SUCCESS BEYOND NUMBERS

ANNUAL REPORT 2022

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

This report has been prepared to assist relevant stakeholders in assessing the strategies of MCB Limited and their potential of success. The statements contained herein may include declarations of future expectations and other forward-looking statements that are based on our current views and assumptions.

Readers are advised not to place undue reliance on forward-looking statements relating to the Bank's business strategy, plans, objectives and financial positions as these statements rely on assumptions and hypotheses which inherently represent an accuracy risk. Actual results, performance and events may differ from those described in such statements due to unexpected changes in the economic, political, sanitary, industry, interest rate and currency market conditions as well as developments in relation to applicable laws and regulations. The MCB Limited does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

The Directors of The Mauritius Commercial Bank Limited are pleased to present its Annual Report for the year ended 30 June 2022.

The Annual Report was approved by the Board of Directors on 26 September 2022.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

Our illustrative choice

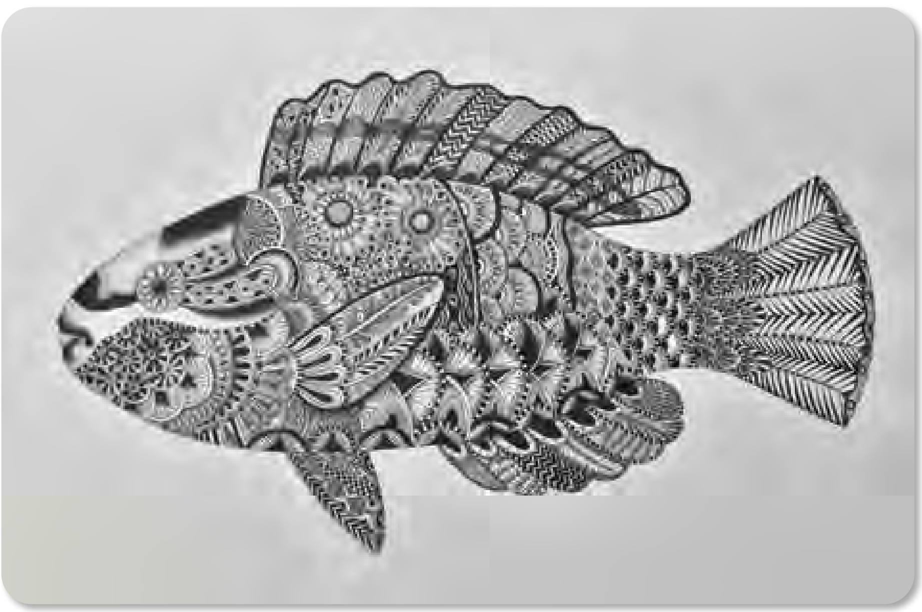
At MCB, we believe that growth must be wholesome and that wealth is not just financial.

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

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

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

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



Meet the artist

PARROT FISH (2022)

Artist: Brian Lamoureux

Format: Single Work

Technique/materials: Pen and ink on paper.

Size of work: 220 | 360 | 320x500 mm

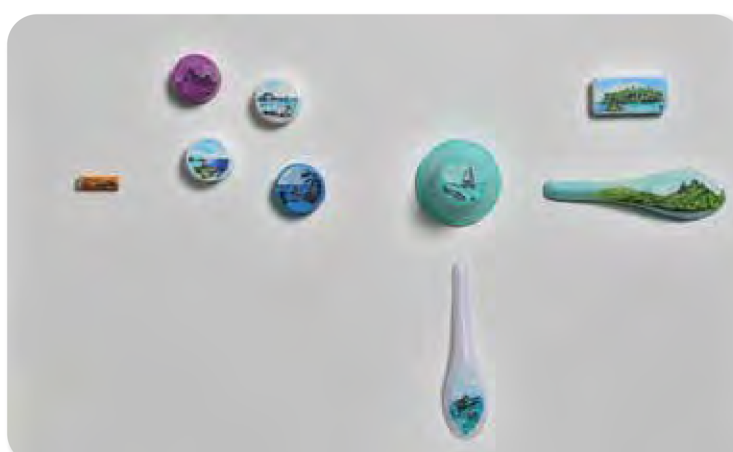
TRACES (2021-2022)

Artist: Laurie Castel

Format: Single Work

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

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



MCB at a glance

Our identity

The Mauritius Commercial Bank Limited (referred to as 'MCB Ltd', 'MCB' or 'Bank') is the leading bank in Mauritius with a rich heritage and has established itself as an important 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, whilst adhering to the highest standards of governance and ethics.

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

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

Our reporting suite

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

This **Annual Report** is complemented by our **Sustainability Report**, which provides a comprehensive overview of our corporate sustainability agenda, **'Success Beyond Numbers'.** It describes the contribution of the 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 an enjoyable reading experience, while making it easy to share key information from the report. The latter can, thus, be conveniently broadcast on social media platforms as well as on instant messaging services.

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

Financial highlights

Financial performance

Net profit

Rs 8,948 m

+21.0%

	Rs m
Jun 22	8,948
Jun 21	7,396
Jun 20	7,409

Total assets

Rs 665 bn

+6.2%

	Rs bn
Jun 22	665
Jun 21	626
Jun 20	486

Market positioning

Customer loans

Rs 319 bn

+18.1%

	Rs bn
Jun 22	319
Jun 21	270
Jun 20	237

Customer deposits

Rs 481 bn

+6.0%

	Rs bn
Jun 22	481
Jun 21	454
Jun 20	364

Efficiency & return ratios

Cost to income

35.2%

+1.1 pp

	%
Jun 22	35.2
Jun 21	34.1
Jun 20	32.5

Return on equity

13.8%

+1.1 pp

	%
Jun 22	13.8
Jun 21	12.7
Jun 20	14.6

Asset quality & capitalisation

Gross NPL ratio

3.4%

+0.2 bp

	%
Jun 22	3.4
Jun 21	3.2
Jun 20	3.8

Capital adequacy ratio

17.2%

+0.5 bp

	%
Jun 22	17.2
Jun 21	16.8
Jun 20	17.5

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

~ 1,059,000

Total customers

~ 427,800

MCB Juice subscribers

80.6

Customer satisfaction score *(Retail)*

Societies and communities

Rs 53.7 million

Entrusted to MCB Forward Foundation

58%

of total procurement expenditure sourced from local suppliers

100%

of residual emissions from 2020 operations offset to contribute to carbon neutrality

Authorities and economic agents

~ 4%

of the total value added generated in Mauritius

~ 9%

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

44%

Cash to digital payments ratio

Employees

~ 3,100

Workforce

29%

Women at middle and senior management level

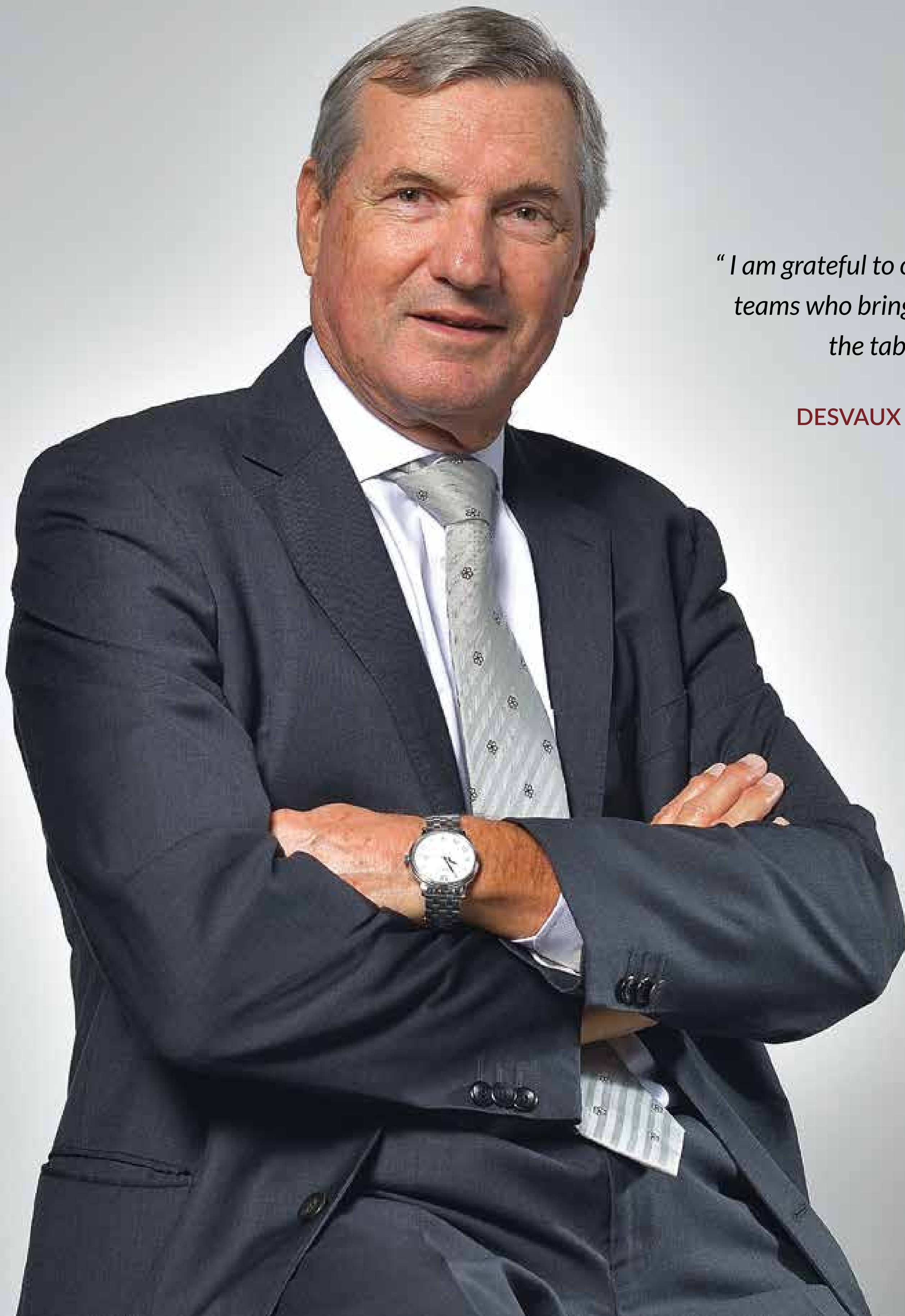
~ 96%

Employee retention rate

Note: Figures above are as at 30 June 2022

Read more about our key stakeholders in the 'Creating value in a sustainable way for our stakeholders' section on pages 47 to 59

Read more in the Sustainability Report on our website



" I am grateful to our dedicated teams who bring their best to the table each day..."

Jean-François
DESVAUX DE MARIGNY

Reflections from the Chairperson

Delivering on our ambitions in the face of a hostile environment

The world has changed a lot during the past three years, and certainly way more than what I could have imagined when I was appointed as Chairman of the Bank back in December 2018. First, the pandemic has materially disrupted our lives, behaviours and operating environment. Just when we thought we were recovering from the effects of COVID-19, we are now contending with the global ramifications of Russia's invasion in Ukraine. It is hard nowadays to escape headlines about accelerating inflation and its impact on our cost of living. Yet, one thing which remains unchanged is our ability to adapt and come together, as a team and as a Bank to deliver sustainable value for our customers and the community at large. I am grateful to our dedicated teams who bring their best to the table each day while our continuous investments in technology have enabled us to operate uninterrupted, thereby upholding a good financial performance.

Amidst the still challenging operating environment, the Bank performed well in FY 2021/22 with its bottom line increasing by 21.0% to stand at Rs 8,948 million, reflecting volume growth in core activities and a drop in impairment charges. In particular, our operating income posted a growth of 5.6%, despite being negatively impacted by lower interest margins, on the back of a notable growth in net fee and commission income as well as profit on exchange. Moreover, we preserved healthy financial soundness positions throughout the year as exemplified by the resilience of our credit quality and our comfortable capital position.

Reflecting on our main achievements

We have put in place dedicated initiatives to progress on our strategic objectives, namely, extend our frontiers, deliver a world-class customer experience through digital, as well as nurture our values and deliver on our brand promise. Notwithstanding the persisting impact of the pandemic during the year, whilst prioritising the health of our employees, the Bank continued to accompany closely its clients, helping them emerge stronger and tap into new business opportunities. We consolidated our position as the leading bank in Mauritius. We upheld market shares of 48% for local currency deposits and 41% in respect of domestic credit to corporates as at June 2022. The Bank also maintained its forefront position with respect to the provision of educational loans and services to small businesses. In fact, alongside enhancing PUNCH, our collaborative community ecosystem for SMEs, the Bank further capitalised on the offshoots of its digital transformation to enhance the ease of doing business for SMEs and MMEs, with its dedicated application, MCB JuicePro, being endowed with a full suite of options for payments and transfers. Testifying to the rising popularity of the digital application, the number of MCB JuicePro users has increased by 84% to 14,537 during the last financial year. More holistically, towards keeping pace with developments occurring on the payments scene, we have reviewed our Payments structure to enhance our value proposition and have geared up our commercial initiatives to push for our contactless offerings and MCB Juice towards supporting the transition of Mauritius to a cash-lite society.

> *“ The Bank continued to accompany closely its clients, helping them emerge stronger and tap into new business opportunities.”*

Our business expansion was, once again, driven by strides made in the implementation of our growth agenda beyond Mauritius, especially in areas where the Bank has built strong expertise and franchise over time. Reflecting the significance of our foreign-sourced activities, the latter accounted for above 50% of our operating results before impairment for FY 2021/22. We further broadened our involvement in Energy and Commodities financing, with the Bank consolidating its position as a prominent player in the African Oil & Gas business, whilst providing support to our clients for their infrastructure investments in key markets. In our quest to accompany the region in its energy transition, we have initiated actions towards improving our presence in the gas trading business in Africa moving forward. At the same time, the Bank reinforced its position as a key financial partner for international companies willing to do business in Africa and as lead arranger with financial institutions. To sustain our international endeavours, we ensured that we maintained cost-efficient, diversified and stable sources of funding. In this respect, MCB successfully tapped into the global financial markets in September 2021 for a syndicated facility of USD 1 billion. Moreover, we have capitalised on strengthened client engagement, reinforced collaboration with our network of partners and intermediaries, alongside further leveraging our strategically positioned Representative and Advisory Offices. After upgrading its presence in Dubai from Representative Office to Advisory Office under Category 4, the Bank has also applied for the setting up of a Representative Office in Nigeria given its involvement in the country and the commercial opportunities in the West African region. The year under review has seen continued investment by the Bank to build sustainable capabilities

Reflections from the Chairperson

in support of its business development strategy. Besides strengthening our risk and compliance management, we made progress on the implementation of our Talent Management Programme, Grow!. The latter aims at fostering the engagement, upskilling and well-being of our employees to support our future strategic initiatives. In parallel, we made further headway in the execution of the Digital Transformation Programme. Key initiatives put into place helped the Bank simplify and improve the customer experience, as evidenced by its SmartApprove application which is now equipped with a cross-border international payment solution, as well as the digitalisation of processes.

As a major endeavour, we reinforced our contribution to the economy, society and environment in line with our purpose, 'Success Beyond Numbers'. Alongside offsetting our residual carbon emissions from our 2020 operations to contribute to carbon neutrality, we accompanied our clients in their transition to cleaner energy while making progress on promoting gender parity in the workplace. Worth highlighting, our achievements and solid foundation have been recognised at various levels. In addition to maintaining our investment grade status by Moody's Investors Service, we were named the 'Regional Bank of the Year' for Southern Africa by African Banker and we also received various country awards by Euromoney and International Banker.

Envisioning our future in a complex world

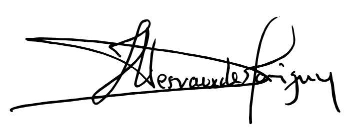
Looking ahead, the operating environment should continue to be challenging. Whereas the end of the pandemic appears to be in sight, the uncertainties linked to the war are expected to linger and the tightening of monetary policies across major central banks worldwide could contribute to a global slowdown, with ripple effects on the domestic economy and thus on our activities. Additionally, we continue to see accelerated shifts across the business ecosystem, notably on the digital front, while the regulatory and compliance requirements are getting increasingly stringent. Having said that, the test of our resilience lies not in the number of storms we encounter, but in how effective we are in riding them out. Accordingly, the Bank remains fully determined to creating value for its multiple stakeholders and ensuring that our operations are made more efficient through the streamlining of our processes while the Bank's balance sheet remains sustainable, resilient and diverse and its revenue streams are broadened. Capitalising on our integrated business model and digital transformation, we will pursue the execution of our strategic goals. Alongside consolidating our leadership position in Mauritius as a strong and innovative bank, we will further widen and deepen our regional market diversification initiatives backed by meaningful relationships with our clients and partners and an enhanced go-to-market approach. We will ensure that sustainability and all ESG-related issues remain a core feature of our business. Internally, we will continue reinforcing our capabilities by accelerating our investment in technology in support of enhanced client experiences and upholding a high-performance culture amongst our employees. Chiefly, adherence to good corporate governance and effective risk management practices will remain the cornerstone of our operations. This is in line with our aim to ensure that the Bank is managed in an optimal fashion, backed by reliable control mechanisms and sound capital and funding positions.

> *" Our business expansion was, once again, driven by strides made in the implementation of our growth agenda beyond Mauritius, especially in areas where the Bank has built strong expertise and franchise over time."*

Concluding remarks

On behalf of the Board, I wish to express my sincere gratitude to our talented employees who have worked purposefully to deliver on our commitments during these testing times. In addition, I thank our esteemed customers for their loyalty. We remain steadfast in our pledge to serve them better. My appreciation goes to my fellow Directors of the Board for guiding and supporting the Bank in its endeavours. I would like to welcome Johanne Joseph, who was appointed as Director to the Board in January 2022. I am certain that her valuable experience and knowledge will contribute positively to the roles and duties of the Board. I also wish to thank Alain Law Min and the Leadership Team for their dedication in steering the Bank amidst such unprecedented times. I am proud of the resilience and adaptability the Bank has displayed in the face of the disruptions caused by the pandemic.

Whilst we remain faced with an uncertain environment, I am confident that, with the initiatives we have outlined to drive our strategy and thanks to the dedication of our people, we will create long-term and sustainable value for the benefit of all our stakeholders.



Jean-François DESVAUX DE MARIGNY
Chairperson

Board of Directors

Chairperson

Jean-François DESVAUX DE MARIGNY

Independent Non-Executive Directors

Uday GUJADHUR

Johanne JOSEPH *(as from January 2022)*

Philippe LEDESMA

Su Lin ONG

Simon WALKER

Non-Executive Director

Jean Michel NG TSEUNG

Executive Director

Alain LAW MIN

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)*

Alain LAW MIN *(also acts as Secretary)*

Conduct Review Committee

Su Lin ONG *(Chairperson)*

Uday GUJADHUR

Johanne JOSEPH *(as from January 2022)*

Philippe LEDESMA *(until January 2022)*

Secretary:

Frederic PAPOCCHIA

Risk Monitoring Committee

Simon WALKER *(Chairperson)*

Jean-François DESVAUX DE MARIGNY

Alain LAW MIN

Philippe LEDESMA

Jean Michel NG TSEUNG

Secretary:

Frederic PAPOCCHIA

Audit Committee

Uday GUJADHUR *(Chairperson)*

Johanne JOSEPH *(as from January 2022)*

Philippe LEDESMA *(until January 2022)*

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**
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
Parikshat TULSIDAS	Head – Financial Markets (FM)

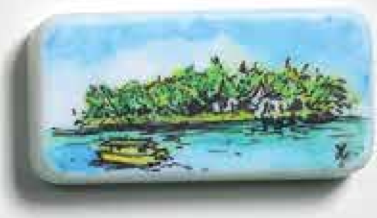
Business Leaders

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 – Payments
Lindley PERRINE	Head – Global Markets and Treasury Management (FM)
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

LAURIE C.
Meet the artist



About this report

Philosophy of the Annual Report

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

Reporting scope and boundary

Reporting period

The report is published annually and covers the period spanning 1 July 2021 to 30 June 2022. Material events taking place after this date and until approval of the report by the Board of Directors of MCB 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 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 and operational progress achieved by the organisation during the year in review. It provides insights on our operating environment, business model and strategy, business performance, support to stakeholders, management of risk and adherence to corporate governance principles.

Assurance and independent assessment

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

Report content and materiality

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

Sustainable Development Goals (SDGs)

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

Icons used in this report

Read more in this Annual Report

Read more in the Sustainability Report on our website

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

Success Beyond Numbers

Our Core Values

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Our corporate profile

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

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

Our channels and digital platforms

400 Correspondent banks

39 Branches/Kiosks

179 ATMs

~ 12,000 POS terminals

~ 285,800 Internet Banking subscribers

~ 427,800 MCB Juice subscribers

Our credentials and recognitions

Our domestic market shares

~40% Domestic credit to the economy

~48% Local currency deposits

Our credit ratings

Moody's Investors Service

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

CARE Ratings (Africa) Private Limited

Long term rating	Outlook
AAA*	Stable

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

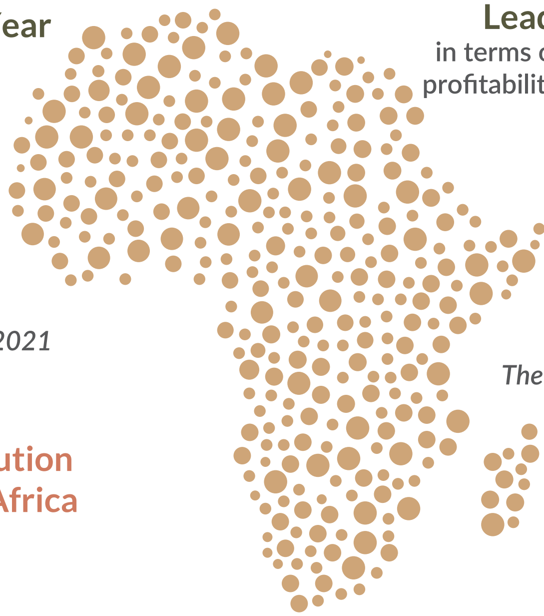
Accolades

Africa

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

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

Best Financial Institution Syndicated Loan in Africa
EMEA Finance 2022



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

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

Mauritius

Best Bank in Mauritius
Euromoney Awards for Excellence 2022

Best Banking Group Mauritius
International Banker 2022

Best Innovation in Retail Banking
International Banker 2022

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

Best Private Bank in Mauritius
PWM/The Banker 2021

Brand Purpose/ Sustainable Brand
Brand Magic 2022

Client Excellence Award
Deutsche Bank 2021

Our corporate profile

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

Non-Banking Financial*

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

Other Investments*

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

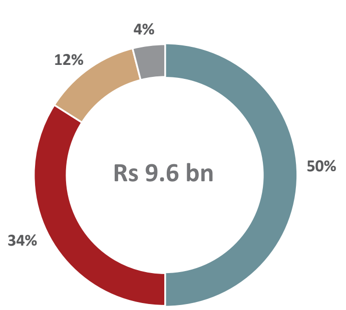
** Relate to clusters*

MCB 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.

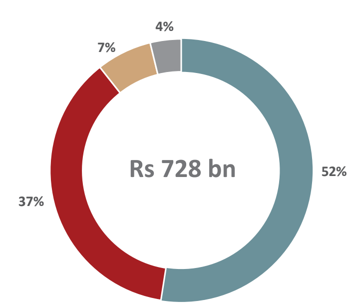
Contribution to Group performance

Net Profit



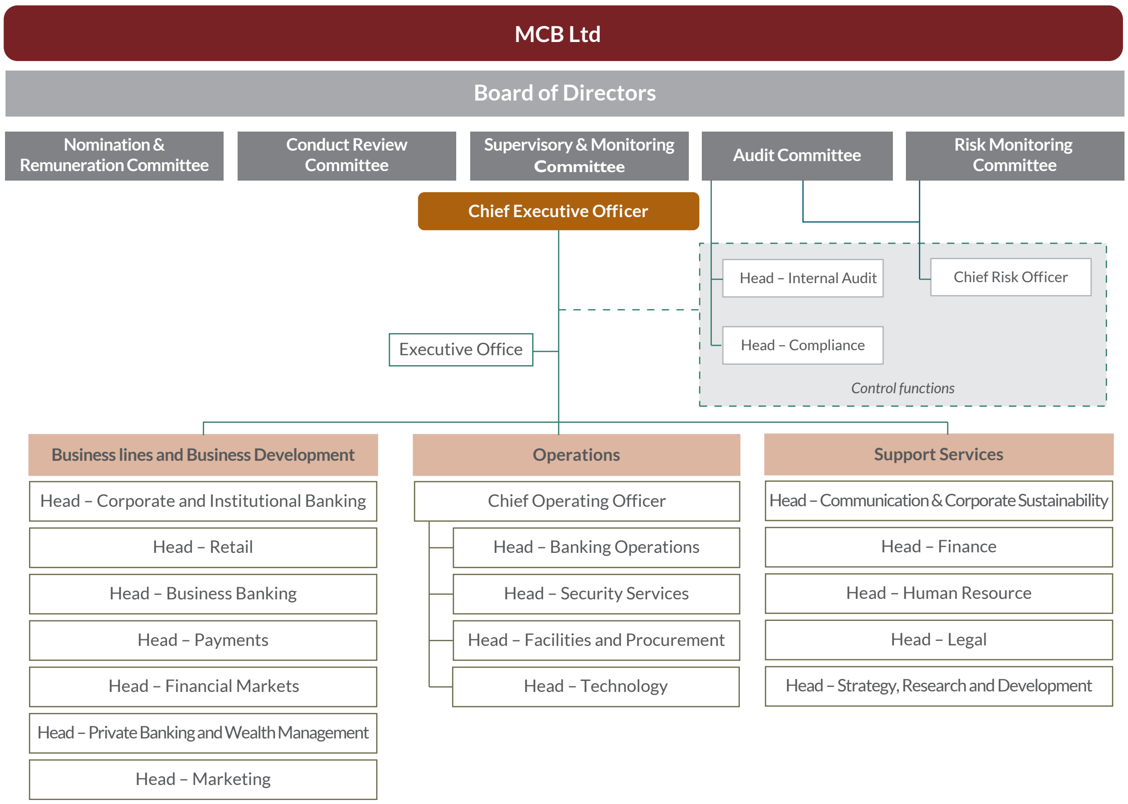
- MCB Ltd - Domestic
- MCB Ltd - Foreign-sourced
- Foreign banking subsidiaries & associates
- Non-banking financial & Other investments

Assets



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 Financial Markets Strategic Business Unit (SBU) was created in line with the Bank's ambition to develop its Global Markets and Treasury products and services for Corporate and Institutional customers and other segments, as it extends its coverage across the African region. As such, the Bank realigned its Global Markets & Treasury Management strategy with a view to enriching client solutions across asset classes, while simultaneously creating a cross-asset trading culture and optimising the balance sheet management across all banking operations.

- Given the fast-paced evolution of the payments industry, a Payments SBU has been set up, now integrating all local and international payment rails including Cards networks and SWIFT, with a strong focus on developing and deploying digital payment solutions. The new segment is equipped with a refined business model that provides for added innovation capabilities, an enriched payments ecosystem value proposition and enhanced synergies for the identification of business opportunities.

Read more in the 'Delivering on our growth pillars' section on pages 60 to 73

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. MCB leverages synergies among business lines and with Group entities as well as partnerships with external parties, while also tapping into a network of correspondent banks worldwide, including over 100 in Africa. In addition, the Bank capitalises on its Representative Offices in Johannesburg, Nairobi and Paris as well as its Advisory office in Dubai. The Bank has also applied for the setting up of a Representative Office in Nigeria given its involvement in the Energy & Commodities sector in the country and the commercial opportunities in the West African region.

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 large domestic corporate and institutional clients by offering 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, which include structured commodity trade financing and project financing, across the downstream, midstream and upstream segments of the energy and commodities value chain, while also gradually developing its power and infrastructure franchise. Additionally, it supports international corporates and funds by providing financing, transactional and investment solutions tailored to the specific needs of each business activity. In line with the Group's 'Africa Forward Together' strategy, the Bank is also continuously collaborating with other financial institutions to help improve their value offering as part of its 'Bank of Banks' initiative and build stronger and meaningful partnerships towards better servicing its clients in foreign markets.

Key clients

- Micro, Small and Medium Enterprises (MSMEs) (turnover below Rs 100 million)
- Mid-Market Enterprises (MMEs) (turnover between Rs 100 million and Rs 250 million)

Our approach

- Recognising the significance of MSMEs 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 alongside 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.

Retail Banking

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.

Private Banking and Wealth Management

Key clients

- Affluent individuals
- 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.

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

Read more in the 'Delivering on our growth pillars' section on pages 60 to 73

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 financing & green 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
- Mobile banking solutions
- SWIFT gpi
- Host to Host application

Financing Solutions

- Short & long term loans
- Green loans
- Syndicated loans
- Bridging loans
- Structured finance
- Asset-based lending
- Lokal is beautiful Scheme
- Lombard facilities
- Express overdraft, overdrafts & working capital
- Leasing

Transactional Banking

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

International Trade Finance

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

Business Services

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

Foreign Exchange Services

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

Investment Related Services

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

Outsourcing & Advisory Services

- Payments outsourcing
- Corporate finance advisory
- Investment advisory
- Online marketplace: PUNCH*

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

More information on our financial solutions is available on our website

Our corporate profile

What we deliver

Our value-creating business model

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

Our inputs and resources

Financial capital

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

Social and relationship capital

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

Human capital

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

Natural capital

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

Intellectual capital

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

Manufactured capital

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

...enabling value-adding activities

Our key strategic orientations

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

Delivering on our purpose, Success Beyond Numbers

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

Our material matters

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

...that create value for our stakeholders

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

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

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

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

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

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

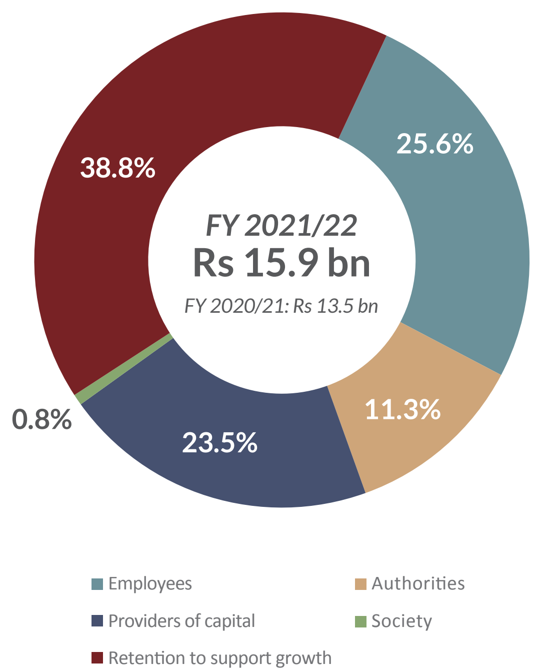
Employees
We act as an employer of choice and are committed to supporting the development and well-being of our staff

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

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

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

Wealth created by MCB Ltd



Cybersecurity | Digital disruptions | Increasingly competitive environment | ESG considerations

Read more in the 'Delivering on our strategic objecitves' section on pages 35 to 73

Read more in the Sustainability Report on our website

Delivering on our strategic objectives

"Our customers are at the core of everything we do and we strive to deliver the best customer experience."

Alain LAW MIN

Message from the Chief Executive Officer

Navigating an uncertain and volatile environment

During the year, Mauritius made significant progress in adapting to COVID-19. The vaccination campaign covered most of the population, which has enabled the full re-opening of the country's borders. As a result, we have witnessed encouraging trends in tourism and hospitality, which are driving the economic recovery. Other positive developments include the exit of the Mauritian jurisdiction from the lists of the Financial Action Task Force (FATF) and European Union as well as its compliance with all 40 FATF recommendations. The economic momentum has, however, been unsettled by the worldwide spillover effects of the war in Ukraine, with the steep rise in food and energy prices and supply chain disruptions resulting in higher inflationary pressures and heightened foreign exchange market volatility. Moreover, we took cognisance of the downgrade, by Moody's Investors Service, of the country's sovereign credit rating to Baa3 from Baa2. That said, it is comforting to note that Moody's maintained MCB's long-term deposit and issuer ratings at Baa3 while changing the outlook on our ratings to stable from negative. This testifies to the resilience of our financial profile in the face of the difficult operating environment.

Good performance testifying to our resilient business model

Continued focus on our customers and disciplined execution have helped us deliver a year of good financial and operational performance. Indeed, our net profit after tax stood at Rs 8,948 million for FY 2021/22, representing an increase of 21.0% compared to the previous year, mainly reflecting an improvement in our core earnings and a drop in net impairment charges on account of lower expected credit losses. Operating income grew by 5.6%, with a marginal rise recorded in net interest income due to reduced margins – despite a healthy expansion of our loan book, we were impacted by lower yields – whilst non-interest income was boosted by higher revenues from regional trade finance and payment activities. In line with our capacity-building initiatives linked to our investment in human capital and digitalisation efforts, operating expenses increased by 9.1%. This led to a rise in our cost to income ratio to 35.2%, which remains among the lowest in our industry.

> *"We will remain focused on executing our three-year plan while reinforcing key areas to effectively adapt and respond to the dynamic external environment."*

Amidst a challenging environment, we preserved our financial soundness. Our non-performing loan to gross loan ratio stood at 3.4% and both our BIS and Tier 1 capital ratios were maintained comfortably above minimum regulatory requirements at 17.2% and 16.3% respectively. Our strong capital position and credit quality give us the stability and strength to support our customers and improve our performance even further. Throughout FY 2021/22, MCB also remained compliant with the liquidity coverage ratio (LCR) requirement with a consolidated ratio of 412% and a USD LCR of 209% at end-June 2022.

Strong pillars supporting continued growth

This performance was achieved as we continued to deliver on our growth agenda. We pursued key initiatives across our three strategic pillars – (i) extending our frontiers; (ii) delivering a world-class customer experience through digital; (iii) and nurturing values and delivering on our brand promise.We continued to accompany our clients in their endeavours as they gradually recover from the pandemic and adjust to the new norm. Our customers are at the core of everything we do and we strive to deliver the best customer experience.

Locally, we refined our offerings with a focus on digital to provide customers with easier access to banking products and services, and to offer a more convenient experience, which helped us consolidate our leadership status as an innovative universal bank. For our 1 million individual customers, we focused on improving the turnaround time for our loan offerings – for example, our revamped unsecured loan offering now provides instant approval and same day disbursement – and enhanced the functionalities of MCB Juice. We also helped domestic corporates build resilience and better navigate ongoing challenges, namely dealing with the ramifications of the pandemic, supply chain disruptions and currency volatility. For our Business Banking clients, cognisant of their significance in the economic progress of Mauritius, we accompanied them in their activities and growth initiatives, as a means to promote the development of a vibrant and sustainable local economy. Illustratively, the number of MCB JuicePro users has increased by 84% to some 14,500 while PUNCH, our online marketplace, has above 1,600 members, more than 125 growth partners and 6 institutional investors. In line with our commitment towards a cash-lite economy, we actively promoted our convenient and secure digital channels whilst further equipping our merchants with point-of-sale capabilities. For FY 2021/22, our contactless transactions increased by more than 150% whilst merchants now offering online payments increased by 17%. Additionally, the cash to digital payments ratio of our customers was at 44%, representing a significant drop compared to the pre-pandemic period.

On the international front, leveraging our investment-grade status, we pursued our cross-border diversification strategies by selectively exploring business avenues in areas where we have built expertise over time, mainly across sub-Saharan Africa, in line with our specialised banking model approach. We pride ourselves in being an African institution that is resolutely committed to the development of the continent. As such, we continued to

Message from the Chief Executive Officer

participate in Africa's transformation agenda by providing customised financial solutions geared towards accelerating productive investments, boosting intra-African trade and stimulating the social and environmental progress of the targeted countries. Within the Mauritius IFC, we are a partner of choice for international corporates willing to do business and invest in and across Africa, especially with anchor clients such as private equity funds and large regional and international corporates. We also facilitated business opportunities across the various trade corridors with Africa to reinforce MCB's position as a trusted financial partner and product specialist. Moreover, we deepened our involvement in the Energy and Commodities (E&C) sector and shown, in some respect, that the Bank has a unique value proposition in the African Oil & Gas business. Indeed, our E&C exposures increased by some 40% as at 30 June 2022 compared to last year. We are aware of the need for the continent to transition from fossil energy to low-carbon energy sources and we are gradually engaged in the financing of cleaner energy projects. However, it will take some time for our key African markets to make this shift, and we remain committed to being their partner during this transition. On another note, to help us pursue our international endeavours, we leveraged our strategically positioned Representative Offices and our Advisory Office in Dubai. With regard to the latter, it has gained momentum during its first year since its upgrade to an Advisory Office, highlighting our interest in contributing to further trade and investment flows between the MENA-region and Africa.

As key enablers to our success, due emphasis was laid on embedding a more rigorous risk and control framework with a key focus on enhancing our cybersecurity and compliance capabilities by investing in cutting-edge technology and our people. As a testament to our successful business model as well as robust service, we received several awards and recognitions including,

" It is as vital as ever that we contribute to building back our country better...with a focus on clean-energy investment to help the transition to a greener economy, upholding responsible entrepreneurship and boosting local production in the country."

the 'Regional Bank of the Year – Southern Africa' by African Banker Awards 2022 and the 'Euromoney Awards for Excellence: Best Bank in Mauritius', for the ninth year in a row. We were also the winners for the 'Brand Purpose' and 'Sustainable Brand' categories at the Brand Magic Summit 2022 in Mauritius. In line with our engagement as a caring entity, we remained committed to making a sustainable contribution to the economy, society and environment. During the year, we enlisted an international service provider to accompany us in the development of an adapted framework as part of the organisation's ambition to position itself as a key sustainable finance player. In addition to offsetting our carbon footprint to contribute to carbon neutrality in our operations, we continued to promote local production while pursuing initiatives in favour of our commitment towards gender equality.

Positioning ourselves for the future

Moving ahead, we will remain focused on executing our three-year plan while reinforcing key areas to effectively adapt and respond to the dynamic external environment. We are intent to maintain our leadership position as a strong and innovative digital bank on the local front and further grow our international business, with a key focus area being the diversification of our revenue base and increasing our share of non-interest income. In this respect, by capitalising on our strong network of key relationships, we will play an important role in facilitating cross-border trade flows within the African corridor as well as enriching our payments offerings and boosting our Private Banking and Wealth Management activities. We have recently set up a new Payments SBU, which will play a pivotal role in helping the Bank tap into emerging opportunities through wide-ranging payment solutions, allowing all customers, ranging from individuals to SMEs and corporates, to undertake transactions in an easier, faster and safer way. A new Financial Markets SBU was recently created to develop global markets and treasury products and services for Corporate and Institutional customers both locally and across Africa and the region. We have also applied for the set-up of a Representative Office in Nigeria in view of our involvement in the country's Oil & Gas sector and the commercial opportunities in West Africa. Together with our representative office presence in four other countries, this move aims to strengthen MCB's disciplined international expansion approach to properly appreciate inherent risks across key markets and reinforce coverage and relationships with clients and partners, including financial institutions.

In line with our commitment to be a socially responsible organisation, we will embed sustainability principles in everything that we do, towards the fulfilment of our purpose, 'Success Beyond Numbers', hence contributing to the well-being of individuals, businesses and society at large. We will thus continue to assist our clients in tackling challenges through the provision of more sustainable and circular solutions. As a leading operator in Mauritius, it is as vital as ever that we contribute to building back our country better, through continuous support to the modernisation of its existing growth pillars, development of emerging sectors with a focus on clean-energy investment to help the transition to a greener economy, upholding responsible entrepreneurship and boosting local production in the country. We will dial up our commitments in respect of sustainable and transition financing by developing a clear enabling framework and taxonomy to support the shift to a low-carbon economy. In parallel, we will continue to invest in our people to develop a future-ready, talented and engaged workforce where diversity and gender equality are valued. We aim at nurturing a conducive corporate culture that aligns our actions and organisational set-up and instills a deeper sense of belonging and unity in our employees. In order to strengthen our position as an employer of choice, our job and career architecture will evolve so that we adapt to changing business realities, in line with global best practices. It also aims to lay the appropriate foundations to enable us to attract, develop and retain our talents. We will continue to offer tailored learning journeys to help our staff elevate their potential and sharpen our leadership brand as part of our Talent Management Programme. We will also adapt to changes in the future of work emerging from the post-covid realities and promote a hybrid working environment that allows our staff to manage their professional and personal commitments, ensuring a healthy and sustainable work-life balance.

Concluding remarks

The last two years have confronted us with challenges that have tested our limits. We have successfully managed the delicate balance between maintaining the health and safety of our employees and providing support to our customers, our two key priorities. I would like to highlight the remarkable efforts, commitment and endurance of our employees in serving our customers and the community at large during those difficult periods. I wish also to thank all the members of the Leadership team for their valuable support in steering the Bank forward during the fast-changing and extraordinarily testing times. Let me extend my warm welcome to Parikshat Tulsidas who was appointed as Business Executive within the Leadership team during the year. Moreover, I would like to express my sincere gratitude to our esteemed customers and our wider community of stakeholders for their continued trust during good and bad times. I also extend my appreciation to the Board of MCB Ltd and that of our ultimate shareholder, MCB Group Ltd, for their support and guidance in driving the Bank forward.

While challenges lie ahead, I am confident in our ability to deliver on our strategic objectives and align our performance to our purpose to contribute to the inclusive and sustainable growth of the country and create value for all our stakeholders.

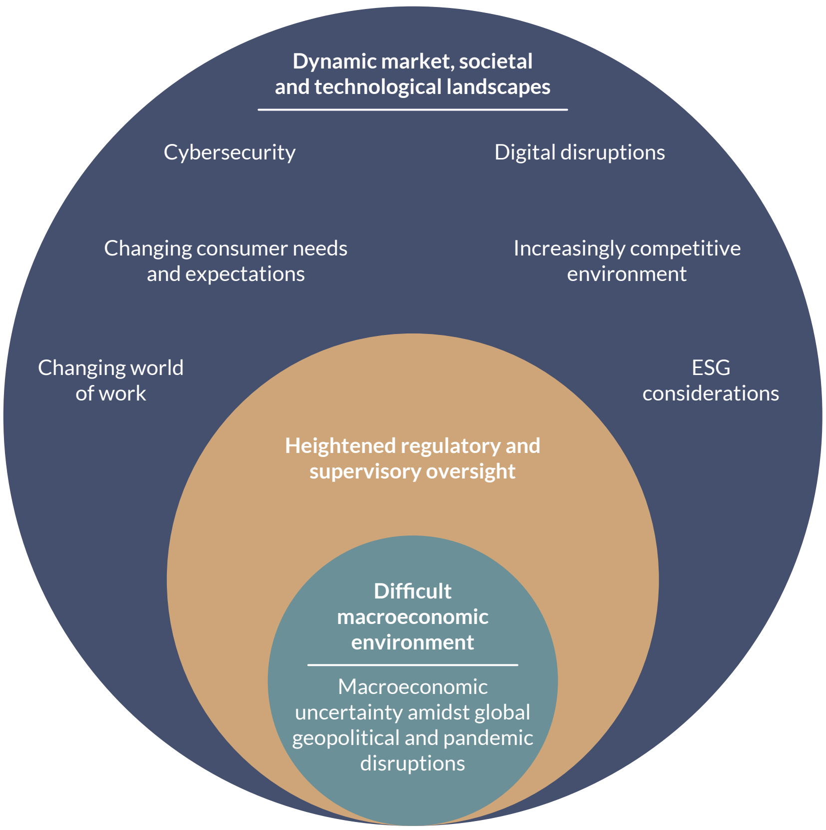
Alain LAW MIN
Chief Executive Officer

Delivering on our strategic objectives

Our operating context

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

Underlying factors impacting our strategy execution



Impact on our business model

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

Our responses

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

Macroeconomic environment

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

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

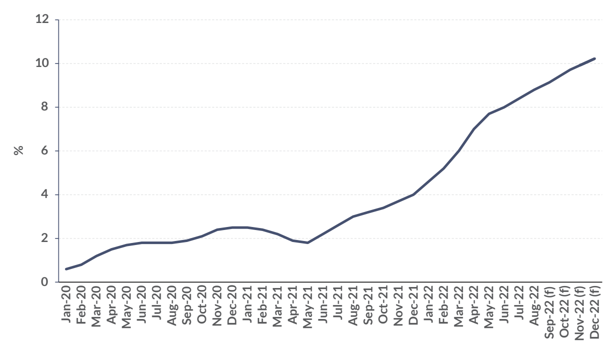
On the regional front, whilst the Omicron variant hit economic activity at the end of 2021, GDP growth in the sub-Saharan African region held up relatively well, albeit to varying degrees across countries. The commodity price shock following the Russia-Ukraine war has, however, stalled the positive momentum this year despite somewhat benefitting producer countries, with inflation expected to accelerate above 12%, the highest reading for the region since 2008.

Key economic indicators

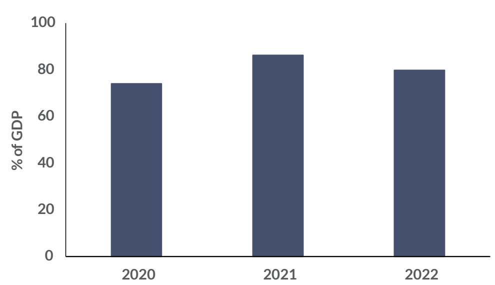
Real GDP growth (%)

	2020	2021	2022 (f)
World	-3.1	6.1	3.2
Sub-Saharan Africa	-1.6	4.6	3.8
Mauritius	-14.6	3.6	6.0

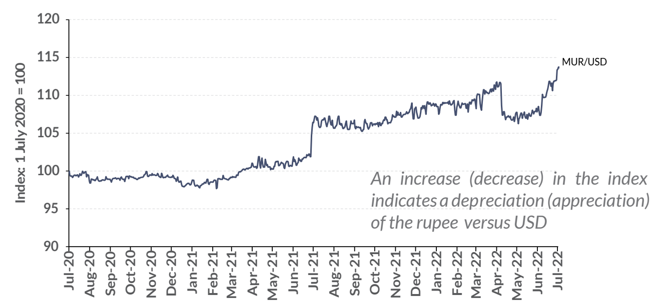
Headline inflation (%)



General government debt to GDP (%)



Exchange rate



(f) Forecast
Note: Debt figures for Mauritius pertain to financial year ending June
Sources: International Monetary Fund, Statistics Mauritius, Bank of Mauritius, Ministry of Finance, Economic Planning and Development, Oanda and MCB Staff estimates

Delivering on our strategic objectives

Market, societal and technological landscapes

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

In Mauritius, the shortfall in export earnings over the last two years continued to exert pressure on the foreign exchange market, with the Bank of Mauritius (BoM) intervening to supply foreign currencies in an attempt to contain heightened volatility in the exchange rate of the rupee. Besides, in response to growing inflationary pressures, the Key Repo Rate was raised by a cumulative 40 basis points during the financial year to 2.25%, in line with the monetary tightening trend globally. That said, growth in credit to the economy picked up following the moderation witnessed in the previous year, whilst the banking sector preserved its financial soundness. Capital adequacy ratio in the banking system stayed well above the minimum regulatory requirement at 21% as at March 2022, and asset quality remained at a reasonable level with a non-performing loans to total loans ratio of 5.8%. The resilience of banks continued to be upheld by support measures provided in the wake of COVID-19, some of which, including moratoria on loan repayments, were extended until June 2022, thus helping to ease the cash flow constraints of households and corporates. The Mauritius Investment Corporation (MIC) also provided support to systemically important firms that are financially distressed, amongst others, by way of quasi-equity investment. For instance, out of the Rs 52.2 billion approved by the MIC as at August 2022, some Rs 14.5 billion relate to companies in the accommodation and food service sector, which were severely hit by COVID-19. As part of the phasing out of support measures, the cash reserve ratio on rupee deposits was brought back from 8.0% to 9.0% effective July 2022. The banking system is still characterised by excess rupee liquidity, with short-term yields staying at the lower end of the interest rate corridor. The Central Bank has introduced an instrument, the 7-Day Bank of Mauritius Bill, since August 2022 as part of the phased introduction of the new Monetary Policy Framework. Besides, competitive pressures remained relatively high, notably in the individual and payments segments, as operators enriched their offering, while the digital landscape is being broadened with new players.

Key banking sector indicators

Domestic credit to the economy

	Jun-20	Jun-21	Jun-22
Y.o.y. growth (%)	4.0	3.6	7.7

Financial soundness indicators

Ratios (%)	Jun-20	Jun-21	Mar-22
Capital-based			
Regulatory capital to risk-weighted assets	20.4	19.7	21.0
Asset quality and liquidity			
Non-performing loans to total gross loans	5.8	5.6	5.8
Liquid assets to total assets	53.7	58.5	49.8
Profitability			
Return on assets	1.1	1.3	1.2
Return on equity	8.5	11.1	10.4

Note: Figures refer to deposit-taking institutions

Sources: IMF Financial Soundness Indicators Database and Bank of Mauritius

Evolution of yields

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

2021		2022	
Month	**Yield (%)**	**Month**	**Yield (%)**
April	0.49	January	0.66
May	0.80	February	0.65
June	1.29	March	0.74
July	0.75	April	0.80
August	0.83	May	0.83
September	0.78	June	1.00
October	0.79	July	1.06
November	0.83	August	1.08
December	0.65	September	1.05

Notes:

(i) Figures exclude the 7-Day Bank of Mauritius Bills

(ii) Figure for September 2022 is until 23 September

Regulatory and supervisory oversight

The Bank faced heightened demands on the regulatory and supervisory front as authorities focused on upholding the soundness and stability of the banking industry in the face of the post-COVID realities.

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

As a positive development, Mauritius was removed from the FATF list of jurisdictions under increased monitoring in October 2021. This triggered its removal from the UK list of High-Risk Third Countries as well as the EU List of High-Risk Third Countries, thus affirming the status of Mauritius as a reliable and transparent jurisdiction. More recently, it was announced that Mauritius is now 'Compliant' or 'Largely Compliant' with all of the 40 FATF Recommendations following a technical compliance upgrade – representing a first in Africa. This has notably been facilitated by the introduction of the Virtual Asset Initial Token Offering Services Act that provides a comprehensive legislative framework to regulate virtual assets and initial token offerings. In an effort to consolidate the country's position as an International Financial Centre and bolster its competitiveness as a domicile for investment funds, the Financial Services Commission introduced the Variable Capital Companies Act.

Our strategy

Pursuing our strategy amidst a volatile environment

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

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

Delivering on our strategic objectives

Our main strategic orientations

Our long-term destination

A strong and innovative regional financial player within a diversified Group

Pursuing our strategic focus areas

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

General thrusts

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

Our key objectives and strategic focus areas

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

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

Key intents

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

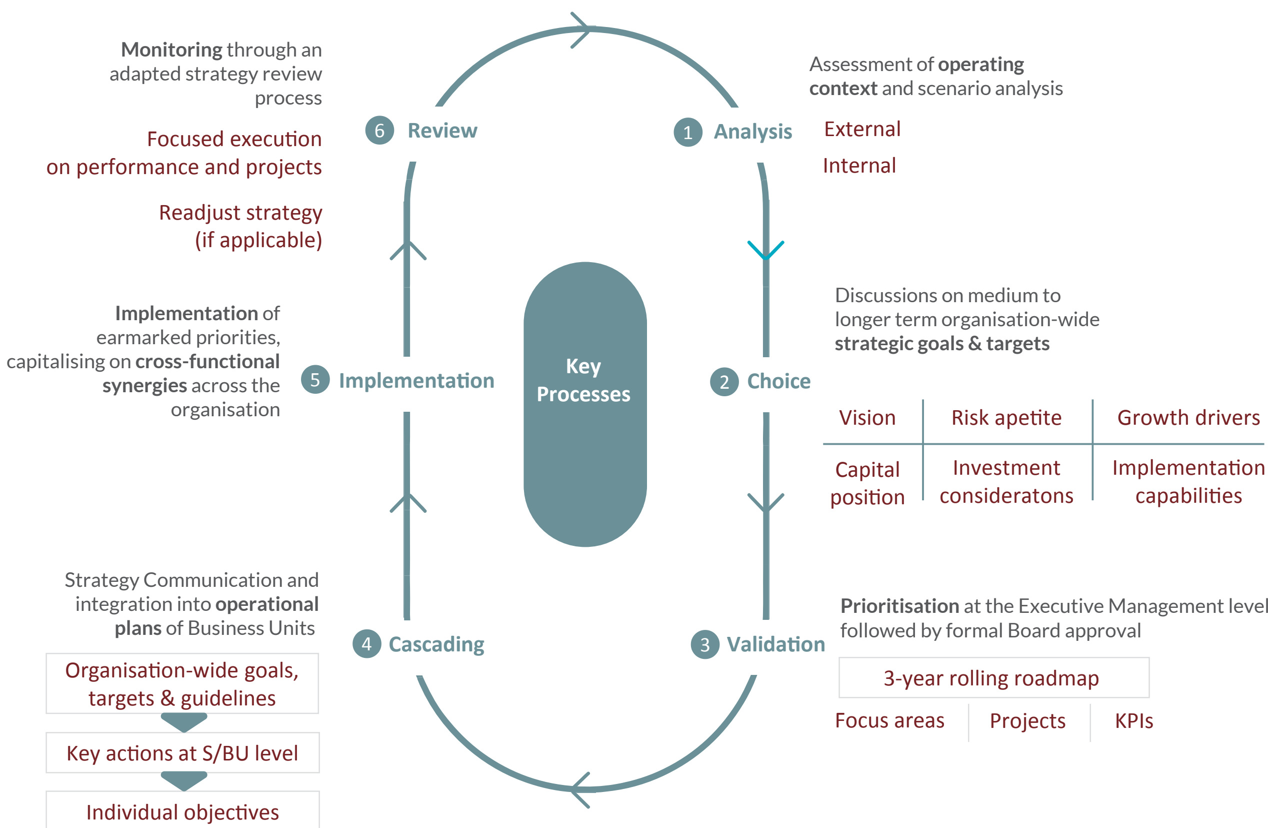
Our governance and processes

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 while ensuring that they are communicated throughout the organisation and regularly assessed

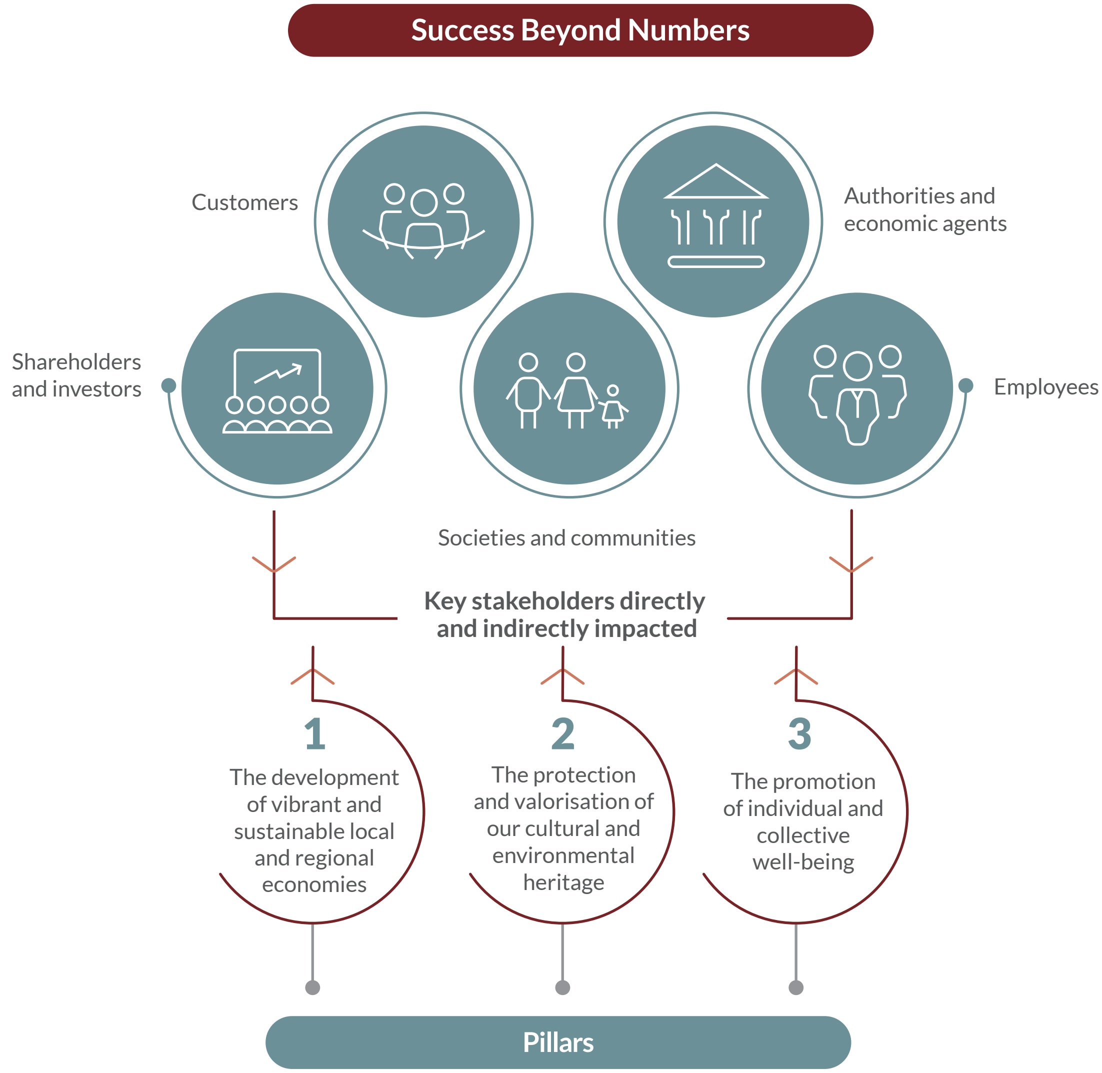
While ensuring congruence with strategic directions set at Group level, we formulate our own strategic orientations, guided by an adapted and pragmatic approach for strategy-setting



Delivering on our strategic objectives

Our approach to Sustainability

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



Read more in the Sustainability Report on our website

Creating value in a sustainable way for our stakeholders

Our underlying approach to stakeholder engagement

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

SHAREHOLDERS AND INVESTORS

SDGs IMPACTED

16 Peace, Justice and Strong Institutions

17 Partnerships for the Goals

CAPITALS IMPACTED

84% Contribution of MCB Ltd to Group profits

AAA
Issuer rating
CARE Ratings
(Africa)
Private limited

Baa3
Long-term deposit rating
Moody's Investors service

WHAT THEY EXPECT FROM US

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

MATERIAL MATTERS

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

KEY OBJECTIVES AND METRICS

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

Note: Figures are as at 30 June 2022

Delivering on our strategic objectives

How we have engaged with shareholders and investors

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

Maintaining resilience in an increasingly volatile environment

Our credit ratings

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

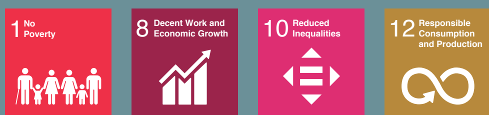
Our syndicated facility

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

Read more in the 'Financial performance' section on pages 75 to 84 and 'Corporate governance report' on pages 87 to 126

CUSTOMERS

SDGs IMPACTED



CAPITALS IMPACTED

~ 1,059,000
Overall customer base
(Y.o.y growth: 2.3%)

~1,018,000
Individual customers

~ 41,000
Non-individual customers

	Customer satisfaction score
Retail	**80.6**
Business Banking	**73.7**
Private Banking and Wealth Management	**77.0**

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

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

KEY OBJECTIVES AND METRICS

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

MATERIAL MATTERS

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

Delivering on our strategic objectives

How we have engaged with customers

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

Complaints management (FY 2021/22)

4.4 days average resolution time

81% share of complaints resolved within 5 days

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

Customer Lab: Nurturing customer-centricity

~ 10,000
Customer participation in surveys/research projects

112
Number of research projects/initiatives undertaken

20
Recurrent surveys (monthly/quarterly)

25
Real Time Dashboards

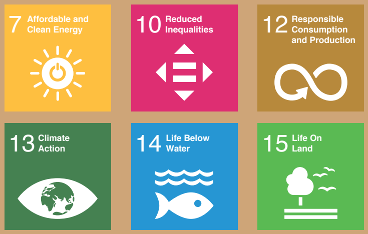
With customer experience being of key priority, we endeavoured to embed the voice of the customer at the heart of our strategy through the set-up of the Customer Lab (CL). In a nutshell, the CL combines market data, co-creation research and design experimentation with the aim of re-imagining customer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

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

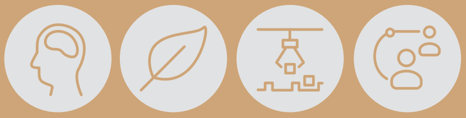
Read more on our initiatives to deliver excellent customer experiences in the 'Delivering on our growth pillars' section on pages on 60 to 73

SOCIETIES AND COMMUNITIES

SDGs IMPACTED



CAPITALS IMPACTED



Rs 53.7 million Entrusted to MCB Forward Foundation

629 MWh
Electricity generated from in-house photovoltaic system

100%
of residual emissions from 2020 operations offset to contribute to carbon neutrality

58%
of total procurement expenditure sourced from local suppliers

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

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

KEY OBJECTIVES AND METRICS

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

MATERIAL MATTERS

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

Delivering on our strategic objectives

How we have engaged with societies and communities

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

Socio-economic development as a means to poverty alleviation

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

Health

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

Education

- 33 scholarships have been awarded since 1988 to Mauritian students ranked next in line with those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations.
- 37 scholarships have been awarded since 2000 to students from Rodrigues, under the MCB Rodrigues Scholarship, enabling them to pursue tertiary studies at the University of Mauritius.

~Rs 1.8 billion

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

Financial inclusion

- We strive to promote financial inclusion by enabling low-income clients 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.

Arts and culture

- We made further inroads in preserving our cultural heritage, promoting the dissemination of art and sponsoring key projects aimed at supporting local talents at various levels. Of note, we were one of the main sponsors of an art exposition, which showcased the different works of art of Max Boullé, a Mauritian artist who greatly contributed to our local artistic heritage.

Environment

- The organisation took the commitment not to finance new coal-fuelled power plants as from 2022 and assist our clients in their transition towards cleaner technologies with a dedicated envelope made available for financing low-carbon emission projects. Additionally, in line with its objective of achieving carbon neutrality in its operations, MCB has focused on reducing its carbon emissions and then offsetting the residual emissions by investing in projects that have environmental and social benefits. MCB has been compensating for its residual carbon emissions on a retroactive basis, starting with the year 2018, through 'Klima Neutral', the carbon compensation online platform. During the year, MCB has catered for the redemption of its Scope 2 electricity consumption linked to its 2020 operations through the purchase of International Renewable Energy Certificates (I-REC). Besides, the Bank's commitment to invest EUR 5 million, over the period 2021-2040, in the Livelihoods Carbon Fund 3 is expected to generate around 800,000 carbon credits over the fund's lifetime. These credits will be available for its own compensation and to clients willing to contribute to carbon neutrality via a holistic carbon strategy.
- MCB has renewed its support to the Mauritian Wildlife Foundation (MWF) for another three years to protect the biodiversity of the country and preserve the islets around Mauritius. Of note, the partnership with MWF aims to protect four endemic species that are currently under the threat of extinction.
- The organisation actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by 19% during the financial year.
- Under the 3rd edition of the Sustainable Use of Natural Resources and Energy Finance (SUNREF III) developed by Agence Française de Développement (AFD), MCB has made a total drawdown of EUR 18 million with projects financed focusing on renewable energy, energy efficiency and circular economy. The objectives of the facility are to (i) reinforce the market of mitigation finance; (ii) scale up of the market to advance Mauritius' adaptation to climate change agenda; and (iii) mainstream gender equality in the Mauritian private sector.
- To support the circular economy, the Bank has partnered with The Good Shop, based on a defined three-year plan, to raise their productivity, add value to their current activities and better communicate on the NGO's different initiatives.

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 5 million.

UNEP-FI

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

UN Global Compact

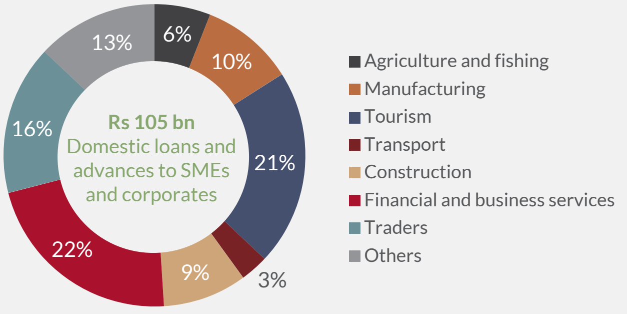
Reflecting its commitment to entrench applicable principles in its strategy and operations, MCB Ltd is an adherent to the United Nations Global Compact at participant level. The latter is the world's largest voluntary corporate responsibility initiative for businesses committed to aligning their operations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

Read more in the Sustainability Report on our website

AUTHORITIES AND ECONOMIC AGENTS

SDGs IMPACTED

CAPITALS IMPACTED



28.3%
Domestic loans as a share of GDP

Rs 1,532 m
Corporate tax and special levy

2,181
Number of fraud/ alleged fraud cases investigated

129,564
Number of financial crime risk management alerts investigated and closed

636
Number of suspicious internal transaction reports investigated

4,312
Reports sent to the Bank of Mauritius

44% Cash to digital payments ratio

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

- Promotion of a sound and efficient financial system
- 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
- Contribution to the economy
- Transition to a cash-lite society
- Best-in-class policies based on ethical behaviour
- Strong risk management and compliance set-up
- Adherence to regulatory requirements

MATERIAL MATTERS

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

Delivering on our strategic objectives

How we have engaged with authorities and 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 and beyond
- Regular interactions and collaboration with the Central Bank and authorities to provide support to our customers in line with COVID-19 measures implemented amidst the pandemic
- Strict compliance with relevant regulatory limits and guidelines relating notably to business operations, product development, market development and risk management
- Perennity and soundness of our operations safeguarded along with compliance with mandatory provisions and requirements
- Policies and procedures in place to detect and prevent financial crimes such as money laundering, bribery and tax evasion in line with legal requirements
- Contribution to the strengthening of the regulatory framework through our close collaboration with the regulators
- Prompt attendance to regulatory reviews and response to matters raised
- Timely submission of reports to regulatory bodies and transparent relationships forged with them to promote adequate monitoring of our activities and informed discussions about relevant issues
- Thought leadership initiatives, including the publication of MCB Focus, weekly MCB Wave podcast on financial markets and articles posted on the MCB Group's 'TH!NK' website

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

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

Notes:

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

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

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

EMPLOYEES

SDGs IMPACTED

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

CAPITALS IMPACTED

~ 3,100
Employees
(50% female)

29%
Women in middle and senior management

~ 96%
Employee retention rate

~ 5%
Employee turnover rate

Results from the Trust Index© employee survey

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

~ 22,400
Number of courses completed on 'Percipio' (our online learning platform)

~ 15,500
Total hours spent learning on 'Percipio'

260 Number of employees enrolled in our **Lead with Impact Academy**

Note: Figures are as at 30 June 2022

WHAT THEY EXPECT FROM US

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

KEY OBJECTIVES AND METRICS

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

MATERIAL MATTERS

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

Delivering on our strategic objectives

How we have engaged with employees

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

Promoting gender parity in the workplace

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

Main initiatives during FY 2021/22

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

Key measures deployed during the period under review

Talent development

Talent Management

- Progress on the implementation of our Grow! Programme
- Launch of 'Beyond Numbers' Graduate Programme

Digital learning

- 'Percipio' becoming the one-stop shop for digital learning solutions, with a 95% adoption rate and 97% engagement rate since implementation

Leadership brand

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

Specialised learning

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

Employee well-being

Staff welfare and quality of life

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

COVID-19 measures

Safeguarding employee well-being:

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

Ongoing initiatives

Career and rewards architecture

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

Culture

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

Onboarding journey

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

Delivering on our strategic objectives

Delivering on our growth pillars

1

Extend our frontiers

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

2

Deliver a world-class customer experience through digital

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

3

Nurture our values and deliver on our brand promise

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

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

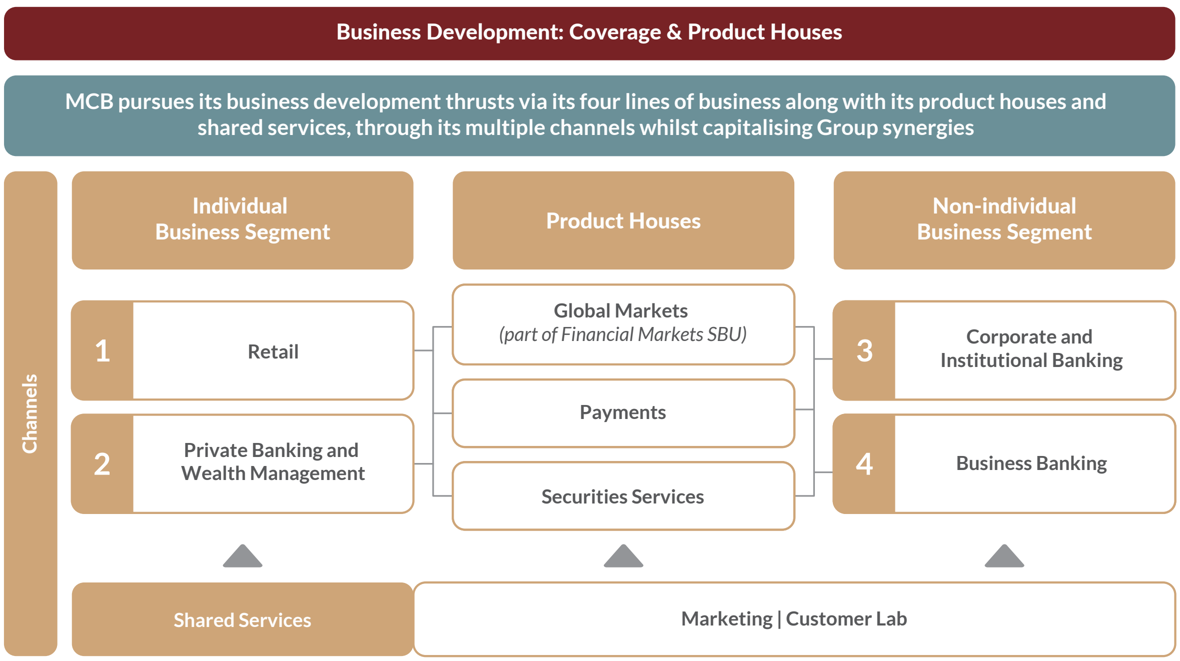
Looking ahead, we will pursue our strategic intents and deliver on our focus areas towards cementing our position as a reference player in the region, while capitalising on the Mauritian IFC as a competitive business and investment hub. Locally, we aim to maintain our leadership position as a strong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

1 Extend our frontiers

General approach

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

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



Retail

Strategic priorities set for FY 2021/22

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

Delivering on our strategic objectives

Main initiatives and achievements during the year under review

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

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

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

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

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

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

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

- The year under review saw the roll out of the Customer Service Learning programme co-created by HR and Retail. The gist of the programme aimed at strengthening the service skills of our employees to create an effective customer focus while better connecting with customers. The programme comprised a mix of online courses leveraging Percipio and on the job training. Some 1,050 digital token certificates were distributed to frontliners who completed their digital training covering subjects such as Discovering Customer Needs, Serving Digital Customers, Building Emotional Leadership amongst others. Moreover, training was provided on how to communicate effectively with customers and how to build rapport with them.

Key priorities looking ahead

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

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

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

- Further contribute to the organisation's Sustainability agenda

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

Private Banking and Wealth Management

Strategic priorities set for FY 2021/22

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

Main initiatives and achievements during the year under review

- Even though the operating performance of this segment was impacted by adverse market conditions, the unit remained focused on reinforcing the enabling conditions to underpin its growth ambitions in the future.
- As part of its transformation programme, the SBU has been segmented under three clusters based on investable assets and fiscal residence, namely Private Banking i.e. 'M', Select – which tends to affluent customers – and External Asset Managers & Financial Intermediaries (EAM&FI), whilst enhancing its portfolio management capabilities to facilitate strategy execution. With a view to consolidating its existing value proposition in line with the revamped identities of 'M' and Select, the Bank undertook a Wealth Study to better understand its clients' behavioural patterns and customise its value proposition to their profile and requirements.
- The unit launched its investment advisory offering for its individual clients, which, in contrast to discretionary portfolio management, adopts a "hybrid" approach. It is designed to empower the investment-savvy clients, wanting to have an oversight over their portfolios and making their own investment choices, with the optional assistance of an investment advisor.
- With regard specifically to the 'M' segment, new avenues have been explored, such as ESG investing, to cater for the differentiated needs of its diverse client profiles. The Bank also revamped the Private Banking website, which offers an exclusive window to all the banking and wealth management resources proposed to its clients.
- A value proposition review and brand lift were undertaken with respect to the Select segment to reinforce its strategic positioning through the adoption of a more sophisticated approach and the provision of distinctive investment and advisory solutions to clients based on their personal objectives, life stage and risk appetite. Additionally, we also came up with an adapted marketing and communication strategy for increased visibility to young affluent customers.
- Through an open-architecture approach, EAM&FI clients can fulfill their portfolio diversification endeavours by having access to major markets and most asset classes, also allowing them to tap into specific investment themes such as electric vehicles and clean energy.
- To support its international ambition, EAM&FI reinforced its presence in the Middle East and North Africa, by capitalising on the Dubai Advisory office. A Senior Relationship Manager has been appointed to ensure proximity and bolstered rapport with MENA-based External Asset Managers and family offices alongside offering the Bank's Private Banking and Wealth Management services and concomitantly promoting the Mauritius IFC.
- In order to widen our range of products and services and address the needs of our clients, due emphasis was laid on deepening partnerships with key actors in the industry by connecting with world-class companies in terms of advisory services in Africa and Europe and other players in the wealth sector, such as real estate agencies. In the same vein, the EAM&FI team has fostered the development of a strong network of international brokers across geographical locations for various asset classes, including equities, bonds, structured products and mutual funds. These brokers provide their services to both foreign-based and locally-based External Asset Managers.

Delivering on our strategic objectives

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

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

Key priorities looking ahead

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

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

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

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

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

Business Banking

Strategic priorities set for FY 2021/22

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

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

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

- Encourage migration to digital channels and boost digital sales

- Improve turnaround time and internal efficiency levels, whilst ensuring strong adherence to risk and compliance requirements with the timely execution of tactical actions

Main initiatives and achievements during the year under review

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

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

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

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

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

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

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

Key priorities looking ahead

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

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

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

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

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

Delivering on our strategic objectives

Corporate and Institutional Banking

Strategic priorities set for FY 2021/22

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

Main initiatives and achievements during the year under review

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

- The Specialised Finance team also delivered on its strategic objectives:

    - o Specifically with regard to the E&C segment, we remained a prominent player in the African Oil & Gas business across downstream, midstream and upstream value chain by nurturing relationships with key clients and building on our expertise, established brand and track record. In line with the organisation's climate commitments, the unit initiated actions towards increasing its presence in the gas trading business in Africa going forward, as the Bank seeks to accompany the region in its energy transition. However, MCB understands that it is going to take some time for its key African markets to shift to renewable energy, and remains committed to being their partner during this transition.

    - o As for Power & Infrastructure financing, we maintained our efforts to play an increasing role in addressing Africa's infrastructure needs. We thus continued to provide support to clients for their infrastructure investments in the Bank's key geographical markets, including energy projects contributing to the transition towards cleaner energy and improving electrification rate on the continent.

- The Financial Institutions and Syndication team consolidated its syndication offering and strengthened its position as lead arranger with financial institutions. The unit developed stronger business networks with financial institutions, development financial institutions and other partners as well as key intermediaries across African and Asian markets for enhanced market intelligence, enriched value offering and servicing a larger pool of clients.

- We have, in close connection with the Group, remained an active promoter of the 'Bank of Banks' initiative as part of our Africa Forward Together (AFT) strategy, which consists of providing a palette of adapted solutions to financial institution counterparts, notably those operating in Africa. The Bank has reviewed its AFT strategy towards working with its network of correspondent banks to enhance its offerings and better service its clients in foreign markets as well as tap into new business opportunities.

- As a key enabler, the coverage teams have strengthened their collaboration with specific product houses, such as Global Markets and Treasury Management team, towards developing customised solutions to meet the sophisticated needs of the international clients, notably to facilitate cross-border trade and business flows.

- The Bank invested in its digital platforms in order to simplify the customer experience with its SmartApprove application – a convenient and secure web-responsive app that allows authorised signatories of companies to approve transactions electronically – now equipped with a cross-border international payment solution, the SWIFT gpi. The latter is a self-service payment tracker which enables our corporate clients to track all their international payments from end-to-end, in real time.

- In the same vein, we have made further headway towards the digitalisation of our workflows and processes to enhance operational efficiency and improve the customer experience.

Key priorities looking ahead

- Help build back Mauritius better through dedicated support to the modernisation of its existing growth pillars and development of emerging sectors with a focus on clean-energy investment to facilitate the transition of the country to a greener economy

- Reinforce the Bank's position as a sustainable financier, through the development of a palette of sustainable financing products and the setting up of an ESG team in collaboration with Risk SBU

- Devote efforts towards becoming a reference bank for funds, regional and international corporates, by leveraging a targeted value proposition, strong network of intermediaries and partners, and an enhanced go-to-market approach

- Uphold its positioning within the Energy & Commodities segment by nurturing existing relationships, consolidating its reputation as a credible and long-term financing partner and enabling energy transition through a gradual and committed focus to gas financing, whilst pursuing its African Power and Infrastructure financing initiatives

- Boost cross-selling opportunities, leveraging organisational synergies at coverage and product level, with a key focus being to position the Bank as a leading transactional banking player

- Develop and nurture a more meaningful network, notably through targeted events and backed by pertinent thought leadership series, towards servicing and bridging stakeholders across the African markets and along the various business corridors with Africa (i.e. Asia, Gulf and Europe)

- Accelerate digital efforts and enhance technical expertise in the analysis, structuring and monitoring of financing solutions

Delivering on our strategic objectives

Product Houses

Main initiatives and achievements during the year under review

Financial Markets

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

Payments

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

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

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

Note: Figures relate to FY 2021/22

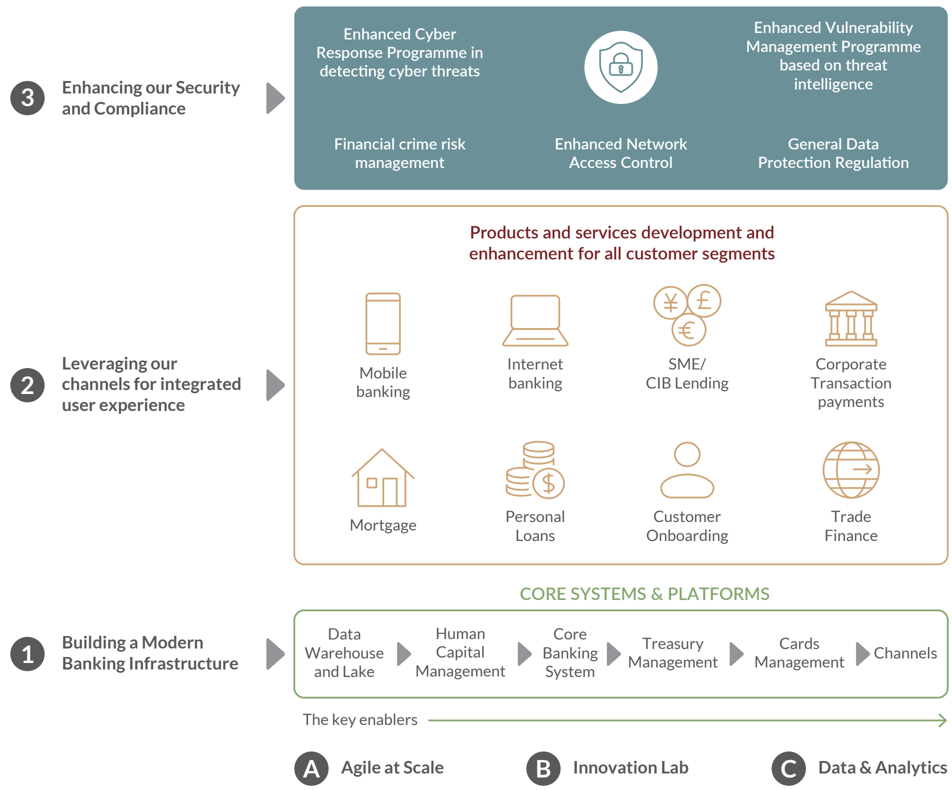
Securities Services

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

2 Deliver a world-class customer experience through digital

General approach

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



Main initiatives and achievements during the year under review

Building a modern banking infrastructure

We made further strides towards making our core systems and platforms responsive and scalable as well as supporting Continuous Integration/Continuous Delivery (CI/CD) to improve the time to market. An upgrade of our Core Banking System (Temenos Transact) is underway, while the Group also aims to have a single Group 'Software as a Service' (SaaS) for enhanced efficiency, improved governance and economies of scale. We pursued our omni-channel strategy with the objective of having a unified process for clients when interacting with the Bank, thus enjoying the same customer experience regardless of the entry point or channels. In particular, it upgraded the Backbase platform to the latest version and is migrating its trade finance services on the digital banking platform.The omni-channel strategy is expected to result in increased performance capabilities, a seamless user experience and the potential to scale with a range of new features. It will also serve to extend the agile delivery capability of the organisation while enabling improved management of the customer journeys, across all touch-points and for each line of business. We are also in the process of migrating all cards operations to an upgraded version of its Card Management System, which allows for increased integration and efficiency.

Delivering on our strategic objectives

Leveraging our channels for integrated user experience

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

Key facts and figures on our customer journeys

83%
Weighted average completion rate

22
Planned customer journeys

12
Fully delivered

10
Ongoing
Average completion rate of 62% reached

Mortgage

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

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

Customer satisfaction **74%**

Personal Loans

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

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

Customer satisfaction **90%**

SME Account Opening

Online account opening for SME

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

Customer satisfaction **78%**

Digital account opening **80%** *Monthly average*

SME Lending *(Express Overdraft)*

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

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

Customer satisfaction **72%**

CIB Lending

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

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

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

CIB Transactional Payments

Approval of transactions faster and on the go

76% Digital vs. manual transfer

87% International Funds Transfer Payment STP Rate

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

MCB Juice

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

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

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

Customer satisfaction **82%**

MCB JuicePro

The mobile banking app on the go for local entrepreneurs

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

78% Customer satisfaction

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

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

Enhancing our security and compliance

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

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

Read more in the 'Risk and capital management report'

Key enablers

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

Priorities looking ahead

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

Delivering on our strategic objectives

3 Nurture our values and deliver on our brand promise

General approach

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

Main initiatives and achievements during the year under review

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

- With the objective of complying with the BoM Guideline on Climate Related and Environmental Financial Risk Management, a project team has been set up comprising different units of the Bank. A Steering Committee has also been put in place to monitor the progress of the implementation of the Guideline (Read more in the 'Risk and capital management report' on page 132).

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

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

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

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

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

Key priorities looking ahead

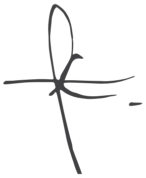
- Promote local entrepreneurship and help boost local production

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

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

Read more on how we have engaged with societies and communities on pages 51 to 54

Read more in the Sustainability Report on our website



Alain LAW MIN
Chief Executive Officer

Financial performance

Financial performance

Performance against objectives

OBJECTIVES FOR FY 2021/22	PERFORMANCE FOR FY 2021/22	OBJECTIVES FOR FY 2022/23
Return on average Tier 1 capital		
Return on average Tier 1 capital is expected to improve (FY 2020/21: 13.4%), with results anticipated to be supported by further growth in operating income and a forecast drop in additional expected credit losses.	In line with expectations, return on average Tier 1 capital improved and stood at 14.6%.	Return on average Tier 1 capital is forecast to increase above 15%, supported by the growth momentum expected in business activities.
Return on average assets (ROA)		
ROA is expected to rise (FY 2020/21: 1.3%), in line with an improvement in performance.	ROA increased to 1.4%, reflecting the rise in operating income and the decline in impairment charges.	ROA is anticipated to exceed 1.5%.
Operating income		
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 income rose by 5.6%. Net interest income grew marginally by 1.8%, reflecting lower average yields compounded by a shift in the loan mix towards the shorter term. On the other hand, notwithstanding fair value losses on equity investments, non-interest income grew by 14.3%, driven by higher revenues from regional trade finance and payments activities as well as increased profit from dealing in foreign currencies.	Net interest income is expected to register a strong growth, supported by the rising interest rates on international markets and the continued expansion in our business activities, particularly on the international front. On the non-interest income side, expansion in regional trade finance and payments activities and the launch of new structured treasury products are likely to boost performance therein.
Operating expenses		
Operating expenses are projected to increase at a higher rate reflecting ongoing capacity building, notably linked to our people development and digitalisation initiatives.	Operating expenses grew by 9.1% with ongoing investment in technology and human capital across business lines and some specialised functions.	Operating expenses are likely to be fuelled by high inflation and sustained capacity-building initiatives linked to the reinforcement in human capital and our digitalisation journey.
Cost to income ratio		
Cost to income ratio is expected to be at around 35% .	Cost to income ratio was in line with expectation at 35.2%.	Cost to income ratio is forecast to remain close to the current level.

Loans and advances growth		
The average customer loan book is forecast to post a double-digit growth, driven by further growth in our cross-border activities.	The average customer loan book grew by around 16%, mainly driven by a significant expansion in our international loan portfolio.	Further expansion in our cross-border activities and a pick-up in the growth of domestic loans and advances are expected to contribute to a double-digit growth in the average customer loan book.
Deposits 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.	Average customer deposits grew by 11.0%, supported by a rise in both rupee and foreign currency deposits.	Efforts by the Bank to mobilise foreign currency deposits should support the growth momentum in average customer deposits, albeit at a reduced pace.
Asset quality		
Allowance for credit impairment charges is anticipated to decrease on the back of lower additional expected credit losses.	As expected, net impairment of financial assets declined by 26.3%, representing a cost of risk below 1% in relation to loans and advances. Gross NPL ratio edged up from 3.2% one year earlier to 3.4%.	Allowance for credit impairment charges is expected to increase in line with the growth in loan portfolio.
Capital management		
The capital adequacy ratios are expected to remain at similar levels to FY2020/21 (FY2020/21: BIS at 16.8% and Tier 1 capital at 15.8%).	The overall capital adequacy ratio and the Tier 1 ratio improved to 17.2% and 16.3% respectively, backed by the optimisation of the Bank's risk-weighted assets.	The capital adequacy ratios are expected to remain above internal benchmark and regulatory requirements, with the Bank seeking to further consolidate its capital base in view of the anticipated expansion in its asset base.

Performance against objectives by lines of business

OBJECTIVES FOR FY 2021/22	PERFORMANCE FOR FY 2021/22	OBJECTIVES FOR FY 2022/23
Retail		
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.	Despite the difficult operating context, the average retail loan portfolio grew by 4% as expected while deposits went up by 12%. However, growth in gross operating margin was impacted by pressures on interest margins.	The Bank will pursue its commercial initiatives to further expand its housing and personal loan book, contributing to an expected growth rate of 6% in gross operating margin.
Business Banking		
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.	Notwithstanding a lower than expected growth in its loan book amidst the uncertain economic context, gross operating margin rose by some 22%, driven by a growth of 41% in non-interest income. The latter was driven by higher fee income and forex profit, partly linked to a pick-up in business activities after the reopening of the country's borders.	Gross operating margin is expected to sustain its growth momentum, supported by increases in both non-interest income and net interest income on the back of an expected growth of 5% in the loan book.

Financial performance

OBJECTIVES FOR FY 2021/22	PERFORMANCE FOR FY 2021/22	OBJECTIVES FOR FY 2022/23
Private Banking & Wealth Management		
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.	Investable assets grew by 4% despite difficult market conditions which, however, adversely impacted gross operating margin.	Sustained business development initiatives with increased prospection to widen its foreign client base and the digitalisation of its product offerings should help to boost the growth of its investable assets and lending book, thus contributing to an upturn in gross operating margin.
Corporate and Institutional Banking		
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.	The lending portfolio expanded by some 23% with a sustained growth registered in our international loan book, in particular within our Specialised Finance segment, linked to Energy & Commodities financing. This contributed to a positive growth in net interest income in spite of lower yields whilst a significant growth was recorded in non-interest income, mainly arising from increased fee and commission income from trade finance and payment activities. Overall, gross operating margin went up by some 14%.	The average loan book is projected to grow further, albeit at a reduced pace, supported by a continued expansion in our cross-border activities and a pick-up in our domestic exposures. On the local front, this will be driven by the expected economic recovery and the objective to transition to a greener economy. Customer deposits are expected to post a strong growth, following efforts to grow foreign currency funding. Gross operating margin is forecast to increase by some 25%, supported by a strong growth in net interest income on the back of rising yields on the international lending business as well as a notable growth in non-interest income.

Overview of results

The Bank's net profit for the year ended 30 June 2022 reverted to its pre-pandemic level to stand at Rs 8,948 million, after a growth of 21.0% compared to FY 2020/21, mainly reflecting an improvement in its core earnings and a drop in net impairment charges.

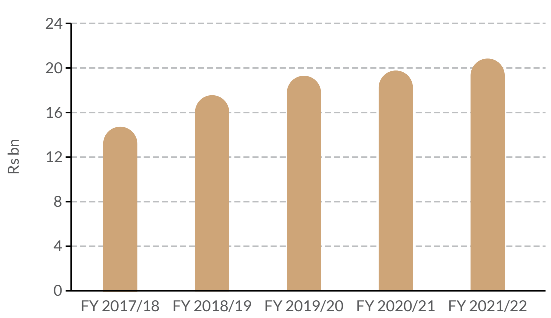
Bank financial highlights

- Operating income grew by 5.6%. Net interest income increased by 1.8% adversely impacted by reduced margins. Despite a fair value loss from our equity investments, non-interest income increased by 14.3% supported by an improvement in core earnings.
- Cost to income ratio increased to 35.2%, in line with our capacity-building initiatives as well as the subdued growth in our operating income.
- Cost of risk declined by 52 basis points to 0.91% as a result of lower expected credit losses (ECLs) while gross NPL ratio edged up to 3.4%.
- Share of profit of associates rose by 40.9% to Rs 475 million due to improved contribution from both BFCOI and Société Générale Moçambique.
- Healthy liquidity positions were upheld with loans to deposits ratio of 68.5% and loans to funding base ratio, when including borrowings, of 57.6%.
- Comfortable capital positions were maintained with both the BIS and Tier 1 ratios above minimum regulatory requirements of 15% and 13% respectively.

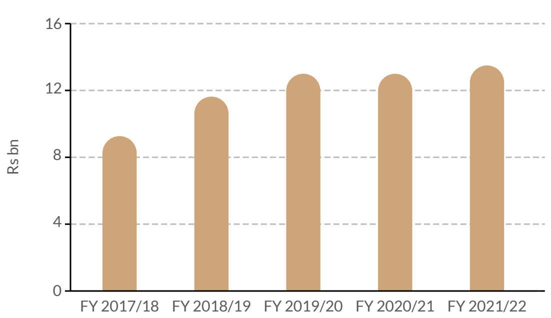
Key figures	
Rs 8,948 million *(Rs 7,396 million)*	**Profit for the year**
Rs 20,854 million *(Rs 19,743 million)*	**Operating income**
35.2% *(34.1%)*	**Cost to income ratio**
Rs 3,392 million *(Rs 4,601 million)*	**Impairment charges**
Rs 10,594 million *(Rs 8,751 million)*	**Profit before tax**
13.8% *(12.7%)*	**ROE ratio**
17.2% *(16.8%)*	**BIS ratio**

Note: Figures in brackets relate to FY 2020/21

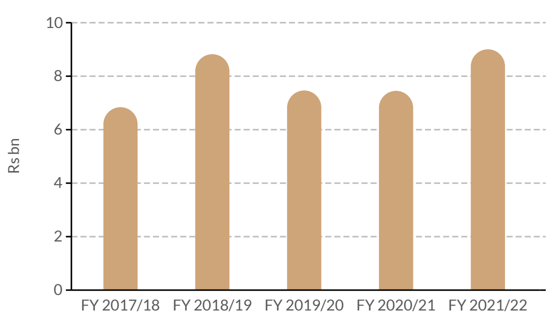
Operating income



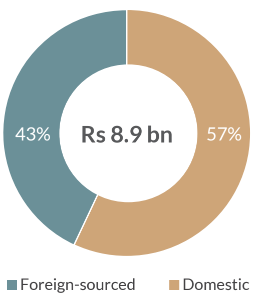
Operating profit before impairment



Profit for the year



Contribution to profit



Financial performance

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 13,933 million	**FY 2020/21**	**FY 2021/22**
(+243 million)	2.7%	2.4%

A growth of 1.8% was recorded in net interest income following:

- An increase of 5.4% in interest income to Rs 16,470 million, supported by an expansion in our loan portfolio and investment securities while being negatively impacted by lower yields.
- A rise of 30.9% in interest expense to Rs 2,537 million mainly due to a significant increase in borrowings from banks abroad.

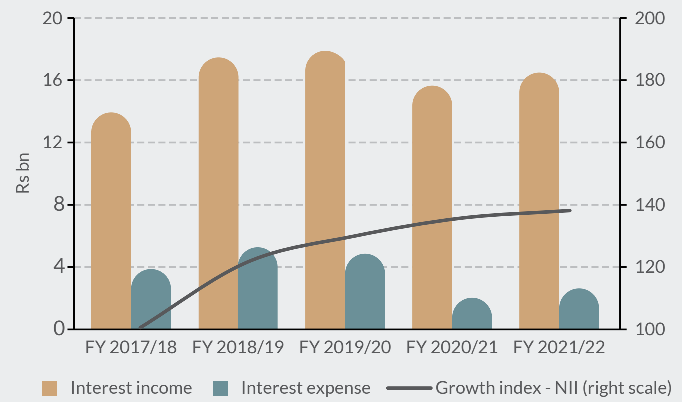
Overall, net interest income to average earning assets fell by around 31 basis points to 2.4%, reflecting lower yields and a shift in our loan book towards the shorter term, while the ratio in terms of average total assets declined by 30 basis points to 2.2%.

Non-interest income	As a % of operating income	
Rs 6,921 million	**FY 2020/21**	**FY 2021/22**
(+868 million)	30.7%	33.2%

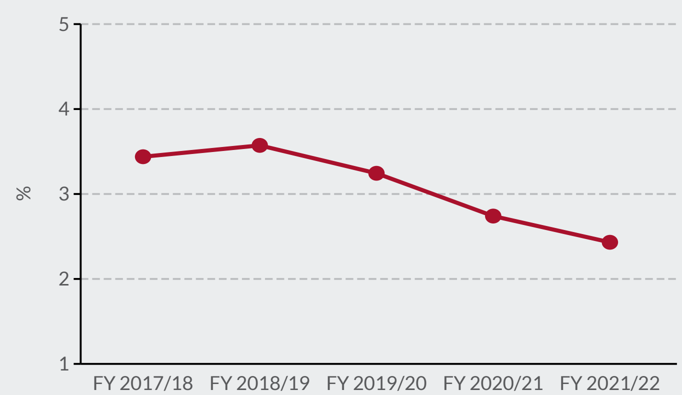
Notwithstanding a net loss from equity financial instruments carried at fair value amidst market volatility as compared to a significant gain in the previous year, non-interest income went up by 14.3% on the back of:

- A growth of 33.9% in net fee and commission income to Rs 5,176 million, driven by higher revenues from regional trade financing and payment activities.
- A rise of 39.9% recorded in profit arising from dealing in foreign currencies in line with increased business volumes following the opening of the country's borders.

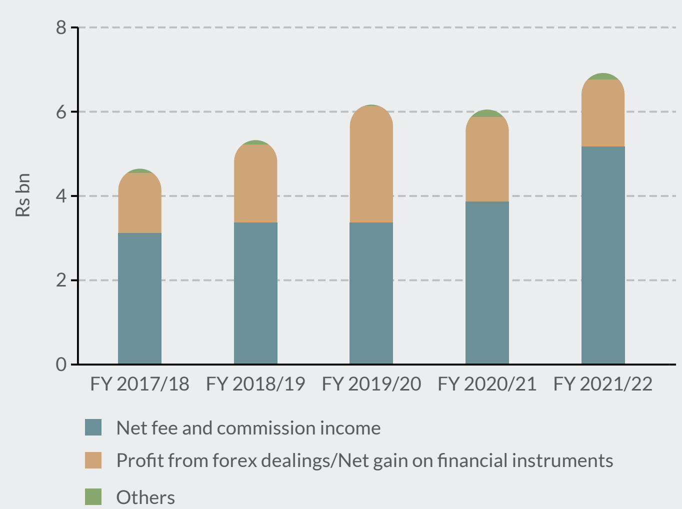
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 7,343 million	FY 2020/21	FY 2021/22
(+615 million)	34.1%	35.2%

Operating expenses posted an increase of 9.1% driven by:

- A rise of 8.1% in staff costs, which represented 56.4% of the cost base, on the back of ongoing efforts to reinforce our human capital.
- A growth of 9.1% in depreciation and amortisation costs following continued investment in technology.
- An increase of 11.2% in other expenses, mainly due to the rise in software and IT related costs.

Thus, combined with a rise of 5.6% in operating income, the cost to income ratio increased by 1.1 percentage points.

Impairment charges	As a % of loans and advances	
Rs 3,392 million	FY 2020/21	FY 2021/22
(-1,209 million)	1.43%	0.91%

In spite of an increase in specific provisions net of recoveries, net impairment charge of financial assets declined by 26.3% to Rs 3,392 million, following lower ECLs during the year under review. As a result, cost of risk in relation to loans and advances declined by 52 basis points to reach 0.91%.

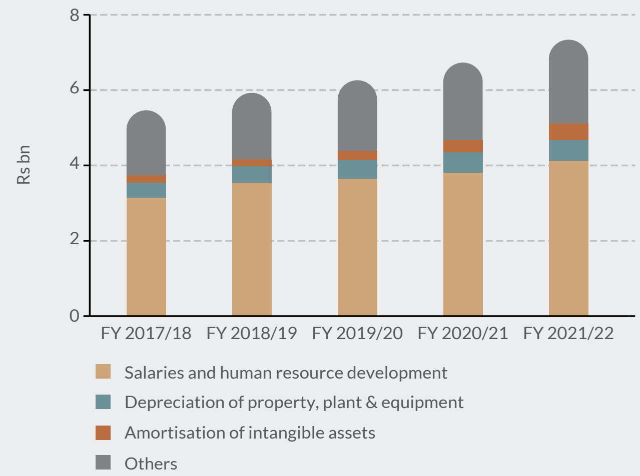
Tax expenses	Effective tax rate	
Rs 1,646 million	FY 2020/21	FY 2021/22
(+291 million)	15.5%	15.5%

Tax expenses increased by 21.5%, in line with the growth in profit before tax.

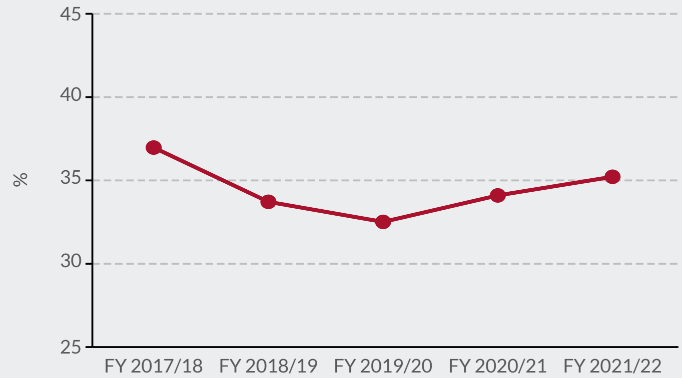
Share of profit of associates	As a % of profit for the year	
Rs 475 million	FY 2020/21	FY 2021/22
(+138 million)	4.6%	5.3%

Share of profit of associates grew by 40.9%, on the back of improved performance at the level of both BFCOI and Société Générale Moçambique.

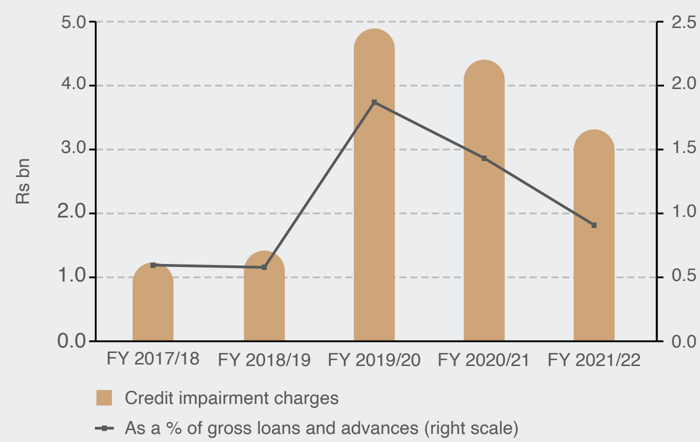
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges



Note: Cost of risk pertains to loans and advances

Financial performance

Financial position statement analysis

Gross loans	Gross NPL ratio	
Rs 337.2 billion	**FY 2020/21**	**FY 2021/22**
(+51.1 billion)	3.2%	3.4%

Gross loans of the Bank registered a year-on-year growth of 17.8% to reach Rs 337.2 billion as at 30 June 2022. This performance was largely explained by the continued expansion in our foreign activities, with related credit to customers increasing by 39.1%, mainly linked to the Energy & Commodities business, while rupee depreciation also weighed in the balance. At domestic level, the overall loan portfolio remained relatively flat, to some extent, due to the recourse by some operators in the corporate segment to other financial instruments. Indeed, exposures through corporate notes increased by some 29% to Rs 27.8 billion. For its part, reflecting the challenging operating context, lending to individuals increased by only 3.3%, mainly underpinned by growth in mortgages.

As regards asset quality, gross NPL ratio reached 3.4% as at June 2022 compared to 3.2% one year earlier, with the net NPL ratio increasing to 2.2%, compared to 2.0% as at June 2021.

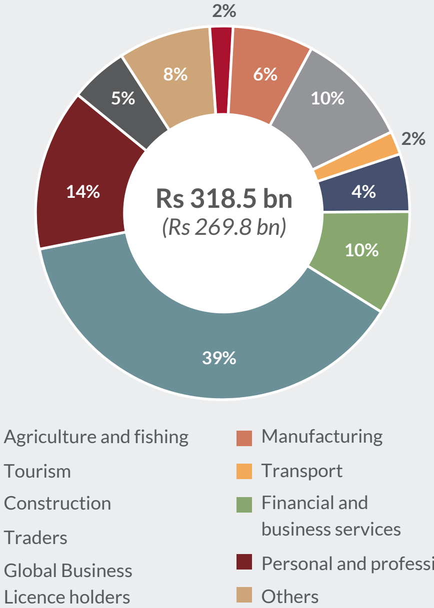
Funding base	Loans to funding base ratio	
Rs 585.9 billion	**FY 2020/21**	**FY 2021/22**
(+34.9 billion)	51.9%	57.6%

Total deposits increased by 3.6% to reach Rs 492.4 billion as at 30 June 2022, driven by a rise in rupee-denominated deposits. 'Other borrowed funds' went up by 24.3% to reach Rs 92.8 billion, in line with the USD 1 billion syndicated term loan facility raised by the Bank to refinance existing obligations and support the growth of its international activities.

Loans and advances

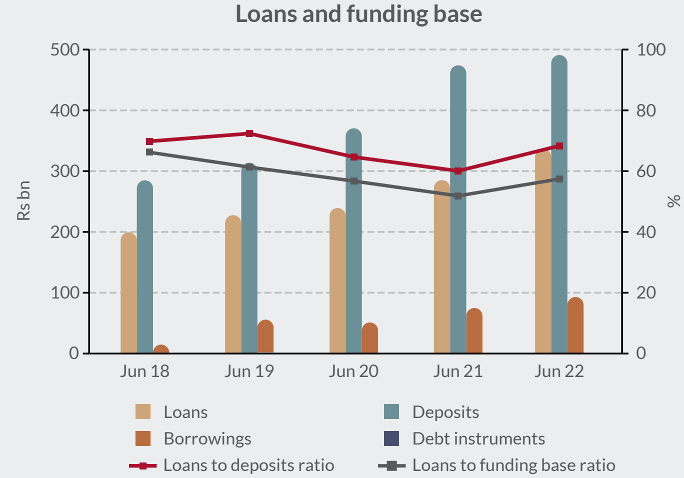
June 2022	Rs m	Y.o.y. growth (%)
Loans to customers	318,520	18.1
Loans to banks	18,681	14.1
Total loans	**337,201**	**17.8**
Corporate notes	27,813	28.5
Total loans and advances	**365,014**	**18.6**

Sectorwise distribution of loans to customers



Note: Figure in brackets relates to FY 2020/21

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 285.5 billion	FY 2020/21	FY 2021/22
(-20.2 billion)	48.9%	43.0%

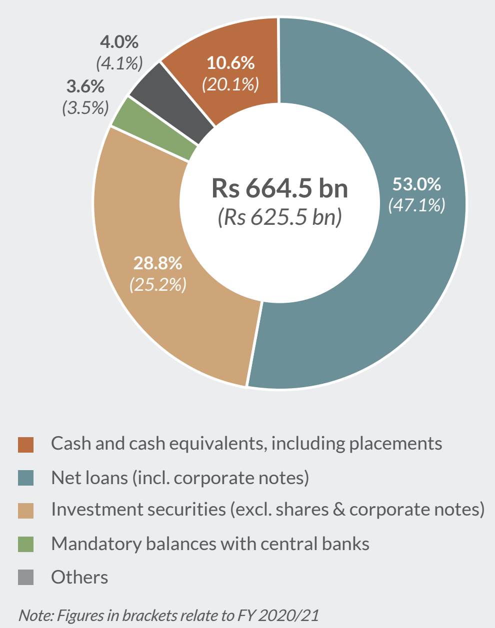
Whilst a rise of Rs 33.2 billion in investment securities was offset by a decrease in cash and cash equivalents, total liquid assets during the last financial year dropped by 6.6%, mainly explained by a decline in placements with banks abroad, in line with the growth in the foreign loan book.

Overall, the liquid assets as a percentage of the funding base stood at 48.7% as at 30 June 2022 (FY 2020/21: 55.5%). The Bank held comfortable liquidity positions both in rupee and foreign currency. As at 30 June 2022, our US dollar Liquidity Coverage Ratio stood at 209%, i.e. well above the regulatory requirement.

Shareholders' funds	Return on equity	
Rs 66.8 billion	FY 2020/21	FY 2021/22
(+3.5 billion)	12.7%	13.8%

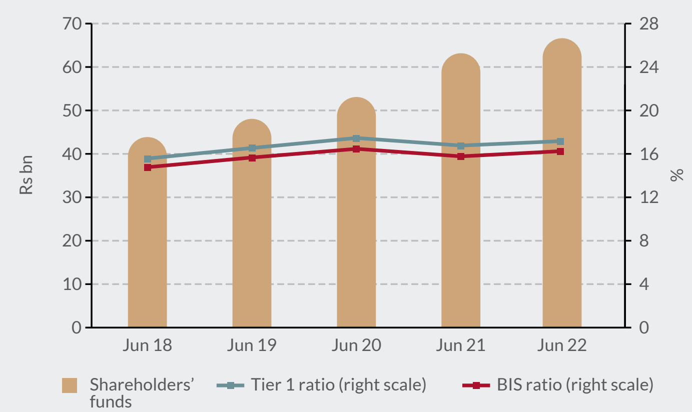
Shareholders' funds grew by 5.5% to reach Rs 66.8 billion as at 30 June 2022 on the back of a rise of Rs 2.8 billion in retained earnings, after accounting for dividend payments for the period under review. The overall capital adequacy ratio and Tier 1 ratio stood at 17.2% and 16.3% respectively.

Asset mix as at 30 June 2022



Note: Figures in brackets relate to FY 2020/21

Shareholders' funds and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Financial performance

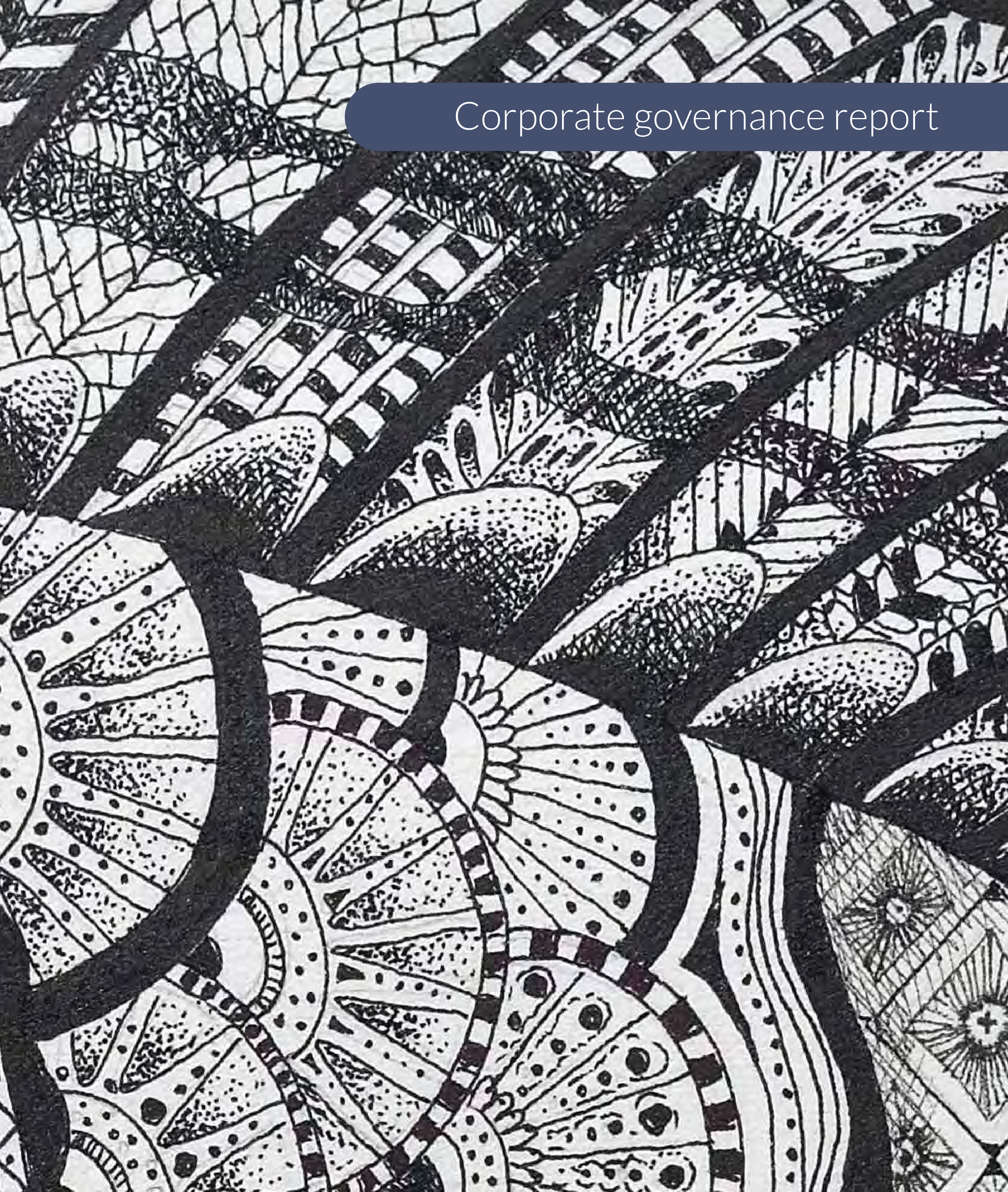
Financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun-22	Jun-21	Jun-20
Operating income	20,854	19,743	19,273
Operating profit before impairment	13,511	13,015	13,013
Operating profit	10,119	8,414	8,195
Profit before tax	10,594	8,751	8,639
Profit for the year	8,948	7,396	7,409
Statement of financial position (Rs m)			
Total assets	664,517	625,541	485,873
Total loans (net)	324,856	272,864	230,882
Investment securities	222,823	183,560	135,915
Total deposits	492,421	475,484	371,608
Subordinated liabilities	684	875	1,013
Other borrowed funds	92,755	74,626	50,817
Shareholders' funds	66,753	63,296	53,214
Performance ratios (%)			
Return on average total assets	1.4	1.3	1.6
Return on average equity	13.8	12.7	14.6
Return on average Tier 1 capital	14.6	13.4	15.1
Non-interest income to operating income	33.2	30.7	32.0
Loans to deposits ratio	68.5	60.2	64.8
Cost to income ratio	35.2	34.1	32.5
Capital adequacy ratios (%)			
BIS risk adjusted ratio	17.2	16.8	17.5
of which Tier 1	*16.3*	*15.8*	*16.5*
Asset quality			
Non-performing loans (Rs m)	12,384	9,871	9,802
Gross NPL ratio (%)	3.4	3.2	3.8
Cost of risk (%)	0.91	1.43	1.87

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

Corporate governance report



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

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

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

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

Notes:

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

[2] 'Risk and capital management report' can be found on pages 129 to 171

[3] 'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 35 to 73

[4] 'Financial performance' provides an assessment of the Bank's results and can be found on pages 75 to 84

[5] 'Sustainability Report' provides an overview of our corporate sustainability agenda 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 with a view to upholding the organisation's long-term business sustainability and creating value for all its stakeholders, whilst acting for the good of society. The Board provides purpose-driven and ethical leadership by setting the tone from the top in the way it conducts itself and oversees the operation and management of the Bank. It ensures that good governance principles are adopted throughout the organisation, with the aim to uphold ethical and responsible behaviour by all employees in their dealing with stakeholders. Principles of accountability, strong risk management, transparency, and integrity are thus inherent to the Bank's value, culture, processes and operating structures. Given the highly challenging operating environment and the dynamic market landscape, including the prominence of ESG issues, the Board continuously monitors developments therein, with a view to refining the Bank's governance framework to ensure relevance and sustainability of the organisation's business model. 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
- Establishment of a Gender Equality Charter

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

Approved 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

Corporate governance report

Governance structure

Governance framework

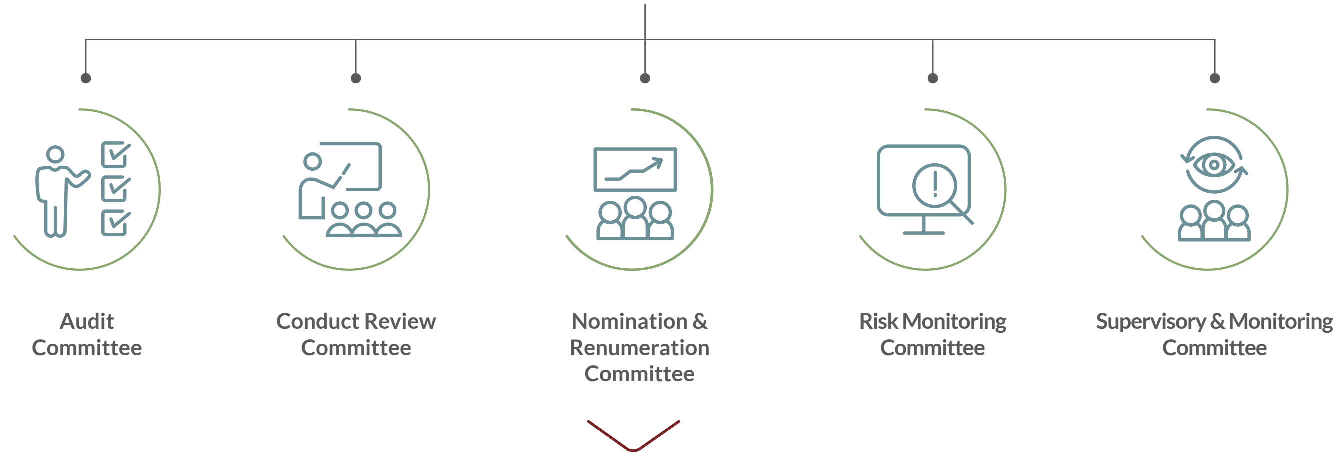
MCB Ltd is led by a committed and unitary Board, which has a collective responsibility for the leadership, oversight and long-term success of the organisation. The Bank operates within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility, while 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 by 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 impacting the Bank to the Board.



Role of Leadership Team

The Leadership Team is responsible for strategy execution and the day-to-day running of the business, with well-defined accountabilities as endorsed by the Board. They regularly report to the Board on the operational and financial performance of the 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	Chief Executive Officer	Directors
• Provides overall leadership to the Board • Ensures that the Board is effective in its duties of setting out and overseeing the implementation of the 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	• 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 that the Bank's corporate culture and values are embraced throughout the organisation • 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	• Contribute to the development of the 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 • Participate actively 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 above key roles is available on the website

Corporate governance report

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:

    - adoption of a Constitution or the alteration or revocation of the Constitution;
    - reduction of the stated capital of the Company under section 62 of the Act;
    - approval of a major transaction;
    - approval of an amalgamation of the Company under section 246 of the Act;
    - putting the Company into liquidation; and
    - 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 of the Board

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

Key facts (FY 2021/22)

8	63%	4.0	100%
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 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 adherence to the Group's 'Code of Ethics';
- 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 management 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 the Chief Executive Officer.

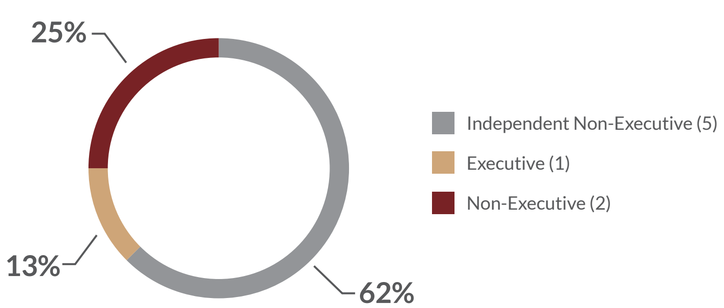
Composition and meetings

Composition

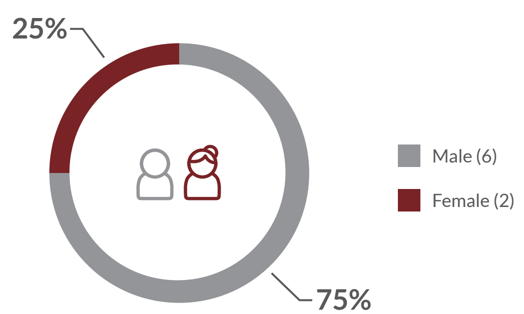
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors including the Chief Executive Officer. The Chairperson of the Board shall be an independent or a non-executive director. In case the Chairperson is an independent director, the Board shall comprise 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, Mr Jean-François Desvaux de Marigny and Mrs Su Lin Ong were re-elected as Directors in line with the Bank's Constitution, whilst Mrs Johanne Joseph was appointed as a new Board member in January 2022.

As at 30 June 2022, the Board consisted of 8 members, with a diverse mix of skills, knowledge and experience. The average age of Board members stood at around 60 years. The Board composition for the year under review is shown hereafter.

Composition

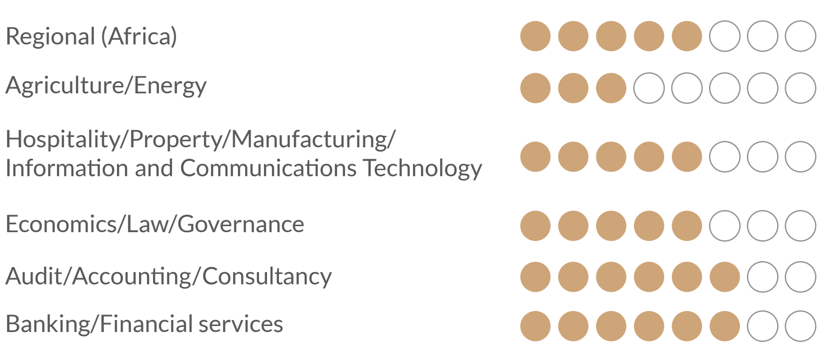


Gender



Length of tenure

Mix of skills and experience



Meetings

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

1

Preparation

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

2

Review

The Chairperson reviews the draft agenda with the Company Secretary

3

Discussion

The draft agenda is finalised in consultation with the Chief Executive Officer

4

Communication

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

5

Finalisation

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

Board attendance

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

Members	Board member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**December 2018**	**Non-Executive Director**	**9/9**
Uday GUJADHUR	December 2017	Independent Non-Executive Director	9/9
Philippe LEDESMA	December 2017	Independent Non-Executive Director	9/9
Su Lin ONG	November 2019	Independent Non-Executive Director	9/9
Simon WALKER	June 2020	Independent Non-Executive Director	9/9
Johanne JOSEPH	January 2022	Independent Non-Executive Director	5/5
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	9/9
Alain LAW MIN	August 2015	Executive Director	9/9

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 below:

STRATEGY AND PERFORMANCE

- Updated on the global and regional economic and operating context as well as their impact on the Mauritian economy and on business activities of the Bank
- Assessed the implications for MCB Ltd of Moody's potential ratings downgrade of Mauritius
- Reviewed and approved the 3-year strategic plans and budgets of the Bank
- Assessed the development of the growth pillars of the Bank
- Apprised of initiatives as part of the Group's corporate sustainability agenda and briefed on the Group's sustainable finance strategy and proposed governance framework based on the recommendations of an external consultant
- Monitored the progress of the Digital and HR Transformation projects
- Discussed the strategic orientations of the Global & International Corporates segment and the review of the Global Markets Treasury Management function
- Updated on the mandate and strategic orientations of MCB's Dubai office following its new licence to operate as an advisory office
- Apprised of the role of the Customer Lab function and briefed on the results from the assessment of customer experiences

FINANCIAL

- Assessed and monitored the Bank's financial performance against budget
- Discussed and approved dividend payout
- Apprised of measures taken to adapt to the LIBOR transition
- Approved financial budget

GOVERNANCE AND RISK

- Reviewed and approved the structure, size and composition of the Board and Board committees
- Approved upon the recommendation of the Nomination and Remuneration Committee, the appointment of Mrs Johanne Joseph as Board member
- Reviewed the Board and Committee Charters and other constitutive documents
- Approved the recommendations of the Board evaluation exercise and monitored the implementation of the updated action plan
- Reviewed and approved the Bank's risk appetite
- Reviewed and approved the updated Risk Heat Map of the Bank
- Reviewed the cybersecurity framework and initiatives
- Approved policies and changes thereto
- Reviewed reports from the Risk Monitoring Committee, Audit Committee and Conduct Review 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

Directors' profiles

The Board comprises 8 directors who have a proven track record in various fields. The names of the directors who held office at the end of the financial year, together with details of their position, qualifications, experience and directorships in other listed companies in Mauritius (where applicable) are set out hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

Jean-François DESVAUX DE MARIGNY - Age 68

NRC	RMC	SMC
C	M	C

POSITION:
Chairperson, Non-Executive Director

Non-Executive Director since December 2018. Jean-François is the Chairperson of the Supervisory & Monitoring Committee as well as the 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 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 63

NRC M | RMC M | SMC M

POSITION:
Chief Executive Officer and Executive Director

Executive Director since August 2015. Alain is a member of the Nomination and Remuneration Committee, the Risk Monitoring Committee as well as the 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 67

AC C | CRC M

POSITION:
Independent Non-Executive Director

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 and the Honorary Consul of Georgia. He is also a member of the Institute of Directors (UK) and a Fellow of MIoD.

DIRECTORSHIP IN OTHER LISTED COMPANIES:
Bravura Holdings Limited; Dacosbro; RHT Holding Ltd

AC	Audit Committee
CRC	Conduct Review Committe
NRC	Nomination and Renumeration Committee
RMC	Risk Monitoring Committee
SMC	Supervisory & Monitoring Committee
C	Committee Chair
M	Committee Member

Corporate governance report

Johanne JOSEPH - Age 41

AC CRC

M M

POSITION:

Independent Non-Executive Director

Non-Executive Director since January 2022. Johanne is a member of the Audit Committee and Conduct Review Committee.

QUALIFICATIONS:

LLB English and French Law (UK), 'Maîtrise en Droits français et anglais' (France) and Diploma in Legal Practice (UK)

SKILLS AND EXPERIENCE:

Johanne Joseph is a tax lawyer practising at the Mauritian bar and is the founder of Prism Chambers, a boutique tax law firm in Mauritius. She is also a practising solicitor of England & Wales since 2007. She has worked for many years in London, initially at a Magic Circle law firm, Linklaters LLP and thereafter as an in-house lawyer at JPMorgan Chase Bank N.A. She has significant experience in tax legislation in the UK, Mauritius and a number of African countries and routinely advises multinational and domestic clients on their contentious and transactional tax issues. She assists clients in connection with audits, investigations and assessments by the Mauritius Revenue Authority and appears for her clients before the Assessment Review Committee and the Supreme Court of Mauritius on tax-related matters. She sits on the Tax Committee of Mauritius Finance and regularly lectures on Tax law at the Paris 2 Panthéon-Assas University. She is also a Director of MCB Leasing Ltd, a subsidiary of MCB Group Ltd.

Philippe LEDESMA - Age 64

NRC RMC

M M

POSITION:

Independent Non-Executive Director

Non-Executive Director since December 2017. Philippe is a member of the Nomination and Remuneration Committee and Risk Monitoring 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 processes, 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 62

CRC C
AC M

POSITION:
Independent Non-Executive Director

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 Group's Corporate Sustainability Committee (a sub-committee of the Group's 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 KPMG's 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 61

NRC M
RMC C

POSITION:
Independent Non-Executive Director

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

AC	Audit Committee
CRC	Conduct Review Committe
NRC	Nomination and Renumeration Committee
RMC	Risk Monitoring Committee
SMC	Supervisory & Monitoring Committee
C	Committee Chair
M	Committee Member

Jean Michel NG TSEUNG - Age 54

RMC

M

POSITION:

Non-Executive Director

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 Banking of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and, subsequently, of Ernst & Young in Mauritius. He is currently the Chief Executive Designate and Executive Director of MCB Group Ltd and a Board member of several companies within the Group namely, MCB Investment Holding Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar, Banque Française Commerciale Océan Indien and MCB Leasing Ltd. He sits on the Supervisory and Monitoring Committee and Risk Monitoring Committee of MCB Group Ltd. Moreover, he is a member of the Group's Corporate Sustainability Committee (a sub-committee of the Group's Remuneration, Corporate Governance, Ethics and Sustainability Committee).

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 behaviours 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.

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:
  - o 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.
  - o 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 adequate incentives
- Remuneration practices are regularly reviewed to reflect the current context while putting due emphasis on both individual and team performances

Employee benefits

The 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 are as follows:

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

Group Employee Share Option Scheme

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 staff motivation and commitment across the organisation. Under the scheme, employees are granted non-transferable options to buy MCB Group Ltd shares with up to a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount of 10% is applied. 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 2021	**76,517**	**460,539**	**537,056**
Initial option price (Rs)	299.00	269.25	-
Number of options exercised to date	28,829	87,828	116,657
Value (Rs)*	8,619,871	23,647,689	32,267,560
Percentage exercised	38%	19%	22%
Number of employees	10	505	515
Available for the 4th window and expiring in mid-October 2022	**47,688**	**372,711**	**420,399**

**Based on initial option price*

Directors

Executive directors

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

Non-executive directors

The 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;
- Board committee basic retainer fees also apply to non-executive directors, with the fees differing in accordance with the time required for preparation, the frequency and the duration of committee meetings. Chairpersons of committees are paid a higher basic retainer fee than members, in line with the rationale outlined in the previous point;
- There is, in addition, an attendance fee for non-executive directors in respect of their presence at meetings of the Board and respective board committees; and
- No share option or bonus is granted to non-executive directors, except those who hold an executive position within the Group.

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	2,790
Uday GUJADHUR	1,061
Johanne JOSEPH *(since January 2022)*	391
Philippe LEDESMA	1,147
Su Lin ONG	920
Simon WALKER	1,172
Total Non-Executive	***7,481***
Alain LAW MIN	30,940
Total Executive	***30,940***
Total (Non-Executive and Executive)	**38,421**

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

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 of Listed Companies' 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 2022 as well as the transactions effected by them during the financial year.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2022	Number of Ordinary shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	436,823	251,133
Alain LAW MIN	284,605	2,817
Philippe LEDESMA	-	48,520
Jean Michel NG TSEUNG	53,391	-
Su Lin ONG	12,368	51,491
Simon WALKER	-	1,915

Transactions during the year	Number of Ordinary shares	
	Purchased	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	25,000	-
Alain LAW MIN	21,081	-
Jean Michel NG TSEUNG	16,708	-
Su Lin ONG	368	1,259
Simon WALKER	-	57

Interests in MCB Group Ltd Preference shares as at 30 June 2022	Number of Preference shares	
	Direct	Indirect
Alain LAW MIN	-	300,000

Interests in MCB Group Ltd Senior Unsecured Floating Rate Notes as at 30 June 2022	Number of shares	
	Direct	Indirect
Alain LAW MIN	-	1,000
Philippe LEDESMA	-	4,100

Interests in Fincorp Investment Ltd as at 30 June 2022	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 focus areas covered during the financial year of the five Committees namely: (i) Audit Committee; (ii) Conduct Review Committee; (iii) Nomination and Remuneration Committee; (iv) Risk Monitoring Committee; and (v) Supervisory and Monitoring Committee are presented hereafter.

Audit Committee (AC)

Mandate

The AC assists the Board in the oversight of 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 2021/22)

3	2.6	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. A member of the Risk Monitoring Committee may be requested to attend the AC whenever deemed appropriate. The directors who served on the AC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Uday GUJADHUR (Chairperson)	**December 2017**	**Independent Non-Executive Director**	**9/9**
Johanne JOSEPH	January 2022	Independent Non-Executive Director	5/5
Philippe LEDESMA *(until January 2022)*	December 2018	Independent Non-Executive Director	4/4
Su Lin ONG	November 2019	Independent Non-Executive Director	9/9

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

Focus areas in FY 2021/22

Key topics discussed

- Interim and audited financial statements published by the Bank with recommendations made to the Board
- Measures taken to adapt to the LIBOR transition
- Reports from internal and external auditors and actions taken accordingly
- Audit plans of internal and external auditors
- Updated Risk Heat Map and action plan
- Compliance plan and report
- Report from the Money Laundering Reporting Officer
- 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 review
- Operational risk review
- Cyber & information security review
- Adequacy of allowance for credit impairment
- Specific regulatory changes
- Ongoing activities of some selected business segments

More information on the Audit 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 2021/22)

3	2.6	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 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Su Lin ONG *(Chairperson)*	**November 2019**	**Independent Non-Executive Director**	**4/4**
Uday GUJADHUR	December 2017	Independent Non-Executive Director	4/4
Johanne JOSEPH	January 2022	Independent Non-Executive Director	2/2
Philippe LEDESMA *(until January 2022)*	December 2018	Independent Non-Executive Director	2/2

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2021/22

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
- Review of the Conduct Review Committee Charter and Conflict of Interest and Related Party Policy

More information on the Conduct Review 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 Officer/Senior Officers who form part of the Leadership Team of the Bank.

Key facts (FY 2021/22)

4	3.9	4	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 Officer 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 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Jean-François DESVAUX DE MARIGNY ***(Chairperson & Secretary)***	**December 2018**	**Non-Executive Director**	**4/4**
Philippe LEDESMA	December 2017	Independent Non-Executive Director	4/4
Simon WALKER	June 2020	Independent Non-Executive Director	4/4
Alain LAW MIN	January 2017	Executive Director	4/4

Focus areas in FY 2021/22

Key topics discussed

- Identification and appointment of a new Director
- 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 as per the 3-year strategic plan
- Approval of salary reviews and bonuses
- Directors' fees for Board and Board committees
- Appointment of a senior officer to the Leadership Team with recommendations submitted to the Board

More information on the Nomination and Remuneration 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 2021/22)

5	4.5	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 Officer 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 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Simon WALKER *(Chairperson)*	**June 2020**	**Independent Non-Executive Director**	**4/4**
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 2021/22

Key topics discussed

- Review and approval of updated risk appetite, including stress testing of the 3-year budget approved at Board
- Quarterly monitoring of risk appetite targets/limits/parameters
- Review and approval of updated country risk appetite
- Quarterly monitoring of country risk appetite limits
- Follow-up of the EU black list situation and progress until Mauritius was removed from the list
- Follow-up and monitoring of early warning indicators used as a basis to trigger, or not, stress testing
- COVID-19: monitoring and forward-looking analysis on deferments granted to clients
- Analysis of potential impacts of roll back of COVID-19 regulatory relief measures
- Review and approval of ICAAP stress tests
- Capital Management with a view to ensuring target CAR and CAR Tier 1 ratios are met
- Follow-up of trading book and FX Profit or Loss Report produced by the Market Risk & Product Control Unit
- Review and approval of contingency funding plan
- Review of the Risk Monitoring Committee Charter
- Review of updated Credit Risk Policy
- Review of updated Market Risk Policy

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

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 2021/22)

2	5.2	34	99%
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 at least two members, including the Chairperson and the Chief Executive Officer. In the absence of the Chairperson or the Chief Executive Officer, a non-executive or independent director, appointed by the Board or the NRC, shall act as member. The SMC shall meet regularly and on an ad hoc basis when required. The directors who served on the SMC and their attendance at committee meetings during FY 2021/22 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2022	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**January 2019**	**Non-Executive Director**	**34/34**
Alain LAW MIN *(also acts as Secretary)*	July 2015	Executive Director	33/34*

** Jean Michel NG TSEUNG acted as alternate*

Focus areas in FY 2021/22

Key topics discussed

- Progress on key organisation-wide initiatives, including major transformation projects
- Review of financial performance
- Operating environment of the Bank and follow-up on the strategic plans of the Bank
- Impact of COVID-19 on the strategy, financial performance and operations of the Bank
- HR matters including prospective candidates for senior positions, requests for early retirements, compliance to regulations and policies
- Major credit risk issues and large credit exposures ratification
- Legal, operational and compliance issues
- Approval of policies/procedures/terms of reference
- Liquidity and capital position of the Bank as well as funding initiatives
- Review of cloud-based outsourcing services or material outsourcing services
- Delegation of powers and authority as well as review of authorised signatories for specific purposes
- Investments and immovable properties acquisition opportunities

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

Board effectiveness

Nomination process

The Board has a formal and transparent process in place for the nomination and appointment of directors. In fulfilling this duty, the Board is supported by the 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 dynamic operating 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 background, specific skills, expertise, knowledge and experience, including the value the individual can bring to the overall Board performance. The NRC also considers gender diversity, time commitment and independence in the assessment of candidates. The nomination and appointment process of directors for the Board is highlighted in the diagram below.

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

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

Board induction and training

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

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

1 Induction pack

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

2 One-on-one briefings

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

3 Presentation sessions

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

4 Ongoing professional development & training

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

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

“

Johanne JOSEPH

Independent Non-Executive Director

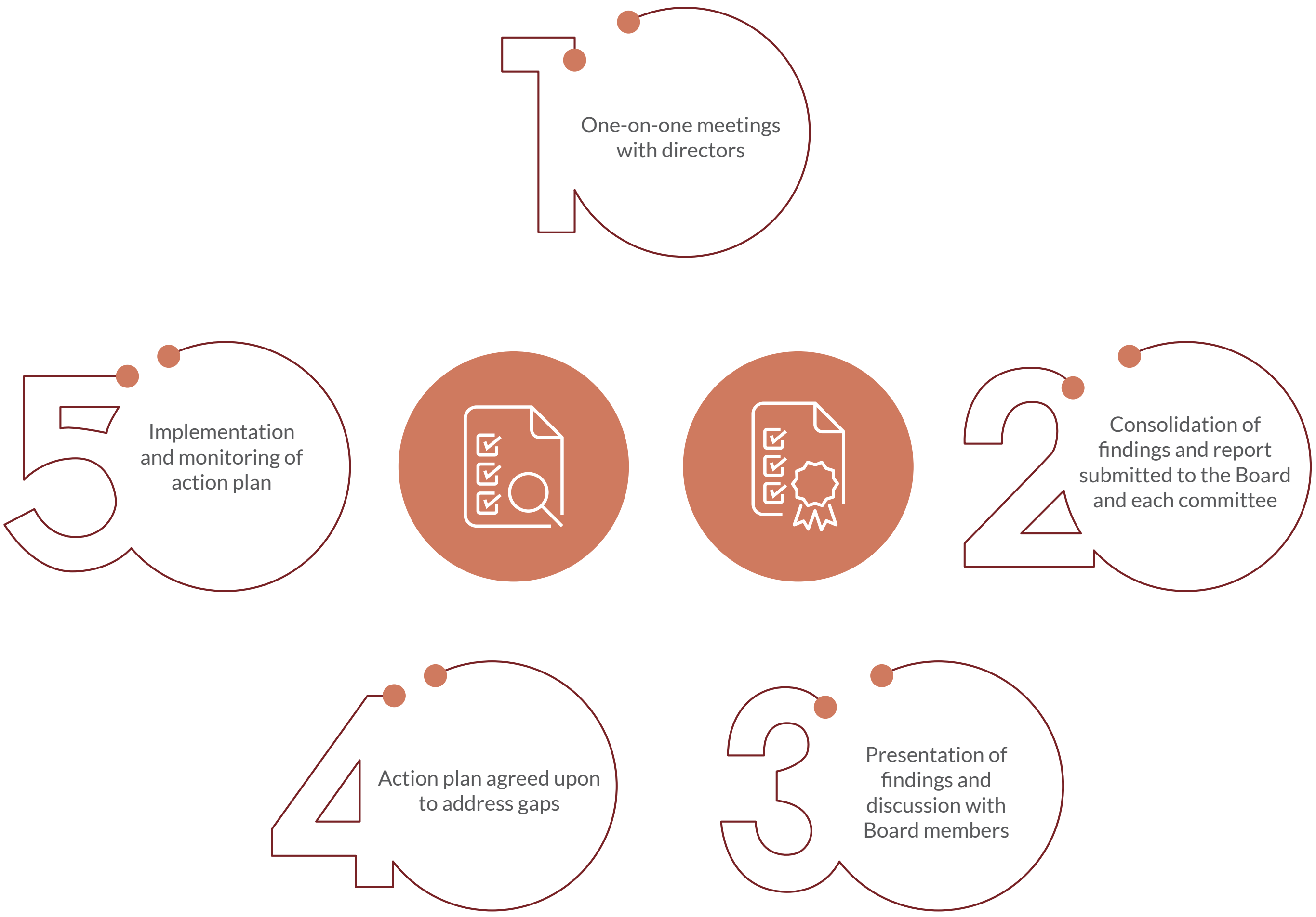
MCB’s induction programme for new directors is first-class both in terms of breadth and depth. Over the course of several months, I was introduced to all the key areas of the Bank and was greatly impressed (and inspired!) by the dedication, expertise and collaborative approach of the leadership team and fellow directors. I also appreciated the fact that the training is continuous and dynamic. Feedback and questions are not only welcome but also encouraged and acted upon. Eight months in, I really do feel part of the MCB family.

”

Board/Director's performance

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

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



Corporate governance report

Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain an effective risk management and internal control system, which it regularly reviews to cater for the principal and emerging risks that may affect the achievement of the Bank's strategic objectives. Supported by the Risk Monitoring Committee and Audit 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 Chairpersons of relevant Committees, on the adequacy of the risk management processes and systems in place over the period under review.

The Board, assisted by the Audit Committee, ensures that the internal control framework in place results in an acceptable level of risk exposure 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 feedback 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.

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 further enhance the robustness of the cyber and information security framework, in the process leveraging external expertise and subject matter specialists to reinforce its cyber response capabilities. Internal Audit provides independent assurance on the suitability of the Bank entities' information and IT policies while the Audit Committee evaluates the effectiveness of related internal control systems.

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

More information is available in the 'Risk and capital management report' on pages 129 to 171

Internal audit

The primary role of Internal Audit is to assist the Board in upholding the assets and reputation of the Bank. The aim of internal audit is to assess the policies, methods and procedures in place at the organisation in order to cater for their adequate application. It is responsible for independently assessing the effectiveness of key controls, including those within the risk management framework, and providing timely reporting to the Audit Committee with a view to strengthening the internal control framework.

More information is available in the 'Risk assurance: Internal audit' section on pages 162 to 163

External auditors

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

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 that could result from the provision of non-audit services by them. As such, non-audit services, which are limited to ad hoc advice and other assurance related services, are pre-approved by the Audit Committee.

Auditors' fees and fees for other services

	2022	2021
	Rs '000	Rs '000
Audit, Quarterly Review and Internal Control Review fees paid to:		
Deloitte	18,975	16,050
Fees for Other services provided by:		
Deloitte	1,898	3,105

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

Business Executives

The conduct of the 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 Executive Credit Committee, Country Risk Committee, Asset and Liability Committee, Information and Operational Risk Committee and Compliance, Anti-Money Laundering and Legal Committee.

Corporate governance report

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 58
Chief Operating Officer

QUALIFICATIONS: Master of Science in 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 60
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 other supporting units such as 'Global Transaction Banking', 'Credit Analysis and Structuring', 'Middle Office' and 'Business Development'. 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 51
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 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 was Project Sponsor on a Finance Transformation Project with the aim of better responding 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, a team of finance business partners and a number of strategic finance functions. He is Chairperson of the Asset & Liability Committee and the Procurement Committee.

Frederic PAPOCCHIA – Age 48
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 namely 'Credit Management', 'Debt Restructuring and Recovery', 'Permanent Supervision', 'Operational Risk', 'Cyber and Information Security', 'Business Continuity Management' 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 53
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.

Parikshat TULSIDAS – Age 43
Head of Financial Markets

QUALIFICATIONS: BA (Hons) Human Resource Management & Marketing (UK)

SKILLS AND EXPERIENCE: Parik is a seasoned banking professional with more than 20 years of experience in leadership roles within Financial Markets and Corporate & Investment Banking across continents. He started his career within the Treasury Department at BNP International in Mauritius and has, since, worked within other renowned international banks in Mauritius, UK and Asia, with a thorough knowledge of Financial Markets, Risk Management, Financial Institutions and Securities Services. He also has a thorough understanding of African markets having covered the China – Africa corridor during his time in Beijing and having formulated the Emerging Markets Financial Institutions strategy at his previous employer.

Interests in shares

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

Interest as at 30 June 2022	MCB Group Limited shares		MCB Group Limited Preference shares		MCB Group Limited Senior Unsecured Floating Rate Notes	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Bhavish NAECK	34,944	7,344	100,000	150,000	4,333	500
Frederic PAPOCCHIA	19,093	-	-	-	-	-
Mike SOPHIE	18,779	-	-	-	-	-

Note: The above Business Executives do not hold any share in Fincorp Investment 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, revised in May 2022, is articulated around three main elements:

- the responsibilities of the Board of Directors of a financial institution 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 2022.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 6,118 million (on-balance sheet) and Rs 2,894 million (off-balance sheet), which represented respectively 1.8% and 2.4% of Bank loans and Bank contingent liabilities as at 30 June 2022.

Exposure of the Bank's top six related parties as at 30 June 2022 were Rs 2,709 million, Rs 1,245 million, Rs 764 million, Rs 660 million, Rs 648 million and Rs 567 million. These balances represented 4.3%, 2.0%, 1.2%, 1.0%, 1.0% and 0.9% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2022.

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

Corporate governance report

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.

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 International Financial Reporting Standards have been adhered to, subject to any material departures disclosed, explained and quantified in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the 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 2021 to 30 June 2022

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

26 September 2022

Company Secretary’s certificate

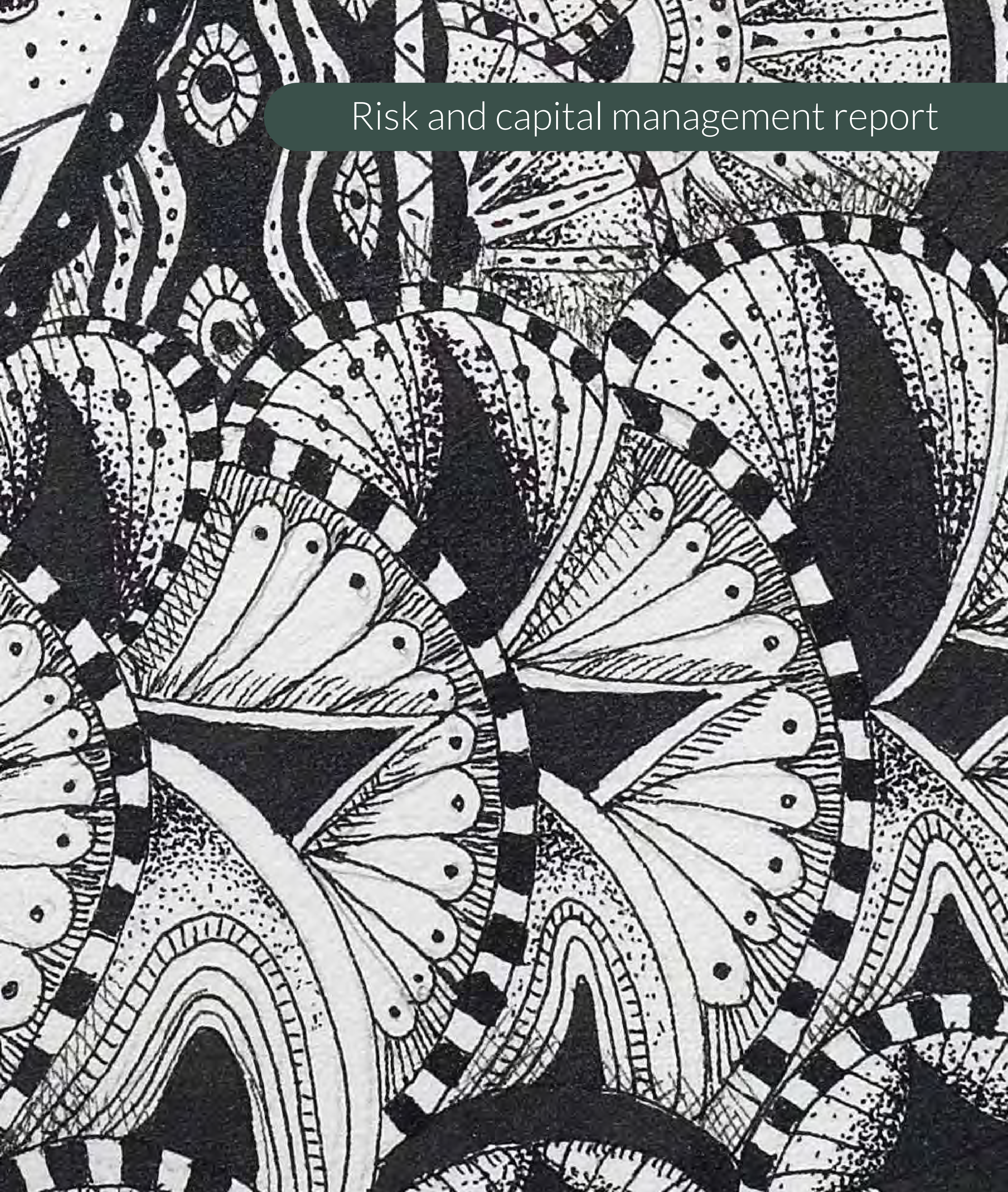
Name of Public Interest Entity (‘the PIE’): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2021 to 30 June 2022

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

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

26 September 2022

Risk and capital management report



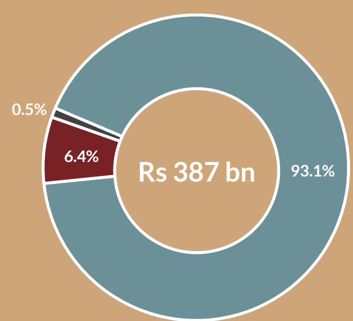
Risk and capital management report

Highlights

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

Our key risk metrics as at June 2022

Risk-weighted assets by type of risk



- Credit risk
- Operational risk
- Market risk

Jun 21: Rs 377 bn
Jun 20: Rs 310 bn

Capital adequacy ratio

17.2%
Jun 21: 16.8%
Jun 20: 17.5%

Tier 1 capital ratio

16.3%
Jun 21: 15.8%
Jun 20: 16.5%

Liquidity coverage ratio

412%
Jun 21: 322%
Jun 20: 503%

Gross NPL ratio

3.4%
Jun 21: 3.2%
Jun 20: 3.8%

Cost of risk

0.9%
Jun 21: 1.4%
Jun 20: 1.9%

Liquid asset to deposit ratio

58.0%
Jun 21: 64.3%
Jun 20: 57.9%

Coverage ratio

Expected Credit Loss

2.0%
Jun 21: 2.7%
Jun 20: 2.2%

Specific[1]

36.1%
Jun 21: 40.2%
Jun 20: 33.1%

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

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

The year in review from a risk perspective

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

Key external risk factors

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

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

Our key focus areas in FY 2021/22

The Bank pursued its agenda to reinforce the risk management and compliance set-up in support of its growth ambitions while ensuring alignment with regulatory norms and developments. Key initiatives undertaken by the Bank are provided below.

Bolstering our risk management framework and internal control mechanisms

- Launched the Risk Culture Programme which aims to ensure the right balance between business ambitions and the management of risks by fostering proper risk-related attitudes, behaviours and collective ownership from the entire workforce. Several workstreams have been put in place towards:
    - o promoting the understanding of key risks faced by the organisation and underscoring the importance to manage these risks collectively, including the roles and responsibilities of all the layers of the organisation;
    - o developing adapted and tailored training and reinforcement programmes to help boost the ability of employees to manage risks, while fostering the right behaviours and continuous discussions around risk management; and
    - o bolstering and aligning the support of risk and compliance functions to the different areas of the Bank in terms of risk monitoring and control, advisory services and facilitation of risk management and risk culture discussions and initiatives
- Reviewed the overall Risk Heat Map, including the identification of new/emerging risks, for validation and monitoring by the Audit Committee; Launched a review of the Operational Risk Cartography to ensure that appropriate risk controls are in place, alongside recruiting an Operational Risk Manager with extensive international exposure
- Continued to focus on building our human capital through the upskilling of our employees with a view to better equipping them in responding to the evolving business environment, while contributing to their personal development

Risk and capital management report

Enhancing information and cybersecurity capabilities

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

- Initiated the necessary steps to further enhance our cybersecurity maturity and ensure compliance with the requirements of the upcoming Bank of Mauritius Guideline on Cyber & Technology Risk Management

- Restructured the Information Risk Management Business Unit which is now referred to as the Cyber & Information Security Business Unit, to bring more focus to the specific risk areas of cybersecurity, information security, data privacy and technology risk; Recruited a Cyber & Technology Risk Manager with international exposure

Read more on pages 158 and 159 of this report and in the 'Delivering on our strategic objectives' section on pages 69 and 71

Strengthening management of key risks

Compliance and financial crime risks

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

- Leveraged machine learning analytics in a phased approach within our Financial Crime Risk Management (FCRM) system to reduce false positive alerts and deliver more pertinent alerts for investigation alongside putting in place initiatives to further shore up the customer on-boarding policy and processes as well as embarking on a eKYC journey; Migrated the screening of transactions and customers to the FCRM tool, and enhanced our screening process by (i) expanding our sanctions screening lists; (ii) automating the lists updates twice daily; and (iii) implementing the four eyes principles when handling transactions

Climate-related risks

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

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

Financial risks

- Developed a new credit scoring model for secured loans which was built using machine-learning algorithms. The implementation of the new credit scoring model 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

- Enhanced our impairment and provisioning process with the implementation of a new system to compute and integrate provisioning data on a single platform; Implemented a Risk Appetite Limit Monitoring Dashboard to (i) monitor exposures against limits for each line of business as approved by the Board; and (ii) improve control mechanisms for credit exposures that are out of the risk appetite thresholds

Preparing for the London Interbank Offered Rate (LIBOR) transition

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

Looking ahead: Main targets and intents

- Enhance the risk culture across the organisation with the operationalisation of the Risk Culture Programme; Set up of a Risk Academy to provide training on principal risk areas; Finalise the review of the Operational Risk Cartography

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

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

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

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

- Further reinforce our inherent capabilities and operating models, notably through (i) continued upskilling of employees 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 to diligently accompany our international expansion

- Set targets for risk-weighted assets and limits on risk-adjusted return on capital in line with our capital management framework

Risk and capital management report

Our risk management strategy and framework

Our 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

We are 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.

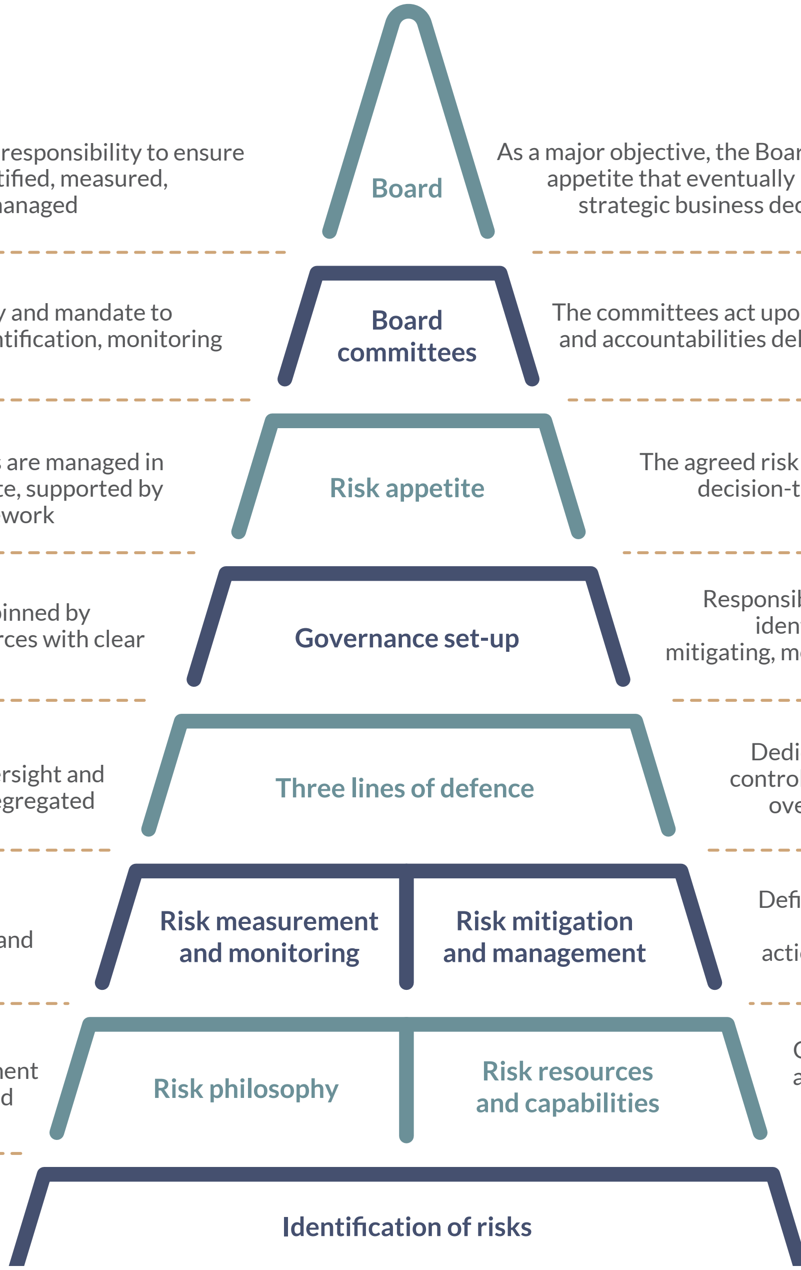
We follow a well-calibrated *modus operandi* to identify and assess risks faced and determine appropriate responses, alongside taking advantage of relevant opportunities to transform risk into a strategic value driver. To realise our objectives, we ensure that we embrace a solid control framework that guides employees in the way they behave and take decisions.

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

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

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

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

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

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

Dedicated functions cater for risk control and management, alongside overseeing recovery operations

Policies and standards are clearly defined to measure and monitor risks faced

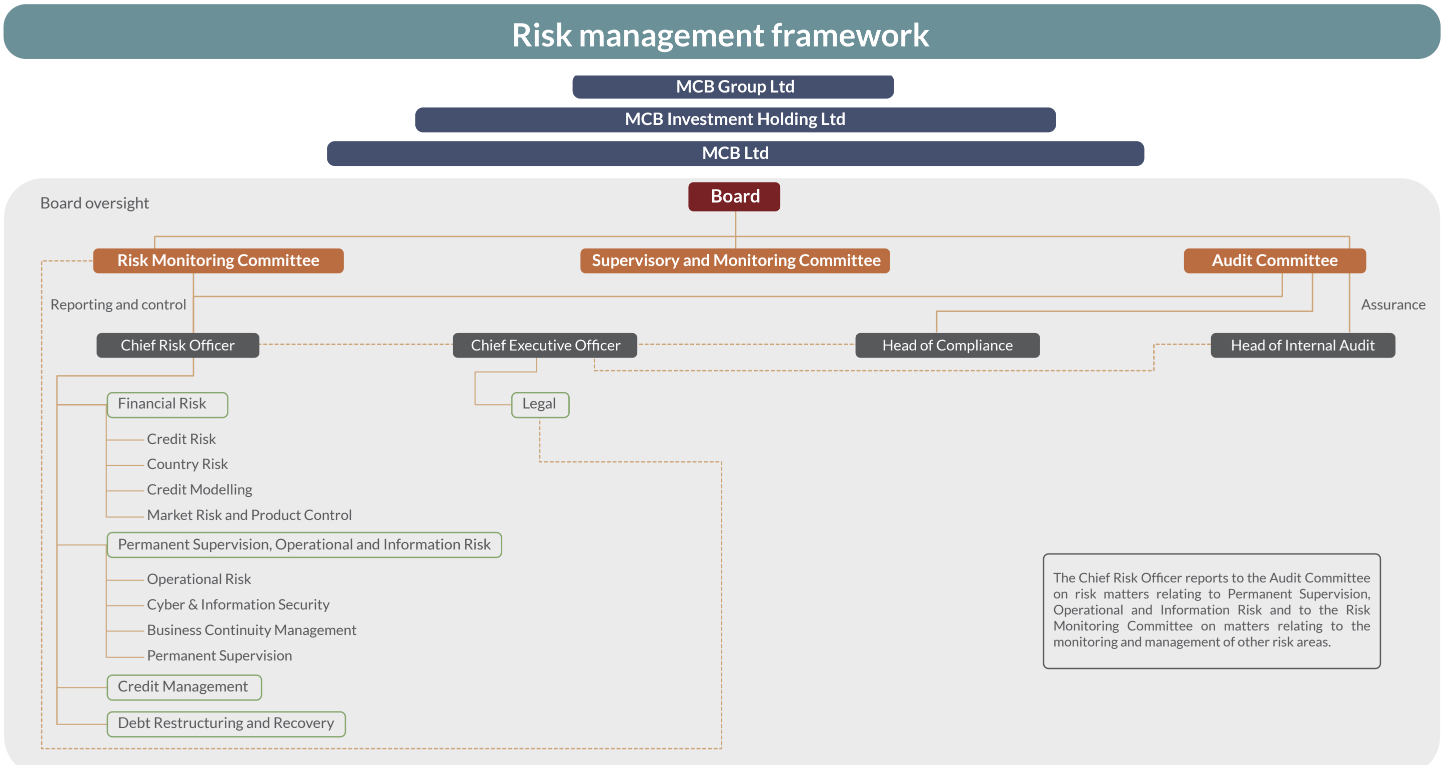
Defined processes are in place to mitigate observed risks, with actions taken based on informed and robust grounds

We aim to embed risk identification and management in our thinking, attitudes and behaviours

Our human capital, processes and systems are continuously upgraded for judicious risk management

Risk and capital management report

Governance and oversight



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 as well as Asset Liability Management risk. 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. As at June 2022, four of the five members of the RMC were 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 while guaranteeing compliance with internal established policies and relevant laws and regulations. The Internal Audit, Compliance and Risk (for non-financial risk matters) functions regularly report to the Audit Committee.

Adherence to the three lines of defence approach

Overall, the risk control framework of the Bank is anchored on the three lines of defence approach, which promotes transparency, accountability and consistency through clear identification and segregation of risks.

1

1st line of defence

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

Risk ownership

- The first line owns risks emanating from deployed business activities.
- Employees engaged in client-facing divisions and support functions as well as business line managers have the first-level responsibility for day-to-day risk management in the interest of the 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 is responsible to provide 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.
- 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, guidelines, 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, control environment and risk management processes and mechanisms, in tune with business strategies and the evolving external environment

Risk assurance

- The Internal Audit function provides independent assurance that the control objectives are achieved by the first and second lines of defence in line with the set risk appetite. 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 and customer awareness on fraud risks and undertakes monitoring for potential sources of fraud. It also carries out investigations and provides expert advice in case of suspected irregularities.

Key responsibilities of dedicated executive committees

In addition to the Board committees and the adoption of the three lines of defence approach, the risk management framework allows for dedicated executive committees to assist in the oversight and monitoring of risk areas within the business.

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 Committees (CC)

- The CC sanctions/declines credit applications where customer group total commitment is up to Rs 50 million for retail clients and Rs 60 million for corporate clients

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 and capital positions as well as the resulting market, liquidity and funding risks to which MCB is exposed are managed within the relevant limits and targets set by the Board, 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 ALCO is governed by its Terms of Reference and is chaired by the Head of Finance

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

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 parameters 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 assessment, 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.

Risk and capital management report

Our risk appetite framework

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 risk appetite is updated at least annually or on an ad-hoc basis when required in order to reflect stakeholder aspirations and the context.

Key underpinnings

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

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

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

The size of the internal risk limits is a function of regulatory requirements and the risk appetite set by the Board , 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
- Counterparty credit risk limit; Valuation limit; Daily settlement limit

Rating tools used by the Bank

Internally-developed model	Country	**Country rating model** (used when ratings from external rating agencies are not available) The rating monitors macroeconomic performance, political and institutional developments, evolution of fiscal metrics, social unrest, and currency movements, amongst others
	Banks	**Bank rating model** The credit worthiness is assessed by assigning a score based on the bank's financial strength, the probability of receiving affiliate and/or Government support in case of financial stress as well as the sovereign risk of the country in which the institution operates
	Corporate clients	**Customer rating software** It evaluates the counterparty's financial position and uses MCB's historical default experience to generate ratings and probability of defaults
External rating agencies	Country and banks	**International ratings** Moody's Investors Service, Fitch Ratings, Standard & Poor's and others as deemed appropriate
	Corporate clients	**International rating agencies including CARE Ratings (Africa) Private Limited (CRAF) and Global Credit Rating Co Ltd (GCR Ratings)** Financial obligations subscribed by the Bank in favour of domestic corporate customers can be rated by CRAF and GCR Ratings, with capital relief being applicable on investment-grade ratings

Risk and capital management report

Key risk areas: Overview and management

Main risks faced

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

Increasing Decreasing Stable

Description	Governing guidelines, policies and key committees	Key objectives	Risk trend
Financial principal risks			
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 (excessive build-up of exposures to a counterparty, industry, market or product, amongst others)	***Regulatory guidelines:*** Guideline on Credit Risk Management, Guideline on Standardised Approach to Credit Risk, Guideline on Credit Concentration Risk, Guideline on Credit Impairment Measurement and Income Recognition, Guideline for the write-off of non-performing assets, Guideline on Cross-Border Exposure and Guideline on Stress Testing ***Internal policy:*** Credit Risk Policy ***Key committees:*** ***Board:*** Risk Monitoring Committee ***Executive:*** Executive Credit Committees and Credit Committees	• 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	***Regulatory guidelines:*** Guideline on Country Risk Management, Guideline on Cross-Border Exposure and Guideline on Stress Testing ***Internal policy:*** Credit Risk Policy ***Key committees:*** ***Board:*** Risk Monitoring Committee ***Executive:*** Country Risk Committee	• To provide for a comprehensive framework and adequate control processes for assessing country risk, determining risk tolerance and allocating exposures across geographies	
Market risk			
Market risk is the potential for losses arising from changes in the value of the Bank's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates. Market risk emanates from both MCB's trading and non-trading portfolios	***Regulatory guidelines:*** Guideline on Measurement and Management of Market Risk and Guideline on Liquidity Risk Management ***Internal policy:*** Market Risk Policy ***Key committees:*** ***Board:*** Risk Monitoring Committee ***Executive:*** Asset and Liability Committee and Executive Credit Committees	• 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 MCB's market risk activities • To manage the impact of interest rate changes on the Bank's overall risk profile both from an earnings and economic value perspective • To detect and manage the 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*	***Regulatory guidelines:*** Guideline on Liquidity Risk Management, Guideline on Scope of Application of Basel III and Eligible Capital and Guideline on Stress Testing ***Internal policy:*** Market Risk Policy ***Key committees:*** ***Board:*** Risk Monitoring Committee ***Executive:*** Asset and Liability Committee	• To maintain adequate liquidity levels and have access to diversified funding sources to rapidly and effectively respond to the demands of clients and support business development	
Model risk			
The risk of losses as a consequence of decisions being based on the output of models that are flawed or inaccurate	***Internal policy:*** Credit Risk Policy (IFRS9) ***Key committees:*** ***Board:*** Risk Monitoring Committee ***Executive:*** Executive Credit Committees	• To establish transparent model development alongside consistently performing model validation	

Description	Governing guidelines, policies and key committees	Key objectives	Risk trend
Non-financial principal risks			
Operational risk			
The risk of loss resulting from human factors, inadequate or failed internal processes and systems or external events. It includes fraud and criminal activity, project risk, information and IT risk, etc	***Regulatory guidelines:*** Guideline on Operational Risk Management and Capital Adequacy Determination and Guideline on Maintenance of Accounting and Other Records and Internal Control Systems ***Internal policies:*** Operational Risk Policy ***Key committees:*** ***Board:*** Audit Committee ***Executive:*** Information and Operational Risk Committee	• 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	
Business continuity risk			
The risk of being unable to continue the delivery of products and services within acceptable time frames at predefined capacity during a disruption	***Regulatory guideline:*** Guideline on Operational Risk Management and Capital Adequacy Determination ***Internal policies:*** Business Continuity Management Policy and Framework ***Key committees:*** ***Board:*** Audit Committee ***Executive:*** Information and Operational Risk Committee	• To adopt an effective plan for and respond to business disruptions in order to maintain the availability of the Bank's key critical business activities at acceptable pre-defined service levels	
Cyber and information security risk			
The risk of accidental or intentional unauthorised use, modification, disclosure, destruction or breach of information resources/systems that may have an adverse effect on the confidentiality, availability, or integrity of information or information systems	***Governing policies:*** Data Protection Act (DPA) and European Union's General Data Protection Regulation (GDPR) ***Internal policies:*** Information Risk Management Policies and Guidelines for Handling of Personal Data Breach ***Key committees:*** ***Board:*** Audit Committee ***Executive:*** Information and Operational Risk Committee	• To maintain the confidentiality, integrity, security and availability of information assets stored, processed and transmitted throughout the organisation • To handle and mitigate cyber risks and establish a strong IT platform to aid the delivery of the organisation's strategic objectives, while protecting confidentiality, preventing misuse of systems and business disruptions and strengthening the effectiveness and adequacy of human firewalls	
Regulatory and compliance risk			
The risk arising from changes in legislation, regulations and advocated norms on the operation and functioning of the Bank. It is the risk of sanctions and material financial loss or reputational damage	***Regulatory guidelines:*** All applicable laws, rules and regulations, including advocated norms and codes ***Internal policies:*** Several policies including AML Policy, Customer Onboarding Policy and Policy for Outsourcing ***Key committees:*** ***Board:*** Audit Committee ***Executive:*** Compliance, Anti-Money Laundering and Legal Committee	• To comply with all relevant stipulations in force and advocated norms to safeguard the assets of the organisation and shield it from legal and regulatory sanctions and financial / reputation losses	
Environmental and social risk			
The risk that unforeseen events stemming from changes in our environment and society will result in disruptions in business activities as well as impact our customers and counterparties, while influencing our internal operations	***Regulatory guidelines:*** Guideline on Climate-related and Environmental Financial Risk Management We are in the process of setting up a governance structure for environmental and social risk as well as crafting a well-defined taxonomy and methodology for measurement and reporting	• To mitigate and manage environmental and societal impact on our operations by properly evaluating and deploying an effective approach and strategy, while, in parallel, managing our footprint through environment-friendly and sustainable practices and products	
Strategic and business risk			
The risk arising from inappropriate business decisions or strategies in relation to the operating environment. The risk is linked to changes in the business environment, regulatory decisions, client behaviours and technological progress, as well as Bank-specific factors such as poor choice of strategy and inflexible cost structures	***Key committees:*** ***Board:*** Supervisory and Monitoring Committee, Audit Committee, and Strategy Committee (MCB Group) ***Executive:*** Asset and Liability Committee, Management Committee, Strategic Planning & Budgeting Committee and Product Management Committee	• 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	
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 MCB's ability to retain and generate business	***Key committees:*** ***Board:*** Supervisory and Monitoring Committee ***Executive:*** Management Committee and Product Management Committee The impact to the brand and reputation of the Bank is also considered in the management of the above risk areas	• To bolster our brand image and values and ensure that our actions and behaviours are in line with best practice standards and advocated principles	

Risk and capital management report

Our risk management 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.

1 Identification

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

2 Measurement

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

3 Monitoring

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

4 Mitigation

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

5 Management and reporting

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

Our processes and methodologies

Credit 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

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 monitor 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.

Other portfolios

Credit comprising mainly residential mortgages, unsecured loans and credit cards are monitored 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 Management. The objective of such initiatives is to continuously fine-tune the relevant credit scoring parameters.

Mitigation and management

Credit risk exposures are managed through robust credit assessments, structuring and monitoring processes. 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, Management as well as relevant platforms including committees and forums for the different lines of business. The latter appraise the credit risk profile of portfolios, segments and products as well as financing structures notably pertaining to our Energy and Commodities portfolio and financial institutions.

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.

Risk and capital management report

Restructuring of facilities

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

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.

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 2022, 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.

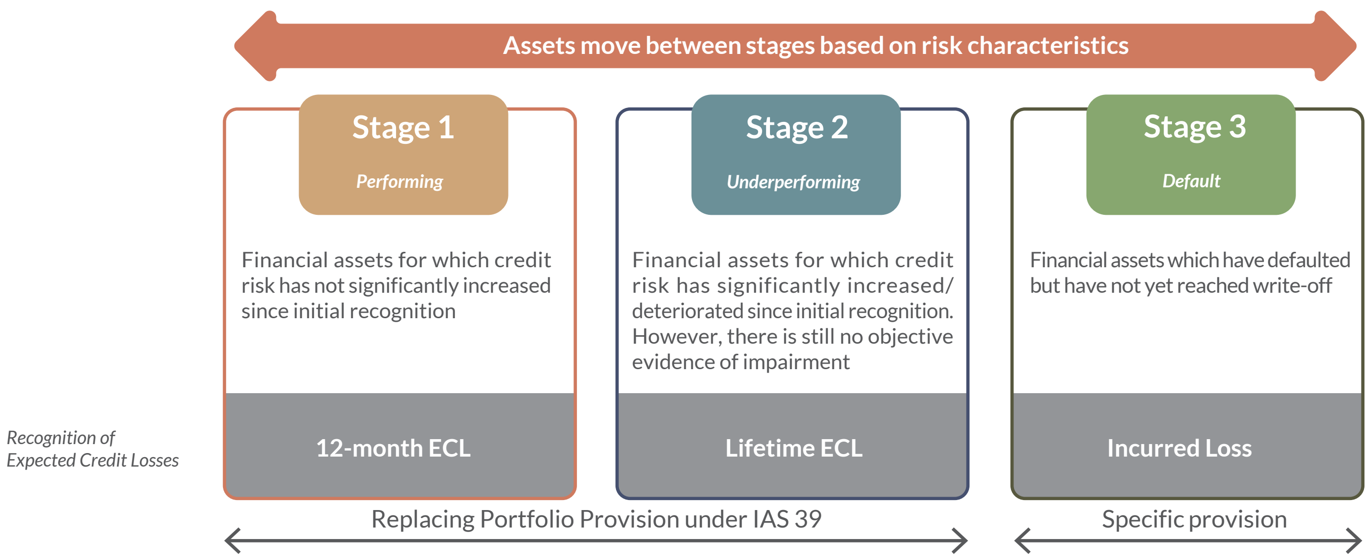
While MCB continues to adhere to key principles therein, it is worth noting that BoM has put on hold the Guideline on Credit Impairment Measurement and Income Recognition as part of support measures to allow commercial banks to continue assist enterprises facing cash flow and working capital difficulties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

Adherence to IFRS 9

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 institutions, sovereign, project finance, and Energy & Commodities.

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

- o **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 models for all wholesale portfolios, which are 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

During the year under review, 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 heightened uncertainty levels characterising the operating environment.

Credit scoring models: We have developed a new credit scoring model for secured loans.

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 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.

Formulation of the Bank's Expected Credit Losses for FY 2021/22

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 unsteady operating environment, MCB maintained comfortable levels of ECL during FY 2021/22, 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.

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 magnitude of the increase in credit risk, we proceeded with staging overlays (i.e. moving some clients of stage 1 to stage 2). In extreme cases where we found that the calculated ECL was insufficient, we applied an additional buffer in line with our conservative approach.

As at 30 June 2022, ECL amounted to Rs 7,644 million with the ECL coverage ratio, pertaining to stage 1 and stage 2 loans and advances, standing at 2.0%. The breakdown of provisions by stages 1, 2 and 3 and portfolios is provided in Note 3(b) and by industry sectors in Note 6(b) of the Financial Statements.

Provisions as at 30 June 2022

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institutions	Project finance	Sovereign	Energy & Commodities
	Rs m	*Rs m*	*Rs m*	*Rs m*	*Rs m*	*Rs m*
Stage 1						
Exposures	51,316	171,051	48,985	8,537	262,503	193,208
Expected Credit Losses	319	3,136	515	172	102	358
Coverage ratio (%)	0.6	1.8	1.1	2.0	0.0	0.2
Stage 2						
Exposures	843	11,989	0	421	0	3,974
Expected Credit Losses	395	2,202	0	85	0	357
Coverage ratio (%)	46.8	18.4	0.0	20.2	0.0	9.0
Stage 3						
Exposures	1,211	9,455	0	0	71	1,647
Incurred losses	358	3,203	0	0	7	754
Coverage ratio (%)	29.6	33.9	0.0	0.0	9.3	45.8

Provisions as at 30 June 2021

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

Notes:

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

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

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

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

Risk and capital management report

Concentration risk management

The Bank promotes the diversification of its lending portfolio by setting sector limits during its annual Risk Appetite exercise with a view to ensuring that its performance is not negatively impacted by a large sectoral exposure default. Regular stress tests are also 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 2021/22, we continued to diversify our market footprint across segments and geographies, which helped us to remain well positioned in terms of credit concentration and within regulatory limits. Our largest credit concentration pertains to Oil & Gas with a major part of these exposures being of a short term and self-liquidating nature, hence carrying a lower risk profile.

Concentration of exposures

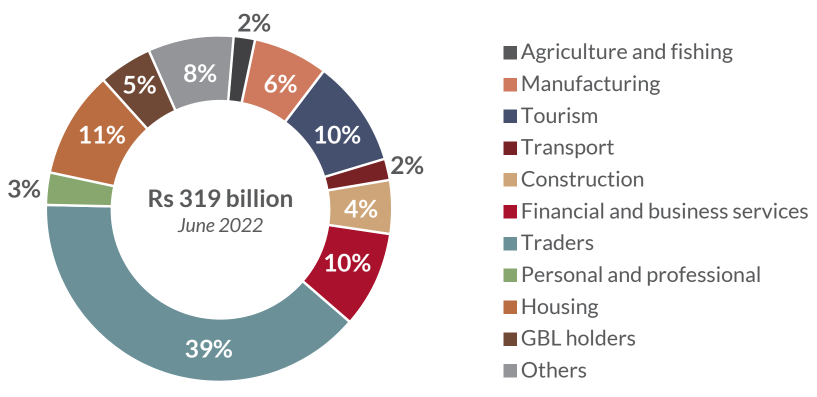
Bank of Mauritius Guideline on Credit Concentration Risk

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

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

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

Sectorwise distribution of MCB's customer loan portfolio



Asset quality

In FY 2021/22, while remaining exposed to a 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 specific economic sectors. Overall, the impairment charges decreased during the year, resulting in a lower annualised cost of risk for loans and advances. Our gross NPL ratio stood at 3.4%, while net NPL ratio was at 2.2%. The Bank's specific coverage ratio stood at 36.1%. The remaining portion is more than adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time.

In response to COVID-19 and its wide-ranging ramifications on economic operators, in line with Bank of Mauritius support measures, MCB provided moratoriums on loans in respect of capital repayment as well as interest payment with a view to alleviating our customers' financial burden and helping them sustain their activities. Such support measures were provided to fundamentally sound business model that were experiencing temporary difficulties with the aim of maximising the customers' repayment ability. With the improvement in economic conditions, clients increasingly resumed their loan repayments and whilst the central bank allowed for the extension of the moratoriums to 30 June 2022, only 1% of the Bank's loan book was under moratoriums as at that date down from 9% in the previous year.

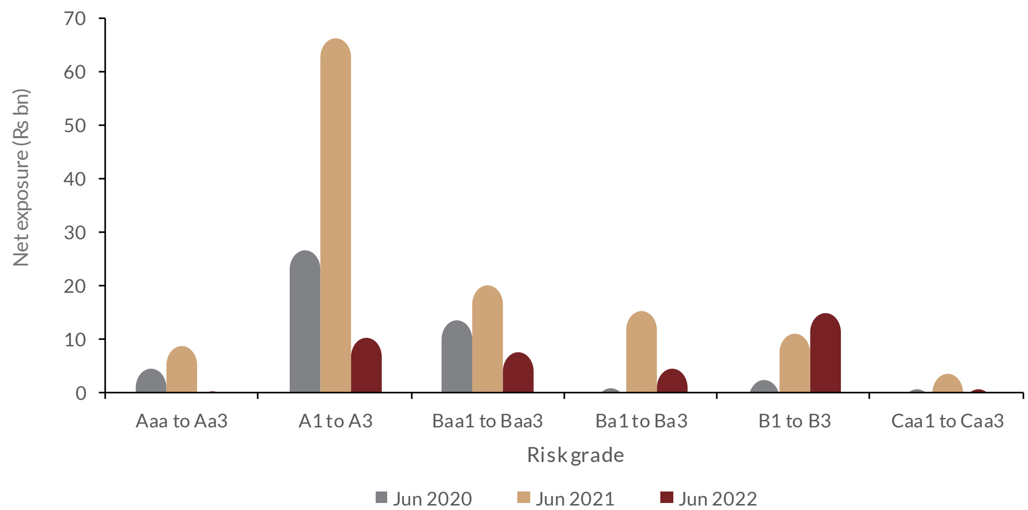
Quality of exposures

June 2022	Non-performing loans (NPLs)		Specific provisions	
MCB Ltd	**Rs m**	***% of exposures***	**Rs m**	***% of NPLs***
Agriculture and fishing	664	*9.0*	440	*33.9*
Manufacturing	303	*1.5*	131	*24.7*
of which EPZ	*1*	*0.0*	*0*	*0.0*
Tourism	125	*0.4*	36	*28.4*
Transport	18	*0.3*	7	*34.6*
Construction *(including property development)*	574	*4.3*	330	*42.5*
Financial and business services	247	*0.8*	111	*39.1*
Traders	1,869	*1.5*	934	*44.7*
Personal and professional	986	*2.2*	426	*32.7*
of which credit cards	*23*	*2.7*	*21*	*91.3*
of which housing	*643*	*1.9*	*212*	*27.6*
Global Business Licence holders	7,414	*47.4*	3,080	*34.3*
Others	184	*0.7*	90	*46.1*
Total	**12,384**	***3.4***	**5,585**	***36.1***

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

Risk and capital management report

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 Investors 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

Country 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 our credit exposure portfolio is at all times balanced in terms of its risk profile.

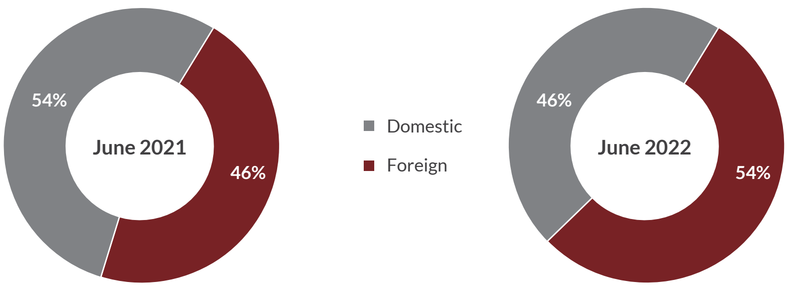
We carefully monitor country risk events, including macroeconomic developments, sovereign credit worthiness, and specific occurrences such as social unrest, nationalisation and expropriation of assets, foreign exchange controls and currency depreciation/devaluation. Foreign country exposure limits are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

Mitigation and management

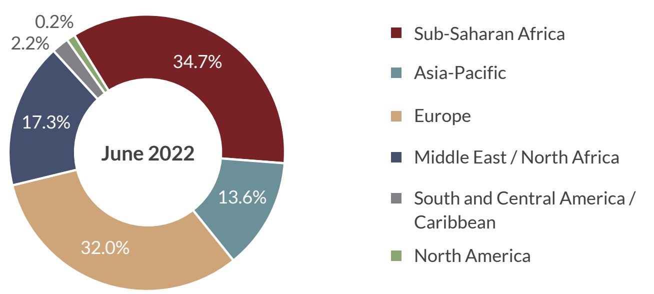
With a view to fostering sound country risk management, we lay emphasis on (i) thoughtful and regular determination and review of our risk appetite, after making allowance for the evolving operating environment and our strategic ambitions; (ii) diversified exposures across countries and sectors; (iii) undertaking activities in a selective and, in some cases, opportunistic manner, while favouring areas that we are well accustomed to and for which we nurture strategic competencies and technical expertise; and (iv) ensuring that our deals are appropriately selected, structured and ring-fenced (with area specialists handling complex deals), backed by the application of a series of risk mitigants and robust methodologies.

Diversification of exposures

Distribution of MCB's customer loan portfolio

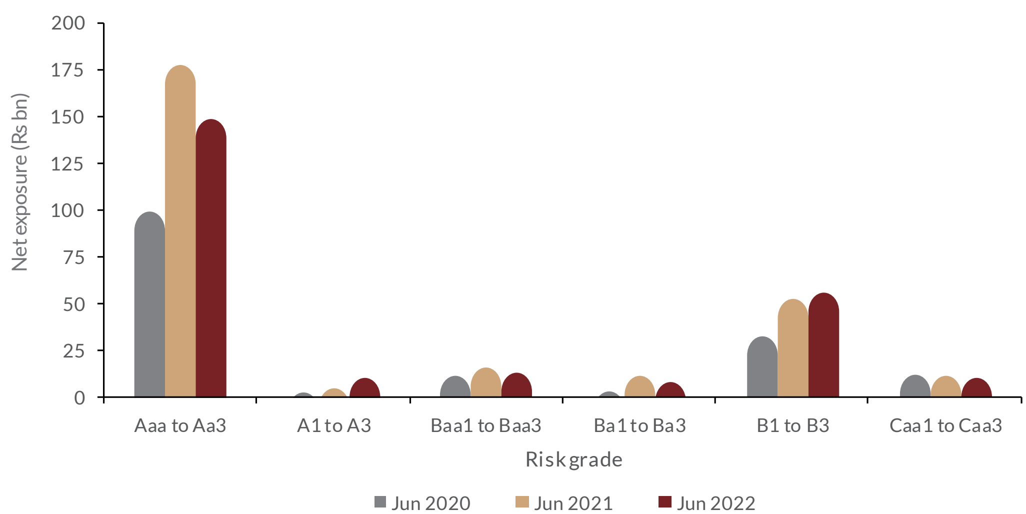


Total risk-weighted exposures by region
(Excluding Mauritius)



Note: Risk-weighted exposures include funded and unfunded financing exposures as well as treasury activities

Risk profile of exposures: Country risk exposures



Notes:

(i) Exposures pertain to funded and unfunded financing activities as well as treasury activities

(ii) For each country, the worst of the ratings assigned by Moody's, Standard & Poor's and Fitch Ratings has been selected and converted into a Moody's equivalent rating

Market risk

Measurement, monitoring 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. Interest rate risk in the banking book is monitored by the ALCO.

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 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 & Product Control BU (MRPC BU).

To further improve its monitoring of trading risk, the MRPC BU, through its Product Control function, monitors the daily Profit or Loss (P&L) 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 in 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.

Counterparty credit risk

In 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 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.

Funding and liquidity risk

Measurement and monitoring

Funding and liquidity risk is measured and monitored separately for each material currency and on a consolidated level. The Bank upholds sound funding and liquidity positions to meet its obligations under both Business As Usual (BAU) and stressed conditions. It maintains diversified liability bases across different categories of depositors, alongside also covering a spectrum of short to medium term funding. The Bank holds a stock of high quality and unencumbered assets that it can rapidly dispose of in case required. 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. Additionally, MCB sets internal targets on key regulatory measures such as the liquidity coverage ratio (LCR) at currency level, whilst monitoring other ratios and Early Warning Indicators to assess its liquidity situation.

The key actions undertaken to ensure that funding and liquidity risk is effectively measured and monitored include the following:

- Robust Contingency Funding Plan in place which *inter alia* provides for active monitoring and reporting of Early Warning Indicators and courses of action under a liquidity stress; Scenario analysis conducted by simulating withdrawal of funds e.g. withdrawal of USD current accounts under severe stress scenario; Uncommitted money and short-term forex swap and repo lines regularly tested for liquidity depth
- Maintenance of adequate high-quality liquid assets (HQLA) buffer as well as achievement of conservative maturity transformation and operational deposit optimisation to ensure compliance with the liquidity coverage ratio (LCR) with monitoring/reporting for assets and liabilities denominated in significant currencies; Close monitoring of the LCR and circulation of the ratio to Management on a daily basis. LCR, along with other liquidity indicators, such as gap analysis and BIS net stable funding ratio (NSFR), are presented to the ALCO on monthly basis and to the RMC on a quarterly basis; Carrying out of frequent simulation on LCR, based on what-if investment in HQLA and renewal of wholesale market funding
- Diversification of balance sheet funding sources with a mix of internal treasury surplus, institutional lines of credit and trade refinancing lines
- Active monitoring and management of daily liquidity through a daily Operational Cash Flow model, which provides the Bank with daily cash flow projection over different time bands under various scenarios

Mitigation and management

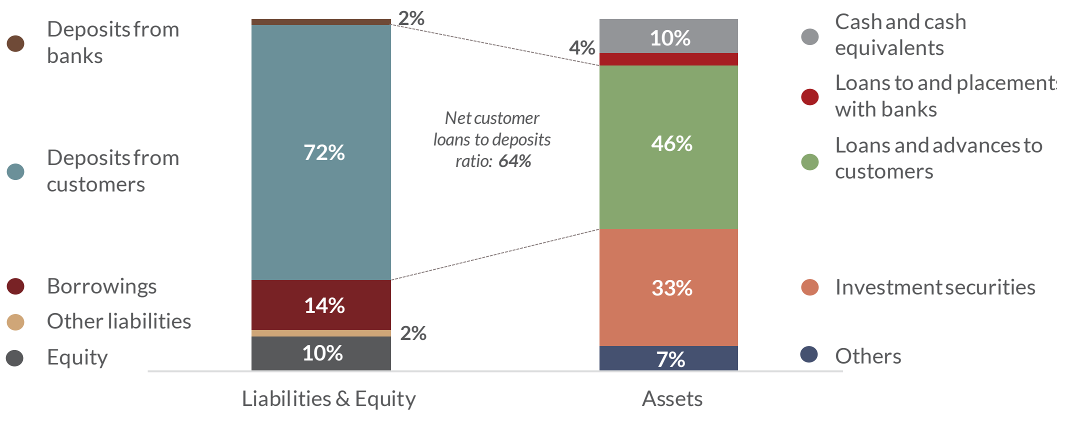
While accessing wholesale markets as and when required, MCB maintains cost-efficient, diversified and stable sources of funding which predominantly comprise customer deposits. The key consideration is to diligently manage and diversify the funding and maturity profile of the balance sheet in order to ensure that we can successfully deploy our strategic endeavours over the short and longer runs.

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

The stock of liquid assets is proactively managed to cover day-to-day cash management 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, and taking into account the credit risk weighting and the low returns typically associated with the cost of holding these highly liquid assets.

During the year under review, MCB continued to be exposed to uncertain liquidity conditions. Against this backdrop and after making allowance for proactive steps taken to maintain comfortable buffers in the wake of the current economic environment, the Bank continued to display strong funding and liquidity positions in FY 2021/22. Indeed, we have been active across markets to uphold sufficient funding resources to help our customers ride through the difficult conditions and support our growth ambitions. MCB thus leveraged placements from banks and repurchasing agreements. During the year, the Bank has, in particular, successfully raised a USD 1 billion syndicated facility to repay the Tranche B of its existing Dual Tranche Syndicated Term Loan Facility amounting to USD 560 million and to pursue its strategic growth.

Asset funding structure as at June 2022



Liquidity and funding positions

Liquidity coverage ratio (LCR)

In alignment with Basel III rules, the objective of the LCR is to promote the short-term resilience of a bank to liquidity shocks by ensuring that it maintains an adequate reserve of unencumbered high-quality liquid assets (HQLA) in order to survive a period of significant liquidity stress lasting 30 calendar days. As per regulatory stipulations in the Mauritian banking system, the LCR is computed as the ratio of the stock of unencumbered HQLA to the net cash outflows over the next 30 days in the event of an acute liquidity stress scenario. Since 31 January 2020, the minimum regulatory ratio rose to 100% for MUR, material foreign currencies, and consolidated LCR. Furthermore, in September 2020, the Guideline on Liquidity Risk Management was revised to include that banks shall immediately notify the Bank of Mauritius of the use of HQLA denominated in major currencies that are freely convertible, transferable and actively traded in global foreign exchange markets to cover liquidity needs in other such major currencies, amongst others.

As at 30 June 2022, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 412%, which is equivalent to a surplus of some Rs 130 billion over stressed total net cash outflows. At currency level, 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 209% as at 30 June 2022. It can be noted that HQLA eligible for the purpose of calculating the LCR as per set rules consists of cash or assets that can be converted into cash at little or no loss of value in markets. In this light, MCB maintained suitable levels of investment in sovereign, high-quality corporate and cash liquid assets.

Liquidity coverage ratio

As at 30 June 2022	**Total unweighted value (quarterly average of bimonthly observations)**	**Total weighted value (quarterly average of bimonthly observations)**
	Rs m	**Rs m**
High-quality liquid assets		
Total High-quality liquid assets (HQLA)	172,050	172,050
Cash outflows		
Retail deposits and deposits from small business customers, of which		
Less stable deposits	*239,380*	*22,555*
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	*14,983*	*3,746*
Non-operational deposits (all counterparties)	*216,708*	*91,679*
Secured wholesale funding		
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	*11,406*	*11,406*
Credit and liquidity facilities	*11,761*	*1,035*
Other contractual funding obligations	345	345
Other contingent funding obligations	162,024	8,101
Total cash outflows	**656,607**	**138,867**
Cash inflows		
Inflows from fully performing exposures	127,435	89,815
Other cash inflows	11,511	11,511
Total cash inflows	**138,946**	**101,326**
		Total adjusted value
		Rs m
Total HQLA		**172,050**
Total net cash outflows		**41,716**
Liquidity coverage ratio (%)		**412%**

<u>Net stable funding ratio (NSFR)</u>

Under Basel III, the NSFR aims to promote the resilience of a bank over a longer time horizon by requiring the latter to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities so as to mitigate any future funding stress. The NSFR effectively recognises a bank's maturity transformation role in the credit creation and resource allocation process. It seeks to limit the bank's over-reliance on short-term wholesale funding or the running of large funding gaps meant to sustain rapid balance sheet growth. Though not yet a regulatory standard in Mauritius, MCB regularly monitors its performance in terms of NSFR, which requires an amount of available stable funding to be maintained. As at 30 June 2022, MCB Ltd reported an NSFR of 137%, which exceeds the minimum level recommended by Basel III, itself set to at least 100% on an ongoing basis.

Operational risk

Measurement and monitoring

The determination of the Bank's risk exposures is anchored on the regular review of 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.

Mitigation and management

The Operational Risk BU is responsible for the identification, assessment and management of related risks. It should be noted, however, that operational risk management forms part of the day-to-day responsibilities of all employees of the Bank.

Operational risk mitigation relies on appropriate processes and systems, backed by the clear segregation of duties, dual control as well as the regular verification and reconciliation of transactions. The control environment is based on the appropriate risk culture, fostered through risk awareness sessions targeting relevant audiences. An overview of both Operational Risk and Business Continuity Management is provided – in the form of a dedicated induction course – to new employees joining the Bank. The Operational Risk Management Framework relies on three primary lines of control, as shown below.

Primary lines of control

Business units

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

Audit Committee/IORC/ Operational Risk BU

- 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

Internal/External Audit

- 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, currently in the process of being updated for the whole Bank, is leveraged for the assessment of operational risks and the implementation of relevant controls. Further, operational risk at the Bank is transferred to some extent through insurance policies or outsourcing of non-banking activities where appropriate.

Health and safety

The Bank provides the highest standards of safety and health across 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 and other associated laws and regulations. Risk control measures are implemented through safety and health audits carried out during on-site inspections, with the latter aimed at identifying hazards and risk factors that have the potential to cause harm to the safety and health of people on our premises. The audits also seek to determine the appropriate ways to eliminate such hazards in order to protect our staff and visitors.

Following the resumption of activities in the wake of the pandemic, MCB continued to be vigilant and has effective control measures and stringent sanitary protocols in place on all premises. The aim is to safeguard the safety and health of all employees and visitors and to control the transmission of the COVID-19 virus.

Business continuity risk

Mitigation and management

MCB's Business Continuity Management (BCM) Framework is an integral part of its overall risk management framework and is underpinned by the BCM Policy, which sets out the governance, methodology and principles for managing disruption-related risks. The Policy also outlines the roles and responsibilities of MCB's Crisis Management Team, which shoulders central command during a crisis, supported by various other crisis teams and Business Continuity Champions, who are the BCM process owners responsible for designing, reviewing and maintaining up-to-date recovery plans at their respective levels.

In the wake of the pandemic, MCB's approach to business continuity management continues to evolve to focus on building resiliency in its operations, to better prepare for, and respond to, unforeseen events and successfully recover from the impacts of disruptive events or crisis. The Bank's contingency strategies have also been refreshed to respond to an evolving landscape encompassing potential disruptions due to cyber threats, climate risks and third-party or supplier dependencies together with the more traditional business continuity risks such as technological outages and site unavailability disruptions.

- **Disaster Recovery (DR) Resilience:** While MCB carried out its planned annual concurrent DR simulation to confirm the operability of its DR site in the event of a major technological outage, it also successfully executed an unplanned DR exercise to test the actual readiness of its technical teams, thereby reaching a major milestone in its DR resilience journey.

- **Cyber Resilience:** The Bank continued to advance on its cyber response preparedness framework by ensuring it has the necessary technical skills and legal support to deploy an effective cyber response both at operational and strategic levels. Furthermore, contingency strategies and measures are continuously being assessed and refreshed to incorporate cyber preparedness within the mission critical activities of the Bank.

- **Climate Resilience:** Climate-related disruptions were also high on the agenda of the Bank's business continuity planning framework. The cyclone contingency strategies and business resumption plan have been reviewed to ensure the Bank is sufficiently prepared to resume operations in the unlikely event of a catastrophic cyclone.

- **Third-Party Resilience:** In line with regulatory requirements, MCB has incorporated business continuity in its cloud and outsourcing projects to ensure business continuity risks are adequately assessed and contingency measures defined to cater for service provider disruptions within the Bank's critical activities.

- **Business Disruption and Insurance:** Insurance being an important aspect of MCB's risk management and business continuity framework, an in-depth review of the Bank's insurance programme has been carried out to ensure MCB has the appropriate coverage against specific events impacting its operations.

Cyber and information security risk

Mitigation and management

The Cyber and Information Security Risk Business Unit (CIS BU) is responsible for developing and maintaining cyber, technology and information risk policies, in line with the evolving operating and threat landscapes, as well as requirements set by authorities and other stakeholders. The key objective is to ensure that an adequate level of security is maintained to protect private, confidential, personal and any other sensitive information held by the Bank. 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).

MCB adopts a dedicated approach to uphold and continuously improve its cybersecurity maturity and risk posture to ensure that it is prepared to respond in a timely and effective manner to cyber threats and potential attacks. The Bank conducts regular assessments to identify threats that can potentially harm its assets, with adequate mitigating controls deployed.

To mitigate and manage information risks, several processes are in place to assist in identifying and analysing the business need to access logical information, restrict the information deployed to what is strictly required as well as monitor and control access to such information. CIS BU's findings, recommendations and assessments are regularly reported to various executive committees and the Audit Committee, with an emphasis on cybersecurity and data protection matters.

Recent initiatives

In addition to initiatives already highlighted, MCB has deployed several initiatives to uphold the robustness of its information risk and privacy framework:

- The Bank's risk assessment framework and information security management systems and processes were upgraded to foster alignment with internationally-recognised standards
- The Bank's critical infrastructure (which includes customer-facing applications) has been independently tested and assessed from a cybersecurity perspective
- The Bank on-boarded advanced Cyber Response and Legal Advisory services
- The Bank's capability to monitor and respond to cyber threats has been improved through the use of Cyber Threat Intelligence to collect and analyse data about threats
- The set of critical controls underpinning our cybersecurity resilience is being continuously monitored, and our cyber incident response framework has been reviewed
- The security events monitoring capability of our Security Operations Centre (SOC) is continuously being refined and augmented with new use cases
- Compliance with laws and regulations relating to data protection has been assessed with a view to identifying any gaps and gearing up our capabilities to adhere to relevant stipulations, with necessary steps undertaken to fill gaps identified
- Various actions, including security awareness sessions, are continuously taken to enhance our employees' alertness to cybersecurity, with a focus on social engineering
- General awareness on data privacy matters has been enhanced, with particular attention paid to ensure that privacy and security by design concepts become embedded within the Bank's culture

Compliance risk

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 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 respond 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

Forming part of the Bank's second line of defence for managing risks by virtue of its role, the Compliance function at MCB (i) is duty-bound to provide to the Board and Management of the Bank the necessary assistance to ensure that business activities are conducted in strict compliance with the applicable laws, rules, regulations, industry codes of conduct, policies, standards, good governance practices and procedures; and (ii) helps to protect the Bank's reputation and to minimise the risk of investigation, prosecution, regulatory sanctions and penalties.

The responsibilities of the compliance function have been carried out as per its established Compliance Programme for FY 2021/22, which was devised as a risk-based approach and duly approved by the Compliance, AML and Legal Committee (CALC) and Audit Committee. The Compliance Programme sets out its planned activities geared towards the implementation of compliance laws, rules and standards through policies and procedures, that are designed to strengthen the compliance risk management culture across the organisation. The Compliance function monitored and tested for compliance by performing sufficient and representative testing, whereby results were duly reported to the CALC and Audit Committee on a quarterly basis.

The focus areas of the Compliance Programme FY 2021/22 included the following:

Regulatory & governance

- Paying continuous attention to and undertaking regular reviews of ongoing developments as regard laws, regulations, guidelines and standards of good practice, accurately understanding their impact and coming up with necessary responses so that the Bank can effectively address the risks arising from such changes
- Fostering trusted relationships with regulatory and supervisory bodies by sustaining productive and value-adding dialogue and interactions
- Reviewing the ecosystem of committees across the Bank, in line with corporate governance standards
- Maintaining a set of policies and procedures to promote strong ethical behaviour amongst employees as well as to prevent, mitigate and manage conflicts of interests
- Fostering a coherent compliance control mechanism within the Bank to pave the way for standardised processes and operations

Relationship with Financial Institutions

- Participating in regular AML/CFT reviews performed by foreign banks and ensuring queries from correspondent banks on transactions are addressed on a timely basis
- Conducting regular screening of the Bank's customer database to identify and prevent potential violations of sanctions regulations
- Reinforcing our compliance framework through the adoption of continuous permanent supervision mechanisms

Advisory & training

- Promoting the awareness of Management, directors and employees on the requirements arising out of new/amendments to laws and regulations and other compliance-related matters
- Providing adequate and dedicated training to the Bank's directors and employees to ensure that they have the necessary knowledge and skills to fulfil their duties and responsibilities
- Maintaining close working arrangements and communication with business lines through the dissemination of compliance-related information and provision of advisory services at time of customer on-boarding

Monitoring & analysis

- 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
- Performing assessment and monitoring of transactions as per defined frequencies and ensuring timely quarterly reporting made to the regulatory bodies, as per regulatory requirements

AML investigation

- In relation to the Anti-Money Laundering/Combating the Financing of Terrorism and Proliferation (AML/CFT) obligations, ensuring that adequate processes, systems and controls are in place to render banking services and systems inaccessible to criminals, including money launderers and terrorists or their financiers, alongside paving the way for detecting suspicious activities. While fostering continuous employee awareness, the Bank *inter alia* ensures that employees are given appropriate training on AML/CFT/PF topics to help them identify suspicious transactions. A Financial Crime Risk Management (FCRM) system is in place to highlight atypical transactions, in line with anti-money laundering and financing of terrorism and proliferation guidelines
- Proactively identifying compliance and Money Laundering/Terrorist Financing/Proliferation Financing (ML/TF/PF) related risks and assessing their residual likelihood and impact based on the controls in place – corrective measures are taken and monitored to minimise the likelihood of the risks materialising

Compliance auditing

- Conducting Branch and Thematic Audits as per the devised plan and coverage, as approved by the CALC and Audit Committee
- Investigating into cases and attending to matters reported through Whistleblowing, in collaboration with concerned stakeholders. The Whistleblowing Framework at the organisation is designed to assist employees deemed to have discovered malpractices or impropriety. The Bank adheres to a Group Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage

Enterprise Wide Risk Assessment (EWRA)

- Spearheading the Enterprise Wide Risk Assessment (EWRA) exercise and helping the Bank to identify gaps and areas for enhancements in its internal AML/CFT/PF framework. EWRA, which is a regulatory requirement, aims at identifying the ML/TF/PF 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, establishing the level of residual or unmitigated risks which remain for the Bank and follow up on the action points to mitigate the high and medium residual risks

Complaints management

- Aiming at effectively resolving customer complaints and identifying opportunities to make systemic improvements to enhance customer service within the organisation

Risk and capital management report

Zoom on our Permanent Supervision unit

Our Permanent Supervision unit acts as an independent control function within our second line of defence. Indeed, the Bank is committed to effectively supervising transactions and processes embedded in its regular activities, backed by adequate control mechanisms and procedures. Our Permanent Supervision and Internal Control Framework is governed by rules and standards, including: (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.

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. Internal control forms part of the day-to-day responsibilities of 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 dedicated team of Risk & Control Executives across key SBUs regularly report the main risks and control events observed, while ensuring timely escalation of findings to Heads of host SBUs, the IORC and the Audit Committee as appropriate. Of note, with a view to further enhancing the risk management and control framework, the span of Risk & Control Executives is being broadened to cover all the major activities of the Bank, including support functions as well as non-financial risks (information risk, including cyber risk, and compliance risk). Identified internal control deficiencies are managed in a timely and effective manner through adherence to established procedures and proper monitoring of the implementation of reinforcement measures.

Risk assurance: Internal audit

General approach

The Internal Audit Strategic Business Unit (IA SBU), in line with Institute of Internal Auditors (IIA) standards, is the third line of defence, providing independent evaluation and assurance on the appropriateness, effectiveness and adequacy of the Bank's risk management framework. The Head of Internal Audit reports to the Audit Committee of the Board and administratively to the Chief Executive Officer, to uphold independence and objectivity as the internal audit activity fulfils its responsibilities. IA SBU includes professionals with a broad range of audit, industry and broader experience, including risk management, compliance and IT security expertise.

The Internal Audit plan is determined by a risk-based assessment methodology. The three-year plan is reviewed annually using a structured risk and control assessment framework, through which the risk universe is reassessed and the control effectiveness of each identified risk is evaluated by taking into consideration a number of criteria, namely the risk profile of each audited entity, the risk appetite of the Bank and input from relevant stakeholders. The plan is continuously updated with a view to ensuring that emerging risks are being punctually addressed. Audit efforts are allocated on the basis of areas posing higher risks and as required by regulators whilst anchoring due agility to navigate a dynamic risk landscape, with the pandemic and its ensuing effects being a key example.

Strategy and initiatives

The key pillars which the IA SBU relies upon to roll out a disciplined approach in order to evaluate and improve the effectiveness of risk management and control processes are: (i) perpetual reconsideration of the risk environment, hence regularly-updated audit work programmes; (ii) deepened usage of data analytics for better risk coverage; and (iii) streamlining of audit process relating to preparation of reports, communication of results and the follow-up of recommendations for improved operations and customer experience.

A Quality Assurance and Improvement Programme (QAIP) is in place within the IA SBU. 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. 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). The last external assessment was conducted end of 2018 and it was recognised that Internal Audit "Generally Conforms" – the highest rating attributable – to the requirements of these standards. The 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. The next external assessment is planned for Q1 2023.

The main results of work performed by the Bank's Internal Audit function are disseminated through formal audit reports. The latter includes an overall appreciation of the risk management initiatives of the audited area, with risk-based grading of the observations made. The audit reports are submitted to relevant 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. The communication of those results is made to ensure strong alignment of Management's expectations and strengthen governance.

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 and staffing, coverage as well as 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.

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

Focus areas of the Internal Audit function

- Maintaining the proficiency of the team members to effectively carry out their professional responsibilities, by 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. To ensure a sustainable value creation process through continuous advice and recommendations, the team of auditors are subject to both in-house and outsourced training for technical and human skills required for quality delivery, whilst promoting personal & professional development. To further professionalise the function, the auditors are encouraged to acquire relevant certifications from globally-recognised sources such as IIA's Certified Internal Auditor (CIA) or ISACA's Certified Information Systems Auditor (CISA).

- Upholding the risk culture, in line with the Bank's strategic objective, 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.

- Intensifying the application of quantitative methods to enrich 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.

Risk and capital management report

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 of 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. MCB applies the stress testing principles set out under the new BoM Guideline on Stress Testing issued in June 2022.

Forecasts are made over a 3-year horizon, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational and market risks) and Pillar II risk types (i.e. concentration, liquidity, interest rate, strategic risks, etc.). These assessments are undertaken to understand the sensitivity of the key assumptions of the capital plan with regard to the realisation of plausible stress scenarios. This helps MCB to evaluate how it can maintain adequate capital under such scenarios.

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 2021/22, the Bank conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on key metrics. We have used the 3-year budget forecasts to conduct our different stress tests. We assumed that the stress scenarios take place in the middle of FY 2021/22, i.e. at the beginning of January 2022, and we then measured the relevant impacts accordingly. The scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Bank's risk profile, activities as well as prevailing and forecasted economic conditions. We measured potential impacts on the following metrics: (i) Solvency: Capital adequacy ratio and Tier 1 ratio; (ii) Profitability: Net profit after tax; (iii) Asset quality: NPL ratio and cost of risk; and (iv) Liquidity: LCR, 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 3 scenarios described hereunder, which also catered for the impact of heightened price volatility given the inflationary environment.

Mild scenario	Due to variants of the COVID-19 virus still circulating and social distancing measures in place in airplanes and hotels, the number of tourist arrivals is less than expected – Tourist arrivals are such that only 50% of planned arrivals occur in 2022, 75% in 2023 and 100% in 2024
Medium scenario	A recurrence of COVID-19 results in an even lesser number of tourist arrivals such that only 25% of planned arrivals occur in 2022, 50% in 2023 and 75% in 2024 In addition, due to the extended impact of COVID-19 in FY 2022/23, there is a decrease in global oil demand which leads to an oil shock and a decrease in oil prices by 50% in FY 2022/23
Severe scenario	The shocks to the number of tourist arrivals is even more severe such that only 10% of planned arrivals occur in 2022, 25% in 2023 and 50% in 2024 We assume an even more severe shock to the oil market with a decrease in oil prices of 75% in FY 2022/23

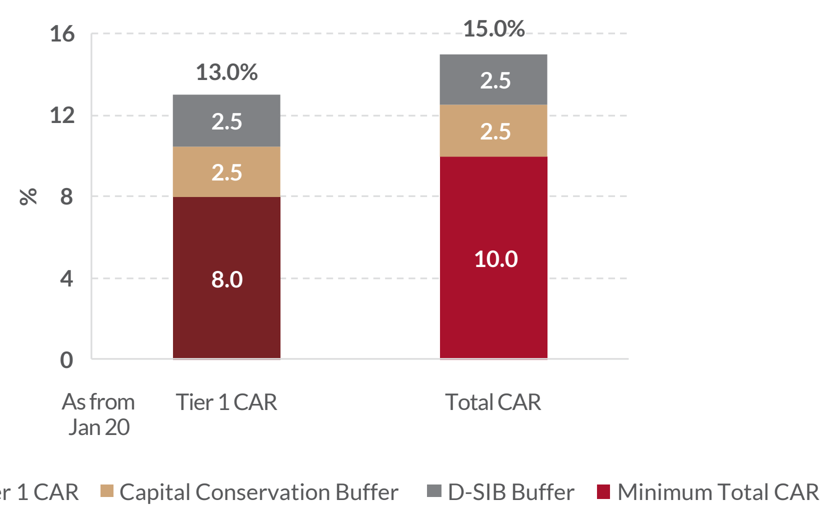
Our capital position

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

Tier 1 CAR and Total CAR
(plus Capital Conservation Buffer plus D-SIB Buffer)

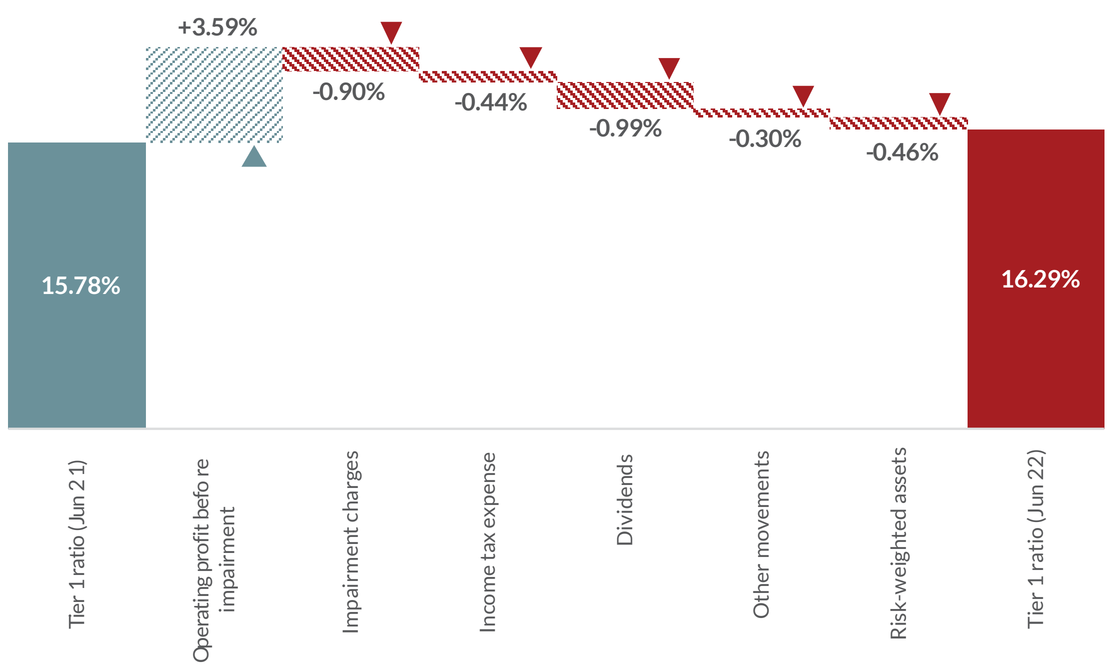


In May 2020, to provide additional flexibility to banks to support economic stakeholders, households and individuals impacted by the COVID-19 outbreak, the BoM deferred the Capital Conservation Buffer (CCB) of 2.5%, which was effective as from 1 January 2020, to 1 January 2021 such that banks were required to maintain a Capital Conservation Buffer of 1.875% until 31 December 2020. This was further deferred such that banks were required to maintain a Capital Conservation Buffer of 1.875% until 31 March 2022. In addition, the regulatory risk weights on certain categories of exposures including retail and residential mortgages were reviewed. The CCB was subsequently raised to 2.5% as from 1 April 2022, implying that the minimum regulatory Tier 1 and capital adequacy ratios currently applicable to MCB stand at 13.0% and 15.0% respectively.

Our performance for FY 2021/22

Our capital position remained generally strong during the year under review. Our core and total capital ratios stood at 17.2% and 16.3% respectively as at 30 June 2022, thus comfortably exceeding minimum regulatory levels. The increase in the ratios were mainly driven by (i) an expansion of our capital base owing to higher retained earnings; and (ii) the optimisation of our risk-weighted assets linked to our treasury activities.

Key drivers of the movement in Tier 1 ratio for FY 2021/22



Risk and capital management report

Determination and evolution of our capital adequacy ratios		
MCB Ltd	**Jun 21**	**Jun 22**
Capital base	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	8,880	8,880
Retained earnings	45,341	48,159
Accumulated other comprehensive income and other disclosed reserves	9,073	9,712
Common Equity Tier 1 capital before regulatory adjustments	**63,293**	**66,750**
Regulatory adjustments		
Other intangible assets	(1,462)	(1,897)
Deferred tax assets	(1,196)	(1,804)
Defined benefit pension fund assets	(1,211)	-
Common Equity Tier 1 capital (CET1)	**59,424**	**63,049**
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**59,424**	**63,049**
Capital instruments	175	68
Provisions or loan-loss reserves	4,379	4,508
Tier 2 capital before regulatory adjustments	**4,554**	**4,577**
Regulatory adjustments	(838)	(853)
Tier 2 capital (T2)	**3,716**	**3,724**
Total capital (T1 + T2)	**63,140**	**66,773**

Risk-weighted assets	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	319,976	332,079
Weighted amount of off-balance sheet exposures	30,382	28,578
Weighted risk assets for operational risk*	25,100	24,662
Aggregate net open foreign exchange position	1,065	1,826
Total risk-weighted assets	**376,523**	**387,145**

Capital adequacy ratios	**%**	**%**
BIS risk adjusted ratio	**16.8**	**17.2**
of which Tier 1	***15.8***	***16.3***

**The reduction in operational risk-weighted assets pertains to a change in classification for securities held in the banking book*

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

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, MCB considers only cash pledged and guarantees as eligible credit risk mitigations.

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 2022, 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 2022, 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 21 Weighted Assets	Jun 22 Amount	Jun 22 Weight	Jun 22 Weighted Assets
	Rs m	Rs m	%	Rs m
Cash items	76	3,667	0 - 20	71
Claims on sovereigns	348	188,637	0 - 100	287
Claims on central banks	0	74,264	0	0
Claims on banks	46,441	38,425	20 - 100	22,173
Claims on non-central government public sector entities	0	1	0	1
Claims on corporates	215,408	266,074	20 - 150	251,928
Claims on retail segment	7,308	11,361	75	7,355
Claims secured by residential property	12,995	35,393	35 - 125	13,910
Fixed assets/other assets	23,195	14,440	100 - 250	22,196
Past due claims	14,205	10,534	50 - 150	14,157
Total	**319,976**			**332,079**

Non-market related off-balance sheet risk-weighted assets	Jun 21 Weighted Amount	Jun 22 Nominal Amount	Jun 22 Credit Conversion Factor	Jun 22 Credit Equivalent Amount	Jun 22 Weight	Jun 22 Weighted Amount
	Rs m	Rs m	%	Rs m	%	Rs m
Direct credit substitutes	3,126	2,589	100	2,548	0 - 100	2,475
Transaction-related contingent items	11,226	32,008	50	14,666	0 - 100	11,742
Trade related contingencies	12,682	59,235	20 - 100	10,335	0 - 100	8,916
Outstanding loans commitment	2,465	10,124	20 - 50	5,062	100	5,062
Total	**29,449**					**28,194**

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

	Jun 21	Jun 22
	Rs m	Rs m
Total credit risk-weighted assets	**350,358**	**360,657**

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

Risk-weighted assets for operational risk

Alternative standardised approach	Jun 21	Jun 22
	Rs m	Rs m
Weighted gross income (for 6 business lines*)	615	1,129
Average outstanding balance of loans and advances (retail and commercial banking)	369,550	263,392
Capital charge for operational risk	2,510	2,466
Risk-weighted assets for operational risk	**25,100**	**24,662**

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

Risk-weighted assets for market risk

MCB Ltd

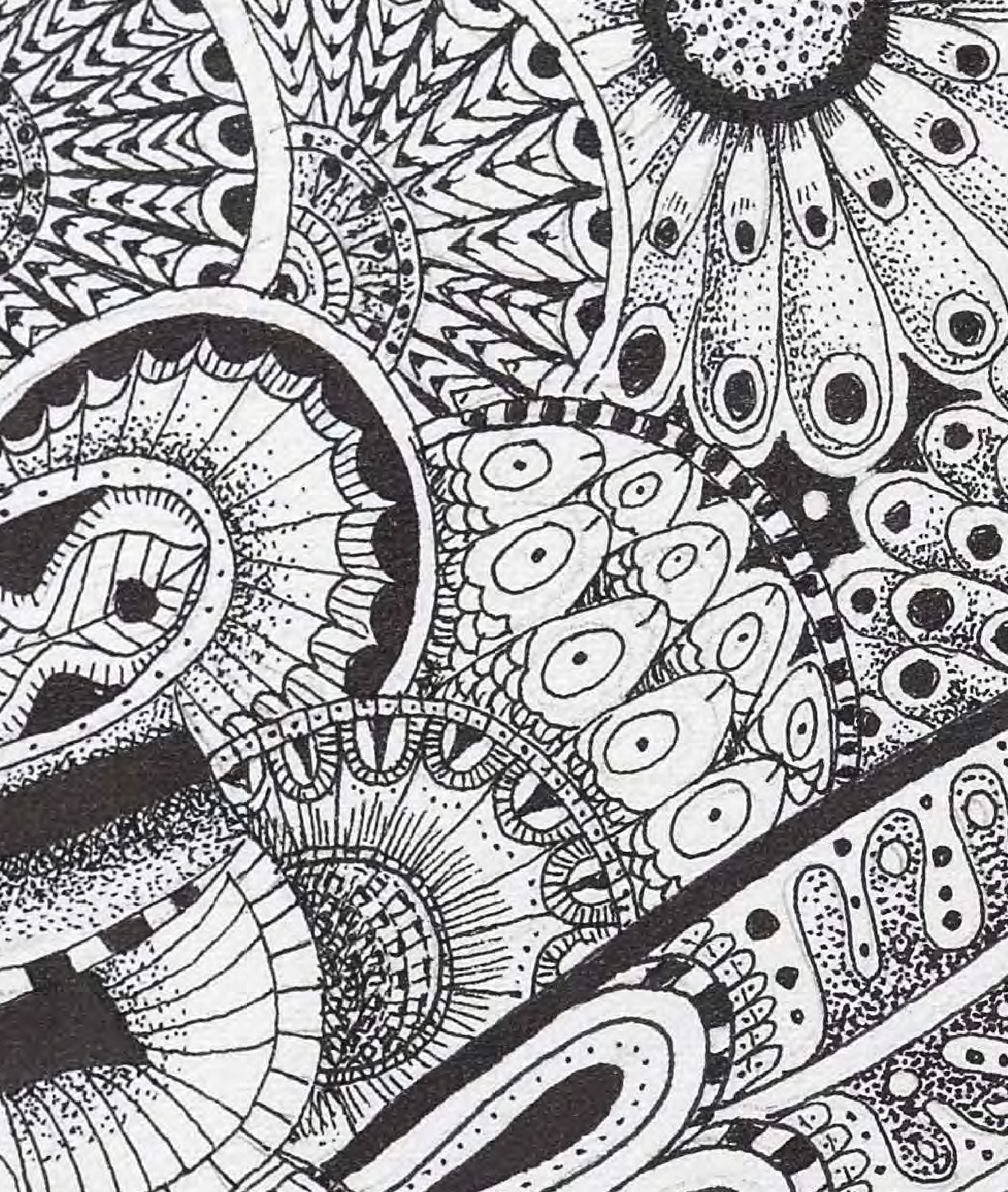
Market risk	Jun 21	Jun 22
	Rs m	Rs m
Aggregate net open foreign exchange position	1,065	1,826
Capital charge for trading book position exceeding 5% or more of its total assets	-	-

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

Exposures covered by credit risk mitigation	Jun 21	Jun 22
Eligible collateral	**Rs m**	**Rs m**
On-balance sheet		
Corporate	2,253	8,456
Retail	1,852	1,759
	4,105	**10,215**
Eligible collateral	**Rs m**	**Rs m**
Off-balance sheet		
Direct credit substitutes	70	45
Transaction-related contingent items	4,923	2,182
Trade-related contingencies	9,035	10,517
	14,028	**12,744**
Total	**18,133**	**22,958**

Simon Walker
Director
Chairperson Risk Monitoring Committee

Alain LAW MIN
Chief Executive Officer



Financial statements

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 2022 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 182 to 302, which comprise the statement of financial position as at 30 June 2022, 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 2022, 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, the Financial Reporting Act 2004 and the Banking 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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 assessing the 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.

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 2022 amount to MUR 5,585 million and the charge to profit or loss for the year amount to MUR 3,619 million. The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details of allowance for credit impairment on loans and advances to customers are disclosed in Note 6(b)(iv) to the financial statements.	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; and - 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 recalculating the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where 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.

Other information

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

- MCB at a glance;
- Reflections from the Chairperson;
- Board of Directors, Committees of the Board and Leadership Team;
- About this report;
- Our corporate profile;
- Delivering on our strategic objectives;
- Financial performance;
- Corporate governance report, including the statement of directors' responsibilities and statement of compliance;
- Company Secretary's certificate;
- Risk and capital management report; and
- Administrative information

The other information does not include the financial statements and our auditor's report thereon. Our opinion on the 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.

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

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the 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.

Financial Reporting Act 2004

Corporate Governance Report

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

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 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.

Chartered Accountants

26 September 2022

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

Statement of financial position

as at 30 June 2022

	Notes	2022 RS'M	2021 RS'M	2020 RS'M
ASSETS				
Cash and cash equivalents	4	**64,594**	101,154	68,128
Derivative financial instruments	5	**438**	1,035	997
Loans to and placements with banks	6(a)	**23,934**	40,869	19,353
Loans and advances to customers	6(b)	**306,648**	256,750	226,777
Investment securities	7	**222,823**	183,560	135,915
Investment in subsidiary	8(a)	**118**	118	118
Investments in associates	8(b)	**5,569**	5,820	4,984
Intangible assets	9	**1,896**	1,462	1,014
Property, plant and equipment	10	**4,951**	5,211	5,219
Deferred tax assets	11	**1,804**	1,189	1,009
Post employee benefit asset	16	**-**	1,218	-
Other assets	12	**31,742**	27,155	22,359
Total assets		**664,517**	625,541	485,873
LIABILITIES AND SHAREHOLDER'S EQUITY				
Liabilities				
Deposits from banks	13(a)	**11,318**	21,656	7,600
Deposits from customers	13(b)	**481,103**	453,828	364,008
Derivative financial instruments	5	**497**	1,406	961
Other borrowed funds	14	**92,755**	74,626	50,817
Subordinated liability	15	**684**	875	1,013
Current tax liabilities		**1,148**	1,031	1,270
Post employee benefit liability	16	**460**	-	1,170
Other liabilities	17	**9,799**	8,823	5,820
Total liabilities		**597,764**	562,245	432,659
Shareholder's equity				
Stated capital	19	**8,880**	8,880	6,880
Retained earnings		**48,161**	45,343	38,949
Other components of equity		**9,712**	9,073	7,385
Total equity		**66,753**	63,296	53,214
Total equity and liabilities		**664,517**	625,541	485,873
CONTINGENT LIABILITIES (NET)	20	**120,441**	117,712	68,435

These financial statements were approved by the Board of Directors and authorised for issue on the 26 September 2022.

Alain LAW MIN
Director
Chief Executive Officer

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson - Board of Directors

Uday GUJADHUR
Director
Chairperson - Audit Committee

The notes on pages 193 to 302 form part of these financial statements.
Auditor's report on pages 176 to 180.

Statement of profit or loss

for the year ended 30 June 2022

	Notes	2022 RS'M	2021 RS'M	2020 RS'M
Interest income using the effective interest method	21	**16,470**	15,628	17,884
Interest expense	22	**(2,537)**	(1,938)	(4,781)
Net interest income		**13,933**	13,690	13,103
Fee and commission income	23	**7,233**	4,934	4,421
Fee and commission expense	24	**(2,057)**	(1,068)	(1,077)
Net fee and commission income		**5,176**	3,866	3,344
Profit arising from dealing in foreign currencies		**1,717**	1,227	1,620
Net (loss)/gain from equity financial instruments carried at fair value through profit or loss		**(291)**	611	426
Net gain from other financial instruments carried at fair value	25	**163**	165	745
Dividend income	26	**79**	36	36
Other operating income/(expense)		**77**	148	(1)
		1,745	2,187	2,826
Operating income		**20,854**	19,743	19,273
Non-interest expense				
Salaries and human resource costs	27(a)	**(4,143)**	(3,834)	(3,663)
Depreciation of property, plant and equipment	10	**(527)**	(556)	(511)
Amortisation of intangible assets	9	**(430)**	(321)	(229)
Other	27(b)	**(2,243)**	(2,017)	(1,857)
		(7,343)	(6,728)	(6,260)
Operating profit before impairment		**13,511**	13,015	13,013
Net impairment of financial assets	28	**(3,392)**	(4,601)	(4,818)
Operating profit		**10,119**	8,414	8,195
Share of profit of associates	8(b)	**475**	337	444
Profit before tax		**10,594**	8,751	8,639
Income tax expense	29	**(1,646)**	(1,355)	(1,230)
Profit for the year		**8,948**	7,396	7,409
Earnings per share (Rs)	31	**10.08**	10.73	10.77

The notes on pages 193 to 302 form part of these financial statements.
Auditor's report on pages 176 to 180.

Statement of comprehensive income

for the year ended 30 June 2022

	Notes	2022 RS'M	2021 RS'M	2020 RS'M
Profit for the year		**8,948**	7,396	7,409
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss:				
Net fair value gain/(loss) on equity instruments		**124**	111	(191)
Reclassification adjustments on disposal of equity investments at fair value		**-**	(1)	-
Share of other comprehensive income of associates		**24**	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	29(b)	**(1,529)**	2,108	(671)
		(1,381)	2,218	(862)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	8(b)	**(360)**	576	368
Reclassification adjustments on disposal of debt investments at fair value		**7**	-	-
Net fair value (loss)/gain on debt instruments		**(23)**	(108)	5
		(376)	468	373
Other comprehensive (expense)/income for the year		**(1,757)**	2,686	(489)
Total comprehensive income for the year		**7,191**	10,082	6,920

The notes on pages 193 to 302 form part of these financial statements.
Auditor's report on pages 176 to 180.

Statement of changes in equity

for the year ended 30 June 2022

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	General Banking Reserve RS'M	Total Equity RS'M
At 1 July 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		**8,880**	**45,343**	**51**	**1,033**	**7,989**	**-**	**63,296**
Profit for the year		**-**	**8,948**	**-**	**-**	**-**	**-**	**8,948**
Other comprehensive (expense)/income for the year		**-**	**(1,505)**	**108**	**(360)**	**-**	**-**	**(1,757)**
Total comprehensive income/(expense) for the year		**-**	**7,443**	**108**	**(360)**	**-**	**-**	**7,191**
Dividends	30	**-**	**(3,734)**	**-**	**-**	**-**	**-**	**(3,734)**
Transactions with owner		**-**	**(3,734)**	**-**	**-**	**-**	**-**	**(3,734)**
Transfer to statutory reserve		**-**	**(891)**	**-**	**-**	**891**	**-**	**-**
At 30 June 2022	19	**8,880**	**48,161**	**159**	**673**	**8,880**	**-**	**66,753**

The notes on pages 193 to 302 form part of these financial statements.
Auditor's report on pages 176 to 180.

Statement of cash flows
for the year ended 30 June 2022

	Notes	2022 RS'M	2021 RS'M	2020 RS'M
Operating activities				
Net cash flows from trading activities	33	**29,366**	4,126	13,425
Net cash flows from other operating activities	34	**(60,654)**	30,725	15,034
Dividends received from associates	8(b)	**383**	134	-
Dividends paid		**(4,200)**	-	(3,405)
Income tax paid		**(1,906)**	(2,080)	(1,418)
Net cash flows from operating activities		**(37,011)**	32,905	23,636
Investing activities				
Net subordinated loan granted to associate	8(b)	**(40)**	-	-
Investment in associate	8(b)	**-**	-	(50)
Purchase of property, plant and equipment		**(378)**	(439)	(589)
Purchase of intangible assets		**(939)**	(717)	(518)
Proceeds from sale of property, plant and equipment		**4**	3	2
Net cash flows from investing activities		**(1,353)**	(1,153)	(1.155)
Net cash flows before financing activities		**(38,364)**	31,752	22,481
Financing activities				
Issue of share capital	19	**-**	2,000	-
Repayment of lease liabilities	18	**(61)**	(60)	(42)
Refund of subordinated liability	15	**(225)**	(179)	(137)
Net cash flows from financing activities		**(286)**	1,761	(179)
(Decrease)/Increase in cash and cash equivalents		**(38,650)**	33,513	22,302
Net cash and cash equivalents at 1 July		**101,209**	67,696	45,394
Net cash and cash equivalents at 30 June	4	**62,559**	101,209	67,696

The notes on pages 193 to 302 form part of these financial statements.
Auditor's report on pages 176 to 180.

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)

Notes to the financial statements
for the year ended 30 June 2022

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 Bank'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 amendments to standards and interpretations are effective for annual periods beginning on 1 July 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Bank in the current reporting period. For this financial year, the following has been adopted:

Interest Rate Benchmark Reform Phase 2

Following the decision to replace the IBOR with alternative risk free rates in 2018, the IASB has undertaken a two phased project. The phase 1 amendments provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by IBOR reform. This was not applicable to the 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 requirement

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

***Interest Rate Benchmark Reform Phase 2** (Cont'd)*

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

Impact of the reform on the bank

- A LIBOR Transition Steering Committee, made up of Directors and Senior Executives of the Bank was set up to oversee the smooth transition to an alternative rate and to ensure all risks associated with the migration are properly identified and managed
- Subcommittees of the LIBOR Transition Steering Committee were also set up to review and execute required changes to IT systems and operational processes.
- Training, communication and client engagement were conducted to facilitate appropriate selection of new rates and products.
- Dedicated teams have been put in place to support the transition.
- Legacy contracts referencing LIBOR settings that were demised by end-2021 were successfully transitioned
- Issuance of Libor-based contracts were ceased as from January 2022.
- Risks arising from Ibor transition are continuously assessed, monitor and dynamically manage, and mitigating controls are implemented as and when required.

Transition of legacy contracts

All IBOR lending contracts in Pounds Sterling, Swiss Franc, Euro and Japanese Yen have successfully transited to a new Risk Free Rate via appropriate fallback mechanism. The transition of USD contracts will follow the same principle. The Bank will continue to communicate with its customers and investors in a structured manner for the remaining contracts that are yet to be transited to the new rate.

Note 36 provides the required disclosures related to these amendments.

Amendment effective as at 1 January 2021 but which is not applicable to the Bank

- IFRS 16 Leases - Covid 19 Related Rent Concessions amendments

New and revised standards in issue but not yet effective

Amendments to IAS 1- Classification of Liabilities as Current or Non-current

The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

New and revised standards in issue but not yet effective (Cont'd)

Amendments to IFRS 3 - Business combinations regarding the definition of a business

The Amendments to IFRS 3 intends to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework). The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It further clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whilst changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 12 - Deferred Tax related to assets and liabilities arising from a single transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Amendments resulting from annual improvements 2018 – 2020 Cycle for the following standards

The following changes are effective for annual reporting periods beginning on or after 1 January 2022:

IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

These amendments will be applied in the financial statements for the annual periods beginning on the respective dates.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

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.

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, commodities 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.

(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 from other financial instruments carried at fair value. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans originated by the 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 from other financial instruments carried at fair value. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in profit arising from dealing in foreign currencies in the statement of profit or loss and impairment expenses are presented as 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 from other financial instruments carried at fair value in the year in which it arises. A gain or loss on an equity investment elected to be measured at FVPL is presented in net gain from equity financial instruments carried at fair value through profit or loss.

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 equity financial instruments carried at fair value through profit or loss' 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 and work in progress are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their disposal proceeds and their carrying amounts and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(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 ten 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.

(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.

1. Significant accounting policies (Cont'd)

(p) Current and deferred income tax (cont'd)

(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.

(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.

1. Significant accounting policies (Cont'd)

(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)

Critical accounting estimates and assumptions (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 are 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 value of inputs to the models and how these 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) Financial risk management

The Bank is actively engaged in delivery of financial services, which includes retail and commercial banking, treasury services, custody and credit card. Managing financial risk is a fundamental part of its business activity. The main sources of financial risk that the bank faces arise from financial instruments, which are fundamental to the bank's business and constitute the core of its operations.

The Bank has exposure to the following risks from financial instruments:

(i) Credit Risk
(ii) Liquidity Risk
(iii) Market risk (including interest rate and foreign currency risk)

The Bank devotes considerable resources to measure, manage, mitigate and control each of these risks and ensures that its risk management systems and procedures are fitted to meet the needs of the business. The Bank's risk management policies and processes are designed to identify and analyse these risks; set appropriate risk appetites; limits and controls; and to constantly monitor the risks and adherence to limits.

(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 2022.

At 30 June 2022	Performing			Under performing			Non performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Portfolio										
Retail	51,316	319	50,997	843	395	448	1,211	358	143	853
Wholesale	684,284	4,283	680,001	16,384	2,644	13,740	11,173	3,964	1,120	7,209
Total	735,600	4,602	730,998	17,227	3,039	14,188	12,384	4,322	1,263	8,062
Retail										
Housing loans	33,522	96	33,426	582	248	334	643	179	35	464
SME	8,668	80	8,588	78	38	40	296	75	33	221
Unsecured and revolving	4,477	91	4,386	86	62	24	124	79	14	45
Other secured loans	4,649	52	4,597	97	47	50	148	25	61	123
Total Retail	51,316	319	50,997	843	395	448	1,211	358	143	853
Wholesale										
Sovereign	262,503	102	262,401	-	-	-	71	7	3	64
Financial institutions	48,985	515	48,470	-	-	-	-	-	-	-
Project finance	8,537	172	8,365	421	85	336	-	-	-	-
Energy & commodities	193,208	358	192,850	3,974	357	3,617	1,647	754	67	893
Corporate	171,051	3,136	167,915	11,989	2,202	9,787	9,455	3,203	1,050	6,252
Total Wholesale	684,284	4,283	680,001	16,384	2,644	13,740	11,173	3,964	1,120	7,209

The Bank allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement. For the wholesale portfolio, credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of the borrower. It involves assigning a rating to each counterparty according to an internal scale of 1 to 20 . The following table presents the Bank's internal rating scale and the corresponding scale of Moody's Investors Service.

Internal rating	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Moody's equivalent rating	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	D

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system follows.

At 30 June 2022	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	48,490	-	-	1	-	-	48,489	-	-
3	13,684	-	-	-	-	-	13,684	-	-
4	9,140	-	-	-	-	-	9,140	-	-
5	9,680	-	-	4	-	-	9,676	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	206,315	-	-	45	-	-	206,270	-	-
9	309	-	-	1	-	-	308	-	-
10	11,626	-	-	2	-	-	11,624	-	-
11	10,182	66	-	84	1	-	10,098	65	-
12	77,477	81	-	379	2	-	77,098	79	-
13	62,705	35	-	358	1	-	62,347	34	-
14	145,611	3,188	-	1,371	224	-	144,240	2,964	-
15	63,219	3,567	-	1,299	315	-	61,920	3,252	-
16	14,649	3,610	-	622	922	-	14,027	2,688	-
17	2,320	3,989	-	73	680	-	2,247	3,309	-
18	1,649	907	-	34	197	-	1,615	710	-
19	5	941	-	-	302	-	5	639	-
20	-	-	11,173	-	-	3,964	-	-	7,209
Total	684,284	16,384	11,173	4,283	2,644	3,964	680,001	13,740	7,209
Sovereign									
2	48,490	-	-	1	-	-	48,489	-	-
3	8,377	-	-	-	-	-	8,377	-	-
4	1,355	-	-	-	-	-	1,355	-	-
8	202,632	-	-	43	-	-	202,589	-	-
14	223	-	-	1	-	-	222	-	-
17	1,426	-	-	57	-	-	1,369	-	-
20	-	-	71	-	-	7	-	-	64
Total	262,503	-	71	102	-	7	262,401	-	64

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022	Gross exposure			Expected credit loss			Net exposure		
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	388	-	-	-	-	-	388	-	-
4	23	-	-	-	-	-	23	-	-
5	3,405	-	-	3	-	-	3,402	-	-
6	2,492	-	-	2	-	-	2,490	-	-
7	4,731	-	-	8	-	-	4,723	-	-
8	3,683	-	-	2	-	-	3,681	-	-
9	309	-	-	1	-	-	308	-	-
10	11,486	-	-	1	-	-	11,485	-	-
11	1,402	-	-	3	-	-	1,399	-	-
12	478	-	-	3	-	-	475	-	-
13	2,822	-	-	31	-	-	2,791	-	-
14	3	-	-	-	-	-	3	-	-
15	8,882	-	-	189	-	-	8,693	-	-
16	7,406	-	-	261	-	-	7,145	-	-
18	1,470	-	-	11	-	-	1,459	-	-
19	5	-	-	-	-	-	5	-	-
20	-	-	-	-	-	-	-	-	-
Total	48,985	-	-	515	-	-	48,470	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022	Gross exposure			Expected credit loss			Net exposure		
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	2,746	-	-	29	-	-	2,717	-	-
13	2,731	-	-	15	-	-	2,716	-	-
14	2,212	-	-	60	-	-	2,152	-	-
15	149	-	-	3	-	-	146	-	-
16	523	-	-	43	-	-	480	-	-
17	-	421	-	-	85	-	-	336	-
18	176	-	-	22	-	-	154	-	-
Total	8,537	421	-	172	85	-	8,365	336	-

Energy & Commodities									
3	4,919	-	-	-	-	-	4,919	-	-
4	7,762	-	-	-	-	-	7,762	-	-
5	6,275	-	-	1	-	-	6,274	-	-
12	29,790	-	-	54	-	-	29,736	-	-
13	31,630	-	-	24	-	-	31,606	-	-
14	80,781	1,756	-	165	88	-	80,616	1,668	-
15	28,731	-	-	49	-	-	28,682	-	-
16	2,426	-	-	49	-	-	2,377	-	-
17	894	2,218	-	16	269	-	878	1,949	-
20	-	-	1,647	-	-	754	-	-	893
Total	193,208	3,974	1,647	358	357	754	192,850	3,617	893

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022	Gross exposure			Expected credit loss			Net exposure		
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	140	-	-	1	-	-	139	-	-
11	8,780	66	-	81	1	-	8,699	65	-
12	44,463	81	-	293	2	-	44,170	79	-
13	25,522	35	-	288	1	-	25,234	34	-
14	62,392	1,432	-	1,145	136	-	61,247	1,296	-
15	25,457	3,567	-	1,058	315	-	24,399	3,252	-
16	4,294	3,610	-	269	922	-	4,025	2,688	-
17	-	1,350	-	-	326	-	-	1,024	-
18	3	907	-	1	197	-	2	710	-
19	-	941	-	-	302	-	-	639	-
20	-	-	9,455	-	-	3,203	-	-	6,252
Total	171,051	11,989	9,455	3,136	2,202	3,203	167,915	9,787	6,252

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

The following tables set out the credit quality of exposures measured at amortised 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**

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)

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.

	2022 RS 'M	2021 RS 'M	2020 RS 'M
Amortised cost before restructure	**24**	741	595
Net modification gain or loss	**3**	44	20
Gross carrying amount at the end of the reporting year when the loss allowance was measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the year to an amount of 12 months ECL	**7**	2	2

Assets obtained by taking possession of collateral

Details of assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at 30 June are shown below:

	2022 RS 'M	2021 RS 'M	2020 RS 'M
Property	**101**	79	60

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)

	2022 RS 'M	2021 RS 'M	2020 RS 'M
Derivative financial instruments	**438**	1,035	997
Investment securities	**698**	18,019	12,747

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

The Bank's potential credit losses are mitigated through a range of instruments including collaterals and credit protection such as cash, real estate, marketable securities, inventories, standby letters of credit and other physical and/or financial collateral.

Credit risk policies are in place to determine the eligibility of collateral to mitigate the credit risk assumed and appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature, quality and liquidity of the collateral.

In the event of default, the 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)

Wholesale Portfolio

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)

Retail Portfolio

The retail portfolio is broken into SME, housing, secured and unsecured.
The following macroeconomic variables have been used for the respective portfolio:

(a) SME — Ln (GDP at basic prices)
Average Lending rate

(b) Housing — Ln (GDP at basic prices)
Unemployment rate for the year

(c) Secured — Ln (GDP at market prices)
Average lending rate

(d) Unsecured — Ln (GDP at basic prices)
Average CPI
Average lending rate

Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Bank to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital, classified by industry sectors.

	2022 RS 'M	2021 RS 'M	2020 RS 'M
Agriculture and fishing	**715**	5,115	7,536
Manufacturing	**9,682**	909	947
of which EPZ	***67***	*61*	*33*
Tourism	**18,145**	17,818	13,541
Transport	**195**	9,046	7,254
Construction	**6,361**	11,223	9,482
Financial and business services	**9,308**	64,024	64,823
Traders	**261,203**	99,865	68,866
Global Business Licence holders	**9,626**	10,217	10,090
Others	**8,803**	8,961	8,112
	324,038	227,178	190,651

3. Financial risk management (Cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and market credit spreads will affect the bank's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return from risk taking activities.

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%.

	2022 RS 'M	2021 RS 'M	2020 RS 'M
Financial assets at fair value through other comprehensive income	**178**	396	1,035
Financial assets at fair value through profit or loss	**156**	1,036	742
	334	1,432	1,777

(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 Financial Markets. Such limits include daily stop-loss and position limits. Overall exposure to foreign exchange including those resulting from non-trading activities is monitored against both the regulatory guideline and an internal target validated by 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
2022 (RS 'M)	**(7)**	**(10)**	**(25)**	**(1)**
2021 (RS 'M)	(13)	(15)	(39)	(7)
2020 (RS 'M)	(13)	(12)	(26)	(5)

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 2022	EURO RS 'M	USD RS 'M	GBP RS 'M	MUR RS 'M	OTHER RS 'M	TOTAL RS 'M
Financial Assets						
Cash and cash equivalents	11,785	13,432	4,805	32,072	2,540	64,634
Derivative financial instruments	71	-	-	367	-	438
Loans to and placements with banks	1,723	21,941	-	(29)	772	24,407
Loans and advances to customers	26,512	174,088	436	117,231	253	318,520
Investment securities	9,150	52,751	1,355	159,924	-	223,180
Other financial assets	1,374	2,586	228	20,800	314	25,302
	50,615	264,798	6,824	330,365	3,879	656,481
Less allowances for credit impairment						(12,742)
Total						643,739
Financial liabilities						
Deposits from banks	1,246	9,064	256	707	45	11,318
Deposits from customers	44,522	162,839	6,578	262,134	5,030	481,103
Derivative financial instruments	-	87	-	410	-	497
Other borrowed funds	1,853	90,718	-	-	184	92,755
Subordinated liability	-	684	-	-	-	684
Other financial liabilities	160	328	51	1,966	32	2,537
Total	47,781	263,720	6,885	265,217	5,291	588,894
Net on-balance sheet position	2,834	1,078	(61)	65,148	(1,412)	67,587
Less allowances for credit impairment						(12,742)
						54,845
Off balance sheet net notional position	6,835	11,512	603	-	1,081	20,031
Credit commitments	4,075	95,811	67	19,047	1,441	120,441

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	94,150	161	17,320	1,947	117,712

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	47,325	8	14,665	1,974	68,337

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk in the banking book is the risk of an adverse impact to earnings due to changes in market interest rates. It arises on non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent. The Asset and Liability Management BU, within Finance SBU, uses a number of levers to manage interest risk in the banking book whilst Market Risk & Product Control BU independently measures and monitors the latter.

Net interest income (NII) sensitivity measures the sensitivity of expected net interest income under various interest rate scenarios, where all other economic variables are held constant. The net interest income sensitivity is closely monitored by ALCO.

The NII sensitivity calculations assume that interest rates for all maturities move by the same amount in the 'up-shock' scenario. The sensitivity calculations in the 'down-shock' scenarios assumes rate are floored at zero, except if market rates is already negative, as in the case of Euro.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amount by the earlier of contractual re-pricing or maturity dates.

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.

	2022 RS 'M	2021 RS 'M	2020 RS 'M
Impact on Earnings	**211**	273	514

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 2022	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-interest bearing RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	6,315	16	-	-	-	-	58,303	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	5,302	11,302	2,950	4,677	74	46	56	24,407
Loans and advances to customers	200,775	31,870	26,169	17,193	15,863	13,934	12,716	318,520
Investment securities	4,071	11,408	16,131	18,598	83,688	83,882	5,402	223,180
Other financial assets	-	-	-	-	-	-	25,302	25,302
	216,463	54,596	45,250	40,468	99,625	97,862	102,217	656,481
Less allowances for credit impairment								(12,742)
Total								643,739
Financial liabilities								
Deposits from banks	4,169	3,455	-	1,796	-	-	1,898	11,318
Deposits from customers	256,189	6,125	3,064	4,143	2,230	250	209,102	481,103
Derivative financial instruments	-	1	1	2	8	(3)	488	497
Other borrowed funds	9,473	25,143	34,943	5,075	11,312	4,512	2,297	92,755
Subordinated liability	-	674	-	-	-	-	10	684
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
Total	269,831	35,398	38,008	11,016	13,550	4,759	216,332	588,894
On balance sheet interest sensitivity gap	(53,368)	19,198	7,242	29,452	86,075	93,103	(114,115)	67,587
Less allowances for credit impairment								(12,742)
								54,845

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 RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-interest bearing RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	12,667	457	-	-	-	-	88,087	101,211
Derivative financial instruments	-	-	1	1	4	14	1,015	1,035
Inflow	*2*	*2*	*7*	*14*	*50*	*173*	*1,015*	*1,263*
(Outflow)	*(2)*	*(2)*	*(6)*	*(13)*	*(46)*	*(159)*	*-*	*(228)*
Loans to and placements with banks	18,870	16,314	4,053	189	1,635	-	65	41,126
Loans and advances to customers	179,926	24,175	28,726	14,852	4,676	6,266	11,149	269,770
Investment securities	419	13,341	10,409	14,514	59,247	80,614	5,374	183,918
Other financial assets	-	-	-	-	-	-	23,982	23,982
	211,882	54,287	43,189	29,556	65,562	86,894	129,672	621,042
Less allowances for credit impairment								(13,692)
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)

(iv) Liquidity risk

Liquidity risk is the risk of being unable to raise liquid funds to meet immediate or short term obligations in a cost-effective way. The efficient management of liquidity is essential to the Bank for maintaining market confidence and ensuring that business is sustainable.

Liquidity and funding risk are dynamically managed through a robust internal ecosystem comprising of Risk, Finance and Treasury Management, under the oversight of ALCO. The Bank has implemented the following key strategies for management of liquidity risk:

- Project future cash flows and make plans to address normal operating requirements and some variable scenarios and contingencies
- Manage day to day liquidity, by monitoring intra-day liquidity and forecasting future cash flows to ensure that all outflows of funds can be met
- Maintenance of stock of liquid assets that can be used in case of unexpected outflows of cash
- Maintaining a diverse and stable funding base
- Monitoring of a set of liquidity early warning indicators
- Contingency Funding plan.

The table below presents the breakdown of financial assets and liabilities by remaining contractual maturities at end of reporting period.

The amounts disclosed in the following tables are undiscounted.

Maturities of assets and liabilities

At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets								
Cash and cash equivalents	14,505	12	-	-	-	-	50,117	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	4,429	6,092	3,443	8,642	2,069	264	(34)	24,905
Loans and advances to customers	105,865	23,319	22,492	21,230	65,706	111,169	11,875	361,656
Investment securities	4,762	12,047	22,123	15,689	89,745	93,423	4,123	241,912
Other financial assets	-	-	-	-	-	-	25,302	25,302
	129,561	41,470	48,058	45,561	157,520	204,856	91,821	718,847
Less allowances for credit impairment								(12,742)
Total								706,105
Financial liabilities								
Deposits from banks	6,060	3,426	-	1,826	45	-	-	11,357
Deposits from customers	507,072	7,367	4,451	6,939	8,594	3,523	520	538,466
Derivative financial instruments	-	1	1	2	8	8	487	507
Other borrowed funds	11,613	3,166	11,766	1,376	62,866	8,190	145	99,122
Subordinated liability	-	349	-	-	358	-	-	707
Other financial liabilities	-	-	-	-	-	-	2,537	2,537
Lease liabilities	-	-	-	-	-	-	163	163
Total	524,745	14,309	16,218	10,143	71,871	11,721	3,689	652,696
Net liquidity gap	(395,184)	27,161	31,840	35,418	85,649	193,135	88,132	66,151
Less allowances for credit impairment								(12,742)
								53,409
Off balance sheet net notional position	155	6,033	301	361	1,527	330,475	-	338,852
Credit commitments	10,428	17,844	29,273	40,677	7,337	14,882	-	120,441

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

At 30 June 2021	Up to 1 month RS 'M	1-3 months RS 'M	3-6 months RS 'M	6-12 months RS 'M	1-3 years RS 'M	Over 3 years RS 'M	Non-maturity items RS 'M	Total RS 'M
Financial Assets								
Cash and cash equivalents	85,675	1,417	-	-	-	-	14,117	101,209
Derivative financial instruments	-	-	-	(1)	(2)	11	956	964
Loans to and placements with banks	17,555	12,631	5,639	2,200	2,984	342	-	41,351
Loans and advances to customers	62,626	20,198	21,436	20,704	62,230	105,469	9,591	302,254
Investment securities	1,435	12,400	10,412	14,503	59,283	80,406	4,535	182,974
Other financial assets	-	-	-	-	-	-	23,982	23,982
	167,291	46,646	37,487	37,406	124,495	186,228	53,181	652,734
Less allowances for credit impairment								(13,692)
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)

(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 cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying value of the assets kept at amortised cost approximates their fair values.

(e) Capital risk management

Disclosures relating to capital 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 2022						
Financial assets						
Cash and cash equivalents	64,594	-	-	-	-	64,594
Derivative financial instruments	-	-	438	-	-	438
Loans to and placements with banks	23,934	-	-	-	-	23,934
Loans and advances to customers	306,648	-	-	-	-	306,648
Investment securities	216,146	3,110	-	2,337	1,230	222,823
Other financial assets	25,302	-	-	-	-	25,302
Total	636,624	3,110	438	2,337	1,230	643,739
Financial liabilities						
Deposits from banks	11,318	-	-	-	-	11,318
Deposits from customers	481,103	-	-	-	-	481,103
Derivative financial instruments	-	-	497	-	-	497
Other borrowed funds	92,755	-	-	-	-	92,755
Subordinated liability	684	-	-	-	-	684
Other financial liabilities	2,537	-	-	-	-	2,537
Total	588,397	-	497	-	-	588,894
Net on-balance sheet position	48,227	3,110	(59)	2,337	1,230	54,845

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 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**

4. Cash and cash equivalents

	2022 RS'M	2021 RS'M	2020 RS'M
Cash in hand	**3,191**	2,804	2,738
Foreign currency notes and coins	**122**	89	204
Unrestricted balances with Central Bank*	**50,118**	14,117	27,189
Balances due in clearing	**354**	381	331
Treasury bills	**66**	5,092	56
Money market placements	**2,140**	4,140	5,422
Balances with banks abroad	**7,828**	73,588	32,204
Interbank loans	**815**	1,000	-
	64,634	101,211	68,144
Allowances for credit impairment (12 months expected credit loss)	**(40)**	(57)	(16)
	64,594	101,154	68,128

* Unrestricted balances with Central Bank represent amounts above the minimum cash reserve requirement.
Money market placements, balances with banks abroad and interbank loans represent Loans to and placements with banks with original maturity less than three months.
The elements within cash and cash equivalents are classified as current assets.

Allowances for credit impairment

	12 months expected credit loss RS'M
At 1 July 2021	**57**
Provision for credit impairment for the year	**24**
Provision released during the year	**(72)**
Financial assets that have been derecognised	**(3)**
Changes in models/risk parameters	**34**
At 30 June 2022	**40**
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

Cash and cash equivalents as shown in the statements of cash flows

	2022 RS'M	2021 RS'M	2020 RS'M
Cash and cash equivalents	**64,634**	101,211	68,144
Other borrowed funds (see note 14(a))	**(2,075)**	(2)	(448)
Net cash and cash equivalents	**62,559**	101,209	67,696
(Decrease)/Increase in cash and cash equivalents	**(38,650)**	33,513	22,302

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.

Commodity options provide the buyer, for a premium, the right, but not the obligation, either to purchase or sell a fixed quantity of a certain commodity at a specified price on or before a future date. All commodity contracts are fully back-to-back transactions such that the Bank is not exposed to market risks.

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*			
Derivative Instruments			
At 30 June 2022			
Currency forwards	**10,499**	**244**	**255**
Interest rate swaps	**2,211**	**44**	**64**
Currency swaps	**11,476**	**123**	**164**
Commodities	**2,209**	**14**	**14**
Others	**13**	**13**	**-**
	26,408	**438**	**497**
At 30 June 2021			
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			
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

*Refer to definition of Level 2 in note 7.

The derivative financial instruments are classified as non-current assets or non-current liabilities.

6. Loans

(a) Loans to and placements with banks

	2022 RS'M	2021 RS'M	2020 RS'M
(i) Loans to and placements with banks			
in Mauritius	**815**	39	6,114
outside Mauritius	**34,375**	119,815	50,887
	35,190	119,854	57,001
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(10,783)**	(78,728)	(37,626)
	24,407	41,126	19,375
Less:			
Allowances for credit impairment	**(473)**	(257)	(22)
	23,934	40,869	19,353
(ii) Remaining term to maturity			
Up to 3 months	**9,077**	29,577	9,901
Over 3 months and up to 6 months	**2,752**	5,248	3,163
Over 6 months and up to 1 year	**8,651**	1,014	6,008
Over 1 year and up to 5 years	**3,747**	4,965	-
Over 5 years	**180**	322	303
	24,407	41,126	19,375

(iii) Reconciliation of gross carrying amount

	12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**41,125**	**1**	**41,126**
New loans and placements with banks, originated or purchase	**20,269**	**-**	**20,269**
Loans and placements with banks derecognised or repaid (excluding write off)	**(36,987)**	**(1)**	**(36,988)**
At 30 June 2022	**24,407**	**-**	**24,407**
At 1 July 2020	19,363	12	19,375
New loans and placements with banks, originated or purchase	40,824	1	40,825
Loans and placements with banks derecognised or repaid (excluding write off)	(19,062)	(12)	(19,074)
At 30 June 2021	41,125	1	41,126
At 1 July 2019	21,355	69	21,424
New loans and placements with banks, originated or purchase	13,086	12	13,098
Loans and placements with banks derecognised or repaid (excluding write off)	(15,078)	(69)	(15,147)
At 30 June 2020	19,363	12	19,375

6. Loans (Cont'd)

(a) Loans to and placements with banks (Cont'd)

(iv) 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 2021	**255**	**1**	**256**
Provision for credit impairment for the year	**239**	**-**	**239**
Provision released during the year	**(45)**	**(1)**	**(46)**
Financial assets that have been derecognised	**(113)**	**-**	**(113)**
Changes in models/risk parameters	**137**	**-**	**137**
Provision and interest in suspense at 30 June 2022	**473**	**-**	**473**
At 1 July 2020	10	-	10
Provision for credit impairment for the year	146	1	147
Financial assets that have been derecognised	(11)	-	(11)
Changes in models/risk parameters	110	-	110
At 30 June 2021	255	1	256
Interest in suspense	-	1	1
Provision and interest in suspense at 30 June 2021	255	2	257
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

There were no non performing loans (NPL) under Loans to and placements with banks in 2022.
(2021: NPL Rs 1M/Provision Rs 1M, 2020: NPL Rs Nil/Provision Rs Nil).

6. Loans (Cont'd)

(b) Loans and advances to customers

	2022 RS'M	2021 RS'M	2020 RS'M
(i) Loans and advances to customers			
Retail customers:			
Credit cards	**912**	821	794
Mortgages	**34,336**	32,177	30,802
Other retail loans	**9,260**	10,118	10,761
Corporate customers	**120,129**	123,015	110,051
Governments	**-**	244	459
Entities outside Mauritius	**153,883**	103,395	83,678
	318,520	269,770	236,545
Less:			
Allowances for credit impairment	**(11,872)**	(13,020)	(9,768)
	306,648	256,750	226,777
(ii) Remaining term to maturity			
Up to 3 months	**127,589**	81,354	62,014
Over 3 months and up to 6 months	**13,672**	4,856	4,425
Over 6 months and up to 1 year	**7,731**	15,557	13,471
Over 1 year and up to 5 years	**84,709**	78,673	70,248
Over 5 years	**84,819**	89,330	86,387
	318,520	269,770	236,545

(iii) Reconciliation of gross carrying amount

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**224,358**	**33,796**	**11,616**	**269,770**
Transfer to 12 months ECL	**9,007**	**(8,477)**	**(530)**	**-**
Transfer to lifetime ECL not credit impaired	**(2,708)**	**3,239**	**(531)**	**-**
Transfer to lifetime ECL credit impaired	**(376)**	**(8,574)**	**8,950**	**-**
New loans and advances to customers, originated or purchase	**158,880**	**4,020**	**3,531**	**166,431**
Loans and advances to customers derecognised or repaid (excluding write off)	**(101,513)**	**(6,779)**	**(3,918)**	**(112,210)**
Write offs	**-**	**-**	**(5,471)**	**(5,471)**
At 30 June 2022	**287,648**	**17,225**	**13,647**	**318,520**
At 1 July 2020	193,256	31,935	11,354	236,545
Transfer to 12 months ECL	2,473	(1,868)	(605)	-
Transfer to lifetime ECL not credit impaired	(6,500)	6,927	(427)	-
Transfer to lifetime ECL credit impaired	(1,140)	(2,455)	3,595	-
New loans and advances to customers, originated or purchase	108,923	10,015	2,180	121,118
Loans and advances to customers derecognised or repaid (excluding write off)	(72,654)	(10,758)	(2,465)	(85,877)
Write offs	-	-	(2,016)	(2,016)
At 30 June 2021	224,358	33,796	11,616	269,770
At 1 July 2019	191,817	16,776	11,227	219,820
Transfer to 12 months ECL	1,225	(881)	(344)	-
Transfer to lifetime ECL not credit impaired	(9,920)	10,002	(82)	-
Transfer to lifetime ECL credit impaired	(1,702)	(431)	2,133	-
New loans and advances to customers, originated or purchase	80,926	13,826	3,438	98,190
Loans and advances to customers derecognised or repaid (excluding write off)	(69,090)	(7,357)	(2,971)	(79,418)
Write offs	-	-	(2,047)	(2,047)
At 30 June 2020	193,256	31,935	11,354	236,545

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iv) 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 2021	2,677	4,713	3,783	11,173
Exchange adjustment	-	-	126	126
Transfer to 12 months ECL	935	(782)	(153)	-
Transfer to lifetime ECL not credit impaired	(123)	192	(69)	-
Transfer to lifetime ECL credit impaired	(9)	(1,145)	1,154	-
Provision for credit impairment for the year	1,770	500	4,786	7,056
Provision released during the year	(1,334)	(930)	(295)	(2,559)
Financial assets that have been derecognised	(355)	(297)	(872)	(1,524)
Write offs	-	-	(4,138)	(4,138)
Changes in models/risk parameters	(313)	788	-	475
At 30 June 2022	3,248	3,039	4,322	10,609
Interest in suspense	-	-	1,263	1,263
Provision and interest in suspense at 30 June 2022	3,248	3,039	5,585	11,872

	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

	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

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(v) Allowances for credit impairment by industry sectors

	2022					
	Gross amount of loans	Non performing loans*	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	7,592	664	120	131	440	691
Manufacturing	19,731	303	175	207	131	513
of which EPZ	*2,027*	*1*	*32*	*133*	*-*	*165*
Tourism	32,274	125	887	1,427	36	2,350
Transport	5,247	18	174	1	7	182
Construction	13,368	574	226	17	330	573
Financial and business services	30,775	247	329	167	111	607
Traders	123,043	1,869	579	383	934	1,896
Personal	43,736	903	219	65	368	652
of which credit cards	*866*	*23*	*10*	*1*	*21*	*32*
of which housing	*34,336*	*643*	*94*	*27*	*212*	*333*
Professional	1,002	83	12	1	58	71
Global Business Licence holders	16,175	7,414	142	25	3,080	3,247
Others	25,577	184	385	615	90	1,090
	318,520	12,384	3,248	3,039	5,585	11,872

	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

*Non performing loans excludes interest in suspense.

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(v) Allowances for credit impairment by industry sectors (Cont'd)

	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

*Non performing loans excludes interest in suspense.

7. Investment securities

(a) Investment securities

	2022 RS'M	2021 RS'M	2020 RS'M
Investment in debt securities at amortised cost	**216,503**	155,282	100,741
Less allowances for credit impairment on investment in debt securities at amortised cost	**(357)**	(358)	(359)
	216,146	154,924	100,382
Fair value through other comprehensive income	**3,567**	7,914	20,694
Fair value through profit or loss	**3,110**	20,722	14,839
	222,823	183,560	135,915

As at 30 June 2022, there were no credit impaired investments fair valued through other comprehensive income.
(**Credit Impaired** - 2021: Rs 101M/Provision Rs 11M, 2020: Rs 90M/Provision Rs 10M, **12 months expected credit loss** - 2021: Rs 8M, 2020: Rs 8M)

Investment securities can be classified as:

Current	**48,667**	39,313	34,551
Non-current	**174,513**	144,605	101,723

(b) (i) Investment in debt securities at amortised cost

	2022 RS'M	2021 RS'M	2020 RS'M
Government of Mauritius and Bank of Mauritius bonds	**111,658**	103,843	72,143
Treasury bills	**20,809**	7,415	7,084
Foreign bonds	**55,839**	22,000	387
Notes	**27,813**	21,643	20,803
Index linked note	**384**	381	324
	216,503	155,282	100,741

(ii) Remaining term to maturity

	2022					
	Up to 3 months RS'M	3 - 6 months RS'M	6 - 12 months RS'M	1 - 5 years RS'M	Over 5 years RS'M	Total RS'M
Government of Mauritius and Bank of Mauritius bonds	**8,578**	**4,719**	**7,253**	**72,207**	**18,901**	**111,658**
Treasury bills	**6,861**	**7,396**	**6,552**	**-**	**-**	**20,809**
Foreign bonds	**-**	**2,245**	**1,355**	**36,101**	**16,138**	**55,839**
Notes	**304**	**1,453**	**1,253**	**15,067**	**9,736**	**27,813**
Index linked note	**-**	**-**	**-**	**207**	**177**	**384**
	15,743	**15,813**	**16,413**	**123,582**	**44,952**	**216,503**

	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

7. Investment securities (Cont'd)

(b) (ii) Remaining term to maturity (Cont'd)

	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

(iii) Reconciliation of gross carrying amount of investment in debt securities at amortised cost

	12 months expected credit loss RS'M	Lifetime expected credit loss (not credit impaired) RS'M	Total RS'M
At 1 July 2021	**153,370**	**1,912**	**155,282**
Transfer to 12 month ECL	**1,505**	**(1,505)**	**-**
Investments originated or purchased	**85,668**	**-**	**85,668**
Investments derecognised or repaid (excluding write off)	**(24,040)**	**(407)**	**(24,447)**
At 30 June 2022	**216,503**	**-**	**216,503**
At 1 July 2020	97,591	3,150	100,741
Transfer to 12 months ECL	1,080	(1,080)	-
Investments originated or purchased	77,935	46	77,981
Investments derecognised or repaid (excluding write off)	(23,236)	(204)	(23,440)
At 30 June 2021	153,370	1,912	155,282
At 1 July 2019	76,346	-	76,346
Transfer to lifetime ECL (not credit impaired)	(3,114)	3,114	-
Investments originated or purchased	44,071	37	44,108
Investments derecognised or repaid (excluding write off)	(19,712)	(1)	(19,713)
At 30 June 2020	97,591	3,150	100,741

7. Investment securities (Cont'd)

(b) (iv) Allowances for credit impairment on investment in debt securities at amortised cost

	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2021	**252**	**106**	**358**
Transfer to 12 months ECL	**102**	**(102)**	**-**
Provision for credit impairment for the year	**140**	**-**	**140**
Provision released during the year	**(107)**	**-**	**(107)**
Financial assets that have been derecognised	**(61)**	**(4)**	**(65)**
Changes in models/risk parameters	**31**	**-**	**31**
At 30 June 2022	**357**	**-**	**357**
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

7. Investment securities (Cont'd)

(c) (i) Fair value through other comprehensive income by levels

	2022 RS'M	2021 RS'M	2020 RS'M
Quoted - Level 1			
Official list : shares (equity instrument)	**961**	797	684
Bonds (debt instrument)	**1,662**	6,182	19,141
	2,623	6,979	19,825
Unquoted - Level 2			
Investment fund (debt instrument)	**675**	677	625
Unquoted - Level 3			
Shares (equity instrument)	**269**	258	244
	3,567	7,914	20,694

(ii) Reconciliation of level 3 fair value measurements

	2022 RS'M	2021 RS'M	2020 RS'M
At 1 July	**258**	244	245
Additions	**17**	99	-
Disposal of investment	**-**	(101)	-
Movement in fair value	**(6)**	16	(1)
At 30 June	**269**	258	244

(d) Fair value through profit or loss by levels

	2022 RS'M	2021 RS'M	2020 RS'M
Quoted - Level 1			
Foreign bonds (debt instrument)	**-**	1	1
Foreign shares (equity instrument)	**2,412**	2,703	2,092
	2,412	2,704	2,093
Unquoted - Level 2			
Government of Mauritius and Bank of Mauritius bonds (debt instrument)	**196**	1,251	893
Treasury bills (debt instrument)	**502**	16,767	11,853
	698	18,018	12,746
	3,110	20,722	14,839

Fair value hierarchy

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.

Unquoted shares

The Bank holds shares in several investments where the fair value is determined as a percentage of the net asset value using latest available audited accounts and in some cases latest available management accounts. There are also some investments which are fair valued using the latest available share prices which were available upon recent events, e.g. rights issue.

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 2022	Madagascar	Banking & Financial Services	9,797	8,996	80.00	118
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

(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 RS'M	Holding %
At 30 June 2022							
Banque Française Commerciale Océan Indien	**Reunion**	**Banking & Financial Services**	**99,831**	**90,957**	**4,853**	**801**	**49.99**
Société Générale Moçambique	**Mozambique**	**Banking & Financial Services**	**12,913**	**11,451**	**1,503**	**213**	**35.00**
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	877	49.99
Société Générale Moçambique	Mozambique	Banking & Financial Services	7,344	6,340	729	16	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 2019	3,294	370	415	4,079
Share of profit of associates	438	6	-	444
Exchange differences on translating foreign operations	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
Exchange differences on translating foreign operations	526	50	-	576
Dividend received from associates	(134)	-	-	(134)
Adjustments	(7)	6	58	57
At 30 June 2021	**4,840**	**464**	**516**	**5,820**
Share of profit of associates	**400**	**75**	**-**	**475**
Exchange differences on translating foreign operations	**(388)**	**28**	**-**	**(360)**
Share of other movements in associates	**24**	**-**	**-**	**24**
Net subordinated loan granted to associate	**-**	**-**	**40**	**40**
Dividend received from associates	**(383)**	**-**	**-**	**(383)**
Adjustments	**-**	**(4)**	**(43)**	**(47)**
At 30 June 2022	**4,493**	**563**	**513**	**5,569**

(v) Summarised financial information in respect of material entities:

Banque Française Commerciale Océan Indien (BFCOI)	2022 RS'M	2021 RS'M	2020 RS'M
Summarised statement of financial position:			
Current assets	**11,607**	17,753	14,980
Non current assets	**88,224**	97,111	82,010
Current liabilities	**21,276**	25,362	23,830
Non current liabilities	**69,681**	79,955	65,045
Equity attributable to owners of BFCOI	**8,874**	9,547	8,115
Summarised statement of profit or loss and other comprehensive income:			
Revenue	**4,853**	4,547	4,027
Profit	**801**	662	877
Other comprehensive income	**47**	-	-
Total comprehensive income	**848**	662	877

The directors are satisfied that there are no indications requiring an impairment of the Bank's investment in subsidiary and investments in associates.
Investments in subsidiary and associates are classified as non-current asset.

9. Intangible assets

	Computer software RS'M	Work in progress RS'M	Total RS'M
Cost			
At 1 July 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**
Additions	**83**	**856**	**939**
Transfer	**808**	**(808)**	**-**
At 30 June 2022	**2,473**	**514**	**2,987**
Accumulated amortisation			
At 1 July 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**
Amortisation adjustment	**75**	**-**	**75**
Charge for the year	**430**	**-**	**430**
At 30 June 2022	**1,091**	**-**	**1,091**
Net book value			
At 30 June 2022	**1,382**	**514**	**1,896**
At 30 June 2021	996	466	1,462
At 30 June 2020	756	258	1,014

Intangible assets are classified as non-current asset.

10. Property, plant and equipment

	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles	Work in progress	Right-of-Use assets (Land and Buildings)	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cost						
At 1 July 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
Additions	-	204	18	156	167	545
Scrap	-	(130)	(1)	-	-	(131)
Disposals	-	(3)	(9)	-	-	(12)
Cancellation	-	-	-	-	(80)	(80)
Adjustment on re-measurement*	-	-	-	-	(1)	(1)
Transfer	63	60	34	(157)	-	-
At 30 June 2022	4,778	3,519	939	148	326	9,710
Accumulated depreciation						
At 1 July 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
Charge for the year	80	324	59	-	64	527
Depreciation adjustment	-	182	13	-	-	195
Scrap adjustment	-	(130)	-	-	-	(130)
Disposal adjustment	-	(2)	(9)	-	-	(11)
At 30 June 2022	1,166	2,789	636	-	168	4,759
Net book values						
At 30 June 2022	3,612	730	303	148	158	4,951
At 30 June 2021	3,629	973	324	149	136	5,211
At 30 June 2020	3,660	950	333	170	106	5,219

10. Property, plant and equipment (Cont'd)

Property, plant and equipment are classified as non-current asset.

Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment'.

The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 10 years. Moreover, the 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 4.5% (2021: from 5.6% to 4.1%).

11. Deferred tax assets

	Balance as at 1 July	Exchange adjustments	Recognised in Statement of profit or loss	Recognised in Statement of comprehensive income	Balance as at 30 June
	RS'M	RS'M	RS'M	RS'M	RS'M
2022					
Provisions and post retirement benefits	**(7)**	**-**	**(27)**	**229**	**195**
Provisions for credit impairment	**1,452**	**9**	**431**	**-**	**1,892**
Accelerated tax depreciation	**(256)**	**-**	**(27)**	**-**	**(283)**
At 30 June 2022	**1,189**	**9**	**377**	**229**	**1,804**
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

The applied deferred tax rate for the three years is 13%.
Deferred tax assets are classified as non-current asset.

12. Other assets

	2022	2021	2020
	RS'M	RS'M	RS'M
Mandatory balances with Central Bank	**24,146**	21,990	19,821
Prepayments and other receivables	**1,880**	1,126	813
Credit card clearing	**490**	152	155
Non-banking assets acquired in satisfaction of debts*	**101**	79	60
Impersonal and other accounts	**5,125**	3,808	1,510
	31,742	27,155	22,359

* The Bank's policy is to dispose of such assets as soon as the market permits.
All elements under other assets are classified as current assets except 'non-banking assets acquired in satisfaction of debts' and 'impersonal and other accounts'.

13. Deposits

		2022 RS'M	2021 RS'M	2020 RS'M
(a)	**Deposits from banks**			
	Demand deposits	5,205	16,955	4,484
	Money market deposits with remaining term to maturity:			
	Up to 3 months	4,271	2,570	1,447
	Over 3 months and up to 6 months	-	1,663	1,430
	Over 6 months and up to 1 year	1,799	427	201
	Over 1 year and up to 5 years	43	41	38
		6,113	4,701	3,116
		11,318	21,656	7,600
	Deposits from banks can be classified as:			
	Current	11,275	21,615	7,562
	Non-current	43	41	38
(b)	**Deposits from customers**			
(i)	**Retail customers**			
	Demand deposits	52,473	46,602	40,815
	Savings deposits	185,371	169,830	152,765
	Time deposits with remaining term to maturity:			
	Up to 3 months	2,487	3,419	4,532
	Over 3 months and up to 6 months	1,679	1,673	2,125
	Over 6 months and up to 1 year	3,490	3,302	4,596
	Over 1 year and up to 5 years	9,760	9,320	10,257
	Over 5 years	6	8	49
		17,422	17,722	21,559
		255,266	234,154	215,139
(ii)	**Corporate customers**			
	Demand deposits	200,862	193,036	120,215
	Savings deposits	5,342	6,145	5,077
	Time deposits with remaining term to maturity:			
	Up to 3 months	11,903	12,598	12,777
	Over 3 months and up to 6 months	2,640	2,315	3,403
	Over 6 months and up to 1 year	3,354	4,131	2,677
	Over 1 year and up to 5 years	1,631	1,326	4,522
	Over 5 years	1	-	-
		19,529	20,370	23,379
		225,733	219,551	148,671
(iii)	**Government**			
	Demand deposits	45	54	44
	Savings deposits	59	69	154
		104	123	198
		481,103	453,828	364,008
	Deposits from customers can be classified as:			
	Current	469,705	443,174	349,180
	Non-current	11,398	10,654	14,828

14. Other borrowed funds

(a) Other borrowed funds comprise the following:

	2022 RS'M	2021 RS'M	2020 RS'M
Borrowings from banks:			
in Mauritius	**9,961**	24,158	17,535
abroad	**82,794**	50,468	33,282
	92,755	74,626	50,817
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**2,075**	2	448

The carrying amounts of other borrowed funds are not materially different from their fair values.

(b) Remaining term to maturity:

	2022	2021	2020
On demand or within a period not exceeding 1 year	**24,181**	43,844	43,556
Within a period of more than 1 year but not exceeding 3 years	**57,962**	17,154	352
Within a period of more than 3 years	**10,612**	13,628	6,909
	92,755	74,626	50,817
Other borrowed funds can be classified as:			
Current	**24,181**	43,844	43,556
Non-current	**68,574**	30,782	7,261

15. Subordinated liability

Subordinated liability comprises the following:

	2022 RS'M	2021 RS'M	2020 RS'M
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (2021: 3.5% and 2020: 5.2%)	**875**	1,013	1,040
Repayment of USD 5.3M during the year (2021: USD 4.5M, 2020: USD 3.8M)	**(225)**	(179)	(137)
Exchange adjustments and others	**34**	41	110
	684	875	1,013

Subordinated liability is classified as non-current liability.
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 liability/(asset)

		2022 Rs'M	2021 Rs'M	2020 Rs'M
	Post employee benefit liability/(asset)			
(a)	Staff superannuation fund (defined benefit section)	**278**	(1,344)	1,041
(b)	Residual retirement gratuities	**182**	126	129
		460	(1,218)	1,170

(a) Staff superannuation fund (defined benefit section)

	2022 Rs'M	2021 Rs'M	2020 Rs'M
Reconciliation of net defined benefit liability/(asset)			
Opening balance	**(1,344)**	1,041	301
Amount recognised in statement of profit or loss	**131**	255	261
Amount recognised in statement of comprehensive income	**1,716**	(2,407)	715
Less employer contributions	**(225)**	(233)	(236)
Closing balance	**278**	(1,344)	1,041
Reconciliation of fair value of plan assets			
Opening balance	**8,952**	7,555	7,688
Interest income	**443**	241	459
Employer contributions	**225**	233	236
Transfer of assets	**-**	(45)	-
Benefits paid	**(401)**	(322)	(310)
Return on plan assets (below)/above interest income	**(454)**	1,290	(518)
Closing balance	**8,765**	8,952	7,555
Reconciliation of present value of defined benefit obligation			
Opening balance	**7,608**	8,596	7,989
Current service cost	**203**	229	230
Interest expense	**371**	270	471
Past service cost	**-**	(3)	19
Transfer of assets	**-**	(45)	-
Benefits paid	**(401)**	(322)	(310)
Liability experience loss/(gain)	**96**	-	(13)
Liability loss/(gain) due to change in financial assumptions	**1,166**	(1,117)	210
Closing balance	**9,043**	7,608	8,596
Components of amount recognised in statement of profit or loss			
Current service cost	**203**	229	230
Past service cost	**-**	(3)	19
Net interest on net defined benefit (asset)/liability	**(72)**	29	12
Total	**131**	255	261
Analysed as follows:			
The Mauritius Commercial Bank Limited (see note 27(a))	**118**	223	228
Other members of The MCB Group Limited	**13**	32	33
	131	255	261
Components of amount recognised in other statement of comprehensive income			
Return on plan assets below/(above) interest income	**454**	(1,290)	518
Liability experience loss/(gain)	**96**	-	(13)
Liability loss/(gain) due to change in financial assumptions	**1,166**	(1,117)	210
Total	**1,716**	(2,407)	715

16. Post employee benefit liability/(asset) (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

	2022	2021	2020
Allocation of plan assets at end of year	%	%	%
Equity - Local quoted	**38**	32	30
Equity - Local unquoted	**1**	1	1
Debt - Overseas quoted	**-**	1	1
Debt - Local quoted	**11**	12	12
Debt - Local unquoted	**5**	5	5
Property - Local	**6**	5	6
Investment funds	**31**	37	31
Cash and other	**8**	7	14
Total	**100**	100	100

Allocation of plan assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	**11**	10	8
Property occupied by reporting entity	**6**	6	6
Other assets used by reporting entity	**3**	3	4

Principal assumptions used at end of year			
Discount rate	**5.3%**	5.0%	3.2%
Rate of salary increases	**3.7%**	2.5%	1.0%
Rate of pension increases	**2.2%**	1.0%	0.5%
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

	2022 RS' M	2021 RS' M	2020 RS' M
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**1,628**	1,301	1,617
Decrease due to 1% increase in discount rate	**1,275**	1,027	1,254
Increase due to 1% increase in salary increase rate	**697**	-	-
Decrease due to 1% decrease in salary increase rate	**597**	-	-
Increase due to 1% increase in pension increase rate	**850**	-	-
Decrease due to 1% decrease in pension increase rate	**732**	-	-

16. Post employee benefit liability/(asset) (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the year after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The 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 liability of Rs 278M as at 30 June 2022 for the defined benefit pension plan (2021: net defined asset of Rs 1,344M and 2020: net defined liability of Rs 1,041M).

The liability experience loss of Rs 96M is mainly due to a mortality experience (pensioners and employees living longer than expected), the actual average pension increases being higher than expected and the pensioner liability for new retirees being higher than their past service reserve. This loss has been partially offset by a gain due to actual average salary increases being lower than expected.

The liability loss of Rs 1,166M is mainly die to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 2.5% p.a. in 2021 to 1.6% p.a. in 2022 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 4.0% p.a. in 2021 to 3.1% p.a. in 2022.

The 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.

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):	**369**
Weighted average duration of the defined benefit obligation:	**17 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. 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 liability/(asset) (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	2022 Rs'M	2021 Rs'M	2020 Rs'M
Reconciliation of net defined benefit liability			
Opening balance	126	129	59
Amount recognised in statement of profit or loss (see note 27(a))	14	13	14
Amount recognised in statement of comprehensive income	42	(16)	56
Closing balance	182	126	129
Reconciliation of present value of defined benefit obligation			
Opening balance	126	129	59
Current service cost	8	11	11
Interest expense	6	4	3
Past service cost	-	(2)	-
Liability experience (gain)/loss	(6)	1	47
Liability loss/(gain) due to change in financial assumptions	48	(17)	9
Closing balance	182	126	129
Components of amount recognised in statement of profit or loss			
Current service cost	8	11	11
Past service cost	-	(2)	-
Net interest on net defined benefit liability	6	4	3
Total (see note 27(a))	14	13	14
Components of amount recognised in other statement of comprehensive income			
Liability experience (gain)/loss	(6)	1	47
Liability loss/(gain) due to change in financial assumptions	48	(17)	9
Total	42	(16)	56
Principal assumptions used at end of year			
Discount rate	5.3%	5.0%	3.2%
Rate of salary increases	3.7%	2.5%	1.0%
Rate of pension increases	2.2%	1.0%	0.5%
Average retirement age (ARA)	63	63	63

	2022 Rs'M	2021 Rs'M	2020 Rs'M
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	59	42	42
Decrease due to 1% increase in discount rate	45	32	33
Increase due to 1% increase in salary increase rate	50	-	-
Decrease due to 1% decrease in salary increase rate	38	-	-
Increase due to 1% increase in pension increase rate	8	-	-
Decrease due to 1% decrease in pension increase rate	9	-	-

16. Post employee benefit liability/(asset) (Cont'd)

(b) Residual retirement gratuities (Cont'd)

The Bank has also recognised a net defined benefit liability of Rs 182M as at 30 June 2022 (2021: Rs 126M, 2020: Rs 129M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of year after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

The liability experience gain of Rs 6M is mainly due to some employees who have left the Bank, resulting in a release of liabilities. This gain has been partially offset by a loss due to actual average remuneration increases being higher than expected.

The liability loss of Rs 48M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 2.5% p.a. in 2021 to 1.6% p.a. in 2022 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 4.0% p.a. in 2021 to 3.1% p.a. in 2022.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cashflow as and when due:

Expected employer contribution for the next year (Rs'M):	-
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 31 August 2022.

.

Post employee benefit liability/(asset) is classified as non-current liability/(asset).

17. Other liabilities

	2022 RS'M	2021 RS'M	2020 RS'M
Allowances for credit impairment on off balance sheet exposures (17 (a))	**484**	389	235
Lease liabilities (17 (b))	**163**	139	109
Impersonal, other accounts and deferred income	**7,618**	6,295	5,476
Proposed dividend (see note 30)	**1,534**	2,000	-
	9,799	8,823	5,820

All elements under other liabilities are classified as current liabilities except 'impersonal, other accounts and deferred income' and 'lease liabilities' (amounts over 1 year).

(a) Allowances for credit impairment on off balance sheet exposures

	12 months expected credit loss RS'M	Lifetime expected credit loss (credit impaired) RS'M	Total RS'M
At 1 July 2021	**389**	**-**	**389**
Provision for credit impairment for the year	**445**	**-**	**445**
Provision released during the year	**(279)**	**-**	**(279)**
Changes in models/risk parameters	**(71)**	**-**	**(71)**
At 30 June 2022	**484**	**-**	**484**
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

(b) The lease liabilities can be analysed as follows:

	2022 RS'M	2021 RS'M	2020 RS'M
Over 6 months and up to 1 year	**10**	14	43
Over 1 year and up to 5 years	**153**	125	66
	163	139	109

18. Further disclosures with 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

	2022 RS'M	2021 RS'M	2020 RS'M
Amounts in statement of financial position (note 10)			
Opening Balance	**136**	106	-
Recognition of right-of-use assets	**-**	-	151
Addition, net of other adjustments	**86**	89	-
Depreciation of right-of-use assets	**(64)**	(59)	(45)
Carrying amount of right-of-use assets	**158**	136	106
Lease liabilities (note 17)	**163**	139	109
Amounts in statement of profit or loss			
Interest on lease liabilities (note 22)	**7**	6	8
Expenses related to short term leases (note 27(b))	**8**	3	2
Expenses relating to low value leases (note 27(b))	**-**	6	12
Expenses relating to variable leases (note 27(b))	**14**	10	6
Depreciation of right-of-use assets	**64**	59	45
Amounts recognised in statement of cash flows			
Cash payment for reduction of the outstanding lease liabilities	**61**	60	42
Interest payments (within other operating activities)	**7**	6	8
Total outflow for lease	**68**	66	50

19. Stated capital and reserves

(a) Stated capital

	Number of shares	RS'M
At 30 June 2020	687,960,247	6,880
Rights issue	200,000,000	2,000
At 30 June 2021 and 30 June 2022	**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 had 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. The statutory reserve should not exceed the stated capital.

(iii) General banking reserve

The Bank makes an appropriation to a general banking reserve to cater for any shortfalls between IFRS 9 and regulatory provision requirements.

(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

	2022 RS'M	2021 RS'M	2020 RS'M
(a) Instruments			
Guarantees on account of customers	**60,460**	71,930	23,554
Letters of credit and other obligations on account of customers (net)	**46,320**	38,028	36,877
Other contingent items (net)	**3,537**	2,539	1,550
	110,317	112,497	61,981
(b) Commitments			
Loans and other facilities, including undrawn credit facilities	**10,124**	5,215	6,356
(c) Tax assessments	**-**	-	98
	120,441	117,712	68,435

21. Interest income using the effective interest method

	2022 RS'M	2021 RS'M	2020 RS'M
Loans to and placements with banks	**649**	577	875
Loans and advances to customers	**11,375**	11,061	12,968
Investments at amortised cost	**4,411**	3,891	3,691
Investments at fair value through other comprehensive income	**35**	99	350
	16,470	15,628	17,884

22. Interest expense

	2022 RS'M	2021 RS'M	2020 RS'M
Deposits from banks	**20**	16	65
Deposits from customers	**948**	883	3,147
Subordinated liability	**26**	31	52
Other borrowed funds	**1,536**	1,002	1,509
Lease liabilities	**7**	6	8
	2,537	1,938	4,781

23. Fee and commission income

	2022 RS'M	2021 RS'M	2020 RS'M
Cards and other related fees	**2,930**	1,686	1,755
Trade finance fees	**1,417**	997	596
Transaction fees	**1,043**	925	851
Guarantee fees	**943**	381	335
Loan related fees	**459**	368	418
Private banking and wealth management fees	**423**	497	334
Others	**18**	80	132
	7,233	4,934	4,421

24. Fee and commission expense

	2022 RS'M	2021 RS'M	2020 RS'M
Cards and other related fees	**1,655**	786	863
Loan related and trade finance fees	**377**	258	197
Transaction fees	**25**	24	17
	2,057	1,068	1,077

25. Net gain from other financial instruments carried at fair value

	2022 RS'M	2021 RS'M	2020 RS'M
Net gain/(loss) from derivative financial instruments fair valued through profit or loss	**243**	168	(60)
Net gain from investment securities fair valued through profit or loss	**254**	110	610
Net (loss)/gain from derecognition of debt securities measured at fair valued through other comprehensive income	**(337)**	(113)	195
Net gain from other investment securities	**3**	-	-
	163	165	745

26. Dividend income

	2022 RS'M	2021 RS'M	2020 RS'M
Quoted investments FVOCI	**23**	14	17
Quoted investments FVPL	**11**	9	8
Unquoted investments FVOCI	**2**	13	11
Subsidiary	**43**	-	-
	79	36	36

27. Non-interest expense

(a) Salaries and human resource costs

	2022 RS'M	2021 RS'M	2020 RS'M
Wages and salaries	**2,722**	2,529	2,407
Defined benefit plan (note 16(a))	**118**	223	228
Defined contribution plan	**118**	102	87
Residual retirement gratuities (note 16(b))	**14**	13	14
Compulsory social security obligations	**136**	107	78
Equity settled share-based payments	**16**	7	11
Other personnel expenses	**1,019**	853	838
	4,143	3,834	3,663

(b) Other non-interest expense

	2022 RS'M	2021 RS'M	2020 RS'M
Legal and professional fees	**392**	398	384
Rent, repairs, maintenance and security costs	**342**	358	316
Software licensing and other information technology costs	**609**	544	406
Electricity, water and telephone charges	**283**	265	243
Advertising, marketing costs and sponsoring	**131**	79	156
Postage, courier and stationery costs	**199**	156	149
Insurance costs	**159**	129	98
Others	**128**	88	105
of which short term leases	***8***	*3*	*2*
of which low value leases	**-**	*6*	*12*
of which variable leases	***14***	*10*	*6*
	2,243	2,017	1,857

28. Net impairment of financial assets

	2022 RS'M	2021 RS'M	2020 RS'M
Net allowance for credit impairment			
Cash and cash equivalents	**(17)**	41	(2)
Loans and advances			
Loans to and placements with banks	**217**	246	(49)
Loans and advances to customers	**3,448**	4,431	4,738
Investment securities			
Amortised cost	**(1)**	(1)	260
Fair value through other comprehensive income	**76**	(1)	10
Off balance sheet exposures	**95**	154	(74)
	3,818	4,870	4,883
Recoveries of advances written off	**(426)**	(269)	(65)
	3,392	4,601	4,818

29. Income tax expense

(a) The tax charge related to statement of profit or loss is as follows:

	2022 RS'M	2021 RS'M	2020 RS'M
Income tax based on the adjusted profit	**1,286**	1,185	1,136
Deferred tax	**(377)**	(493)	(423)
Effect of change in tax rate	**-**	-	(137)
Special levy on banks	**624**	556	563
Corporate social responsibility contribution	**114**	107	104
Over/(under) provision in previous years	**(1)**	-	(13)
Charge for the year	**1,646**	1,355	1,230
The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:			
Profit before tax	**10,594**	8,751	8,639
Less share of profit of associates	**(475)**	(337)	(444)
	10,119	8,414	8,195
Tax calculated at applicable tax rates	**1,108**	1,027	1,012
Effect of change in tax rate	**-**	-	(137)
Impact of:			
Income not subject to tax	**(471)**	(570)	(511)
Expenses not deductible for tax purposes	**278**	235	212
Tax credits	**(6)**	-	-
Special levy on banks	**624**	556	563
Corporate social responsibility contribution	**114**	107	104
Over/(under) provision in previous years	**(1)**	-	(13)
Tax charge	**1,646**	1,355	1,230

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 (credit)/charge related to statement of comprehensive income is as follows:

	2022	2021	2020
Remeasurement of defined benefit pension plan and retirement residual gratuities	**1,758**	(2,423)	771
Deferred tax (credit)/charge	**(229)**	315	(100)
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**1,529**	(2,108)	671

30. Dividends

	2022 RS'M	2021 RS'M	2020 RS'M
Dividends in cash			
Paid on 15 December 2021 at Rs 2.48 per share (2020: Rs 2.70)	2,200	-	1,857
Paid on 6 July 2022 at Rs 1.73 per share (2021: Rs 2.91)	1,534	2,000	-
	3,734	2,000	1,857

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.

	2022 RS'M	2021 RS'M	2020 RS'M
Profit for the year	8,948	7,396	7,409
Weighted average number of ordinary shares (thousands)	887,960	689,056	687,960
Earnings per share (Rs)	10.08	10.73	10.77

32. Commitments

(a) Capital commitments

	2022 RS'M	2021 RS'M	2020 RS'M
Expenditure contracted for but not incurred	192	152	129
Expenditure approved by the Board but not contracted for	121	135	173

(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.

	2022 RS'M	2021 RS'M	2020 RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	7,113	6,413	5,800
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	32,620	46,961	9,087
	39,733	53,374	14,887

33. Net cash flows from trading activities

	2022 RS'M	2021 RS'M	2020 RS'M
Continuing operations			
Operating profit	**10,119**	8,414	8,195
Increase in other assets	**(3,369)**	(6,014)	(378)
Increase/(decrease) in other liabilities	**374**	1,950	(404)
Net (increase)/decrease in derivative financial instruments	**(312)**	407	(276)
Net decrease/(increase) in investment securities at fair value through profit or loss	**17,612**	(5,883)	3,419
(Release)/additional provision for employee benefits	**(94)**	22	25
Additional provision for residual retirement gratuities	**14**	13	14
Charge/(release) for credit impairment:			
Loans and advances	**3,665**	4,677	4,689
Investment securities	**(1)**	(1)	260
Cash and cash equivalents	**(17)**	41	(2)
Off balance sheet	**95**	154	(74)
Investments fair valued through other comprehensive income	**76**	(1)	10
Exchange profit	**(88)**	(646)	(2,622)
Depreciation of property, plant and equipment	**527**	556	511
Amortisation of intangible assets	**430**	321	229
(Profit)/Loss on disposal of property, plant and equipment	**(3)**	3	2
Loss on scrapped assets	**1**	-	22
Loss/(Profit) on disposal of debt investment securities fair valued through other comprehensive income	**337**	113	(195)
	29,366	4,126	13,425

34. Net cash flows from other operating activities

	2022 RS'M	2021 RS'M	2020 RS'M
Net increase in deposits	**16,937**	103,876	57,231
Net increase in loans and advances	**(36,628)**	(56,166)	(16,667)
Purchase of investments at fair value through other comprehensive income	**(5,523)**	(36,560)	(63,849)
Proceeds from sale of investments at fair value through other comprehensive income	**9,725**	49,861	67,686
Net increase in investment securities at amortised cost	**(61,221)**	(54,541)	(24,352)
Net increase/(decrease) in other borrowed funds	**16,056**	24,255	(5,015)
	(60,654)	30,725	15,034

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 2022	**-**	**-**	**2,949**	**605**	**343**	**409**
Net movements during the year	-	-	(1,305)	34	80	(12)
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 1 July 2019	-	-	3,929	2,176	291	372
Deposits						
Balance at year end:						
30 June 2022	**1,188**	**241**	**5,830**	**59**	**528**	**557**
30 June 2021	588	-	4,779	151	392	405
30 June 2020	141	20	5,423	231	329	406
Amounts due from/(to)						
Balance at year end:						
30 June 2022	**366**	**(1,534)**	**152**	**88**	**-**	**-**
30 June 2021	1	(2,000)	128	87	-	-
30 June 2020	2	-	73	87	-	-
Off Balance sheet items						
Balance at year end:						
30 June 2022	**-**	**-**	**2,625**	**74**	**-**	**195**
30 June 2021	-	-	2,169	714	-	192
30 June 2020	-	-	2,397	161	-	5
Interest income						
For the year ended:						
30 June 2022	**-**	**-**	**122**	**6**	**3**	**14**
30 June 2021	-	-	118	12	2	14
30 June 2020	2	-	120	15	6	15
Interest expense						
For the year ended:						
30 June 2022	**-**	**-**	**4**	**1**	**2**	**-**
30 June 2021	-	-	3	1	2	-
30 June 2020	-	-	35	3	4	-

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 2022	**1**	**-**	**149**	**371**	**3**	**4**
30 June 2021	1	-	128	144	3	2
30 June 2020	2	-	175	8	2	4
Non-interest expense						
For the year ended:						
30 June 2022	**(1)**	**-**	**10**	**-**	**-**	**-**
30 June 2021	-	-	139	-	-	-
30 June 2020	-	-	155	-	-	-

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.

All the loans are performing.

* 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 1,534M for 2021/2022, 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'.

The figures for 'Other income' from Ultimate Holding Company, Holding Company and Entities under common control, include (where applicable) dividend income and support services charged to these entities in respect of notional rental of office space and provision of support, administrative and other assistance.

The 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, 88,343 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 22M (FY 2020/2021: 80,345 share options for Rs 17M; FY 2019/2020: 125,905 share options for Rs 37M).

35. Related party transactions (Cont'd)

Key Management Personnel compensation

	2022 RS'M	2021 RS'M	2020 RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :			
Salaries and short term employee benefits	121	124	134
Post employment benefits	9	11	8
	130	135	142

36. IBOR

The Bank is exposed to the effects of IBOR reform on its financial assets and liabilities, as set out within the table below.

	Carrying value/nominal amount at 30 June 2022		Of which the carrying value/ nominal amount at 30 June 2022 have yet to transition to an alternative benchmark interest rate	
	Assets RS'M	Liabilities RS'M	Assets RS'M	Liabilities RS'M
Non-derivative assets and liabilities exposed				
Measured at amortised cost				
Loans to and placements with banks	8,651	-	8,608	-
Loans and advances to customers	71,399	-	61,439	-
Investment securities	410	-	410	-
Deposits from banks	-	43	-	43
Deposits from customers	-	21,027	-	-
Other borrowed funds	-	65,098	-	64,599
Subordinated liability	-	684	-	684
	80,460	86,852	70,457	65,326
Derivative assets and liabilities exposed				
Measured at fair value through profit or loss				
Derivative financial instruments	56	51	56	51

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 2022

	Note	2022 TOTAL RS'M	2022 Segment A RS'M	2022 Segment B RS'M	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
ASSETS										
Cash and cash equivalents		**64,594**	**54,648**	**9,946**	101,154	23,475	77,679	68,128	30,514	37,614
Derivative financial instruments	37(a)	**438**	**200**	**238**	1,035	98	937	997	95	902
Loans to and placements with banks	37(b)	**23,934**	**-**	**23,934**	40,869	39	40,830	19,353	6,113	13,240
Loans and advances to customers	37(c)	**306,648**	**142,877**	**163,771**	256,750	140,314	116,436	226,777	127,924	98,853
Investment securities	37(d)	**222,823**	**157,848**	**64,975**	183,560	144,971	38,589	135,915	114,322	21,593
Investment in subsidiary	37(e)	**118**	**-**	**118**	118	-	118	118	-	118
Investments in associates	37(e)	**5,569**	**-**	**5,569**	5,820	-	5,820	4,984	-	4,984
Intangible assets	37(f)	**1,896**	**1,896**	**-**	1,462	1,462	-	1,014	1,014	-
Property, plant and equipment	37(g)	**4,951**	**4,951**	**-**	5,211	5,211	-	5,219	5,219	-
Deferred tax assets		**1,804**	**508**	**1,296**	1,189	386	803	1,009	627	382
Post employee benefit asset		**-**	**-**	**-**	1,218	1,218	-	-	-	-
Other assets	37(h)	**31,742**	**27,261**	**4,481**	27,155	24,203	2,952	22,359	21,896	463
Total assets		**664,517**	**390,189**	**274,328**	625,541	341,377	284,164	485,873	307,724	178,149
LIABILITIES AND SHAREHOLDER'S EQUITY										
Deposits from banks	37(i)	**11,318**	**254**	**11,064**	21,656	223	21,433	7,600	195	7,405
Deposits from customers	37(j)	**481,103**	**320,058**	**161,045**	453,828	286,950	166,878	364,008	259,315	104,693
Derivative financial instruments	37(a)	**497**	**163**	**334**	1,406	198	1,208	961	77	884
Other borrowed funds	37(k)	**92,755**	**9,961**	**82,794**	74,626	24,158	50,468	50,817	17,535	33,282
Subordinated liability	37(l)	**684**	**-**	**684**	875	-	875	1,013	-	1,013
Current tax liabilities		**1,148**	**890**	**258**	1,031	933	98	1,270	1,010	260
Post employee benefit liability		**460**	**460**	**-**	-	-	-	1,170	1,170	-
Other liabilities	37(m)	**9,799**	**9,539**	**260**	8,823	8,729	94	5,820	5,727	93
Total liabilities		**597,764**	**341,325**	**256,439**	562,245	321,191	241,054	432,659	285,029	147,630
Shareholder's equity										
Stated capital		**8,880**	**8,880**	**-**	8,880	8,880	-	6,880	6,880	-
Retained earnings		**48,161**	**48,161**	**-**	45,343	45,343	-	38,949	38,949	-
Other components of equity		**9,712**	**9,155**	**557**	9,073	8,575	498	7,385	7,028	357
Total equity		**66,753**	**66,196**	**557**	63,296	62,798	498	53,214	52,857	357
Total equity and liabilities		**664,517**	**407,521**	**256,996**	625,541	383,989	241,552	485,873	337,886	147,987
CONTINGENT LIABILITIES (NET)	37(n)	**120,441**	**25,116**	**95,325**	117,712	23,085	94,627	68,435	19,981	48,454

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of profit or loss for the year ended 30 June 2022

		2022			2021			2020		
		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
	Note									
Interest income using the effective interest method	37(o)	**16,470**	**10,079**	**6,391**	15,628	9,815	5,813	17,884	11,073	6,811
Interest expense	37(p)	**(2,537)**	**(1,106)**	**(1,431)**	(1,938)	(1,031)	(907)	(4,781)	(2,892)	(1,889)
Net interest income		**13,933**	**8,973**	**4,960**	13,690	8,784	4,906	13,103	8,181	4,922
Fee and commission income	37(q)	**7,233**	**3,272**	**3,961**	4,934	2,345	2,589	4,421	2,507	1,914
Fee and commission expense	37(r)	**(2,057)**	**(1,059)**	**(998)**	(1,068)	(511)	(557)	(1,077)	(696)	(381)
Net fee and commission income		**5,176**	**2,213**	**2,963**	3,866	1,834	2,032	3,344	1,811	1,533
Profit arising from dealing in foreign currencies		**1,717**	**1,347**	**370**	1,227	806	421	1,620	1,214	406
Net (loss)/gain from equity financial instruments carried at fair value through profit or loss		**(291)**	**-**	**(291)**	611	-	611	426	-	426
Net gain/(loss) from other financial instruments carried at fair value	37(s)	**163**	**218**	**(55)**	165	88	77	745	535	210
Dividend income	37(t)	**79**	**23**	**56**	36	27	9	36	27	9
Other operating income/(expense)		**77**	**31**	**46**	148	19	129	(1)	(9)	8
		1,745	**1,619**	**126**	2,187	940	1,247	2,826	1,767	1,059
Operating income		**20,854**	**12,805**	**8,049**	19,743	11,558	8,185	19,273	11,759	7,514
Non-interest expense										
Salaries and human resource costs	37(u)	**(4,143)**	**(3,538)**	**(605)**	(3,834)	(3,172)	(662)	(3,663)	(3,142)	(521)
Depreciation of property, plant and equipment		**(527)**	**(491)**	**(36)**	(556)	(518)	(38)	(511)	(481)	(30)
Amortisation of intangible assets		**(430)**	**(397)**	**(33)**	(321)	(296)	(25)	(229)	(209)	(20)
Other	37(v)	**(2,243)**	**(2,021)**	**(222)**	(2,017)	(1,898)	(119)	(1,857)	(1,719)	(138)
		(7,343)	**(6,447)**	**(896)**	(6,728)	(5,884)	(844)	(6,260)	(5,551)	(709)
Operating profit before impairment		**13,511**	**6,358**	**7,153**	13,015	5,674	7,341	13,013	6,208	6,805
Net impairment of financial assets	37(w)	**(3,392)**	**146**	**(3,538)**	(4,601)	(1,286)	(3,315)	(4,818)	(3,477)	(1,341)
Operating profit		**10,119**	**6,504**	**3,615**	8,414	4,388	4,026	8,195	2,731	5,464
Share of profit of associates		**475**	**-**	**475**	337	-	337	444	-	444
Profit before tax		**10,594**	**6,504**	**4,090**	8,751	4,388	4,363	8,639	2,731	5,908
Income tax expense	37(x)	**(1,646)**	**(1,388)**	**(258)**	(1,355)	(1,258)	(97)	(1,230)	(970)	(260)
Profit for the year		**8,948**	**5,116**	**3,832**	7,396	3,130	4,266	7,409	1,761	5,648

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of comprehensive income for the year ended 30 June 2022

	2022			2021			2020		
	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	**8,948**	**5,116**	**3,832**	7,396	3,130	4,266	7,409	1,761	5,648
Other comprehensive (expense)/income:									
Items that will not be reclassified to profit or loss:									
Net fair value gain/(loss) on equity instruments	**124**	**124**	**-**	111	111	-	(191)	(191)	-
Reclassification adjustments on disposal of investments at fair value	**-**	**-**	**-**	(1)	(1)	-	-	-	-
Share of other comprehensive income of associates	**24**	**-**	**24**	-	-	-	-	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	**(1,529)**	**(1,529)**	**-**	2,108	2,108	-	(671)	(671)	-
	(1,381)	**(1,405)**	**24**	2,218	2,218	-	(862)	(862)	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations	**(360)**	**-**	**(360)**	576	-	576	368	-	368
Reclassification adjustments on disposal of investments at fair value	**7**	**-**	**7**	-	-	-	-	-	-
Net fair value (loss)/gain on debt instruments	**(23)**	**(6)**	**(17)**	(108)	2	(110)	5	18	(13)
	(376)	**(6)**	**(370)**	468	2	466	373	18	355
Other comprehensive (expense)/income for the year	**(1,757)**	**(1,411)**	**(346)**	2,686	2,220	466	(489)	(844)	355
Total comprehensive income for the year	**7,191**	**3,705**	**3,486**	10,082	5,350	4,732	6,920	917	6,003

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(a) Derivative financial instruments

	2022			2021			2020		
	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	**244**	**139**	**105**	143	69	74	143	83	60
Interest rate swaps	**44**	**-**	**44**	733	3	730	725	4	721
Currency swaps	**123**	**61**	**62**	158	26	132	127	8	119
Commodities	**14**	**-**	**14**	-	-	-	-	-	-
Others	**13**	**-**	**13**	1	-	1	2	-	2
	438	**200**	**238**	1,035	98	937	997	95	902
(ii) Fair value liabilities									
Currency forwards	**255**	**110**	**145**	98	46	52	62	20	42
Interest rate swaps	**64**	**9**	**55**	895	-	895	806	-	806
Currency swaps	**164**	**44**	**120**	413	152	261	93	57	36
Commodities	**14**	**-**	**14**	-	-	-	-	-	-
	497	**163**	**334**	1,406	198	1,208	961	77	884

(b) Loans to and placements with banks

	2022 TOTAL RS'M	2022 Segment A RS'M	2022 Segment B RS'M	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
(i) Loans to and placements with banks									
in Mauritius	**815**	**815**	**-**	39	39	-	6,114	6,114	-
outside Mauritius	**34,375**	**-**	**34,375**	119,815	1,000	118,815	50,887	-	50,887
	35,190	**815**	**34,375**	119,854	1,039	118,815	57,001	6,114	50,887
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(10,783)**	**(815)**	**(9,968)**	(78,728)	(1,000)	(77,728)	(37,626)	-	(37,626)
	24,407	**-**	**24,407**	41,126	39	41,087	19,375	6,114	13,261
Less allowances for credit impairment	**(473)**	**-**	**(473)**	(257)	-	(257)	(22)	(1)	(21)
	23,934	**-**	**23,934**	40,869	39	40,830	19,353	6,113	13,240
(ii) Remaining term to maturity									
Up to 3 months	**9,077**	**-**	**9,077**	29,577	39	29,538	9,901	434	9,467
Over 3 months and up to 6 months	**2,752**	**-**	**2,752**	5,248	-	5,248	3,163	-	3,163
Over 6 months and up to 1 year	**8,651**	**-**	**8,651**	1,014	-	1,014	6,008	5,680	328
Over 1 year and up to 5 years	**3,747**	**-**	**3,747**	4,965	-	4,965	-	-	-
Over 5 years	**180**	**-**	**180**	322	-	322	303	-	303
	24,407	**-**	**24,407**	41,126	39	41,087	19,375	6,114	13,261

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 2021	**256**	**-**	**-**	**256**	**255**	**1**
Provision for credit impairment for the year	**239**	**-**	**-**	**239**	**239**	**-**
Provision released during the year	**(46)**	**-**	**-**	**(46)**	**(45)**	**(1)**
Financial assets that have been derecognised	**(113)**	**-**	**-**	**(113)**	**(113)**	**-**
Changes in models/risk parameters	**137**	**-**	**-**	**137**	**137**	**-**
Provision and interest in suspense at 30 June 2022	**473**	**-**	**-**	**473**	**473**	**-**
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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers

	2022			2021			2020		
	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
Retail customers:									
Credit cards	**912**	**896**	**16**	821	804	17	794	782	12
Mortgages	**34,336**	**33,162**	**1,174**	32,177	31,020	1,157	30,802	29,638	1,164
Other retail loans	**9,260**	**8,487**	**773**	10,118	9,280	838	10,761	9,985	776
Corporate customers	**120,129**	**104,879**	**15,250**	123,015	105,708	17,307	110,051	92,911	17,140
Governments	**-**	**-**	**-**	244	-	244	459	-	459
Entities outside Mauritius	**153,883**	**-**	**153,883**	103,395	-	103,395	83,678	-	83,678
	318,520	**147,424**	**171,096**	269,770	146,812	122,958	236,545	133,316	103,229
Less:									
Allowances for credit impairment	**(11,872)**	**(4,547)**	**(7,325)**	(13,020)	(6,498)	(6,522)	(9,768)	(5,392)	(4,376)
	306,648	**142,877**	**163,771**	256,750	140,314	116,436	226,777	127,924	98,853

(i) Remaining term to maturity

	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
Up to 3 months	**127,589**	**37,117**	**90,472**	81,354	40,541	40,813	62,014	35,060	26,954
Over 3 months and up to 6 months	**13,672**	**3,998**	**9,674**	4,856	3,717	1,139	4,425	3,782	643
Over 6 months and up to 1 year	**7,731**	**3,448**	**4,283**	15,557	4,348	11,209	13,471	3,525	9,946
Over 1 year and up to 5 years	**84,709**	**28,643**	**56,066**	78,673	23,340	55,333	70,248	20,898	49,350
Over 5 years	**84,819**	**74,218**	**10,601**	89,330	74,866	14,464	86,387	70,051	16,336
	318,520	**147,424**	**171,096**	269,770	146,812	122,958	236,545	133,316	103,229

(ii) Credit concentration of risk by industry sectors

	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
Agriculture and fishing	**715**	**715**	**-**	5,115	5,115	-	7,536	6,892	644
Manufacturing	**9,682**	**702**	**8,980**	909	909	-	947	947	-
of which EPZ	***67***	***67***	**-**	*61*	*61*	-	*33*	*33*	-
Tourism	**18,145**	**14,286**	**3,859**	17,818	14,074	3,744	13,541	11,463	2,078
Transport	**195**	**103**	**92**	9,046	16	9,030	7,254	16	7,238
Construction	**6,361**	**6,361**	**-**	11,223	11,223	-	9,482	9,482	-
Financial and business services	**9,308**	**9,308**	**-**	64,024	9,544	54,480	64,823	9,773	55,050
Traders	**261,203**	**14,657**	**246,546**	99,865	3,293	96,572	68,866	2,847	66,019
Global Business Licence holders	**9,626**	**-**	**9,626**	10,217	-	10,217	10,090	-	10,090
Others	**8,803**	**803**	**8,000**	8,961	906	8,055	8,112	2,152	5,960
	324,038	**46,935**	**277,103**	227,178	45,080	182,098	190,651	43,572	147,079

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 ECL	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 2021	**11,173**	**5,341**	**1,309**	**1,923**	**2,109**	**5,832**	**1,368**	**2,790**	**1,674**
Exchange adjustment	126	-	-	-	-	126	-	-	126
Transfer to 12 months ECL	-	41	739	(547)	(151)	(41)	196	(235)	(2)
Transfer to lifetime ECL not credit impaired	-	1	(26)	95	(68)	(1)	(97)	97	(1)
Transfer to lifetime ECL credit impaired	-	-	(9)	(19)	28	-	-	(1,126)	1,126
Provision for credit impairment for the year	7,056	2,381	1,086	558	737	4,675	684	(58)	4,049
Provision released during the year	(2,559)	(1,798)	(784)	(763)	(251)	(761)	(550)	(167)	(44)
Financial assets that have been derecognised	(1,524)	(462)	(195)	(25)	(242)	(1,062)	(160)	(272)	(630)
Write offs	(4,138)	(1,381)	-	-	(1,381)	(2,757)	-	-	(2,757)
Changes in models /risk parameters	475	(12)	(228)	216	-	487	(85)	572	-
Provision at 30 June 2022	**10,609**	**4,111**	**1,892**	**1,438**	**781**	**6,498**	**1,356**	**1,601**	**3,541**
Interest in suspense	1,263	436	-	-	436	827	-	-	827
Provision and interest in suspense at 30 June 2022	**11,872**	**4,547**	**1,892**	**1,438**	**1,217**	**7,325**	**1,356**	**1,601**	**4,368**
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

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

	2022					
	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	6,125	54	117	111	12	240
Manufacturing	10,444	302	114	207	130	451
of which EPZ	*2,027*	*1*	*32*	*133*	-	*165*
Tourism	22,194	125	633	523	36	1,192
Transport	2,804	18	49	1	7	57
Construction	9,756	574	118	17	330	465
Financial and business services	23,173	235	270	166	100	536
Traders	17,161	220	305	26	111	442
Personal	41,862	864	185	60	354	599
of which credit cards	*852*	*22*	*10*	*1*	*20*	*31*
of which housing	*33,162*	*611*	*92*	*25*	*205*	*322*
Professional	911	82	11	1	57	69
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-
Others	12,994	113	90	326	80	496
	147,424	2,587	1,892	1,438	1,217	4,547
SEGMENT B						
Agriculture and fishing	1,467	610	3	20	428	451
Manufacturing	9,287	1	61	-	1	62
of which EPZ	-	-	-	-	-	-
Tourism	10,080	-	254	904	-	1,158
Transport	2,443	-	125	-	-	125
Construction	3,612	-	108	-	-	108
Financial and business services	7,602	12	59	1	11	71
Traders	105,882	1,649	274	357	823	1,454
Personal	1,874	39	34	5	14	53
of which credit cards	*14*	*1*	-	-	*1*	*1*
of which housing	*1,174*	*32*	*2*	*2*	*7*	*11*
Professional	91	1	1	-	1	2
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	16,175	7,414	142	25	3,080	3,247
Others	12,583	71	295	289	10	594
	171,096	9,797	1,356	1,601	4,368	7,325
TOTAL						
Agriculture and fishing	7,592	664	120	131	440	691
Manufacturing	19,731	303	175	207	131	513
of which EPZ	*2,027*	*1*	*32*	*133*	-	*165*
Tourism	32,274	125	887	1,427	36	2,350
Transport	5,247	18	174	1	7	182
Construction	13,368	574	226	17	330	573
Financial and business services	30,775	247	329	167	111	607
Traders	123,043	1,869	579	383	934	1,896
Personal	43,736	903	219	65	368	652
of which credit cards	*866*	*23*	*10*	*1*	*21*	*32*
of which housing	*34,336*	*643*	*94*	*27*	*212*	*333*
Professional	1,002	83	12	1	58	71
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	16,175	7,414	142	25	3,080	3,247
Others	25,577	184	385	615	90	1,090
	318,520	12,384	3,248	3,039	5,585	11,872

*Non performing loans excludes 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)

	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

* Non-performing loans excludes 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

* Non-performing loans excludes interest in suspense

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities

	2022			2021			2020		
	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
Investment in debt securities at amortised cost	**216,503**	**156,182**	**60,321**	155,282	125,538	29,744	100,741	100,354	387
Less:									
Allowances for credit impairment on investment in debt securities at amortised cost	(357)	(294)	(63)	(358)	(337)	(21)	(359)	(350)	(9)
	216,146	**155,888**	**60,258**	154,924	125,201	29,723	100,382	100,004	378
Fair value through other comprehensive income	**3,567**	**1,262**	**2,305**	7,914	1,752	6,162	20,694	1,572	19,122
Fair value through profit or loss	**3,110**	**698**	**2,412**	20,722	18,018	2,704	14,839	12,746	2,093
	222,823	**157,848**	**64,975**	183,560	144,971	38,589	135,915	114,322	21,593

There were no credit impaired investments at fair value through other comprehensive income in 2022. (2021: Rs 101M/Provision Rs 11M, 2020: Rs 90M/ Provision Rs 10M)

(i)		2022			2021			2020		
	Investment in debt securities at 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	**111,658**	**111,658**	**-**	103,843	103,843	-	72,143	72,143	-
	Treasury bills	**20,809**	**16,327**	**4,482**	7,415	167	7,248	7,084	7,084	-
	Foreign Bonds	**55,839**	**-**	**55,839**	22,000	-	22,000	387	-	387
	Notes	**27,813**	**27,813**	**-**	21,643	21,147	496	20,803	20,803	-
	Index linked note	**384**	**384**	**-**	381	381	-	324	324	-
		216,503	**156,182**	**60,321**	155,282	125,538	29,744	100,741	100,354	387

Allowances for credit impairment on investment in debt securities at amortised cost

		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 2021	**358**	**231**	**106**	**21**	**-**
Transfer to 12 month ECL	**-**	**102**	**(102)**	**-**	**-**
Provision for credit impairment for the year	**140**	**83**	**-**	**57**	**-**
Provision released during the year	**(107)**	**(94)**	**-**	**(13)**	**-**
Financial assets that have been derecognised	**(65)**	**(61)**	**(4)**	**-**	**-**
Changes in models / risk parameters	**31**	**33**	**-**	**(2)**	**-**
At 30 June 2022	**357**	**294**	**-**	**63**	**-**
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)

(ii) Fair value through other comprehensive income by levels

	2022			2021		
	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						
Official list: shares (equity instrument)	**961**	**961**	**-**	797	797	-
Bonds (debt instrument)	**1,662**	**103**	**1,559**	6,182	726	5,456
	2,623	**1,064**	**1,559**	6,979	1,523	5,456
Unquoted - Level 2						
Investment fund (debt instrument)	**675**	**-**	**675**	677	-	677
Unquoted - Level 3						
Shares (equity instrument)	**269**	**198**	**71**	258	229	29
	3,567	**1,262**	**2,305**	7,914	1,752	6,162

	2020		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Quoted - Level 1			
Official list: shares (equity instrument)	684	684	-
Bonds (debt instrument)	19,141	656	18,485
	19,825	1,340	18,485
Unquoted - Level 2			
Investment fund (debt instrument)	625	-	625
Unquoted - Level 3			
Shares (equity instrument)	244	232	12
	20,694	1,572	19,122

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

	2022			2021		
	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 (debt instrument)	-	-	-	1	-	1
Foreign shares (equity instrument)	2,412	-	2,412	2,703	-	2,703
	2,412	-	2,412	2,704	-	2,704
Unquoted - Level 2						
Government of Mauritius & Bank of Mauritius bonds (debt instrument)	196	196	-	1,251	1,251	-
Treasury bills (debt instrument)	502	502	-	16,767	16,767	-
	698	698	-	18,018	18,018	-
	3,110	698	2,412	20,722	18,018	2,704

	2020		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Quoted - Level 1			
Foreign bonds (debt instrument)	1	-	1
Foreign shares (equity instrument)	2,092	-	2,092
	2,093	-	2,093
Unquoted - Level 2			
Government of Mauritius & Bank of Mauritius bonds (debt instrument)	893	893	-
Treasury bills (debt instrument)	11,853	11,853	-
	12,746	12,746	-
	14,839	12,746	2,093

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:

			2022			2021			2020		
	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

(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 2019	3,294	370	415	4,079
Share of profit of associates	438	6	-	444
Exchange differences on translating foreign operations	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
Exchange differences on translating foreign operations	526	50	-	576
Dividend received from associates	(134)	-	-	(134)
Adjustments	(7)	6	58	57
At 30 June 2021	**4,840**	**464**	**516**	**5,820**
Share of profit of associates	**400**	**75**	**-**	**475**
Exchange differences on translating foreign operations	**(388)**	**28**	**-**	**(360)**
Share of other movements in associates	**24**	**-**	**-**	**24**
Net subordinated loan granted to associate	**-**	**-**	**40**	**40**
Dividend received from associates	**(383)**	**-**	**-**	**(383)**
Adjustments	**-**	**(4)**	**(43)**	**(47)**
At 30 June 2022	**4,493**	**563**	**513**	**5,569**

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 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**
Additions	**83**	**856**	**939**
Transfer	**808**	**(808)**	**-**
At 30 June 2022	**2,473**	**514**	**2,987**
Accumulated Amortisation			
At 1 July 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**
Scrap/Impairment	**75**	**-**	**75**
Charge for the year	**430**	**-**	**430**
At 30 June 2022	**1,091**	**-**	**1,091**
Net book value - Segment A			
At 30 June 2022	**1,382**	**514**	**1,896**
At 30 June 2021	996	466	1,462
At 30 June 2020	756	258	1,014

Intangible assets are classified as non-current asset.

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 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**
Additions	**-**	**204**	**18**	**156**	**167**	**545**
Scrap	**-**	**(130)**	**(1)**	**-**	**-**	**(131)**
Disposals	**-**	**(3)**	**(9)**	**-**	**-**	**(12)**
Cancellation	**-**	**-**	**-**	**-**	**(80)**	**(80)**
Adjustment on re-measurement*	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Transfer	**63**	**60**	**34**	**(157)**	**-**	**-**
At 30 June 2022	**4,778**	**3,519**	**939**	**148**	**326**	**9,710**
Accumulated depreciation						
At 1 July 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**
Charge for the year	**80**	**324**	**59**	**-**	**64**	**527**
Depreciation adjustment	**-**	**182**	**13**	**-**	**-**	**195**
Scrap adjustment	**-**	**(130)**	**-**	**-**	**-**	**(130)**
Disposal adjustment	**-**	**(2)**	**(9)**	**-**	**-**	**(11)**
At 30 June 2022	**1,166**	**2,789**	**636**	**-**	**168**	**4,759**

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(g) Property, plant and equipment (Cont'd)

	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
Net book values - Segment A						
At 30 June 2022	**3,612**	**730**	**303**	**148**	**158**	**4,951**
At 30 June 2021	3,629	973	324	149	136	5,211
At 30 June 2020	3,660	950	333	170	106	5,219

Property, plant and equipment are classified as non-current asset.
Following the adoption of IFRS 16, the Bank has presented right-of-use assets within 'property, plant and equipment'.
The leases under Right-of-use Assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 10 years.
Moreover, the 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 4.5% (2021: from 5.6% to 4.1%).

(h) Other assets

	2022			2021			2020		
	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	**24,146**	**24,146**	**-**	21,990	21,990	-	19,821	19,821	-
Prepayments and other receivables	**1,880**	**1,238**	**642**	1,126	993	133	813	713	100
Credit card clearing	**490**	**490**	**-**	152	152	-	155	155	-
Non-banking assets acquired in satisfaction of debts*	**101**	**101**	**-**	79	79	-	60	60	-
Impersonal & other accounts	**5,125**	**1,286**	**3,839**	3,808	989	2,819	1,510	1,147	363
	31,742	**27,261**	**4,481**	27,155	24,203	2,952	22,359	21,896	463

*The Bank's policy is to dispose of such assets as soon as the market permits.
All elements under other assets are classified as current assets except 'non-banking assets acquired in satisfaction of debts' and 'impersonal and other accounts'.

(i) Deposits from banks

	2022			2021			2020		
	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	**5,205**	**254**	**4,951**	16,955	223	16,732	4,484	195	4,289
Money market deposits with remaining term to maturity:									
Up to 3 months	**4,271**	**-**	**4,271**	2,570	-	2,570	1,447	-	1,447
Over 3 months and up to 6 months	**-**	**-**	**-**	1,663	-	1,663	1,430	-	1,430
Over 6 months and up to 1 year	**1,799**	**-**	**1,799**	427	-	427	201	-	201
Over 1 year and up to 5 years	**43**	**-**	**43**	41	-	41	38	-	38
	6,113	**-**	**6,113**	4,701	-	4,701	3,116	-	3,116
	11,318	**254**	**11,064**	21,656	223	21,433	7,600	195	7,405
Deposits from banks can be classified as:									
Current	**11,275**	**254**	**11,021**	21,615	223	21,392	7,562	195	7,367
Non-current	**43**	**-**	**43**	41	-	41	38	-	38

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(j) Deposits from customers

	2022			2021			2020		
	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	52,473	34,461	18,012	46,602	29,420	17,182	40,815	26,121	14,694
Savings deposits	185,371	175,279	10,092	169,830	160,437	9,393	152,765	143,869	8,896
Time deposits with remaining term to maturity:									
Up to 3 months	2,487	1,984	503	3,419	2,636	783	4,532	3,349	1,183
Over 3 months and up to 6 months	1,679	1,313	366	1,673	1,294	379	2,125	1,726	399
Over 6 months and up to 1 year	3,490	2,988	502	3,302	2,845	457	4,596	3,879	717
Over 1 year and up to 5 years	9,760	8,734	1,026	9,320	8,495	825	10,257	9,175	1,082
Over 5 years	6	5	1	8	7	1	49	47	2
	17,422	15,024	2,398	17,722	15,277	2,445	21,559	18,176	3,383
	255,266	224,764	30,502	234,154	205,134	29,020	215,139	188,166	26,973
(ii) Corporate customers									
Demand deposits	200,862	83,559	117,303	193,036	67,625	125,411	120,215	57,503	62,712
Savings deposits	5,342	5,339	3	6,145	6,138	7	5,077	5,071	6
Time deposits with remaining term to maturity:									
Up to 3 months	11,903	2,892	9,011	12,598	4,124	8,474	12,777	3,768	9,009
Over 3 months and up to 6 months	2,640	1,004	1,636	2,315	637	1,678	3,403	1,533	1,870
Over 6 months and up to 1 year	3,354	1,102	2,252	4,131	2,091	2,040	2,677	1,884	793
Over 1 year and up to 5 years	1,631	1,293	338	1,326	1,078	248	4,522	1,192	3,330
Over 5 years	1	1	-	-	-	-	-	-	-
	19,529	6,292	13,237	20,370	7,930	12,440	23,379	8,377	15,002
	225,733	95,190	130,543	219,551	81,693	137,858	148,671	70,951	77,720
(iii) Government									
Demand deposits	45	45	-	54	54	-	44	44	-
Savings deposits	59	59	-	69	69	-	154	154	-
	104	104	-	123	123	-	198	198	-
	481,103	320,058	161,045	453,828	286,950	166,878	364,008	259,315	104,693

Deposits from customers can be classified as:

	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B
Current	469,705	310,025	159,680	443,174	277,370	165,804	349,180	248,901	100,279
Non-current	11,398	10,033	1,365	10,654	9,580	1,074	14,828	10,414	4,414

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(k) Other borrowed funds

(i) Other borrowed funds comprise the following:

	2022			2021			2020		
	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	**9,961**	**9,961**	**-**	24,158	24,158	-	17,535	17,535	-
abroad	**82,794**	**-**	**82,794**	50,468	-	50,468	33,282	-	33,282
	92,755	**9,961**	**82,794**	74,626	24,158	50,468	50,817	17,535	33,282

The carrying amounts of other borrowed funds are not materially different from their fair values

(ii) Remaining term to maturity:

	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
On demand or within a period not exceeding 1 year	**24,181**	**3,207**	**20,974**	43,844	15,611	28,233	43,556	17,535	26,021
Within a period of more than 1 year but not exceeding 3 years	**57,962**	**6,754**	**51,208**	17,154	8,547	8,607	352	-	352
Within a period of more than 3 years	**10,612**	**-**	**10,612**	13,628	-	13,628	6,909	-	6,909
	92,755	**9,961**	**82,794**	74,626	24,158	50,468	50,817	17,535	33,282

(l) Subordinated liability

	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
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 3.5% (2021: 3.5% and 2020: 5.2%)	**875**	**-**	**875**	1,013	-	1,013	1,040	-	1,040
Repayment of USD 5.3M during the year (2021: USD 4.5M, 2020: USD 3.8M)	**(225)**	**-**	**(225)**	(179)	-	(179)	(137)	-	(137)
Exchange adjustments and others	**34**	**-**	**34**	41	-	41	110	-	110
	684	**-**	**684**	875	-	875	1,013	-	1,013

(m) Other liabilities

	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
Allowances for credit impairment on off balance sheet exposures	**484**	**283**	**201**	389	312	77	235	154	81
Lease liabilities	**163**	**163**	**-**	139	139	-	109	109	-
Impersonal, other accounts and deferred income	**7,618**	**7,559**	**59**	6,295	6,278	17	5,476	5,464	12
Proposed dividend	**1,534**	**1,534**	**-**	2,000	2,000	-	-	-	-
	9,799	**9,539**	**260**	8,823	8,729	94	5,820	5,727	93

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(n) Contingent liabilities

	2022			2021			2020		
	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	**60,460**	**16,959**	**43,501**	71,930	17,282	54,648	23,554	13,501	10,053
Letters of credit and other obligations on account of customers (net)	**46,320**	**3,394**	**42,926**	38,028	1,160	36,868	36,877	2,377	34,500
Other contingent items (net)	**3,537**	**-**	**3,537**	2,539	57	2,482	1,550	-	1,550
	110,317	**20,353**	**89,964**	112,497	18,499	93,998	61,981	15,878	46,103
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	**10,124**	**4,763**	**5,361**	5,215	4,586	629	6,356	4,005	2,351
(iii) Tax assessments	**-**	**-**	**-**	-	-	-	98	98	-
	120,441	**25,116**	**95,325**	117,712	23,085	94,627	68,435	19,981	48,454

(o) Interest income using the effective interest method

	2022 TOTAL RS'M	2022 Segment A RS'M	2022 Segment B RS'M	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
Loans to and placements with banks	**649**	**7**	**642**	577	168	409	875	343	532
Loans and advances to customers	**11,375**	**5,905**	**5,470**	11,061	5,780	5,281	12,968	7,009	5,959
Investments at amortised cost	**4,411**	**4,151**	**260**	3,891	3,845	46	3,691	3,691	-
Investments at fair value through other comprehensive income	**35**	**16**	**19**	99	22	77	350	30	320
	16,470	**10,079**	**6,391**	15,628	9,815	5,813	17,884	11,073	6,811

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(p) Interest expense

	2022			2021			2020		
	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	20	-	20	16	-	16	65	-	65
Deposits from customers	948	867	81	883	732	151	3,147	2,602	545
Subordinated liability	26	-	26	31	-	31	52	-	52
Other borrowed funds	1,536	232	1,304	1,002	293	709	1,509	282	1,227
Leases	7	7	-	6	6	-	8	8	-
	2,537	1,106	1,431	1,938	1,031	907	4,781	2,892	1,889

(q) Fee and commission income

Cards and other related fees	2,930	1,991	939	1,686	1,181	505	1,755	1,364	391
Trade finance fees	1,417	96	1,321	997	122	875	596	164	432
Transaction fees	1,043	591	452	925	533	392	851	510	341
Guarantee fees	943	196	747	381	160	221	335	144	191
Loan related	459	204	255	368	165	203	418	166	252
Private banking and wealth management fees	423	190	233	497	171	326	334	134	200
Others	18	4	14	80	13	67	132	25	107
	7,233	3,272	3,961	4,934	2,345	2,589	4,421	2,507	1,914

(r) Fee and commission expense

Cards and other related fees	1,655	1,059	596	786	510	276	863	696	167
Loan related and trade finance fees	377	-	377	258	-	258	197	-	197
Transaction fees	25	-	25	24	1	23	17	-	17
	2,057	1,059	998	1,068	511	557	1,077	696	381

(s) Net gain/(loss) from other financial instruments carried at fair value

Net gain/(loss) from derivative financial instruments fair valued through profit or loss	243	(9)	252	168	1	167	(60)	-	(60)
Net gain from investment securities fair valued through profit or loss	254	225	29	110	87	23	610	535	75
Net (loss)/gain from investment securities fair valued through other comprehensive income	(337)	-	(337)	(113)	-	(113)	195	-	195
Net gain from other investment securities	3	2	1	-	-	-	-	-	-
	163	218	(55)	165	88	77	745	535	210

(t) Dividend income

Quoted investments FVOCI	23	23	-	14	14	-	17	17	-
Quoted investments FVPL	11	-	11	9	-	9	8	-	8
Unquoted investments FVOCI	2	-	2	13	13	-	11	10	1
Subsidiary	43	-	43	-	-	-	-	-	-
	79	23	56	36	27	9	36	27	9

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(u) Salaries and human resource costs

	2022			2021			2020		
	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	**2,722**	**2,341**	**381**	2,529	2,109	420	2,407	2,079	328
Defined benefit plan	**118**	**76**	**42**	223	179	44	228	189	39
Defined contribution plan	**118**	**76**	**42**	102	94	8	87	79	8
Residual retirement gratuities	**14**	**14**	**-**	13	13	-	14	14	-
Compulsory social security obligations	**136**	**116**	**20**	107	91	16	78	69	9
Equity settled share-based payments	**16**	**16**	**-**	7	7	-	11	11	-
Other personnel expenses	**1,019**	**899**	**120**	853	679	174	838	701	137
	4,143	**3,538**	**605**	3,834	3,172	662	3,663	3,142	521

(v) Other non-interest expense

	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B
Legal and professional fees	**392**	**252**	**140**	398	314	84	384	270	114
Rent,repairs,maintenance and security costs	**342**	**322**	**20**	358	336	22	316	301	15
Software licensing and other information technology costs	**609**	**599**	**10**	544	518	26	406	388	18
Electricity,water and telephone charges	**283**	**253**	**30**	265	238	27	243	233	10
Advertising, marketing costs and sponsoring	**131**	**97**	**34**	79	66	13	156	126	30
Postage, courier and stationery costs	**199**	**186**	**13**	156	144	12	149	137	12
Insurance costs	**159**	**145**	**14**	129	118	11	98	91	7
Others	**128**	**167**	**(39)**	88	164	(76)	105	173	(68)
of which short term leases	***8***	***8***	**-**	*3*	*3*	-	*2*	*2*	-
of which low value leases	**-**	**-**	**-**	*6*	*6*	-	*12*	*12*	-
of which variable leases	***14***	***14***	**-**	*10*	*10*	-	*6*	*6*	-
	2,243	**2,021**	**222**	2,017	1,898	119	1,857	1,719	138

(w) Net impairment of financial assets

The impairment charge related to the Statement of Profit or Loss:

	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B	2020 TOTAL	2020 Segment A	2020 Segment B
Allowance for credit impairment:									
Cash and cash equivalent	**(17)**	**9**	**(26)**	41	5	36	(2)	-	(2)
Loans and advances	**3,239**	**(77)**	**3,316**	4,408	1,138	3,270	4,624	3,229	1,395
Investment securities:									
Amortised cost	**(1)**	**(43)**	**42**	(1)	(13)	12	260	250	10
Fair value through other comprehensive income	**76**	**(6)**	**82**	(1)	(2)	1	10	2	8
Off balance sheet exposures	**95**	**(29)**	**124**	154	158	(4)	(74)	(4)	(70)
	3,392	**(146)**	**3,538**	4,601	1,286	3,315	4,818	3,477	1,341

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(x) Income tax expense

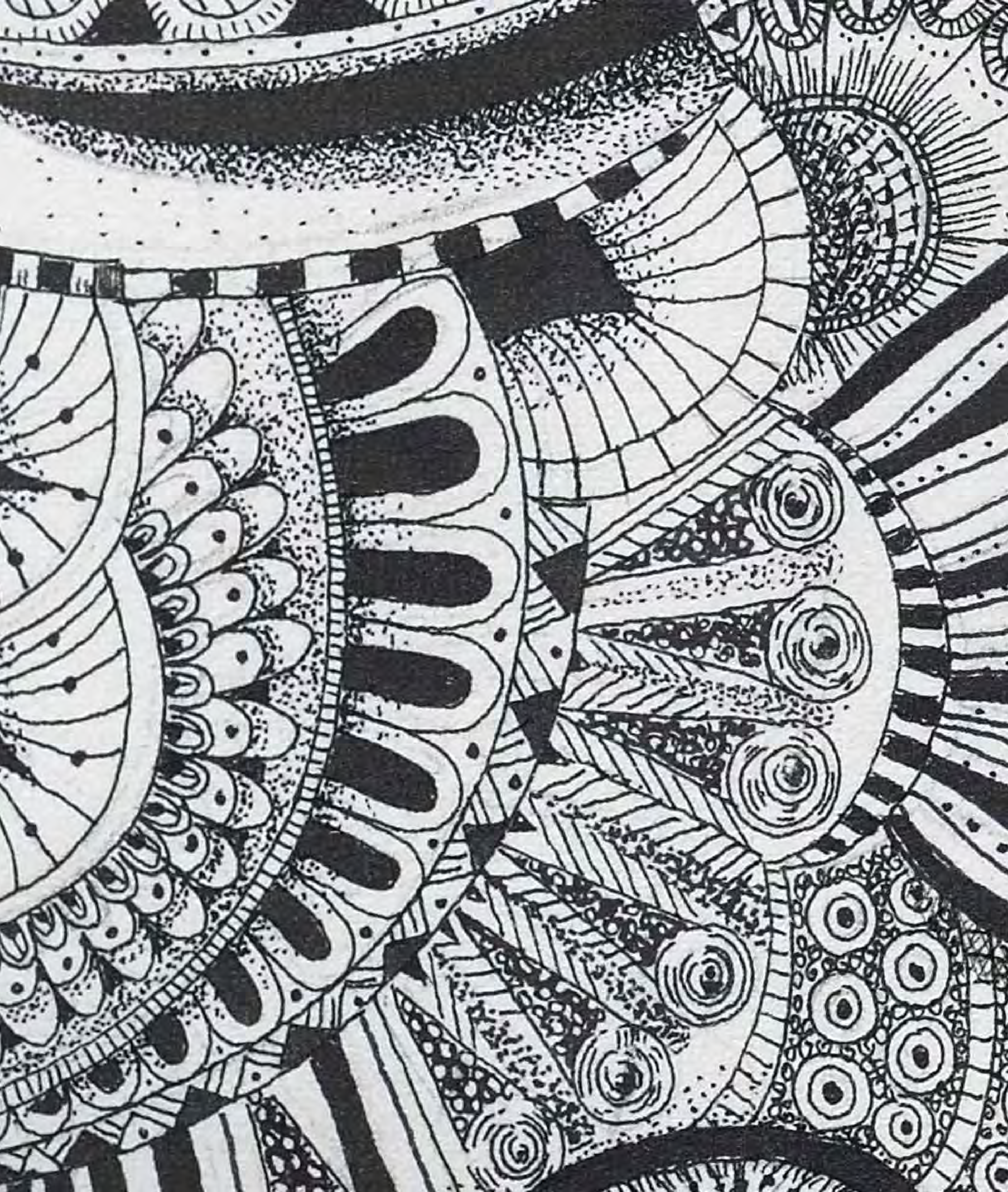
	2022			2021			2020		
	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M	TOTAL RS'M	Segment A RS'M	Segment B RS'M
Current tax expense									
Current year	2,024	1,277	747	1,848	1,332	516	1,803	1,221	582
(Over)/Under provision in previous years	(1)	5	(6)	-	1	(1)	(13)	(3)	(10)
	2,023	1,282	741	1,848	1,333	515	1,790	1,218	572
Deferred tax	(377)	106	(483)	(493)	(75)	(418)	(423)	(314)	(109)
Effect of change in tax rate	-	-	-	-	-	-	(137)	66	(203)
Charge for the year	1,646	1,388	258	1,355	1,258	97	1,230	970	260

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022 TOTAL RS'M	2022 Segment A RS'M	2022 Segment B RS'M	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
Profit before tax:	10,594	6,504	4,090	8,751	4,388	4,363	8,639	2,731	5,908
Less share of profit of associates	(475)	-	(475)	(337)	-	(337)	(444)	-	(444)
	10,119	6,504	3,615	8,414	4,388	4,026	8,195	2,731	5,464
Tax calculated at applicable tax rates of 15%/5%	1,108	479	629	1,027	579	448	1,012	493	519
Effect of change in tax rate	-	-	-	-	-	-	(137)	66	(203)
Impact of:									
Income not subject to tax	(471)	52	(523)	(570)	(118)	(452)	(511)	(357)	(154)
Expenses not deductible for tax purposes	278	120	158	235	133	102	212	104	108
Tax credits	(6)	(6)	-	-	-	-	-	-	-
Special levy on banks	624	624	-	556	556	-	563	563	-
Corporate social responsibility contribution	114	114	-	107	107	-	104	104	-
(Over)/Under provision in previous years	(1)	5	(6)	-	1	(1)	(13)	(3)	(10)
Tax charge	1,646	1,388	258	1,355	1,258	97	1,230	970	260

The tax (credit)/charge related to statement of comprehensive income is as follows:

	2022 TOTAL RS'M	2022 Segment A RS'M	2022 Segment B RS'M	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
Remeasurement of defined benefit pension plan and retirement residual gratuities	1,758	1,758	-	(2,423)	(2,423)	-	771	771	-
Deferred tax (credit)/charge	(229)	(229)	-	315	315	-	(100)	(100)	-
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	1,529	1,529	-	(2,108)	(2,108)	-	671	671	-



Administrative information

Administrative information

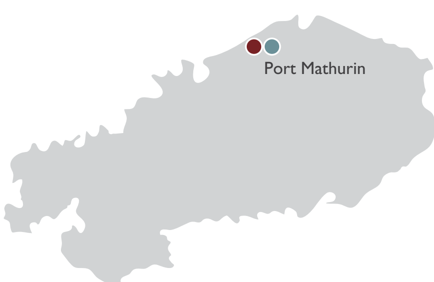
REGISTERED ADDRESS

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

Rodrigues



- Branches
- Bureaux de change / Forex ATMs
- Bank kiosks

www.mcb.mu