self-administered and funded separately from the Bank.

The plan exposes the Bank 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 Bank 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, except for the past service cost recognised in respect of the transfer of employees under ICPS Ltd.

Future cash flows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the Bank's actuaries:

Expected employer contribution for the next year (Rs'M):	**238**
Weighted average duration of the defined benefit obligation:	**15 years**

Defined Contribution Cash Balance (DCCB)

As from 1 July 2015, the Bank has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees. Its contributions for DC employees towards pensions and expenses are expensed to the income statement and amounted to Rs 118M for the year ended 30 June 2021 (2020: Rs 103M, 2019: Rs 83M).

Consequently, all employees joining the Bank as from that date are automatically enrolled in the new scheme. Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

16. Post employee benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	2021 Rs'M	2020 Rs'M	2019 Rs'M
Reconciliation of net defined benefit liability			
Opening balance	**129**	59	51
Amount recognised in statement of profit or loss	**13**	14	7
Amount recognised in statement of comprehensive income	**(16)**	56	1
Closing balance	**126**	129	59
Reconciliation of present value of defined benefit obligation			
Opening balance	**129**	59	51
Current service cost	**11**	11	4
Interest expense	**4**	3	3
Past service cost	**(2)**	-	-
Liability experience loss	**1**	47	-
Liability (gain)/loss due to change in financial assumptions	**(17)**	9	1
Closing balance	**126**	129	59
Components of amount recognised in statement of profit or loss			
Current service cost	**11**	11	4
Past service cost	**(2)**	-	-
Net interest on net defined benefit liability	**4**	3	3
Total (see note 27(a))	**13**	14	7
Components of amount recognised in other statement of comprehensive income			
Liability experience loss	**1**	47	-
Liability (gain)/loss due to change in financial assumptions	**(17)**	9	1
Total	**(16)**	56	1
Principal assumptions used at end of year			
Discount rate	**5.0%**	3.2%	6.0%
Rate of salary increases	**2.5%**	1.0%	3.5%
Rate of pension increases	**1.0%**	0.5%	3.3%
Average retirement age (ARA)	**63**	63	63

	2021 Rs'M	2020 Rs'M	2019 Rs'M
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**42**	42	27
Decrease due to 1% increase in discount rate	**32**	33	19

The Bank has also recognised a net defined benefit liability of Rs 126M as at 30 June 2021 (2020: Rs 129M, 2019: Rs 59M) 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 negative past service cost element of Rs 2M in the Residual Retirement note is in respect of residual retirement gratuities for employees of ICPS Ltd, who have been transferred out of MCB Group.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cashflow as and when due:

Expected employer contribution for the next year (Rs'M): **16**

Weighted average duration of the defined benefit obligation: **23 years**

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 15 September 2021.

17. Other liabilities

	2021 RS'M	2020 RS'M	2019 RS'M
Allowances for credit impairment on off balance sheet exposures (17 (a))	**389**	235	309
Lease liabilities (17 (b))	**139**	109	-
Impersonal, other accounts and deferred income	**6,295**	5,476	5,902
Proposed dividend (see note 30)	**2,000**	-	1,548
	8,823	5,820	7,759

(a) Allowances for credit impairment on off balance sheet exposures

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2020	**232**	**-**	**3**	**235**
Provision for credit impairment for the year	**176**	**-**	**-**	**176**
Provision released during the year	**(133)**	**-**	**(3)**	**(136)**
Changes in models/risk parameters	**114**	**-**	**-**	**114**
At 30 June 2021	**389**	**-**	**-**	**389**
At 1 July 2019	309	-	-	309
Provision for credit impairment for the year	11	-	3	14
Provision released during the year	(243)	-	-	(243)
Changes in models/risk parameters	155	-	-	155
At 30 June 2020	232	-	3	235
At 1 July 2018	276	-	-	276
Provision for credit impairment for the year	316	2	33	351
Provision released during the year	(254)	(2)	(33)	(289)
Changes in models/risk parameters	(29)	-	-	(29)
At 30 June 2019	309	-	-	309

(b) The lease liabilities can be analysed as follows:

	2021 RS'M	2020 RS'M
Over 6 months and up to 1 year	**14**	43
Over 1 year and up to 5 years	**125**	66
	139	109

18. Further disclosures with adoption of new international financial reporting standards

Adoption of IFRS 16 leases

This note explains the impact of the adoption of IFRS 16 Leases on the Bank's financial statements. The Bank has adopted IFRS 16 Leases as from financial year 2020 with no restatement of comparatives for 2019 as permitted under the specific transition provisions in the standard. The adjustments arising from the new leasing rules have been recognised in the statement of financial position as from financial year 2020.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's borrowing rate as of 1 July 2019. The lessee's borrowing rate applied to the lease liabilities on 1 July 2019 was 5.6%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Bank has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and Interpretation in Determining whether an Arrangement contains a lease.

(ii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

(iii) Lessor Accounting

The Bank did not make adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

(iv) Amounts recognised in the financial statements

	2021 RS'M	2020 RS'M
Amounts in statement of financial position		
Opening Balance	106	-
Recognition of right-of-use assets	-	151
Addition, net of other adjustments	89	-
Depreciation of right-of-use assets	(59)	(45)
Carrying amount of right-of-use assets	136	106
Lease liabilities	139	109
Amounts in statement of profit or loss		
Interest on lease liabilities	6	8
Expenses related to short term leases	3	2
Expenses relating to low value leases	6	12
Expenses relating to variable leases	10	6
Amounts recognised in statement of cash flows		
Cash payment for reduction of the outstanding lease liabilities	60	42
Interest payments	6	8
Total outflow for lease	66	50

19. Stated capital and reserves

(a) Stated capital

	Number of shares	RS'M
At 30 June 2019 and 30 June 2020	687,960,247	6,880
Rights issue	200,000,000	2,000
At 30 June 2021	**887,960,247**	**8,880**

Fully paid ordinary shares carry one vote per share and the right to dividend.

Rights Issue

End of June 2021, the Board has approved a rights issue of Rs 2.0 billion subscribed by its sole shareholder with the view to support the Bank's international expansion.

(b) Reserves

(i) Capital reserve

The capital reserve represents the cumulative net change in the fair value of financial assets FVOCI until the financial instruments are derecognised or impaired.

(ii) Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

(iii) General banking reserve

The Bank makes an appropriation to a general banking reserve for unforeseen risks and future losses.

(iv) Translation Reserve

The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of investments in associates.

20. Contingent liabilities

	2021 RS'M	2020 RS'M	2019 RS'M
(a) Instruments			
Guarantees on account of customers	**25,519**	23,554	20,377
Letters of credit and other obligations on account of customers	**92,105**	36,938	44,400
Other contingent items	**5,709**	1,550	1,751
	123,333	62,042	66,528
(b) Commitments			
Loans and other facilities, including undrawn credit facilities	**5,215**	6,356	5,140
(c) Tax assessments	-	98	90
	128,548	68,496	71,758

21. Interest income

	2021 RS'M	2020 RS'M	2019 RS'M
Interest income using the effective interest method:			
Loans to and placements with banks	**577**	875	1,089
Loans and advances to customers	**11,061**	12,968	12,787
Investments at amortised cost	**3,891**	3,691	2,514
Investments at fair value through other comprehensive income	**99**	350	270
	15,628	17,884	16,660
Investments at fair value through profit or loss	**131**	370	774
Other	**149**	94	15
	15,908	18,348	17,449

22. Interest expense

	2021 RS'M	2020 RS'M	2019 RS'M
Deposits from banks	**16**	65	101
Deposits from customers	**883**	3,147	3,769
Subordinated liability	**31**	52	59
Other borrowed funds	**1,136**	1,612	1,267
Leases	**6**	8	-
	2,072	4,884	5,196

23. Fee and commission income

	2021 RS'M	2020 RS'M	2019 RS'M
Retail and private banking fees	**873**	666	686
Corporate banking fees	**882**	938	875
Guarantee fees	**381**	335	264
Interbank transaction fees	**75**	56	63
Cards and other related fees	**1,686**	1,755	1,793
Trade finance fees	**944**	528	631
Others	**93**	143	121
	4,934	4,421	4,433

24. Fee and commission expense

	2021 RS'M	2020 RS'M	2019 RS'M
Interbank transaction fees	**24**	17	16
Cards and other related fees	**786**	863	840
Corporate banking and trade finance fees	**199**	190	174
Others	**59**	7	40
	1,068	1,077	1,070

25. Net gain from financial instruments carried at fair value

	2021 RS'M	2020 RS'M	2019 RS'M
Net (loss)/gain from financial instruments	**(159)**	412	88
Net gain from Investment securities	**562**	501	563
	403	913	651

26. Dividend income

	2021 RS'M	2020 RS'M	2019 RS'M
Quoted investments	**23**	25	31
Unquoted investments	**13**	11	13
Subsidiary	**-**	-	15
	36	36	59

27. Non-interest expense

(a) Salaries and human resource costs

	2021 RS'M	2020 RS'M	2019 RS'M
Wages and salaries	**2,529**	2,407	2,465
Defined benefit plan	**223**	228	184
Defined contribution plan	**156**	132	106
Residual retirement gratuities	**13**	14	7
Compulsory social security obligations	**107**	78	70
Equity settled share-based payments	**7**	11	4
Other personnel expenses	**754**	759	691
	3,789	3,629	3,527

(b) Other non-interest expense

	2021 RS'M	2020 RS'M	2019 RS'M
Legal and professional fees	**398**	384	321
Rent, repairs, maintenance and security costs	**358**	316	321
Software licensing and other information technology costs	**544**	406	312
Electricity, water and telephone charges	**265**	243	232
Advertising, marketing costs and sponsoring	**79**	156	249
Postage, courier and stationery costs	**156**	149	145
Insurance costs	**129**	98	97
Others	**133**	139	111
of which short term leases	***3***	*2*	-
of which low value leases	***6***	*12*	-
of which variable leases	***10***	*6*	-
	2,062	1,891	1,788

28. Net impairment of financial assets

	2021 RS'M	2020 RS'M	2019 RS'M
Net allowance for credit impairment			
Cash and cash equivalents	**41**	(2)	6
Loans and advances			
Loans to and placements with banks	**246**	(49)	(74)
Loans and advances to customers	**4,431**	4,738	1,483
Investment securities			
Amortised cost	**(1)**	260	59
Fair value through other comprehensive income	**(1)**	10	(5)
Off balance sheet exposures	**154**	(74)	33
	4,870	4,883	1,502
Bad debts written off for which no provisions were made	**-**	-	1
Recoveries of advances written off	**(269)**	(65)	(48)
	4,601	4,818	1,455

29. Income tax expense

(a) The tax charge related to statement of profit or loss is as follows:

	2021 RS'M	2020 RS'M	2019 RS'M
Income tax based on the adjusted profit	**1,185**	1,136	769
Deferred tax	**(493)**	(423)	125
Effect of change in tax rate	**-**	(137)	-
Special levy on banks	**556**	563	510
Corporate social responsibility contribution	**107**	104	86
(Over)/under provision in previous years	**-**	(13)	25
Provision for tax assessment	**-**	-	163
Charge for the year	**1,355**	1,230	1,678
The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:			
Profit before tax	**8,751**	8,639	10,443
Less share of profit of associates	**(337)**	(444)	(242)
	8,414	8,195	10,201
Tax calculated at applicable tax rates	**1,027**	1,012	1,530
Effect of change in tax rate	**-**	(137)	-
Impact of:			
Income not subject to tax	**(570)**	(511)	(110)
Expenses not deductible for tax purposes	**235**	212	224
Tax credits	**-**	-	(750)
Special levy on banks	**556**	563	510
Corporate social responsibility contribution	**107**	104	86
(Over)/under provision in previous years	**-**	(13)	25
Provision for tax assessment	**-**	-	163
Tax charge	**1,355**	1,230	1,678

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Bank is entitled 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 Bank 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 has been abolished for income tax purposes and a new tax regime is applicable for the banking sector. The Bank is now being taxed at 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 5% on the remainder, subject to meeting prescribed conditions.

(b) The tax charge/(credit) related to statement of comprehensive income is as follows:

	2021	2020	2019
Remeasurement of defined benefit pension plan and retirement residual gratuities	**(2,423)**	771	487
Deferred tax charge/(credit)	**315**	(100)	(83)
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**(2,108)**	671	404

30. Dividends

	2021 RS'M	2020 RS'M	2019 RS'M
Dividends in cash			
Paid on 10 December 2019 at Rs 2.70 per share (2019: Rs 2.05)	-	1,857	1,410
Paid on 5 July 2021 at Rs 2.91 per share	2,000	-	1,548
	2,000	1,857	2,958

31. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the ordinary equity holder of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2021 RS'M	2020 RS'M	2019 RS'M
Profit for the year	7,396	7,409	8,765
Weighted average number of ordinary shares (thousands)	689,056	687,960	687,960
Earnings per share (Rs)	10.73	10.77	12.74

32. Commitments

(a) Capital commitments

	2021 RS'M	2020 RS'M	2019 RS'M
Expenditure contracted for but not incurred	152	129	137
Expenditure approved by the Board but not contracted for	135	173	143

(b) Securities pledged

The Bank 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.

	2021 RS'M	2020 RS'M	2019 RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	6,413	5,800	5,014
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	46,961	9,087	1,800
	53,374	14,887	6,814

33. Net cash flows from trading activities

	2021 RS'M	2020 RS'M	2019 RS'M
Continuing operations			
Operating profit	**8,414**	8,195	10,201
Increase in other assets	**(6,014)**	(378)	(3,094)
Increase/(decrease) in other liabilities	**1,950**	(404)	830
Net decrease/(increase) in derivative financial instruments	**407**	(276)	(72)
Net (increase)/decrease in investment securities at fair value through profit or loss	**(5,883)**	3,419	7,208
Capital injection in Superannuation Fund	**-**	-	(317)
Additional/(release) of provision for employee benefits	**22**	25	(21)
Additional provision for residual retirement gratuities	**13**	14	7
Charge/(release) for credit impairment:			
Loans and advances	**4,677**	4,689	1,409
Investment securities	**(1)**	260	59
Cash and cash equivalents	**41**	(2)	6
Off balance sheet	**154**	(74)	33
Investment fair valued through other comprehensive income	**(1)**	10	(5)
Exchange profit	**(646)**	(2,622)	(456)
Depreciation of property, plant and equipment	**556**	511	436
Amortisation of intangible assets	**321**	229	173
Loss/(profit) on disposal of property, plant and equipment	**3**	2	(3)
Loss on scrapped intangible assets	**-**	22	-
Profit on disposal of investment securities	**113**	(195)	(8)
	4,126	13,425	16,386

34. Net cash flows from other operating activities

	2021 RS'M	2020 RS'M	2019 RS'M
Net increase in deposits	**103,876**	57,231	28,845
Net increase in loans and advances	**(56,166)**	(16,667)	(28,843)
Purchase of investment at fair value through other comprehensive income	**(36,560)**	(63,849)	(39,503)
Proceeds from sale of investment at fair value through other comprehensive income	**49,861**	67,686	21,140
Net increase in investment securities at amortised cost	**(54,541)**	(24,352)	(22,899)
Net increase/(decrease) in other borrowed funds	**24,255**	(5,015)	41,196
	30,725	15,034	(64)

35. Related party transactions

	Ultimate Holding Company* RS'M	Holding Company* RS'M	Entities under common control (including defined benefit plan) RS'M	Entities in which the Bank holds more than a 10% interest RS'M	Directors and Key Management Personnel (including parent) RS'M	Enterprises in which Directors and Key Management Personnel have significant interest (including parent) RS'M
Cash equivalents, Loans and Advances						
Balances at 30 June 2021	-	-	**4,254**	**571**	**263**	**421**
Net movements during the year	-	-	**1,026**	**(772)**	**(41)**	**88**
Balances at 30 June 2020	-	-	**3,228**	**1,343**	**304**	**333**
Net movements during the year	-	-	(701)	(833)	13	(39)
Balances at 30 June 2019	-	-	3,929	2,176	291	372
Net movements during the year	(1)	-	(72)	782	41	(282)
Balances at 1 July 2018	1	-	4,001	1,394	250	654
Deposits						
Balance at year end:						
30 June 2021	**588**	-	**4,779**	**151**	**392**	**405**
30 June 2020	141	20	5,423	231	329	406
30 June 2019	58	99	5,245	138	235	278
Amounts due from/(to)						
Balance at year end:						
30 June 2021	**1**	**(2,000)**	**128**	**2**	-	-
30 June 2020	2	-	73	2	-	-
30 June 2019	2	(1,548)	107	2	-	-
Off Balance sheet items						
Balance at year end:						
30 June 2021	-	-	**2,169**	**714**	-	**192**
30 June 2020	-	-	2,397	161	-	5
30 June 2019	-	-	1,727	629	-	3
Interest income						
For the year ended:						
30 June 2021	-	-	118	12	2	14
30 June 2020	2	-	120	15	6	15
30 June 2019	-	-	164	17	7	20
Interest expense						
For the year ended:						
30 June 2021	-	-	**3**	**1**	**2**	-
30 June 2020	-	-	35	3	4	-
30 June 2019	-	-	59	4	7	-

35. Related party transactions (Cont'd)

	Ultimate Holding Company* RS'M	Holding Company* RS'M	Entities under common control (including defined benefit plan) RS'M	Entities in which the Bank holds more than a 10% interest RS'M	Directors and Key Management Personnel (including parent) RS'M	Enterprises in which Directors and Key Management Personnel have significant interest (including parent) RS'M
Other income						
For the year ended:						
30 June 2021	**1**	**-**	**128**	**144**	**3**	**2**
30 June 2020	2	-	175	8	2	4
30 June 2019	1	-	175	185	3	2
Non-interest expense						
For the year ended:						
30 June 2021	**-**	**-**	**139**	**-**	**-**	**-**
30 June 2020	-	-	155	-	-	-
30 June 2019	-	-	105	-	-	-

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.

* The Directors regard MCB Investment Holding Limited as its holding company and MCB Group Limited as its ultimate holding company. The figures for 'Amounts due from/(to)' include the Interim Dividend payable to MCB Investment Holding Limited of Rs 2,000M for 2020/2021 and Rs NIL for 2019/2020.

The Bank introduced a Transfer Pricing policy applicable as from 1 January 2021 with its related entities in line with best practice and has gradually migrated to the new policy with support services being mainly categorised as 'low value services'.

Prior to 1 January 2021, the Bank had entered into management contracts with its foreign banking related entities and was charging fees based on operating income. These fees also included in 'Other income' represent the invoicing of administrative and support services provided by the Bank.

Gross amounts claimed, net of withholding tax, in the local jurisdiction under the above policies/contracts, were as follows :

MCB Seychelles	**Rs 35M**
MCB Madagascar	**Rs 18M**
MCB Maldives	**Rs 8M**

The figures for 'Other income' from Ultimate Holding Company, Holding Company and Entities under common control, include (where applicable) dividend income and reimbursable expenses charged to these entities in respect of notional rental of office space and provision of support, administrative and other assistance.

The FY 2020/2021 figure for 'Entities in which the bank holds more than 10% interest' includes dividend income and an annual amount in respect of management fees charged to Banque Française Commerciale Océan Indien ('BFCOI').

During the year, 80,345 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 17M (FY 2019/2020: 125,905 share options for Rs 37M; FY 2018/2019: 74,120 share options for Rs 20M).

35. Related party transactions (Cont'd)

Key Management Personnel compensation

	2021 RS'M	2020 RS'M	2019 RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :			
Salaries and short term employee benefits	**124**	134	108
Post employment benefits	**11**	8	7
	135	142	115

36. Event after reporting date

Syndicated facility

In September 2021, the Bank has secured a syndicated medium term facility of USD 1 billion arranged by a consortium of six international banks. The facility comprises two tranches, with Tranche A for an amount of USD 400 million with a tenor of 2 years and Tranche B for the remaining amount of USD 600 million with a tenor of 3 years.

A first disbursement of USD 500 million is expected before the end of September 2021 to settle an existing syndicated borrowing contracted in March 2019. The remainder is expected to be disbursed by end of December 2021 to finance its ongoing cross border activities in line with its strategic expansion in the region and beyond.

37. Additional disclosures as required by the Bank of Mauritius

Under the Guideline on Segmental Reporting under a Single Banking Licence Regime, the Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure into two segments; Segment A (Seg A) and Segment B (Seg B).

Segment B activity is essentially directed to the provision of international financial services that gives rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associates and overseas correspondents, GBL holders and other non-residents.

However, the liabilities employed to support such assets may come from deposits, borrowings and funds deposited by non-residents, GBL holders and residents.

Segment A activity relates to all banking business other than Segment B activity.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of financial position as at 30 June 2021

	Note	2021			2020			2019		
		TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
ASSETS										
Cash and cash equivalents		**101,154**	**23,475**	**77,679**	68,128	30,514	37,614	45,398	19,651	25,747
Derivative financial instruments	37(a)	**1,035**	**98**	**937**	997	95	902	269	42	227
Loans to and placements with banks	37(b)	**40,869**	**39**	**40,830**	19,353	6,113	13,240	20,754	8,274	12,480
Loans and advances to customers	37(c)	**256,750**	**140,314**	**116,436**	226,777	127,924	98,853	213,398	127,228	86,170
Investment securities	37(d)	**183,560**	**144,971**	**38,589**	135,915	114,322	21,593	116,398	93,528	22,870
Investment in subsidiary	37(e)	**118**	**-**	**118**	118	-	118	118	-	118
Investments in associates	37(e)	**5,820**	**-**	**5,820**	4,984	-	4,984	4,079	-	4,079
Intangible assets	37(f)	**1,462**	**1,462**	**-**	1,014	1,014	-	805	805	-
Property, plant and equipment	37(g)	**5,211**	**5,211**	**-**	5,219	5,219	-	4,964	4,964	-
Deferred tax assets		**1,189**	**386**	**803**	1,009	627	382	340	279	61
Post employee benefit asset		**1,218**	**1,218**	**-**	-	-	-	-	-	-
Other assets	37(h)	**27,155**	**24,203**	**2,952**	22,359	21,896	463	21,978	21,537	441
Total assets		**625,541**	**341,377**	**284,164**	485,873	307,724	178,149	428,501	276,308	152,193
LIABILITIES AND SHAREHOLDER'S EQUITY										
Deposits from banks	37(i)	**21,656**	**223**	**21,433**	7,600	195	7,405	7,376	144	7,232
Deposits from customers	37(j)	**453,828**	**286,950**	**166,878**	364,008	259,315	104,693	307,001	222,210	84,791
Derivative financial instruments	37(a)	**1,406**	**198**	**1,208**	961	77	884	509	57	452
Other borrowed funds	37(k)	**74,626**	**24,158**	**50,468**	50,817	17,535	33,282	55,406	12,068	43,338
Subordinated liability	37(l)	**875**	**-**	**875**	1,013	-	1,013	1,040	-	1,040
Current tax liabilities		**1,031**	**933**	**98**	1,270	1,010	260	899	696	203
Post employee benefit liability		**-**	**-**	**-**	1,170	1,170	-	360	360	-
Other liabilities	37(m)	**8,823**	**8,729**	**94**	5,820	5,727	93	7,759	7,600	159
Total liabilities		**562,245**	**321,191**	**241,054**	432,659	285,029	147,630	380,350	243,135	137,215
Shareholder's equity										
Stated capital		**8,880**	**8,880**	**-**	6,880	6,880	-	6,880	6,880	-
Retained earnings		**45,343**	**45,343**	**-**	38,949	38,949	-	33,819	33,819	-
Other components of equity		**9,073**	**8,575**	**498**	7,385	7,028	357	7,452	7,358	94
Total equity		**63,296**	**62,798**	**498**	53,214	52,857	357	48,151	48,057	94
Total equity and liabilities		**625,541**	**383,989**	**241,552**	485,873	337,886	147,987	428,501	291,192	137,309
CONTINGENT LIABILITIES	37(n)	**128,548**	**23,085**	**105,463**	68,496	19,981	48,515	71,758	20,016	51,742

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of profit or loss for the year ended 30 June 2021

	Note	2021 TOTAL RS'M	2021 Segment A RS'M	2021 Segment B RS'M	2020 TOTAL RS'M	2020 Segment A RS'M	2020 Segment B RS'M	2019 TOTAL RS'M	2019 Segment A RS'M	2019 Segment B RS'M
Interest income	37(o)	15,908	10,007	5,901	18,348	11,468	6,880	17,449	11,098	6,351
Interest expense	37(p)	(2,072)	(1,031)	(1,041)	(4,884)	(2,892)	(1,992)	(5,196)	(3,650)	(1,546)
Net interest income		13,836	8,976	4,860	13,464	8,576	4,888	12,253	7,448	4,805
Fee and commission income	37(q)	4,934	2,547	2,387	4,421	2,526	1,895	4,433	2,657	1,776
Fee and commission expense	37(r)	(1,068)	(511)	(557)	(1,077)	(696)	(381)	(1,070)	(708)	(362)
Net fee and commission income		3,866	2,036	1,830	3,344	1,830	1,514	3,363	1,949	1,414
Other income										
Profit arising from dealing in foreign currencies		1,567	1,146	421	1,322	917	405	1,216	863	353
Net gain/(loss) from financial instruments carried at fair value	37(s)	403	(353)	756	913	478	435	651	313	338
		1,970	793	1,177	2,235	1,395	840	1,867	1,176	691
Dividend income	37(t)	36	27	9	36	27	9	59	36	23
Net (loss)/gain on sale of financial instruments fair valued through other comprehensive income		(113)	-	(113)	195	-	195	8	-	8
Other operating income/(expense)		148	19	129	(1)	(9)	8	30	24	6
		2,041	839	1,202	2,465	1,413	1,052	1,964	1,236	728
Operating income		19,743	11,851	7,892	19,273	11,819	7,454	17,580	10,633	6,947
Non-interest expense										
Salaries and human resource costs	37(u)	(3,789)	(3,172)	(617)	(3,629)	(3,142)	(487)	(3,527)	(3,011)	(516)
Depreciation of property, plant and equipment		(556)	(518)	(38)	(511)	(481)	(30)	(436)	(415)	(21)
Amortisation of intangible assets		(321)	(296)	(25)	(229)	(209)	(20)	(173)	(157)	(16)
Other	37(v)	(2,062)	(1,898)	(164)	(1,891)	(1,719)	(172)	(1,788)	(1,581)	(207)
		(6,728)	(5,884)	(844)	(6,260)	(5,551)	(709)	(5,924)	(5,164)	(760)
Operating profit before impairment		13,015	5,967	7,048	13,013	6,268	6,745	11,656	5,469	6,187
Net impairment of financial assets	37(w)	(4,601)	(1,286)	(3,315)	(4,818)	(3,477)	(1,341)	(1,455)	(821)	(634)
Operating profit		8,414	4,681	3,733	8,195	2,791	5,404	10,201	4,648	5,553
Share of profit of associates		337	-	337	444	-	444	242	-	242
Profit before tax		8,751	4,681	4,070	8,639	2,791	5,848	10,443	4,648	5,795
Income tax expense	37(x)	(1,355)	(1,258)	(97)	(1,230)	(970)	(260)	(1,678)	(1,470)	(208)
Profit for the year		7,396	3,423	3,973	7,409	1,821	5,588	8,765	3,178	5,587

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of comprehensive income for the year ended 30 June 2021

	2021			2020			2019		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Profit for the year	**7,396**	**3,423**	**3,973**	7,409	1,821	5,588	8,765	3,178	5,587
Other comprehensive income/(expense):									
Items that will not be reclassified to profit or loss:									
Net fair value gain/(loss) on equity instruments	**111**	**111**	**-**	(191)	(191)	-	(69)	(69)	-
Reclassification adjustments on disposal of investments at fair value	**(1)**	**(1)**	**-**	-	-	-	-	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	**2,108**	**2,108**	**-**	(671)	(671)	-	(404)	(404)	-
	2,218	**2,218**	**-**	(862)	(862)	-	(473)	(473)	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations	**576**	**-**	**576**	368	-	368	23	-	23
Reclassification adjustments on disposal of investments at fair value	**-**	**-**	**-**	-	-	-	(25)	(25)	-
Net fair value (loss)/gain on debt instruments	**(108)**	**2**	**(110)**	5	18	(13)	82	(6)	88
	468	**2**	**466**	373	18	355	80	(31)	111
Other comprehensive income/(expense) for the year	**2,686**	**2,220**	**466**	(489)	(844)	355	(393)	(504)	111
Total comprehensive income for the year	**10,082**	**5,643**	**4,439**	6,920	977	5,943	8,372	2,674	5,698

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(a) Derivative financial instruments

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
(i) Fair value assets									
Currency forwards	143	69	74	143	83	60	62	35	27
Interest rate swaps	733	3	730	725	4	721	200	4	196
Currency swaps	158	26	132	127	8	119	6	3	3
Others	1	-	1	2	-	2	1	-	1
	1,035	98	937	997	95	902	269	42	227
(ii) Fair value liabilities									
Currency forwards	98	46	52	62	20	42	35	8	27
Interest rate swaps	895	-	895	806	-	806	249	-	249
Currency swaps	413	152	261	93	57	36	224	49	175
Others	-	-	-	-	-	-	1	-	1
	1,406	198	1,208	961	77	884	509	57	452

(b) Loans to and placements with banks

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
(i) Loans to and placements with banks									
in Mauritius	39	39	-	6,114	6,114	-	10,261	10,261	-
outside Mauritius	119,815	1,000	118,815	50,887	-	50,887	38,306	-	38,306
	119,854	1,039	118,815	57,001	6,114	50,887	48,567	10,261	38,306
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	(78,728)	(1,000)	(77,728)	(37,626)	-	(37,626)	(27,747)	(1,986)	(25,761)
	41,126	39	41,087	19,375	6,114	13,261	20,820	8,275	12,545
Less allowances for credit impairment	(257)	-	(257)	(22)	(1)	(21)	(66)	(1)	(65)
	40,869	39	40,830	19,353	6,113	13,240	20,754	8,274	12,480
(ii) Remaining term to maturity									
Up to 3 months	29,577	39	29,538	9,901	434	9,467	9,207	49	9,158
Over 3 months and up to 6 months	5,248	-	5,248	3,163	-	3,163	2,037	306	1,731
Over 6 months and up to 1 year	1,014	-	1,014	6,008	5,680	328	3,090	2,271	819
Over 1 year and up to 5 years	4,965	-	4,965	-	-	-	6,219	5,649	570
Over 5 years	322	-	322	303	-	303	267	-	267
	41,126	39	41,087	19,375	6,114	13,261	20,820	8,275	12,545

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(b) Loans to and placements with banks (Cont'd)

(iii) Allowances for credit impairment

	TOTAL	Segment A		Segment B		
	Total	Total	12 months expected credit loss	Total	12 months expected credit loss	Lifetime expected credit loss (credit impaired)
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Provision at 1 July 2020	**10**	**1**	**1**	**9**	**9**	**-**
Provision for credit impairment for the year	**147**	**-**	**-**	**147**	**146**	**1**
Financial assets that have been derecognised	**(11)**	**(1)**	**(1)**	**(10)**	**(10)**	**-**
Changes in models/risk parameters	**110**	**-**	**-**	**110**	**110**	**-**
Provision at 30 June 2021	**256**	**-**	**-**	**256**	**255**	**1**
Interest in suspense	**1**	**-**	**-**	**1**	**-**	**1**
Provision and interest in suspense at 30 June 2021	**257**	**-**	**-**	**257**	**255**	**2**
Provision at 1 July 2019	59	1	1	58	58	-
Provision for credit impairment for the year	4	-	-	4	4	-
Provision released during the year	(6)	-	-	(6)	(6)	-
Financial assets that have been derecognised	(47)	-	-	(47)	(47)	-
Provision at 30 June 2020	10	1	1	9	9	-
Interest in suspense	12	-	-	12	-	12
Provision and interest in suspense at 30 June 2020	22	1	1	21	9	12
At 1 July 2018	132	-	-	132	101	31
Exchange adjustment	1	-	-	1	-	1
Provision for credit impairment for the year	48	1	1	47	47	-
Provision released during the year	(81)	-	-	(81)	(57)	(24)
Financial assets that have been derecognised	(41)	-	-	(41)	(33)	(8)
Provision at 30 June 2019	59	1	1	58	58	-
Interest in suspense	7	-	-	7	-	7
Provision and interest in suspense at 30 June 2019	66	1	1	65	58	7

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers

	2021			2020			2019		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Retail customers:									
Credit cards	821	804	17	794	782	12	1,250	1,212	38
Mortgages	32,177	31,020	1,157	30,802	29,638	1,164	29,676	28,492	1,184
Other retail loans	10,118	9,280	838	10,761	9,985	776	11,188	10,707	481
Corporate customers	123,015	105,708	17,307	110,051	92,911	17,140	105,598	90,105	15,493
Governments	244	-	244	459	-	459	611	-	611
Entities outside Mauritius	103,395	-	103,395	83,678	-	83,678	71,497	-	71,497
	269,770	146,812	122,958	236,545	133,316	103,229	219,820	130,516	89,304
Less:									
Allowances for credit impairment	(13,020)	(6,498)	(6,522)	(9,768)	(5,392)	(4,376)	(6,422)	(3,288)	(3,134)
	256,750	140,314	116,436	226,777	127,924	98,853	213,398	127,228	86,170

(i) Remaining term to maturity

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
Up to 3 months	81,354	40,541	40,813	62,014	35,060	26,954	64,783	35,165	29,618
Over 3 months and up to 6 months	4,856	3,717	1,139	4,425	3,782	643	6,168	2,017	4,151
Over 6 months and up to 1 year	15,557	4,348	11,209	13,471	3,525	9,946	5,730	2,121	3,609
Over 1 year and up to 5 years	78,673	23,340	55,333	70,248	20,898	49,350	59,451	23,752	35,699
Over 5 years	89,330	74,866	14,464	86,387	70,051	16,336	83,688	67,461	16,227
	269,770	146,812	122,958	236,545	133,316	103,229	219,820	130,516	89,304

(ii) Credit concentration of risk by industry sectors

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
Agriculture and fishing	5,115	5,115	-	7,536	6,892	644	7,863	7,863	-
Manufacturing	909	909	-	947	947	-	7,912	2,570	5,342
of which EPZ	*61*	*61*	-	*33*	*33*	-	*1,215*	*1,215*	-
Tourism	17,818	14,074	3,744	13,541	11,463	2,078	17,305	14,222	3,083
Transport	9,046	16	9,030	7,254	16	7,238	7,467	78	7,389
Construction	11,223	11,223	-	9,482	9,482	-	11,299	11,299	-
Financial and business services	64,024	9,544	54,480	64,823	9,773	55,050	31,745	9,673	22,072
Traders	99,865	3,293	96,572	68,866	2,847	66,019	57,088	3,731	53,357
Global Business Licence holders	10,217	-	10,217	10,090	-	10,090	10,584	-	10,584
Others	8,961	906	8,055	8,112	2,152	5,960	6,674	748	5,926
	227,178	45,080	182,098	190,651	43,572	147,079	157,937	50,184	107,753

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iii) Allowances for credit impairment

	TOTAL	SEGMENT A				SEGMENT B			
	Total	Total	12 months expected credit loss	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Provision at 1 July 2020	**8,126**	**4,267**	1,051	1,877	1,339	**3,859**	630	1,575	1,654
Exchange adjustment	**95**	-	-	-	-	**95**	-	-	95
Transfer to 12 months ECL	-	-	226	(132)	(94)	-	65	(51)	(14)
Transfer to lifetime ECL not credit impaired	-	-	(100)	134	(34)	-	(59)	59	-
Transfer to lifetime ECL credit impaired	-	-	(25)	(102)	127	-	(19)	(51)	70
Provision for credit impairment for the year	**5,375**	**2,916**	605	825	1,486	**2,459**	421	939	1,099
Provision released during the year	**(1,765)**	**(1,537)**	(521)	(744)	(272)	**(228)**	(124)	(76)	(28)
Financial assets that have been derecognised	**(738)**	**(423)**	(68)	(236)	(119)	**(315)**	(72)	(196)	(47)
Write offs	**(1,479)**	**(324)**	-	-	(324)	**(1,155)**	-	-	(1,155)
Changes in models /risk parameters	**1,559**	**442**	141	301	-	**1,117**	526	591	-
Provision at 30 June 2021	**11,173**	**5,341**	1,309	1,923	2,109	**5,832**	1,368	2,790	1,674
Interest in suspense	**1,847**	**1,157**	-	-	1,157	**690**	-	-	690
Provision and interest in suspense at 30 June 2021	**13,020**	**6,498**	1,309	1,923	3,266	**6,522**	1,368	2,790	2,364
Provision at 1 July 2019	4,470	1,903	775	216	912	2,567	556	425	1,586
Exchange adjustment	173	-	-	-	-	173	-	-	173
Transfer to 12 months ECL	-	-	104	(29)	(75)	-	4	(1)	(3)
Transfer to lifetime ECL not credit impaired	-	-	(129)	139	(10)	-	(66)	66	-
Transfer to lifetime ECL credit impaired	-	-	(24)	(9)	33	-	-	-	-
Provision for credit impairment for the year	5,272	3,338	164	1,565	1,609	1,934	187	1,119	628
Provision released during the year	(771)	(465)	(293)	(30)	(142)	(306)	(201)	(51)	(54)
Financial assets that have been derecognised	(623)	(145)	(76)	(6)	(63)	(478)	(94)	(38)	(346)
Write offs	(1,255)	(925)	-	-	(925)	(330)	-	-	(330)
Changes in models /risk parameters	860	561	530	31	-	299	244	55	-
Provision at 30 June 2020	8,126	4,267	1,051	1,877	1,339	3,859	630	1,575	1,654
Interest in suspense	1,642	1,125	-	-	1,125	517	-	-	517
Provision and interest in suspense at 30 June 2020	9,768	5,392	1,051	1,877	2,464	4,376	630	1,575	2,171
At 1 July 2018	4,665	2,235	902	314	1,019	2,430	631	471	1,328
Exchange adjustment	31	-	-	-	-	31	-	-	31
Transfer to 12 months ECL	-	-	166	(75)	(91)	-	5	(3)	(2)
Transfer to lifetime ECL not credit impaired	-	-	(53)	73	(20)	-	(2)	2	-
Transfer to lifetime ECL credit impaired	-	-	(11)	(158)	169	-	(1)	(104)	105
Provision for credit impairment for the year	3,565	1,915	533	235	1,147	1,650	458	229	963
Provision released during the year	(1,245)	(775)	(550)	(79)	(146)	(470)	(311)	(109)	(50)
Financial assets that have been derecognised	(480)	(163)	(84)	(27)	(52)	(317)	(114)	(9)	(194)
Write offs	(1,709)	(1,114)	-	-	(1,114)	(595)	-	-	(595)
Changes in models /risk parameters	(357)	(195)	(128)	(67)	-	(162)	(110)	(52)	-
Provision at 30 June 2019	4,470	1,903	775	216	912	2,567	556	425	1,586
Interest in suspense	1,952	1,385	-	-	1,385	567	-	-	567
Provision and interest in suspense at 30 June 2019	6,422	3,288	775	216	2,297	3,134	556	425	2,153

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors

	2021					
	Gross amount of loans	Non performing loans	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)*	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
SEGMENT A						
Agriculture and fishing	6,558	585	124	13	887	1,024
Manufacturing	9,739	496	101	271	277	649
of which EPZ	*2,040*	*158*	*22*	*152*	*138*	*312*
Tourism	21,361	694	218	915	136	1,269
Transport	2,687	72	29	2	64	95
Construction	14,730	1,249	227	14	851	1,092
Financial and business services	25,661	309	184	191	128	503
Traders	19,685	637	222	54	389	665
Personal	40,348	1,142	137	38	422	597
of which credit cards	*764*	*21*	*13*	*1*	*18*	*32*
of which housing	*31,020*	*726*	*52*	*16*	*229*	*297*
Professional	1,269	129	10	5	76	91
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-
Others	4,774	69	57	420	36	513
	146,812	5,382	1,309	1,923	3,266	6,498
SEGMENT B						
Agriculture and fishing	821	579	3	-	294	297
Manufacturing	3,163	1	63	-	1	64
of which EPZ	-	-	-	-	-	-
Tourism	8,651	-	240	711	-	951
Transport	5,443	-	20	173	-	193
Construction	2,635	-	50	-	-	50
Financial and business services	26,857	770	453	57	575	1,085
Traders	43,585	1,016	180	461	878	1,519
Personal	1,912	81	13	3	40	56
of which credit cards	*15*	-	-	-	-	-
of which housing	*1,157*	*71*	*2*	*2*	*31*	*35*
Professional	100	2	1	-	2	3
Foreign governments	244	-	-	-	-	-
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	9,777	129	137	169	6	312
	122,958	4,387	1,368	2,790	2,364	6,522
TOTAL						
Agriculture and fishing	7,379	1,164	127	13	1,181	1,321
Manufacturing	12,902	497	164	271	278	713
of which EPZ	*2,040*	*158*	*22*	*152*	*138*	*312*
Tourism	30,012	694	458	1,626	136	2,220
Transport	8,130	72	49	175	64	288
Construction	17,365	1,249	277	14	851	1,142
Financial and business services	52,518	1,079	637	248	703	1,588
Traders	63,270	1,653	402	515	1,267	2,184
Personal	42,260	1,223	150	41	462	653
of which credit cards	*779*	*21*	*13*	*1*	*18*	*32*
of which housing	*32,177*	*797*	*54*	*18*	*260*	*332*
Professional	1,369	131	11	5	78	94
Foreign governments	244	-	-	-	-	-
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	14,551	198	194	589	42	825
	269,770	9,769	2,677	4,713	5,630	13,020

* Lifetime expected credit loss (credit impaired) includes interest in suspense

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors (Cont'd)

	2020					
	Gross amount of loans RS'M	Non performing loans RS'M	12 months ECL RS'M	Lifetime ECL (not credit impaired) RS'M	Lifetime ECL (credit impaired)* RS'M	Total provision RS'M
SEGMENT A						
Agriculture and fishing	5,511	616	24	243	654	921
Manufacturing	9,826	473	88	200	211	499
of which EPZ	*2,126*	*139*	*11*	*121*	*94*	*226*
Tourism	16,201	243	178	984	44	1,206
Transport	1,971	185	49	1	134	184
Construction	14,528	1,327	176	12	515	703
Financial and business services	24,308	440	86	135	44	265
Traders	15,519	671	128	85	221	434
Personal	39,622	1,545	268	105	538	911
of which credit cards	*744*	*26*	*21*	*2*	*18*	*41*
of which housing	*29,638*	*964*	*62*	*30*	*283*	*375*
Professional	1,126	140	12	35	77	124
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-
Others	4,704	82	42	77	26	145
	133,316	5,722	1,051	1,877	2,464	5,392
SEGMENT B						
Agriculture and fishing	798	545	2	-	235	237
Manufacturing	3,794	-	5	-	-	5
of which EPZ	-	-	-	-	-	-
Tourism	7,049	-	103	554	-	657
Transport	5,527	998	46	60	1,293	1,399
Construction	2,305	-	52	-	-	52
Financial and business services	26,115	825	156	31	167	354
Traders	28,128	1,407	64	201	377	642
Personal	1,882	98	56	4	32	92
of which credit cards	*10*	*1*	-	-	*1*	*1*
of which housing	*1,164*	*75*	*2*	*3*	*14*	*19*
Professional	72	2	1	2	2	5
Foreign governments	459	-	-	-	-	-
Global Business Licence holders	19,211	114	96	643	64	803
Others	7,889	1	49	80	1	130
	103,229	3,990	630	1,575	2,171	4,376
TOTAL						
Agriculture and fishing	6,309	1,161	26	243	889	1,158
Manufacturing	13,620	473	93	200	211	504
of which EPZ	*2,126*	*139*	*11*	*121*	*94*	*226*
Tourism	23,250	243	281	1,538	44	1,863
Transport	7,498	1,183	95	61	1,427	1,583
Construction	16,833	1,327	228	12	515	755
Financial and business services	50,423	1,265	242	166	211	619
Traders	43,647	2,078	192	286	598	1,076
Personal	41,504	1,643	324	109	570	1,003
of which credit cards	*754*	*27*	*21*	*2*	*19*	*42*
of which housing	*30,802*	*1,039*	*64*	*33*	*297*	*394*
Professional	1,198	142	13	37	79	129
Foreign governments	459	-	-	-	-	-
Global Business Licence holders	19,211	114	96	643	64	803
Others	12,593	83	91	157	27	275
	236,545	9,712	1,681	3,452	4,635	9,768

* Lifetime expected credit loss (credit impaired) includes interest in suspense

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors (Cont'd)

	2019					
	Gross amount of loans RS'M	Non performing loans RS'M	12 months ECL RS'M	Lifetime ECL (not credit impaired) RS'M	Lifetime ECL (credit impaired)* RS'M	Total provision RS'M
SEGMENT A						
Agriculture and fishing	7,969	573	10	93	328	431
Manufacturing	9,834	586	79	79	184	342
of which EPZ	*2,964*	*510*	*3*	*13*	*149*	*165*
Tourism	15,217	18	206	1	7	214
Transport	1,460	165	5	-	84	89
Construction	15,521	1,922	154	4	857	1,015
Financial and business services	20,645	153	94	7	81	182
Traders	14,097	374	138	21	167	326
Personal	39,603	1,178	49	9	497	555
of which credit cards	*1,144*	*27*	*4*	*-*	*22*	*26*
of which housing	*28,492*	*689*	*19*	*4*	*258*	*281*
Professional	884	112	3	1	67	71
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-
Others	5,286	96	37	1	25	63
	130,516	5,177	775	216	2,297	3,288
SEGMENT B						
Agriculture and fishing	593	484	1	-	122	123
Manufacturing	1	1	-	-	1	1
of which EPZ	*-*	*-*	*-*	*-*	*-*	*-*
Tourism	6,221	135	113	16	156	285
Transport	6,137	885	25	-	927	952
Construction	502	-	12	-	-	12
Financial and business services	21,110	955	154	3	348	505
Traders	26,521	1,259	54	88	178	320
Personal	1,637	115	2	1	54	57
of which credit cards	*34*	*1*	*-*	*-*	*-*	*-*
of which housing	*1,184*	*66*	*1*	*-*	*15*	*16*
Professional	*164*	*95*	-	-	*55*	*55*
Foreign governments	611	-	-	-	-	-
Global Business Licence holders	17,858	168	153	295	311	759
Others	7,949	1	42	22	1	65
	89,304	4,098	556	425	2,153	3,134
TOTAL						
Agriculture and fishing	8,562	1,057	11	93	450	554
Manufacturing	9,835	587	79	79	185	343
of which EPZ	*2,964*	*510*	*3*	*13*	*149*	*165*
Tourism	21,438	153	319	17	163	499
Transport	7,597	1,050	30	-	1,011	1,041
Construction	16,023	1,922	166	4	857	1,027
Financial and business services	41,755	1,108	248	10	429	687
Traders	40,618	1,633	192	109	345	646
Personal	41,240	1,293	51	10	551	612
of which credit cards	*1,178*	*28*	*4*	*-*	*22*	*26*
of which housing	*29,676*	*755*	*20*	*4*	*273*	*297*
Professional	1,048	207	3	1	122	126
Foreign governments	611	-	-	-	-	-
Global Business Licence holders	17,858	168	153	295	311	759
Others	13,235	97	79	23	26	128
	219,820	9,275	1,331	641	4,450	6,422

* Lifetime expected credit loss (credit impaired) includes interest in suspense

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Amortised cost	155,282	125,538	29,744	100,741	100,354	387	76,388	76,050	338
Fair value through other comprehensive income	7,914	1,752	6,162	20,694	1,572	19,122	21,851	1,718	20,133
Fair value through profit or loss	20,722	18,018	2,704	14,839	12,746	2,093	18,258	15,859	2,399
	183,918	145,308	38,610	136,274	114,672	21,602	116,497	93,627	22,870
Less:									
Allowances for credit impairment on investment securities	(358)	(337)	(21)	(359)	(350)	(9)	(99)	(99)	-
	183,560	144,971	38,589	135,915	114,322	21,593	116,398	93,528	22,870

Credit impaired investments at fair value through other comprehensive income amounted to Rs 101M/Provision Rs 2M in 2021 (2020: Rs 90M/Provision Rs 10M, 2019: NIL)

	2021			2020			2019		
(i) Amortised cost	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Government of Mauritius & Bank of Mauritius bonds	103,843	103,843	-	72,143	72,143	-	49,895	49,895	-
Treasury bills	7,415	167	7,248	7,084	7,084	-	8,498	8,498	-
Foreign Bonds	22,000	-	22,000	387	-	387	338	-	338
Notes	21,643	21,147	496	20,803	20,803	-	17,348	17,348	-
Indexed linked note	381	381	-	324	324	-	309	309	-
	155,282	125,538	29,744	100,741	100,354	387	76,388	76,050	338

Allowances for credit impairment on investment securities

		Segment A		Segment B	
	TOTAL RS'M	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M
At 1 July 2020	359	83	267	9	-
Transfer to 12 month ECL	-	133	(133)	-	-
Provision for credit impairment for the year	37	22	-	15	-
Provision released during the year	(129)	(87)	(42)	-	-
Financial assets that have been derecognised	(13)	(8)	(5)	-	-
Changes in models / risk parameters	104	88	19	(3)	-
At 30 June 2021	358	231	106	21	-
At 1 July 2019	99	99	-	-	-
Transfer to lifetime ECL not credit impaired	-	(44)	44	-	-
Provision for credit impairment for the year	222	-	214	8	-
Provision released during the year	(12)	(12)	-	-	-
Financial assets that have been derecognised	(5)	(5)	-	-	-
Changes in models/risk parameters	55	45	9	1	-
At 30 June 2020	359	83	267	9	-

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(i) Amortised cost (Cont'd)

Allowances for credit impairment on investment securities (Cont'd)

		Segment A		Segment B	
	TOTAL	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)
	RS'M	RS'M	RS'M	RS'M	RS'M
At 1 July 2018	40	40	-	-	-
Provision for credit impairment for the year	78	77	-	1	-
Financial assets that have been derecognised	(40)	(39)	-	(1)	-
Changes in models/risk parameters	21	21	-	-	-
At 30 June 2019	99	99	-	-	-

(ii) Fair value through other comprehensive income by levels

	2021			2020		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Quoted - Level 1						
Official list: shares	797	797	-	684	684	-
Bonds	6,182	726	5,456	19,141	656	18,485
	6,979	1,523	5,456	19,825	1,340	18,485
Unquoted - Level 2						
Investment fund	677	-	677	625	-	625
Unquoted - Level 3						
Shares	258	229	29	244	232	12
	7,914	1,752	6,162	20,694	1,572	19,122

	2019		
	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M
Quoted - Level 1			
Official list: shares	860	860	-
Bonds	20,201	625	19,576
	21,061	1,485	19,576
Unquoted - Level 2			
Investment fund	545	-	545
Unquoted - Level 3			
Shares	245	233	12
	21,851	1,718	20,133

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(iii) Fair value through profit or loss by levels

	2021			2020		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Quoted - Level 1						
Foreign bonds	1	-	1	1	-	1
Foreign shares	2,703	-	2,703	2,092	-	2,092
	2,704	-	2,704	2,093	-	2,093
Unquoted - Level 2						
Government of Mauritius & Bank of Mauritius bonds	1,251	1,251	-	893	893	-
Treasury bills	16,767	16,767	-	11,853	11,853	-
	18,018	18,018	-	12,746	12,746	-
	20,722	18,018	2,704	14,839	12,746	2,093

	2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Quoted - Level 1			
Foreign bonds	733	-	733
Foreign shares	1,666	-	1,666
	2,399	-	2,399
Unquoted - Level 2			
Government of Mauritius & Bank of Mauritius bonds	864	864	-
Treasury bills	14,995	14,995	-
	15,859	15,859	-
	18,258	15,859	2,399

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(e) Investments in subsidiary and associates

(i) Investment in subsidiary

The Bank's interest in its subsidiary is as follows:

			2021			2020			2019		
	Country of incorporation	Holding %	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
MCB Madagascar SA	Madagascar	80.00	**118**	-	**118**	118	-	118	118	-	118

Movement in investment in subsidiary is as follows:

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
At 30 June	118	-	118	**118**	-	**118**	**118**	-	**118**

(ii) Investments in associates

The Bank's interest in its associates is as follows:

	Country of incorporation	Holding %
Banque Française Commerciale Océan Indien	Reunion	49.99
Société Générale Moçambique	Mozambique	35.00

Movements in investments in associates

	SEGMENT B			
	BFCOI RS'M	SG Moçambique RS'M	Subordinated loan to BFCOI RS'M	TOTAL RS'M
At 1 July 2018	3,233	250	413	3,896
Share of profit of associates	241	1	-	242
Share of other movements in associates	2	21	-	23
Dividend received from associates	(173)	-	-	(173)
Increase in shareholding	-	98	-	98
Adjustments	(9)	-	2	(7)
At 30 June 2019	3,294	370	415	4,079
Share of profit of associates	438	6	-	444
Share of other movements in associates	392	(24)	-	368
Increase in shareholding	-	50	-	50
Adjustments	-	-	43	43
At 30 June 2020	**4,124**	**402**	**458**	**4,984**
Share of profit of associates	331	6	-	337
Share of other movements in associates	526	50	-	576
Dividend received from associates	(134)	-	-	(134)
Adjustments	(7)	6	58	57
At 30 June 2021	**4,840**	**464**	**516**	**5,820**

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(f) Intangible assets

	Computer Software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 1 July 2018	2,834	158	2,992
Additions	78	276	354
Scrap/Impairment	(1,810)	-	(1,810)
Transfer	351	(351)	-
At 30 June 2019	1,453	83	1,536
Additions	56	462	518
Scrap/Impairment	(700)	(22)	(722)
Transfer	265	(265)	-
At 30 June 2020	1,074	258	1,332
Additions	153	564	717
Scrap/Impairment	(1)	-	(1)
Transfer	356	(356)	-
At 30 June 2021	1,582	466	2,048
Accumulated Amortisation			
At 1 July 2018	2,448	-	2,448
Scrap/Impairment	(1,810)	-	(1,810)
Amortisation adjustment	(80)	-	(80)
Charge for the year	173	-	173
At 30 June 2019	731	-	731
Scrap/Impairment	(700)	-	(700)
Amortisation adjustment	58	-	58
Charge for the year	229	-	229
At 30 June 2020	318	-	318
Scrap/Impairment	(1)	-	(1)
Amortisation adjustment	(52)	-	(52)
Charge for the year	321	-	321
At 30 June 2021	586	-	586
Net book values - Segment A			
At 30 June 2021	996	466	1,462
At 30 June 2020	756	258	1,014
At 30 June 2019	722	83	805

The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(g) Property, plant and equipment

	Land and buildings RS'M	Computer and other equipment RS'M	Furniture, fittings and vehicles RS'M	Work in progress RS'M	Right-of-use Assets (Land and buildings) RS'M	Total RS'M
Cost						
At 1 July 2018	4,552	3,314	831	14	-	8,711
Additions	4	270	11	137	-	422
Scrap/Disposals	(3)	(708)	(11)	-	-	(722)
Transfer	-	50	27	(77)	-	-
At 30 June 2019	4,553	2,926	858	74	-	8,411
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	-	151	151
Additions	83	215	16	275	-	589
Scrap	-	(77)	(11)	-	-	(88)
Disposals	-	(29)	(9)	-	-	(38)
Transfer	32	116	31	(179)	-	-
At 30 June 2020	**4,668**	**3,151**	**885**	**170**	**151**	**9,025**
Additions	**9**	**248**	**3**	**179**	**90**	**529**
Scrap	**-**	**(60)**	**(17)**	**-**	**-**	**(77)**
Disposals	**(1)**	**(74)**	**(12)**	**-**	**-**	**(87)**
Cancellation	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Adjustment on re-measurement*	**-**	**-**	**-**	**-**	**2**	**2**
Transfer	**39**	**123**	**38**	**(200)**	**-**	**-**
At 30 June 2021	**4,715**	**3,388**	**897**	**149**	**240**	**9,389**
Accumulated depreciation						
At 1 July 2018	859	2,534	477	-	-	3,870
Charge for the year	74	309	53	-	-	436
Depreciation adjustment	-	(126)	(13)	-	-	(139)
Scrap/Disposal adjustment	(1)	(708)	(11)	-	-	(720)
At 30 June 2019	932	2,009	506	-	-	3,447
Charge for the year	76	334	56	-	45	511
Depreciation adjustment	-	(39)	9	-	-	(30)
Scrap adjustment	-	(74)	(11)	-	-	(85)
Disposal adjustment	-	(29)	(8)	-	-	(37)
At 30 June 2020	**1,008**	**2,201**	**552**	**-**	**45**	**3,806**
Charge for the year	**78**	**363**	**56**	**-**	**59**	**556**
Depreciation adjustment	**-**	**(16)**	**(10)**	**-**	**-**	**(26)**
Scrap adjustment	**-**	**(60)**	**(15)**	**-**	**-**	**(75)**
Disposal adjustment	**-**	**(73)**	**(10)**	**-**	**-**	**(83)**
At 30 June 2021	**1,086**	**2,415**	**573**	**-**	**104**	**4,178**
Net book values - Segment A						
At 30 June 2021	**3,629**	**973**	**324**	**149**	**136**	**5,211**
At 30 June 2020	3,660	950	333	170	106	5,219
At 30 June 2019	3,621	917	352	74	-	4,964

Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment'.
The Bank reviews the useful lives of fully depreciated assets, and if appropriate, makes a reinstatement of the useful lives.
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 Bank does not have the possibility of acquiring the asset at the end of the lease.
* The Bank reviewed the discounting rate used upon adoption of IFRS 16 to measure the present value of the remaining lease payments from 5.6% to 4.1%

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(h) Other assets

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Mandatory balances with Central Bank	**21,990**	**21,990**	**-**	19,821	19,821	-	18,609	18,609	-
Prepayments and other receivables	**1,126**	**993**	**133**	813	713	100	612	472	140
Credit Card Clearing	**152**	**152**	**-**	155	155	-	99	99	-
Non-banking assets acquired in satisfaction of debts*	**79**	**79**	**-**	60	60	-	61	61	-
Impersonal & other accounts	**3,808**	**989**	**2,819**	1,510	1,147	363	2,597	2,296	301
	27,155	**24,203**	**2,952**	22,359	21,896	463	21,978	21,537	441

* The Bank's policy is to dispose of such assets as soon as the market permits.

(i) Deposits from banks

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Demand deposits	**16,955**	**223**	**16,732**	4,484	195	4,289	3,452	144	3,308
Money market deposits with remaining term to maturity:									
Up to 3 months	**2,570**	**-**	**2,570**	1,447	-	1,447	2,507	-	2,507
Over 3 months and up to 6 months	**1,663**	**-**	**1,663**	1,430	-	1,430	1,417	-	1,417
Over 6 months and up to 1 year	**427**	**-**	**427**	201	-	201	-	-	-
Over 1 year and up to 5 years	**41**	**-**	**41**	38	-	38	-	-	-
	4,701	**-**	**4,701**	3,116	-	3,116	3,924	-	3,924
	21,656	**223**	**21,433**	7,600	195	7,405	7,376	144	7,232

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(j) Deposits from customers

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
(i) Retail customers									
Demand deposits	46,602	29,420	17,182	40,815	26,121	14,694	29,881	18,842	11,039
Savings deposits	169,830	160,437	9,393	152,765	143,869	8,896	132,280	124,523	7,757
Time deposits with remaining term to maturity:									
Up to 3 months	3,419	2,636	783	4,532	3,349	1,183	4,564	3,550	1,014
Over 3 months and up to 6 months	1,673	1,294	379	2,125	1,726	399	2,229	1,735	494
Over 6 months and up to 1 year	3,302	2,845	457	4,596	3,879	717	4,405	3,852	553
Over 1 year and up to 5 years	9,320	8,495	825	10,257	9,175	1,082	11,720	10,275	1,445
Over 5 years	8	7	1	49	47	2	36	26	10
	17,722	15,277	2,445	21,559	18,176	3,383	22,954	19,438	3,516
	234,154	205,134	29,020	215,139	188,166	26,973	185,115	162,803	22,312
(ii) Corporate customers									
Demand deposits	193,036	67,625	125,411	120,215	57,503	62,712	96,873	46,566	50,307
Savings deposits	6,145	6,138	7	5,077	5,071	6	5,444	5,438	6
Time deposits with remaining term to maturity:									
Up to 3 months	12,598	4,124	8,474	12,777	3,768	9,009	9,421	1,871	7,550
Over 3 months and up to 6 months	2,315	637	1,678	3,403	1,533	1,870	2,403	1,446	957
Over 6 months and up to 1 year	4,131	2,091	2,040	2,677	1,884	793	1,602	943	659
Over 1 year and up to 5 years	1,326	1,078	248	4,522	1,192	3,330	5,923	2,923	3,000
Over 5 years	-	-	-	-	-	-	31	31	-
	20,370	7,930	12,440	23,379	8,377	15,002	19,380	7,214	12,166
	219,551	81,693	137,858	148,671	70,951	77,720	121,697	59,218	62,479
(iii) Government									
Demand deposits	54	54	-	44	44	-	36	36	-
Savings deposits	69	69	-	154	154	-	153	153	-
	123	123	-	198	198	-	189	189	-
	453,828	286,950	166,878	364,008	259,315	104,693	307,001	222,210	84,791

The carrying amounts of deposits are not materially different from their fair values.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(k) Other borrowed funds

(i) Other borrowed funds comprise the following:

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Borrowings from banks:									
in Mauritius	**24,158**	**24,158**	**-**	17,535	17,535	-	12,068	12,068	-
abroad	**50,468**	**-**	**50,468**	33,282	-	33,282	43,338	-	43,338
	74,626	**24,158**	**50,468**	50,817	17,535	33,282	55,406	12,068	43,338

The carrying amounts of other borrowed funds are not materially different from their fair values

(ii) Remaining term to maturity:

	2021 TOTAL RS'M	2021 Segment A RS'M	2021 Segment B RS'M	2020 TOTAL RS'M	2020 Segment A RS'M	2020 Segment B RS'M	2019 TOTAL RS'M	2019 Segment A RS'M	2019 Segment B RS'M
On demand or within a period not exceeding 1 year	**43,844**	**15,611**	**28,233**	43,556	17,535	26,021	24,135	10,285	13,850
Within a period of more than 1 year but not exceeding 3 years	**17,154**	**8,547**	**8,607**	352	-	352	23,929	1,783	22,146
Within a period of more than 3 years	**13,628**	**-**	**13,628**	6,909	-	6,909	7,342	-	7,342
	74,626	**24,158**	**50,468**	50,817	17,535	33,282	55,406	12,068	43,338

(l) Subordinated liability

	2021 TOTAL RS'M	2021 Segment A RS'M	2021 Segment B RS'M	2020 TOTAL RS'M	2020 Segment A RS'M	2020 Segment B RS'M	2019 TOTAL RS'M	2019 Segment A RS'M	2019 Segment B RS'M
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (2020: 5.2% and 2019: 5.8%) (Level 3)	**1,013**	**-**	**1,013**	1,040	-	1,040	1,068	-	1,068
Repayment of USD 4.5M during the year (2020: USD 3.8M, 2019: USD 1.5M)	**(179)**	**-**	**(179)**	(137)	-	(137)	(51)	-	(51)
Adjustment	**41**	**-**	**41**	110	-	110	23	-	23
	875	**-**	**875**	1,013	-	1,013	1,040	-	1,040

(m) Other liabilities

	2021 TOTAL RS'M	2021 Segment A RS'M	2021 Segment B RS'M	2020 TOTAL RS'M	2020 Segment A RS'M	2020 Segment B RS'M	2019 TOTAL RS'M	2019 Segment A RS'M	2019 Segment B RS'M
Allowances for credit impairment on off balance sheet exposures	**389**	**312**	**77**	235	154	81	309	158	151
Lease liabilities	**139**	**139**	**-**	109	109	-	-	-	-
Impersonal, other accounts and deferred income	**6,295**	**6,278**	**17**	5,476	5,464	12	5,902	5,894	8
Proposed dividend	**2,000**	**2,000**	**-**	-	-	-	1,548	1,548	-
	8,823	**8,729**	**94**	5,820	5,727	93	7,759	7,600	159

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(n) Contingent liabilities

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
(i) Instruments									
Guarantees on account of customers	25,519	15,761	9,758	23,554	13,501	10,053	20,377	12,781	7,596
Letters of credit and other obligations on account of customers	92,105	2,681	89,424	36,938	2,377	34,561	44,400	3,224	41,176
Other contingent items	5,709	57	5,652	1,550	-	1,550	1,751	-	1,751
	123,333	18,499	104,834	62,042	15,878	46,164	66,528	16,005	50,523
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	5,215	4,586	629	6,356	4,005	2,351	5,140	3,921	1,219
(iii) Tax assessments	-	-	-	98	98	-	90	90	-
	128,548	23,085	105,463	68,496	19,981	48,515	71,758	20,016	51,742

(o) Interest income

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Interest income using the effective interest method:									
Loans to and placements with banks	577	168	409	875	343	532	1,089	423	666
Loans and advances to customers	11,061	5,871	5,190	12,968	7,050	5,918	12,787	7,380	5,407
Investments at amortised cost	3,891	3,845	46	3,691	3,691	-	2,514	2,502	12
Investments at fair value through other comprehensive income	99	22	77	350	30	320	270	29	241
	15,628	9,906	5,722	17,884	11,114	6,770	16,660	10,334	6,326
Investments at fair value through profit or loss	131	100	31	370	352	18	774	753	21
Other	149	1	148	94	2	92	15	11	4
	15,908	10,007	5,901	18,348	11,468	6,880	17,449	11,098	6,351

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(p) Interest expense

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Deposits from banks	16	-	16	65	-	65	101	-	101
Deposits from customers	883	732	151	3,147	2,602	545	3,769	3,126	643
Subordinated liability	31	-	31	52	-	52	59	-	59
Other borrowed funds	1,136	293	843	1,612	282	1,330	1,267	524	743
Leases	6	6	-	8	8	-	-	-	-
	2,072	1,031	1,041	4,884	2,892	1,992	5,196	3,650	1,546

(q) Fee and commission income

Retail and private banking fees	873	517	356	666	430	236	686	432	254
Corporate banking fees	882	395	487	938	429	509	875	515	360
Guarantee fees	381	160	221	335	144	191	264	166	98
Interbank transaction fees	75	-	75	56	-	56	63	-	63
Cards and other related fees	1,686	1,181	505	1,755	1,364	391	1,793	1,409	384
Trade finance fees	944	272	672	528	127	401	631	106	525
Others	93	22	71	143	32	111	121	29	92
	4,934	2,547	2,387	4,421	2,526	1,895	4,433	2,657	1,776

(r) Fee and commission expense

Interbank transaction fees	24	1	23	17	-	17	16	-	16
Cards and other related fees	786	510	276	863	696	167	840	708	132
Corporate banking and trade finance fees	199	-	199	190	-	190	174	-	174
Others	59	-	59	7	-	7	40	-	40
	1,068	511	557	1,077	696	381	1,070	708	362

(s) Net gain/(loss) from financial instruments carried at fair value

Net (loss)/gain from financial instruments	(159)	(304)	145	412	371	41	88	166	(78)
Net gain from Investment securities	562	(49)	611	501	107	394	563	147	416
	403	(353)	756	913	478	435	651	313	338

(t) Dividend income

Income from quoted investments	23	14	9	25	17	8	31	25	6
Income from unquoted investments	13	13	-	11	10	1	13	11	2
Income from subsidiary	-	-	-	-	-	-	15	-	15
	36	27	9	36	27	9	59	36	23

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(u) Salaries and human resource costs

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Wages and salaries	2,529	2,109	420	2,407	2,079	328	2,465	2,085	380
Defined benefit plan	223	179	44	228	189	39	184	150	34
Defined contribution plan	156	146	10	132	123	9	106	99	7
Residual retirement gratuities	13	13	-	14	14	-	7	7	-
Compulsory social security obligations	107	91	16	78	69	9	70	62	8
Equity settled share-based payments	7	7	-	11	11	-	4	4	-
Other personnel expenses	754	627	127	759	657	102	691	604	87
	3,789	3,172	617	3,629	3,142	487	3,527	3,011	516

(v) Other non-interest expense

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
Legal and professional fees	398	314	84	384	270	114	321	213	108
Rent,repairs,maintenance and security costs	358	336	22	316	301	15	321	307	14
Software licensing and other information technology costs	544	518	26	406	388	18	312	293	19
Electricity,water and telephone charges	265	238	27	243	233	10	232	221	11
Advertising, marketing costs and sponsoring	79	66	13	156	126	30	249	205	44
Postage,courier & stationery costs	156	144	12	149	137	12	145	133	12
Insurance costs	129	118	11	98	91	7	97	87	10
Others	133	164	(31)	139	173	(34)	111	122	(11)
of which short term leases	*3*	*3*	-	*2*	*2*	-	-	-	-
of which low value leases	*6*	*6*	-	*12*	*12*	-	-	-	-
of which variable leases	*10*	*10*	-	*6*	*6*	-	-	-	-
	2,062	1,898	164	1,891	1,719	172	1,788	1,581	207

(w) Net impairment of financial assets

The impairment charge related to the Statement of Profit or Loss:

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
Allowance for credit impairment:									
Cash and cash equivalent	41	5	36	(2)	-	(2)	6	-	6
Loans and advances	4,408	1,138	3,270	4,624	3,229	1,395	1,362	726	636
Investment securities:									
Amortised cost	(1)	(13)	12	260	250	10	59	60	(1)
Fair value through other comprehensive income	(1)	(2)	1	10	2	8	(5)	(2)	(3)
Off balance sheet exposures	154	158	(4)	(74)	(4)	(70)	33	37	(4)
	4,601	1,286	3,315	4,818	3,477	1,341	1,455	821	634

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(x) Income tax expense

	2021			2020			2019		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Current tax expense									
Current year	1,848	1,332	516	1,803	1,221	582	1,365	1,184	181
Under/(over) provision in previous years	-	1	(1)	(13)	(3)	(10)	25	(15)	40
Provision for tax assessment	-	-	-	-	-	-	163	167	(4)
	1,848	1,333	515	1,790	1,218	572	1,553	1,336	217
Deferred tax	(493)	(75)	(418)	(423)	(314)	(109)	125	134	(9)
Effect of change in tax rate	-	-	-	(137)	66	(203)	-	-	-
Charge for the year	1,355	1,258	97	1,230	970	260	1,678	1,470	208

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
Profit before tax:	8,751	4,681	4,070	8,639	2,791	5,848	10,443	4,648	5,795
Less share of profit of associates	(337)	-	(337)	(444)	-	(444)	(242)	-	(242)
	8,414	4,681	3,733	8,195	2,791	5,404	10,201	4,648	5,553
Tax calculated at applicable tax rates of 15%/5%	1,027	579	448	1,012	493	519	1,530	697	833
Effect of change in tax rate	-	-	-	(137)	66	(203)	-	-	-
Impact of:									
Income not subject to tax	(570)	(118)	(452)	(511)	(357)	(154)	(110)	(74)	(36)
Expenses not deductible for tax purposes	235	133	102	212	104	108	224	159	65
Tax credits	-	-	-	-	-	-	(750)	(60)	(690)
Special levy on banks	556	556	-	563	563	-	510	510	-
Corporate social responsibility contribution	107	107	-	104	104	-	86	86	-
Under/(over) provision in previous years	-	1	(1)	(13)	(3)	(10)	25	(15)	40
Provision for tax assessment	-	-	-	-	-	-	163	167	(4)
Tax charge	1,355	1,258	97	1,230	970	260	1,678	1,470	208

The tax charge/credit related to statement of comprehensive income is as follows:

	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B	2019 TOTAL	2019 Segment A	2019 Segment B
Remeasurement of defined benefit pension plan and retirement residual gratuities	(2,423)	(2,423)	-	771	771	-	487	487	-
Deferred tax charge/credit	315	315	-	(100)	(100)	-	(83)	(83)	-
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	(2,108)	(2,108)	-	671	671	-	404	404	-

Administrative information

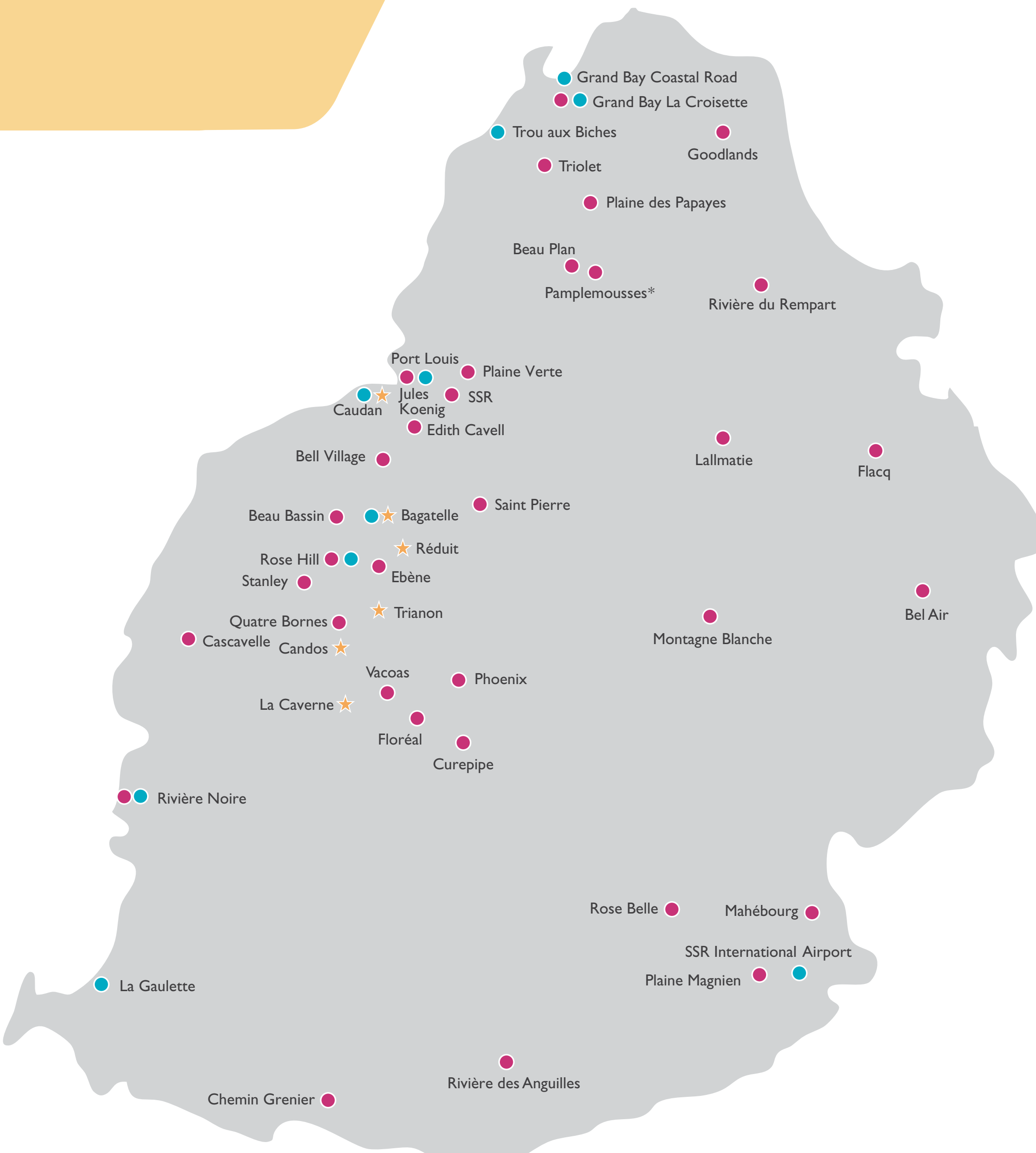
Administrative information

REGISTERED ADDRESS

THE MAURITIUS COMMERCIAL BANK LTD
PO Box 52 – 9-15, Sir William Newton Street
Port Louis – Republic of Mauritius
Tel: (230) 202 5000
Swift: MCBLMUMU
Email: contact@mcb.mu
Website: www.mcb.mu

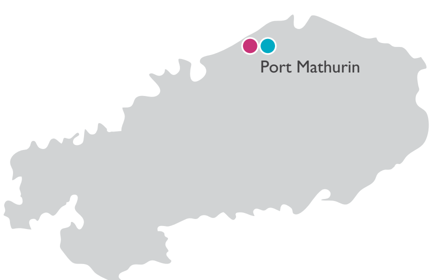
Local Branch Network

Mauritius



** Closure on 15 October 2021*

Rodrigues



Branches

Bureaux de Change / Forex ATMs

Bank Kiosks

www.mcb.mu