ANNUAL REPORT 2023

MCB

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

The Directors of The Mauritius Commercial Bank Limited are pleased to present its Annual Report for the year ended 30 June 2023.

The Annual Report was approved by the Board of Directors on 25 September 2023.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

Empowering individualities for a stronger collective

The patterns you'll encounter throughout this annual report represent the different sparks that spring from our people's individualities. They are part of a theme that runs across this year's Group Annual Report and MCB Ltd Annual Report, which speaks of our desire to celebrate our people and recognise their priceless contributions to our success.

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

MCB at a glance

Our identity

The Mauritius Commercial Bank Limited (referred to as 'MCB Ltd', 'MCB' or the '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.

In line with our purpose, Success Beyond Numbers, we are committed to using our financial expertise and investing in our employees to act as a force for good to deliver a positive economic, societal and environmental contribution across countries where we operate, whilst adhering to the highest standards of governance and ethics.

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

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

For a more comprehensive understanding of 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.

Our reporting suite

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

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

The reports can be accessed 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.

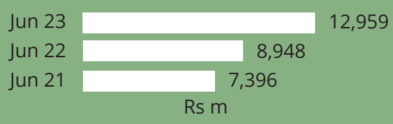
Financial highlights

Financial performance

Net profit

Rs 12,959 m

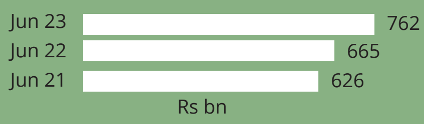
+44.8%



Total assets

Rs 762 bn

+14.6%

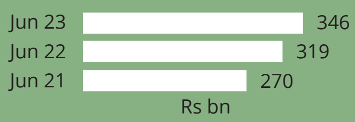


Market positioning

Customer loans

Rs 346 bn

+8.6%



Customer deposits

Rs 548 bn

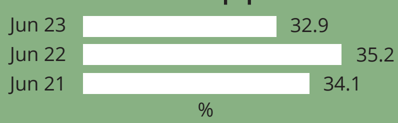
+13.8%

Efficiency & return ratios

Cost to income

32.9%

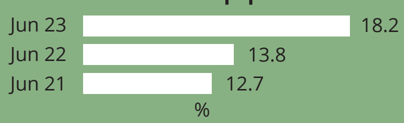
-2.3 pp



Return on equity

18.2%

+4.5 pp

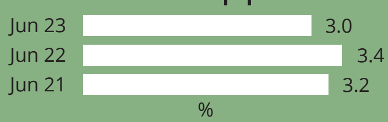


Asset quality & capitalisation

Gross NPL ratio

3.0%

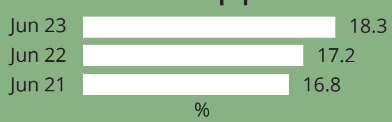
-0.4 pp



Capital adequacy ratio

18.3%

+1.1 pp



Non-financial highlights

Shareholders & investors

Baa3/P-3

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

AAA

Issuer rating – CARE Ratings (Africa) Private Limited
Pertains to the servicing of financial obligations in Mauritius

Customers

~ 1,090,600

Total customers

~ 521,170

MCB Juice subscribers

40

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

Societies & communities

Rs 57 million

entrusted to MCB Forward Foundation

65%

of total procurement expenditure sourced from local suppliers

3,855 tonnes CO_2eq[1]
10,969 iRECs[2]

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

Authorities & economic agents

~ 4.5%

of the total value added generated in Mauritius

~ 8.5%

of total corporate tax paid in Mauritius
Inclusive of levies on income

40%

Cash to digital payments ratio

Employees

~ 3,300

Workforce

31%

Women at middle and senior management level

~ 95%

Employee retention rate

Read more about our key stakeholders in the ' How we created value for our stakeholders ' section on pages 46 to 64

Read more in the Sustainability Report on our website

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

As ever, our colleagues have responded to the challenging operating environment with resilience and entrepreneurialism."

Reflections from the Chairperson

Executing our strategy in a complex environment

This has been another eventful year that may have long-term consequences for us all. Just as the world population hit the 8 billion mark, the war in Ukraine has dealt a devastating blow on people's lives and societies across regions, causing energy and price shocks that drove up inflation and interest rates while global public debt levels rose to historic highs. Banking sector stability was tested in some advanced markets and geopolitical tensions have accentuated, unsettling trade and capital flows. Finally there are increasingly visible signs that climate change is real and disrupting weather patterns. As ever, our colleagues have responded to the challenging operating environment with resilience and entrepreneurialism. On behalf of the Board, I would like to thank them for their sustained commitment in delivering value for our customers and wider stakeholders.

We recorded a strong financial performance with our net profit attaining Rs 12,959 million, which represents a 44.8% increase compared to the previous year. This was driven by a 34.8% growth in operating income on the back of: (i) an increase of 32.6% in net interest income, as a result of improved margins on foreign currency earning assets as well as our growing loan and advances portfolio; and (ii) a rise of 39.3% in non-interest income reflecting higher transaction volume across segments and favourable movement in the value of equity financial instruments. We also improved our asset quality and maintained robust funding and liquidity levels – both in rupee and foreign currency terms. We also continue to display a strong capital position as substantiated by capital adequacy ratios being well above regulatory requirements. It is worth mentioning that we successfully undertook major capital and funding initiatives during the year, which demonstrate the strength of our operational model and our financial profile, as well as our appeal to foreign investors. In a nutshell, the Bank remains financially sound and well poised to leverage emerging opportunities, albeit in a volatile operating context.

Building blocks of our strategic expansion

I am delighted to report on the significant progress made in pursuit of our strategic objectives. We have further solidified our position as the leading bank in Mauritius, with MCB upholding market shares of 48% in terms of local currency deposits and 41% for domestic credit to the economy. We maintained our commitment to support our clients by helping them emerge stronger from the pandemic and tap into new business avenues. For our individual customers, we refined our lending solutions and better equipped them with more sophisticated digital tools notably by enriching the MCB Juice mobile banking application with additional features. For instance, the latter has been endowed with the 'Wealth' functionality, for our individual clients to have a holistic view of their investment portfolios. Our flagship application has also celebrated its 10th anniversary this year with the number of subscribers now exceeding 520,000. To further strengthen our presence within the entrepreneurial community and in line with our aim to help transform Mauritius into a cash-lite economy, we have expanded our payments ecosystem by introducing Pay+ for merchants, an alternative to traditional payment terminals, which enables efficient cashless payments. We continued to leverage our collaborative community digital platform, PUNCH, to generate synergies between local entrepreneurs, from micro businesses to mid-market enterprises. PUNCH is now anchored on MCB JuicePro, our dedicated mobile application for entrepreneurs, to provide a seamless client experience. In fact, the number of registrations on MCB JuicePro has more than doubled over the past two years to stand at some 23,000 as at June 2023, giving further credence to the rising popularity of digital applications among entrepreneurs. Enhancements to our digital offerings also include our recently launched Internet Banking platform for our non-individual segment, IB Pro, with new and innovative features, as well as the deployment of the MCB Global Trade Portal, which is a platform dedicated to international trade that helps connect buyers and suppliers across markets.

> *" We maintained our commitment to support our clients by helping them emerge stronger from the pandemic and tap into new business avenue."*

We also continued to spearhead our expansion internationally, particularly in business areas where the Bank has cultivated strong expertise and built a solid reputation over time. We have capitalised on enhanced client engagement, expanded and strengthened collaboration with our network of partners, and leveraged the Mauritius IFC and our strategically-located regional hubs. In this respect, it is worth highlighting that the Bank has recently obtained its licence to open a Representative Office in Lagos, Nigeria. Together with the existing offices in Paris, Dubai, Nairobi and Johannesburg, this new office should enable the Bank to better understand the African market dynamics, challenges and opportunities, while further entrenching its activities across regional segments and promoting the MCB brand in Africa. During the year, we have been able to conclude landmark deals and transactions that are instrumental in driving economic growth, promoting sustainability, fostering innovation, thus reinforcing our position as a trusted financial provider in our various niche markets on the African continent. Indeed, we further consolidated our expertise in Energy and Commodities financing and nurtured relationships with operators within the African oil and gas industry who are attending to the huge energy needs required to power up the African continent while also demonstrating commitment to the longer term sustainable impact. We continued to provide support to clients in the Power and Infrastructure segment for their investment needs including energy projects contributing to the transition towards cleaner energy and improving electrification rate on the continent. Besides, we have made significant inroads

Reflections from the Chairperson

towards realising the goal of becoming the go-to banking partner for private equity, capital funds and international corporates alongside nurturing relationships with African financial institutions. Our increased market presence in the region has also helped us reinforce the competitive positioning of MCB as a reference player in the region for premium banking and wealth management expertise.

In line with our purpose, Success Beyond Numbers, we continue to embed our sustainability commitments and priorities into the Bank's strategy and risk management practices to create long-term value for our stakeholders. Alongside reviewing our governance around sustainability, we have partnered with our clients to facilitate their shift towards sustainability. We set up a Transition Taskforce to drive momentum on our sustainable finance endeavours and develop a coherent transition strategy. A significant step has been the establishment of a preferential-rate credit line of Rs 10 billion for local companies to support the transition of Mauritius to a low carbon economy. Progress has also been made on the implementation of the Principles for Responsible Banking (PRB) of the United Nations Environment Programme – Finance Initiative (UNEP FI). A series of wellness-related activities has been organised for the well-being of our employees, namely a Wellness Fair and dedicated initiatives aimed to improve physical and mental well-being, while we have also pursued efforts to promote gender equality within our workforce.

Whilst delivering on our strategic objectives, we further bolstered our internal capabilities and resources. Alongside strengthening our risk management, with key focus on cybersecurity, credit/country risk, funding and liquidity risk as well as compliance risk, we unveiled our new career architecture, to ensure that it is adapted to current business realities and aligned with global practices. A Corporate Culture Alignment project was launched to further embed, reinforce and sustain the right culture across the organisation. Testimony to our accomplishments and credentials, we have maintained our investment grade status with Moody's Investors Service and have received awards at multiple levels, notably as the best bank in Mauritius by The Banker and Euromoney and won the Environmental Awards 2023 bestowed by the Ministry of Environment, Solid Waste Management and Climate Change. The prominence of the MCB brand has also been highlighted in the Top Brands of Mauritius Awards 2023 edition, based on market research conducted by Kantar, with MCB topping the list in 2 categories, namely, Sustainable Brand (brands behaving responsibly towards the environment) and Brand Purpose (brands that really try to improve the lives of Mauritians).

Contemplating our future in an intricate global landscape

While the uncertainty and volatility in global economic conditions will continue to present challenges for the banking sector, I believe MCB is well positioned to pursue its endeavour to create sustainable value for its stakeholders, backed by the resilience of our people and our continuous efforts to forge a deep understanding of our clients' needs and expectations and build solid partnerships. Capitalising on our integrated business model and digitalisation efforts, we will pursue the execution of our strategic objectives. In addition to consolidating our status as a leading and innovative bank on the local front and supporting the transition of Mauritius into a more digital and greener economy, we will further push ahead with our regional market diversification drive by strengthening our position as a specialised and niche bank. We will ensure that the Bank's commitment to ESG remains a core feature of our activities by promoting responsible banking and business practices to create a positive impact on society. Internally, we will further upgrade and strengthen our technology infrastructure to deliver enhanced and more secure client experiences alongside upholding a high-performance and people-led culture. As a key undertaking towards retaining and attracting talents in a more competitive environment, the new career architecture and Employee Value Proposition and the various initiatives put in place for employee well-being, will be key to bolster our positioning as an employer of choice. Above all, best corporate governance and effective risk management practices will remain top priorities for the Board and underpin the conduct of our operations and activities. This will ensure that the Bank is managed in an optimal fashion, backed by reliable control mechanisms and sound capital and funding positions.

" We continued to spearhead our expansion internationally, particularly in business areas where the Bank has cultivated strong expertise and built a solid reputation over time."

Concluding remarks

The past year was a challenging but successful year for the Bank. Our strong performance reflects the collective efforts of all our stakeholders. I wish to thank our valued customers for their steadfast loyalty and our talented employees for their resolve in delivering on our strategic objectives. I also have a special thought for Xavier Bathfield, the Head of our Mauritian and Regional Corporates unit whose sudden passing shocked us all. Anyone who worked with Xavier experienced a person who set standards of personal behaviour to which we can all aspire. To my fellow Directors of the Board, I wish to thank you for your leadership and foresight in helping steer the Bank forward.

On behalf of the Board of MCB Ltd, I wish to express my sincere thanks to Alain Law Min, our Chief Executive Officer, who is due to retire in the coming months. Alain has been with the Bank since 1995 and was appointed as CEO in 2017. His guidance, strategic expertise and tireless commitment have been instrumental in shaping our Bank's success over the years. Under his leadership, we have achieved remarkable milestones and navigated challenges with resilience and creativity. I wish to congratulate Thierry Hebraud who has been appointed as Chief Executive Officer Designate. I have no doubt that under his helm, MCB will thrive and continue to provide exceptional services to our customers.

I remain confident that we will continue to create long-term value for all stakeholders in the coming years.

Jean-François DESVAUX DE MARIGNY
Chairperson

Board of Directors

Chairperson

Jean-François DESVAUX DE MARIGNY

Independent Non-Executive Directors

Uday GUJADHUR

Johanne HAGUE

Philippe LEDESMA

Su Lin ONG

Simon WALKER

Non-Executive Director

Jean Michel NG TSEUNG

Executive Directors

Alain LAW MIN

Thierry HEBRAUD *(as from June 2023)*

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)

Thierry HEBRAUD *(as from July 2023)*

Alain LAW MIN *(also acts as Secretary)*

Audit Committee

Uday GUJADHUR *(Chairperson)*

Johanne HAGUE

Su Lin ONG

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

Risk Monitoring Committee

Simon WALKER *(Chairperson)*

Jean-François DESVAUX DE MARIGNY

Thierry HEBRAUD *(as from July 2023)*

Alain LAW MIN

Philippe LEDESMA

Jean Michel NG TSEUNG

Secretary: *Frederic PAPOCCHIA*

Nomination and Remuneration Committee

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

Alain LAW MIN

Philippe LEDESMA

Simon WALKER

Leadership team

Management Committee

Alain LAW MIN	**Chief Executive Officer**
Thierry HEBRAUD	Chief Executive Officer Designate *(as from May 2023)* Head – Corporate and Institutional Banking (CIB) *(until September 2023)*
Vincent CHATARD	Chief Operating Officer
Bhavish NAECK	Head – Finance
Frederic PAPOCCHIA	Group Chief Risk Officer
Mike SOPHIE	Head – Human Resources
Philippe TOUATI	Head – Corporate and Institutional Banking (CIB) *(as from September 2023)*
Parikshat TULSIDAS	Head – Financial Markets (FM)

Stephanie AH TOW	Group Head – Compliance
Xavier BATHFIELD	Head – Mauritian and Regional Corporates (CIB) *(until August 2023)*
Matthieu BENOIT	Head – Marketing
Hema CEDERHAGE	Head – Securities Services
Paul CORSON	Deputy Head – Corporate and Institutional Banking *(until November 2022)*
Robin CUNDASAWMY	Head – Internal Audit
Koomaren CUNNOOSAMY	Head – Debt Restructuring and Recovery Management
Ashvin DEENA	Head – Global and International Corporates (CIB)
François DESVAUX DE MARIGNY	Head – Private Wealth Management
Vanessa DOGER DE SPEVILLE	Head – Communication and Corporate Sustainability

Marc HAREL	Head – Business Development (CIB)
Hemandra Kumar HAZAREESING	Head – Global Transaction 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
Krishen PATTEN	Head – Financial Risk
Lindley PERRINE	Head – Treasury Management (FM)
Rajeshwar PERTAB	Head – Middle Office (CIB)
Dominic PROVENCAL	Head – Business Banking
Neekeea RAMEN	Head – Credit Management
Abraham RAWAT	Head – Retail
Zaahir SULLIMAN	Head – Specialised Finance (CIB) *(until August 2023)*
Anju UMROWSING-RAMTOHUL	Head – Banking Operations

Contents

About this Report

Philosophy of the Annual Report

This Annual Report (the 'Report') provides a holistic and transparent assessment of our ability to create and protect 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.

Integrated reporting: Process, scope and boundary

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

Reporting period

The Report is published annually and covers the period spanning 1 July 2022 to 30 June 2023. Material events taking place after this date and until approval of the Report by the Board of Directors of MCB Ltd have also been communicated.

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.

Specific areas of reporting

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

Report content and materiality

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

Operating business

The Report sheds light on activities undertaken across the different segments of the Bank.

Capital types

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

Icons used in this report

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

Our core values

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Our purpose

Success Beyond Numbers

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

Who we are

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 credit ratings

Moody's Investors Service *Deposit ratings*	Care Ratings (Africa) Private Limited *Issuer rating*
Baa3/P-3 (Stable)	**AAA (Stable)** *Pertains to the servicing of financial obligations in Mauritius*

Our channels

Branches/Kiosks	ATMs	MCB Juice subscribers
39	**179**	**521,172**

Presence in
11 countries
outside Mauritius
MCB Group Ltd

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

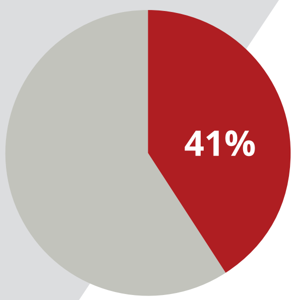
MCB Ltd

While being headquartered in Mauritius, the Bank leverages synergies among business lines and with Group entities as well as partnerships with external parties.

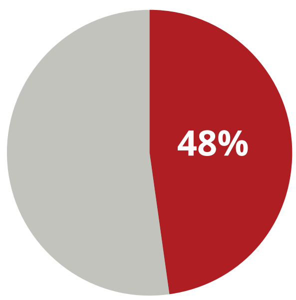
- Banking subsidiaries of the Group
- Representative/Advisory Offices of the Bank
- Group associate (Banque Française Commerciale Océan Indien)
- Group associate (Société Générale Moçambique)

Our domestic market shares

Domestic credit to the economy



Local currency deposits



Notes:
Figures are as at 30 June 2023

Accolades

Africa

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

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

Leading Regional Bank

in terms of operating income and profitability

L'Eco Austral, Top 500 Regional Edition 2022

Mauritius

Best Bank of the Year for Mauritius

The Banker Bank of the year Awards 2022

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

Euromoney Awards for Excellence 2023

Best Domestic Private Bank in Mauritius

Euromoney Global Private Banking Awards 2023

Environmental Awards 2023

Ministry of Environment, Solid Waste Management and Climate Change

Best Trade Finance Bank in Mauritius

Global Finance Magazine 2023

Best Private Bank in Mauritius

PWM/The Banker 2022

Brand Purpose
Sustainable Brand

Brand Magic Survey 2023

How we operate

Our Group structure

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.

MCB GROUP LTD

Banking*

MCB Investment Holding Ltd (100%)

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

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

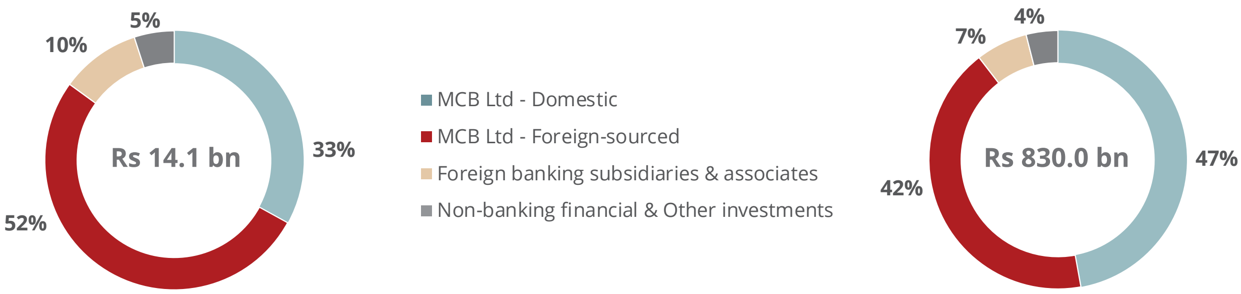
Other Investments*

- 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*

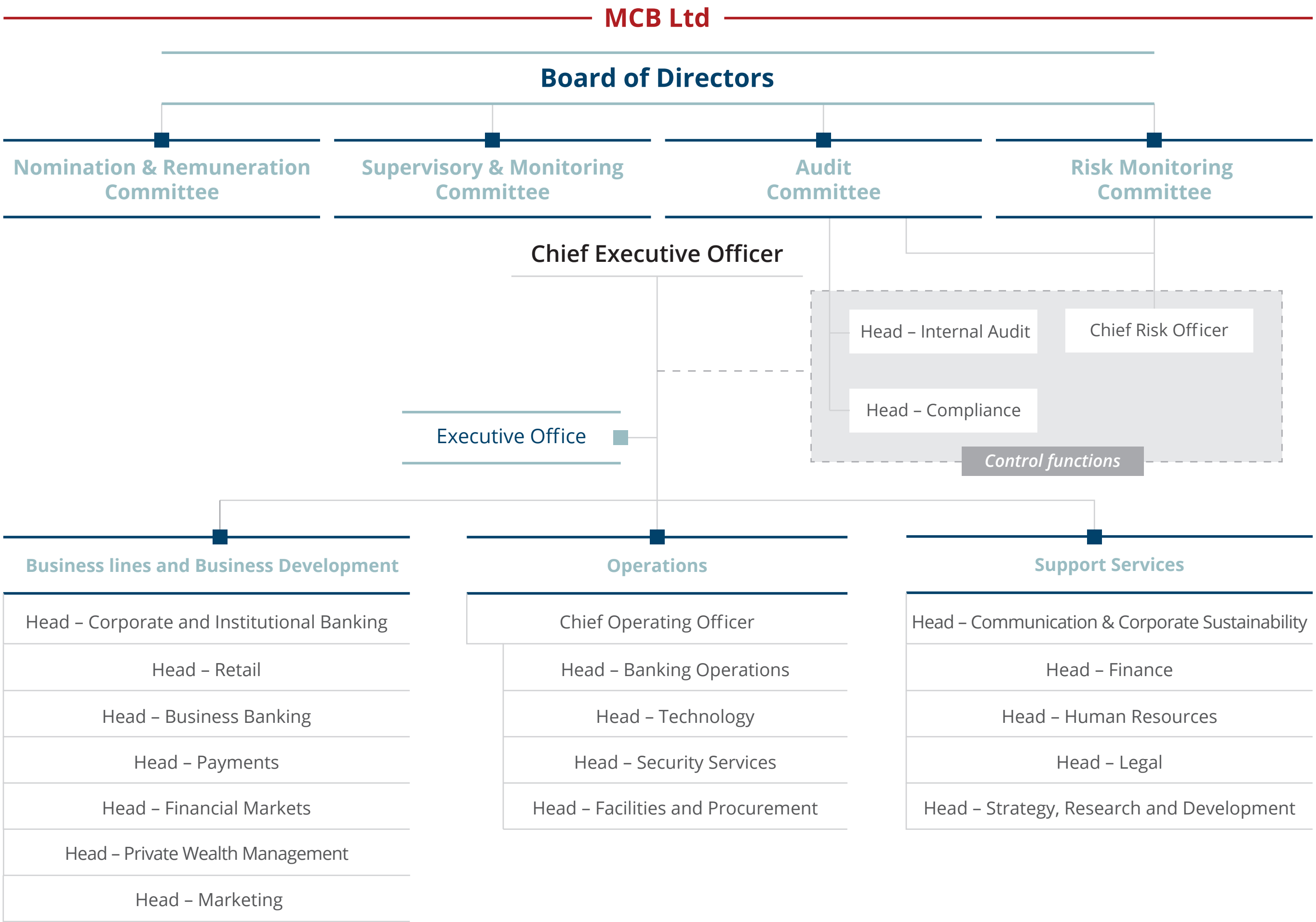
Contribution to Group performance for FY 2022/23

Profit attributable to ordinary shareholders **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.

In line with its strategic orientations and advocated practices, the Bank conducted business transformation and realignment initiatives in recent periods, with the functioning and operating models of business segments being reviewed.

- Since January 2023, the Conduct Review Committee has been dissolved at Board level and is now a management committee, namely, the Conduct Review Management Committee (CRMC). The CRMC ratifies credit exposures and other transactions with related parties to any single related party and/or its group of connected counterparties, which does not exceed 2% of the Bank's Tier 1 Capital or Rs 500 million, whichever is lower.

- As part of an ongoing exercise, MCB's governance around sustainability is being reviewed. As such, the Sustainability Team, currently within the Marketing and Communication Strategic Business Unit (SBU), will move to the newly created Central Sustainability Office within MCB Group, as part of the ongoing efforts to scale up sustainability actions across the Group.

- With a view to enhancing our approach to risk management and compliance across all our subsidiaries, Frederic Papocchia and Stephanie Ah Tow have been appointed as Group Chief Risk Officer and Group Head of Compliance respectively. While the oversight will be carried out by the Group Chief Risk Officer and Group Head of Compliance and their respective teams (which will continue to fall under the ambit of MCB Ltd), each subsidiary of the Group will continue to take ownership of the risks of its operations and the management of its respective Risk and Compliance functions.

Our market operations

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. In addition, the Bank capitalises on its Representative Offices in Johannesburg, Nairobi and Paris as well as its Advisory office in Dubai. We secured a licence to operate a Representative Office in Nigeria in August 2023, a key milestone towards extending our foot-print in West Africa.

Our lines of business

Retail

- 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 Wealth Management

- 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.

Business Banking

- Recognising the significance of Micro, Small and Medium Enterprises (MSMEs) as well as Mid-Market Enterprises (MMEs) in the economic development of Mauritius, we provide them with tailored solutions to meet their growth endeavours and accompany them throughout their business development cycle alongside facilitating their access to new markets and alternative sources of finance.

Corporate and Institutional Banking

- The Bank assists large domestic corporate and institutional clients by offering customised solutions to meet their growth and capacity building ambitions. It also attends to the needs of diverse customer segments doing business within and into Africa, and ventures beyond through 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.

- 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.

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.

Individuals

Everyday Banking

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

Banking Channels

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

Payment Services

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

Financing Solutions

- Home loans
- Personal loans
- Education loans
- Car financing & green leases
- Green loans
- 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

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

We work closely with customers to understand their imperatives, challenges and priorities, while assisting them to design solutions adapted to their needs. Furthermore, our business segments offer solutions conceived and managed by other Group entities.

Entrepreneurs, Corporates and Institutions

Payments & Cash Management Solutions

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

Financing Solutions

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

Transactional Banking

- Deposit accounts
- Multi-currency accounts
- Internet banking (IB)
- IB Pro and SmartApprove
- Bank drafts
- Cross currency transfer & remittances
- Overdrafts
- Mobile banking: MCB JuicePro

International Trade Finance

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

Business Services

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

Financial Markets Solutions

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

Investment Related Services

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

Outsourcing & Advisory Services

- Payments outsourcing
- Corporate finance advisory
- Investment advisory
- Online marketplace: PUNCH*
- MCB Global Trade Portal

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

What we deliver

Our value-creating business model

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

Our inputs and resources ...

Financial capital

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

Social and relationship capital

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

Human capital

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

Natural capital

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

Intellectual capital

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

Manufactured capital

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

... generate value-adding activities ...

Our purpose: Success Beyond Numbers ...

... underpins our strategic objectives ...

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

Our lines of business

Retail	Private Wealth Management	Business Banking	Corporate and Institutional Banking

Our business areas

- Raise funding, provide savings and investment products
- Extend credit facilities through responsible lending practices
- Provide payment, trade-related and global market solutions including risk-mitigation facilities
- Invest and trade in securities, forex and other financial assets
- Provide private wealth management services as well as custodian services
- Undertake actions in support of the welfare and development of the society

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

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

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

Shareholders and investors

We deliver appreciable and predictable returns for our shareholders and investors

Read more on pages 50 to 51

Societies and communities

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

Read more on pages 54 to 57

Authorities and economic agents

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

Read more on pages 58 to 59

Employees

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

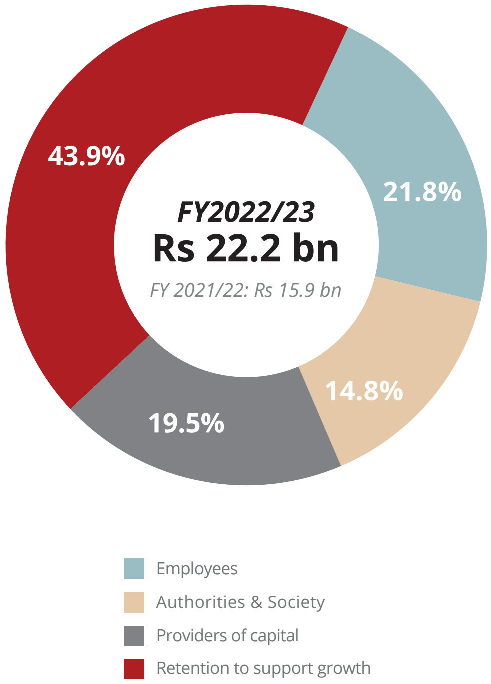
Read more on pages 60 to 64

Customers

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

Read more on pages 52 to 53

Wealth created



Read more on how we responded to our material matters across this Annual Report, notably, in the 'Our material matters 'section on pages 41 to 49 and 'Risk and capital management report' on pages 134 to 181

Read more about our keystakeholders in the 'How we created value for our stakeholders' section on pages 49 to 64

Read more in the Sustainability Report on our website

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"Since 2017, we relentlessly pursued our three-pronged strategy – extend our frontiers; deliver a world-class customer experience through digital; and nurture our values and deliver on our brand promise – with our customers being at the core of everything we do."

Message from the Chief Executive Officer

Steering through a highly volatile environment

Around the world, the past year has been another period of multi-faceted challenges and high volatility. The war in Ukraine has stalled economic growth prospects globally and across regions, roiled financial markets and led to a geopolitically more complex world. High inflation levels, driven by the impact of the war on food, commodity and energy prices and the continued effects of climate change have become pressing socio-economic concerns in many countries. The rapid rise in interest rates to curb inflation has contributed to banking sector stresses in some advanced economies at the start of 2023. Persistent inflation, high debt levels and tighter monetary policies have also led to higher borrowing costs for sub-Saharan African countries and placed greater pressure on exchange rates. On the domestic front, inflation remains high, with the Key Rate having been raised in response while foreign exchange market pressures have continued to warrant attention. Yet, it is comforting to note that the Mauritian economy has pursued its recovery, underpinned mainly by the pickup in tourism and nationwide investment while the banking sector has preserved its soundness.

A strong financial performance

As ever, we have responded to this operating environment with resilience and passion. Indeed, despite the unsettling landscape, we turned in solid financial and operational results in FY 2022/23 thanks to well established strategies executed in the past few years that are producing tangible results. Net profit after tax stood at Rs 12,959 million, representing an increase of 44.8% compared to the previous year, on the back of the continued robust contribution from our international activities, with the share of foreign-sourced income today standing at 63% of net profit. Operating income grew by 34.8% as a result of a strong growth of 32.6% in net interest income, being boosted by improved foreign currency margins amidst sustained interest rate hikes globally, and an increase in the volume of our loans and advances, as well as an increase of 39.3% in non-interest income. With regard to the latter, net fee and commission income rose by 12.9% driven by our trade finance and payment activities whilst other income went up by 117.4% linked to our global markets and foreign exchange activities. This performance contributed to our cost to income ratio improving to 32.9% despite an increase of 25.9% in operating expenses in line with our continuous investment in people and technology. Overall, we further reinforced our financial soundness. Our non-performing loan to gross loan ratio declined to 3.0% and both our BIS and Tier 1 capital ratios were maintained comfortably above minimum regulatory requirements at 18.3% and 15.8% respectively. In fact, in March 2023, we successfully closed a Basel III compliant Tier 2 capital instrument of USD 147 million with the African Development Bank to further sustain our capital and funding requirements in order to cater for our international expansion strategy. It is worth highlighting that we also successfully established a Global Medium Term Note (GMTN) Programme on the London Stock Exchange in October 2022. This endeavour was followed by the issuance of an inaugural USD 300 million five-year senior unsecured notes under the Programme in April 2023, a first for a Mauritian corporate on the international bond market. This was followed by a syndicated loan facility of USD 500 million in June 2023, helping us maintain comfortable funding and liquidity positions as can be gauged by a consolidated liquidity coverage ratio of 461%.

Good progress on our strategic actions

Since 2017, we relentlessly pursued our three-pronged strategy – extend our frontiers; deliver a world-class customer experience through digital; and nurture our values and deliver on our brand promise – with our customers being at the core of everything we do. Thanks to our investment and effort in the execution of our strategies, continuously driving change and building capabilities across value chains, even during the tumultuous years of the pandemic and the ensuing economic uncertainties, we have been able to deliver on our customer and digital priorities while supporting the transition to a green economy.

> *"These accomplishments reflect our ongoing commitment, strategic choices and resilience, positioning us for continued growth and success."*

During the year, we consolidated our leadership positioning as an innovative universal bank in Mauritius. We maintained our efforts to improve our client interactions with more personalised, seamless and delightful experiences across touchpoints. I am pleased to see that our continuous investment in digitalisation and process enhancements have been translating in reduced turnaround times, greater digital adoption and higher customer satisfaction scores. As a notable achievement, our flagship mobile banking application for individual customers, MCB Juice, which marked its 10th anniversary this year, has crossed 500,000 subscribers to reach more than 520,000 as at 30 June 2023. We assisted domestic entrepreneurs and corporates in strengthening their resilience and building back better, alongside effectively managing contextual challenges such as foreign currency fluctuations within a tight market. In so doing, we ensured that we equipped them with the right digital tools notably in line with our aim to help transform Mauritius into a cash-lite society: (i) we expanded our payments ecosystem with Pay+, a payment acceptance solution which has been designed for merchants; (ii) we launched our Internet Banking platform for our non-individual segment, IB Pro and updated our SmartApprove mobile application; (iii) we anchored our collaborative community platform, PUNCH, on MCB JuicePro; and (iv) we deployed the MCB Global Trade Portal, a platform dedicated to international trade which helps bridge buyers and suppliers across markets, amongst others. For FY 2022/23, our contactless transactions increased by more than 50% while the number of merchants offering online payments increased by 27%. The cash to digital payments ratio of our customers has been in constant decline and now stands at 40%, a significant improvement as compared to the pre-pandemic period. In the same vein, we pursued our thrust to promote the development of vibrant and sustainable local economies and launched a new Sustainable Loan offer with an envelope

Message from the Chief Executive

of Rs 10 billion to support local companies transitioning to a low carbon business model.

On the international front, we have pursued our cross-border diversification in niche segments where we have gained expertise, mainly in sub-Saharan Africa, in line with our specialised banking model approach, notably by leveraging our Representative and Advisory Offices, the Group's foreign banking subsidiaries and associates as well as our network of local and foreign intermediaries and partners. This international diversification has contributed to the strong growth of the Bank's total assets, averaging 17% over the past 5 years, with the share of foreign currency assets progressing from 38% in 2017 to 53% in 2023. Within the Mauritius IFC, we have made commendable progress towards positioning MCB as a preferred banking partner for foreign funds and large corporates looking to conduct business in the Indian Ocean region and sub-Saharan African and Asian markets. As a committed African institution, we have played an active role in supporting Africa's development by providing customised financial solutions for productive investments, trade within and into Africa, and social and environmental progress. We furthered our engagement in Energy and Commodities by leveraging our established brand and track record while deepening relationships with leading operators in the African oil and gas industry who are committed to sustainable practices. MCB's oil and gas strategy aligns with the diverse energy needs in African markets, including ensuring affordable and secure energy supply for socio-economic growth, and transitioning to cleaner energy sources to support global climate objectives. Our Financial Institutions and Syndication team has continued to reinforce its position as lead arranger with other financial institutions alongside helping the Bank close the major capital and funding initiatives mentioned before. We also strengthened our involvement vis-à-vis overseas high net worth customers and external asset managers, aided by our offerings, which include a wide range of tailor-made investment solutions and dedicated advisory services, and enhanced market visibility, namely through our Advisory Office in Dubai. The upgrade of the latter's licence into an Advisory Office, coupled with a dedicated External Asset Manager desk, has yielded proven traction for business development in the region. Moreover, in line with our aim to diversify our revenue base and boost non-interest income towards driving a more sustainable, balanced and higher return business mix, we put significant efforts in enhancing our transactional value proposition towards becoming a prominent player by extending our global markets offerings, cash management, payments and trade solutions.

Our achievements earned us various accolades such as 'Best Bank of the Year for Mauritius' by The Banker and 'Best Bank in Mauritius' by Euromoney Awards for Excellence 2023. The success of our funding and capital initiatives undertaken during the year also bears testimony to the attractiveness of our strong credit profile, our compelling growth strategy, and our positive reputation on the international stage. These accomplishments reflect our ongoing commitment, strategic choices and resilience, positioning us for continued growth and success. The Bank's healthy fundamentals, solid franchise and adequate risk management framework were also underlined by Moody's Investors Service. In fact, the rating agency maintained MCB's long-term bank deposit and issuer ratings at Baa3 even though the credit rating of Mauritius was downgraded to Baa3 from Baa2 in July 2022. MCB remains, as such, investment grade rated and among the few financial institutions rated as such in sub-Saharan Africa.

Creating positive impacts

In line with our purpose, Success Beyond Numbers, using our financial expertise and acting as a force for good to deliver a positive economic, societal and environmental contribution constitute a key strategic imperative for unlocking value for all our stakeholders. With the overarching objective of consolidating our position in the domestic entrepreneurial segment, a major focus for us is on helping the country's micro, small and medium enterprises (MSMEs) recalibrate towards areas where they can add value rather than simply relying on imports. We are looking into where they can be part of a value chain; where they can offer products and services that will not only help the export sector but will also benefit the local economy and address some of the supply chain issues that we experienced during the pandemic. Furthermore, helping operators transition to a less carbon-intensive footprint is fundamental for our institution, given our commitment to environmental sustainability. A Transition Taskforce was set up within the Bank to drive momentum on sustainable finance endeavours and develop a coherent strategy to support the transition to a low carbon economy. To raise awareness and educate stakeholders about climate adaptation and mitigation, we organised 'La Semaine Klima' and 'Deba Klima'. In addition to the aforesaid initiatives, our focus on ESG extends to our own workplace, where we have dedicated ourselves to nurturing an environment that prioritises the well-being of our employees. We understand that our people are our greatest assets, and their physical, emotional, and professional welfare is central to our success. By fostering a culture of inclusivity, fairness, and support, we have created a workplace that not only thrives but also embodies the values we hold dear.

Going forward

As we look to the future, we know that the Bank will continue to be exposed to a volatile and uncertain world especially as the fight to bring inflation back to target continues, geopolitical fragmentation gathers pace and climate change inflicts growing costs. Yet, I believe the Bank is well positioned to adapt and respond to the dynamic operating environment and deliver on its strategic objectives thanks to its unique banking model with a strong universal banking model locally and a targeted and niche banking model internationally.

Locally, the size and scale of our franchise will continue to provide us with increased capabilities to innovate and improve our customers' value proposition. We are intent on further enhancing our digital platforms and remaining at the leading edge of the fast-paced digital landscape to support the country's shift to a cash-lite society. We will also continue to accompany the development of emerging sectors with a focus on clean-energy investment to help Mauritius transition towards a greener economy, in line with the Government's ambition to produce 60% of energy needs from renewable sources by 2030, by furthering our Sustainable Loan offer.

"... the Bank is as robust as ever with a strong balance sheet and profitability, supported by a team of talented and motivated professionals..."

As the leading investment grade player in the financial services sector in the region, the Bank will continue to develop and deepen its core competencies to cater for the needs of diverse customer segments doing business within and into Africa and beyond. As we progress, we want to sharpen our specialised and niche banking model. It goes without saying that the achievements we have realised over time have offered us an invaluable roadmap for our expansion strategy, with a nimble approach to adapt our offerings towards meeting the needs of our key stakeholders on the continent. In our continued quest to accompany large corporations in Africa, we will embed the right building blocks and explore the avenues that are likely to arise from the positioning of the Mauritius IFC, notably in facilitating cross-border flows among various trade and investment corridors and supporting the expansion of regional value chains. In pursuing these aspirations, we also seek to increasingly leverage our regional hubs. To this end, the Bank has recently been granted the licence to open a Representative Office in Lagos, as part of its ambitions to broaden its presence and physical network. Together with our representative/advisory office presence in four other countries, this move aims to strengthen MCB's disciplined international expansion approach to appreciate inherent risks across key markets and reinforce coverage and relationships with clients and partners, including financial institutions. We will also seek to explore new partnerships, such as with tech companies, as a crucial element of our strategy where we see opportunities to harness collective strengths, foster innovation and excel in our endeavours across targeted areas including transactional banking and wealth management, amongst others. Furthermore, building on our connections in the energy sector, we aim to reinforce our position as a sustainable financier by increasing our focus on lower emissions solutions such as gas as well as financing renewable energy players.

To support our growth endeavours, we will continue to reinforce our capabilities by further solidifying our risk and compliance management framework, with a key focus on fostering a robust and prudent risk culture within our day-to-day business operations to face up to the evolving developments, including in the cyber threat landscape. Additionally, we are committed to creating a workplace where our people can deliver on our purpose, bring out the best in each other and achieve their potential, all while reinforcing a transparent and merit-based culture. Towards that end, our initiatives, such as the new career architecture and the Employee Value Proposition, will help position us on solid ground to cope with the evolving world of work dynamics.

Moving on

In my first statement as Chief Executive Officer of the Bank in 2017, I expressed my honour and privilege for leading such an esteemed organisation endowed with a rich heritage and noteworthy potential. After over 6 years at the helm of this 185-year old Bank, I still hold these words with pride. But the time has come for me to prepare for my succession in line with the plan elaborated with the Board. Thanks to the focused strategies executed with dedication and passion over one of the most tumultuous and challenging periods of our modern times, I am pleased to note that the Bank is as robust as ever with a strong balance sheet and profitability, supported by a team of talented and motivated professionals, which I have no doubt will enable it to continue to thrive locally and internationally.

The Boards of Directors of MCB and MCB Group have, as you know, appointed Thierry Hebraud, who joined the Bank as Head of Corporate and Institutional Banking in 2019, as Chief Executive Officer Designate of MCB. Thierry is a seasoned and capable banker who has accumulated extensive experience in Corporate and Investment Banking over the last 35 years. I would like to congratulate Thierry for his nomination and am working with him to ensure a seamless transition process.

I want to seize this opportunity to sincerely thank all our stakeholders for their ongoing trust. As I look back on my tenure, I am immensely proud of what our team of over 3,000 employees have contributed and accomplished during a period of constant change as we adjusted to one of the most unsettling social and economic environment. Our present strength and success would not have been possible without their commitment and dedication to our customers. I am sincerely grateful to the Board of MCB Ltd and that of our ultimate shareholder, MCB Group Ltd and to the members of the Leadership team for their valuable support. It is our strategy and leadership that have guided our success over time. As I express my deepest gratitude, I wish to honour the memory of our Head of Mauritian and Regional Corporates, Xavier Bathfield, whose passing has weighed heavily on our hearts. Xavier left an enduring legacy at MCB and his invaluable experience will be greatly missed. I also wish to extend my warm welcome to Philippe Touati who has been appointed as Head of Corporate and Institutional Banking within the Management Committee. Let me also congratulate Rajeshwar Pertab and Krishen Patten who have joined the Leadership Team.

In Mauritius and across communities where we are involved — in spite of the challenging economic situation, natural disasters, and the lingering pandemic effects — MCB has persevered through good and bad times. We have remained unwavering in our commitment to delivering for our customers and our society at large, in line with our purpose, Success Beyond Numbers. I wish the very best to MCB, an enduring institution with its best days ahead.

Alain LAW MIN
Chief Executive Officer

Our strategy

Executing our strategy in a volatile environment

In an environment characterised by persisting uncertainty and volatility, we remained committed to pursuing our strategic objectives during FY 2022/23, in line with the strategic goals defined at Group level and guided by our purpose, Success Beyond Numbers. In this respect, we have progressed on the execution of our 3-year rolling plan while positioning ourselves to take advantage of opportunities unfolding from the dynamic operating landscape.

Anchored on our proven business model and aligned with the Group's strategic goals, our strategy paves the way for delivering sustained earnings and maintaining sound financial metrics, alongside ensuring that we operate within the precinct of our risk appetite. Amidst ongoing endeavours to transform the 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 and caring organisation, a key objective is to further promote sustainability principles in our culture, values and in the way we conduct our business.

MCB Group: Strategic goals and objectives

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

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

Our goals are geared towards being ...

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

... anchored on our strategic objectives of:

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

Our key value drivers

Customer experience	People and culture	Risk and compliance
Build deeper connections and more meaningful relationships with our customers	Shape the right culture that aligns with our values and shared ways of working	Manage our risks effectively to preserve our financial soundness and uphold brand value
Provide excellent customer service across touchpoints	Build a future-ready, talented, engaged, diverse and inclusive workforce	Ensure strict adherence with regulatory norms and developments

MCB Ltd: Strategic objectives and focus areas

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

Delivering on our strategic objectives

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

Our focus areas

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

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

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 the strategic directions set at Group level, we formulate our own strategic objectives, guided by an adapted and pragmatic approach for strategy-setting

Key Processes

1 Analysis

Assessment of **operating context** and scenario analysis

External | Internal

2 Choice

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

Vision | Growth pillars | Risk appetite

Investment considerations | Capital position | Implementation capabilities

3 Validation

Prioritisation at the Executive Management level followed by formal Board approval

3-year rolling plan

Focus areas | Priority projects | KPIs | Budget

4 Cascading

Strategy Communication and integration into **operational plans** of business units

Organisation-wide goals, targets and guidelines

Key actions at S/BU level

Individual objectives

5 Implementation

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

6 Review

Monitoring and **reporting** through an adapted strategy review process

Focused execution-performance and projects

Readjust strategy (if applicable)

Our material matters

How we determine our material matters

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

Our materiality determination process

Identify

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

Prioritise

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

Integrate

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

Monitor

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

Material matters identified for FY 2022/23

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

Our materiality severity assessment

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

Severity

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

Our material matters

Read more on how we responded to our material matters across this Annual Report, notably, in the 'Risk and capital management report' on pages 134 to 181

Delving into our material matters

1 Macroeconomic uncertainty

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

Capital impacted

Financial capital | Social and relationship capital | Manufactured capital

Stakeholder impacted

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

- The global context has been characterised by multiple challenges during the past year, with the ramifications of the war in Ukraine fueling inflation levels higher than seen in decades across regions, which have, in turn, triggered a sharp tightening of interest rates. Such conditions have, along with pandemic legacies, dampened economic prospects worldwide. Notwithstanding the challenging international landscape, the Mauritian economy pursued its recovery path in 2022, driven by the rebound in tourism which accounted for over 50% of the growth outturn, combined with an upturn in the export-oriented manufacturing activities and the expansion in nationwide investment and financial services. For 2023, growth is projected by the IMF at around 5%, with the outlook being, however, subject to the testing conditions in key export markets and the still elevated inflation environment. In fact, whilst moderating to 9.6% in August 2023 from a peak of 11.3% in February, the annual average headline inflation rate is set to remain above historical levels at close to 7% in December 2023. In spite of the pickup in tourism earnings, the foreign exchange market continued to deserve scrutiny on the back of elevated external imbalances amidst the high import bill, with the Bank of Mauritius sustaining its intervention to remove excess volatility in the rupee. Activity levels in sub-Saharan Africa have continued to be impacted by war-related difficulties and country-specific issues. Growth in the region is set to decelerate for a second year in a row in 2023 with slower GDP expansions expected in the two largest constituent economies – Nigeria and South Africa.
- In response to heightened inflationary pressures, the monetary policy tightening cycle has, in general, continued during the year in review, with the Key Rate being increased by 225 basis points during FY 2022/23 to 4.5% on the local front. Whilst this led to rising debt servicing costs for both households and corporates, growth in credit to the economy was sustained. Moreover, excess liquidity in the banking system dropped markedly following the issue of the 7-Day Bank of Mauritius Bill on a full allotment basis. That said, a shift has been noted lately, with the Bills being now issued on a tender basis, which warrants attention. Overall, the banking sector has remained resilient in the face of the difficult operating landscape and global financial fragilities, particularly the banking turmoil in some advanced economies, amidst tightened monetary policy.
- Heightened debt levels and higher debt service costs in the wake of currency weakening have led to sovereign credit rating downgrades in various economies in the region, including Nigeria, Kenya and Egypt lately. Concerning Mauritius, since the downgrade by Moody's Investors Service of the country's long-term foreign and local currency issuer ratings to Baa3 from Baa2 in July 2022, a relative improvement has been observed in economic conditions, supported by the ongoing recovery described above and the gradually improving debt metrics which should help in upholding the country's investment-grade ratings. The latter factors have also paved the way for S&P Global Ratings to assign an investment grade rating of BBB- to Mauritius in July last.

Opportunities

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

Challenges

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

Main risk types impacted

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

Our response

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

Zoom on key indicators

Real GDP growth (%)

	2021	2022	2023 (f)
World	6.3	3.5	3.0
Sub-Saharan Africa	4.7	3.9	3.5
Mauritius	3.5	8.3	4.6

Headline inflation (%)

	2021	2022	2023 (f)
Sub-Saharan Africa	11.0	14.5	14.0
Mauritius	4.0	10.8	7.0

Main currencies vis-à-vis the rupee

	Value as at		Annual average	
	30-Jun-22	30-Jun-23	FY 2021/22	FY 2022/23
USD	44.2	45.6	43.0	44.7
GBP	53.5	57.5	57.2	53.9
Euro	46.2	49.5	48.5	46.9

Financial soundness indicators (%)

	Jun-21	Jun-22	Jun-23
Capital-based			
Regulatory capital to risk-weighted assets	19.7	20.3	21.4
Asset quality and liquidity			
NPL to total gross loans	5.6	5.6	4.7
Liquid assets to total assets	58.5	47.8	46.9
Profitability			
Return on assets	1.3	1.3	2.5
Return on equity	11.1	11.2	21.4

Note: Figures refer to deposit-taking institutions

Domestic credit to the economy

	Jun-21	Jun-22	Jun-23
Y.o.y. growth (%)	3.6	7.7	11.3

Sources: IMF Financial Soundness Indicators Database, IMF World Economic Outlook, Oanda, and Bank of Mauritius

2 Increasing regulatory requirements

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

Capital impacted

Social and relationship capital | Intellectual capital | Manufactured capital

Stakeholder impacted

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

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

Monetary Policy Framework

- Introduction, effective January 2023, of a new Monetary Policy Framework by the Bank of Mauritius (BoM) with key features including (i) the adoption of an inflation target range; and (ii) a symmetric interest rate corridor that was initially set at 200 basis points, but widened recently to 300 basis points, around the Key Rate which has replaced the Key Repo Rate
- Initially issued on full allotment basis, a shift has been observed lately regarding the issue of the 7-Day BoM Bill, which is now on a tender basis at the Key Rate, with excess liquidity now invested at the overnight rate which is Key Rate minus 150 basis points

Liquidity requirement

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

Climate and environment

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

Cyber security

- Issuance by the BoM of a Guideline on Cyber and Technology Risk Management setting out the minimum requirements which banks and payment service providers are expected to implement with respect to cyber and technology risk management to ensure that the risks are well understood and managed

Finance (Miscellaneous Provisions) Act 2023 in Mauritius	• Abolition of reduced tax incentive system of 5% that was applicable for banks under prescribed conditions with chargeable income in excess of Rs 1.5 billion now taxed at 15% • Special levy on leviable income of more than Rs 1.2 billion increased from 4.5% to 5.5% • Amendments brought to the VAITOS Act to allow for a Virtual Asset Custodian (Class R) to hold custody of securities tokens or such other instruments as approved by the Financial Services Commission
Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT)	• Enhanced Due Diligence requirements following the inclusion of Nigeria, South Africa and United Arab Emirates in the Financial Action Task Force list of jurisdictions under increased monitoring as well as the EU high-risk third countries list • Consultation initiated between the BoM and industry players for the upcoming Central KYC Registry project
Payments	• Forthcoming roll-out of the digital rupee, on a pilot basis, by the BoM

Opportunities

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

Challenges

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

Main risk types impacted

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

Our response

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

3 ESG considerations

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

Capital impacted

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

Stakeholder impacted

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

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

Key ESG trends

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

USD 5.8 trillion
Value of sustainable finance market In 2022

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

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

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

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

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

Opportunities

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

Challenges

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

Main risk types impacted

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

Our response

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

Read more in the Sustainability Report on our website

4 Cyber threats and digital disruptions

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

Capital impacted

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

Stakeholder impacted

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

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

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

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

Opportunities

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

Challenges

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

Main risk types impacted

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

Our response

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

5 Increased competition

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

Capital impacted

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

Stakeholder impacted

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

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

Opportunities

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

Challenges

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

Main risk types impacted

- Strategic and business

Our response

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

6 Workplace transformations and employee expectations

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

Capital impacted

Human capital | Intellectual capital | Manufactured capital

Stakeholder impacted

Shareholders & investors | Societies & communities | Employees | Customers

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

Main dynamics driving our human capital agenda

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

New jobs and lost jobs, 2023-2027

Top 5 new jobs

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

Top 5 jobs disappearing

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

Source: Future of jobs report 2023, World Economic Forum

Opportunities

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

Challenges

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

Main risk types impacted

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

Our response

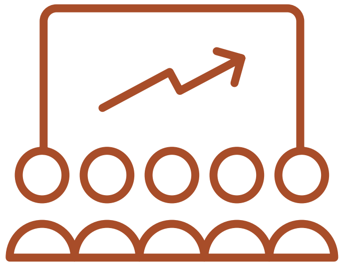
- Shifted to a hybrid work model to offer flexible working options to our employees while also reassessing our internal practices and expanding our well-being value proposition
- Reviewed our career architecture to support the growth and career development of employees
- Launched a new Employee Value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

How we created value for our stakeholders

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

The Bank has a well-established governance and operational framework to ensure that stakeholder engagement is managed in a transparent way, in alignment with international practices and regulatory stipulations. Stakeholders are kept informed about the Bank's business and strategy on a regular basis through various channels. Their views and concerns, gathered through ongoing dialogues, meetings and surveys, help in shaping our strategic priorities and guiding our initiatives.

Shareholders and investors



85%
Contribution of MCB Ltd to Group profits

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

AAA*
Issuer rating
CARE Ratings (Africa) Private Limited

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

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

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

SDG impacted

Capital impacted

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

How we have engaged with shareholders and investors

- Regular interaction with shareholders and investors to better understand their perspectives and update them on our financial performance, strategic positioning, as well as sustainability and ESG commitments

- Access provided to a comprehensive set of corporate announcements and publications, in particular quarterly financial statements and annual reports, available on our websites

- Open, constructive and regular dialogue with rating agencies with a view to reporting on our performance and prospects as well as providing comfort on our risk management and business growth foundations via dedicated analyses

- Timely interaction with players across global markets amidst our efforts to consolidate our foreign currency funding resources to support our international diversification strategy

Supporting our international diversification strategy

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

October 2022

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

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

March 2023

Issued a Basel III compliant Tier 2 bond

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

April 2023

Launched senior unsecured notes under the GMTN Programme

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

June 2023

Secured a syndicated loan facility

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

Read more in the 'Corporate governance report' on pages 94 to 131 and the 'Financial performance' on pages 82 to 93

Customers

~ 1,090,600
Overall customer base
(Y.o.y growth: 3%)

~ 1,045,100
Individual customers

~ 45,500
Non-individual customers

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

Customer satisfaction scores

84
Retail
(FY 2021/22: 81)

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

76
Business Banking
(FY 2021/22: 74)

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

Material matters of relevance

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

What they expect from us

- Innovative and customised financial solutions
- Safe and convenient access to financial solutions through a wide range of channels
- Excellent service quality and competitive pricing
- Transparent and timely advice on offerings
- Security and privacy of transactions and data
- Effective process for dealing with complaints
- Responsible banking solutions to support the transition to a low-carbon economy

Key performance indicators

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

SDG impacted

Capital impacted

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

How we have engaged with customers

- Multiple channels in place, including digital banking, contact centres and adapted branch network, for prompt and adequate service delivery
- Ongoing efforts to further reduce waiting time and improve turnaround efficiency towards enhancing customer experience
- Continuous interactions with clients to better understand and anticipate their needs to provide them with the right solutions
- Provision of adapted banking and financial solutions and services, by capitalising on innovative technologies, to deliver a differentiated customer experience
- Appropriate communication and reporting channels in place, including on social media, to provide customers with transparent and timely advice about our offerings as well as attend to their queries
- Dedicated initiatives taken to address customer complaints in an effective and timely manner with round the clock assistance provided to customers through our contact centres. During FY 2022/23, 3.8 days were, on average, taken to solve complaints (FY 2021/22: 4.5 days), with 84% of complaints resolved within 5 days
- Compliance with laws and regulations relating to data protection
- Continuous enhancements brought to our internal platforms and processes, including our cyber risk management framework, to ensure the safety and confidentiality of client information and reliability of our channels
- Organisation of and participation in promotional and commercial initiatives, international seminars, conferences and roadshows to strengthen client relationships and networks as well as promote the Bank's capabilities and value proposition
- Dedicated committees in place to cater for the effective pricing and management of new and existing product offering in tune with customer needs

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

~ 12,000
Customer participation in surveys/research projects

> 100
Number of research projects/ initiatives undertaken

30
Recurrent surveys (monthly/quarterly)

25
Real Time Dashboards

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

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

Read more on our initiatives to deliver excellent customer experiences in the 'Progress on our strategic objectives' section on pages 65 to 80

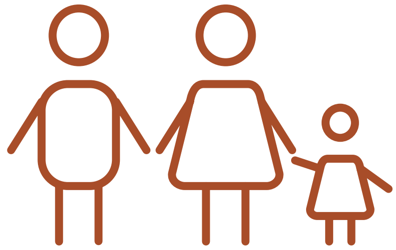
Societies and communities

Rs 57 million

Entrusted to MCB Forward Foundation

Rs 10 billion

Dedicated envelope made available under our new Sustainable Loan



3,855 tonnes CO_2eq [1]

10,969 iRECs[2]

Climate contribution

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

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

48% Share of our retail customers using e-statements

65% of total procurement expenditure sourced from local suppliers

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

Material matters of relevance

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

What they expect from us

- Dedicated incentives and initiatives to promote socio-economic progress and financial inclusion
- Sound management of natural resources to promote sustainable development
- Eco-friendly operations, responsible banking practices, and support to the transition to a low-carbon economy
- Promotion of cultural heritage

Key performance indicators

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

SDG impacted

Capital impacted

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

How we have engaged with societies and communities

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

Support the transition to a low-carbon economy

During the year under review, we launched our first in-house Sustainable Loan, a credit line of Rs 10 billion at a preferential rate of PLR-1%, available to local businesses. The line of credit aims at financing a wide range of projects notably in the environmental and social categories, as per our green taxonomy. At the same time, in line with its objective of contributing to carbon neutrality in its own operations, MCB has focused on reducing its carbon emissions and then offsetting the residual emissions by investing in projects that have environmental and social benefits. MCB has also catered for the redemption of its Scope 2 electricity consumption linked to its 2021 operations through the purchase of International Renewable Energy Certificates.

Commitment to responsible practices

The Equator Principles

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

UNEP FI

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

UN Global Compact

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

Read more in the Sustainability Report on our website

Key initiatives to foster a more inclusive and equitable society

Social inclusion and poverty alleviation

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

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

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

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

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

Financial inclusion

We strive to promote financial inclusion, by enabling low-income clients to get access to credit and improve their conditions. MCB Ltd offers **accessible accounts with low minimum balances** and zero-cost savings account bundles, as well as **encourages youth savings through Junior accounts.** The Bank also provides unsecured personal loans, available to non-MCB Ltd customers, which is often sought for education and housing purposes.

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

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

Health

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

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

Protection of the environment

- The organisation hosted **'La Semaine Klima' to educate its stakeholders** on the importance of climate adaptation and mitigation. We also organised the first edition of **'Deba Klima'**, a debate competition whose objective is to encourage students to conduct research on climate change-related topics and engage in debates in Kreol, to allow a wider audience to understand the challenges of climate change.
- In collaboration with the Mauritian Wildlife Foundation through the **funding of a conservation project at Grand Montagne Nature Reserve in Rodrigues** for Rs 2.3 million during FY2022/23, MCBFF enabled the **planting of 40,000 endemic trees** on 7 hectares of land.
- The organisation sponsors several NGOs in Mauritius pursuing impactful environmental initiatives.
  - Le Velo Vert receives **support for a mobile app** promoting direct sales of bio farming products and creating a sustainable school farm.
  - We-Recycle benefits from annual **funding for waste collection and recycling,** including a station at a heritage site, as well as awareness campaigns in the Black River region.
  - MCB is the main sponsor of Mauritian Wildlife Foundation since 2019 with an annual sponsorship of Rs 5 million each year for the **protection of endemic species and the preservation of the islets** around Mauritius.
  - MCB is a key partner of Ebony Forest since 2017 and **supports their restoration projects** to raise awareness on the importance of conservation work and saving endangered species in Mauritius.

Arts, culture and wellness

- MCB is committed to promoting **Mauritian talent in Arts and Culture.** MCB sponsored two private screenings for its Neo and MCB Select customers where the guests had the privilege of enjoying a movie which is a 100%Mauritian production.

Waste management

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

Education

34 scholarships have been awarded since 1988 to Mauritian students ranked next in line with those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations.

42 scholarships have been awarded since 2000 to students from Rodrigues, under the MCB Rodrigues Scholarship, enabling them to pursue tertiary studies at the University of Mauritius.

~ Rs 1.9 billion student loans approved

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

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

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

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

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

Authorities and economic agents

30%
Domestic loans as a share of GDP *(including corporate notes)*

Rs 2.1 billion
Income tax paid *(including special levy)*

46%
Share of domestic credit to SMEs and corporates

40%
Cash to digital payments ratio

3,424
Number of fraud cases investigated

175,097
Number of financial crime and risk management alerts investigated and closed

3,832
Reports sent to the Bank of Mauritius

562
Number of suspicious internal transaction reports received for investigation

Material matters of relevance

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

What they expect from us

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

Key performance indicators

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

SDG impacted

Capital impacted

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

How we have engaged with authorities and economic agents

- Continuous support to the development and modernisation of the country's economic sectors
- Contribution to the positioning of Mauritius as a credible and competitive International Financial Centre, along with dedicated assistance to companies transiting through Mauritius to conduct business across Africa and beyond
- Full compliance with regulatory requirements and guidelines relating notably to business operations, product development, market development and risk management, thereby safeguarding the perennity and soundness of our operations
- Policies and procedures in place to detect and prevent financial crimes such as money laundering, bribery and tax evasion in line with legal requirements
- Contribution to the strengthening of the regulatory framework through our close collaboration with the regulators
- Prompt attendance to regulatory reviews, submission of regular reports to regulatory bodies and transparent relationships forged with them to promote adequate monitoring of our activities and informed discussions about relevant issues
- Thought leadership initiatives, including the publication of MCB Focus, various conferences on topical issues, such as the GIC Business Series, and social media blog posts, notably on the MCB Group's 'TH!NK' website and LinkedIn
- Enabling informed decision-making for economic agents and individuals by promoting financial literacy on multiple fronts designed to enhance financial awareness and capabilities

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

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

Notes:
(i) Total corporate tax paid includes levies charged on income but excludes our indirect contribution induced by tax paid by our suppliers
(ii) The estimates do not cater for the indirect implications of the Bank's operations and banking activities
(iii) Figures displayed above are indicative, based on officially-reported data and MCB Staff estimates.

Employees

~ 3,300
Employees
(52% female)

31%
Women in middle and senior management

~ 95%
Employee retention rate

2,716
Employees, representing 83% of our workforce, engaged on 'Percipio' *(our online learning platform)*

~ 12,700
Total hours spent learning on 'Percipio' *(Average of 4.7 hours spent learning per user)*

~ 7%
Employee turnover rate

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

Material matters of relevance

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

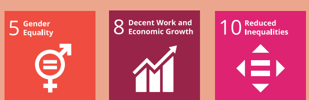
What they expect from us

- Safe, positive and enriching working conditions and operations supported by flexible work practices
- An empowering and enabling environment that embraces diversity and inclusivity
- Fair treatment and strict adherence to meritocracy principles
- Strong leadership and change management
- Reasonable reward and effective performance management system
- Training, development and career opportunities

Key performance indicators

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

SDG impacted

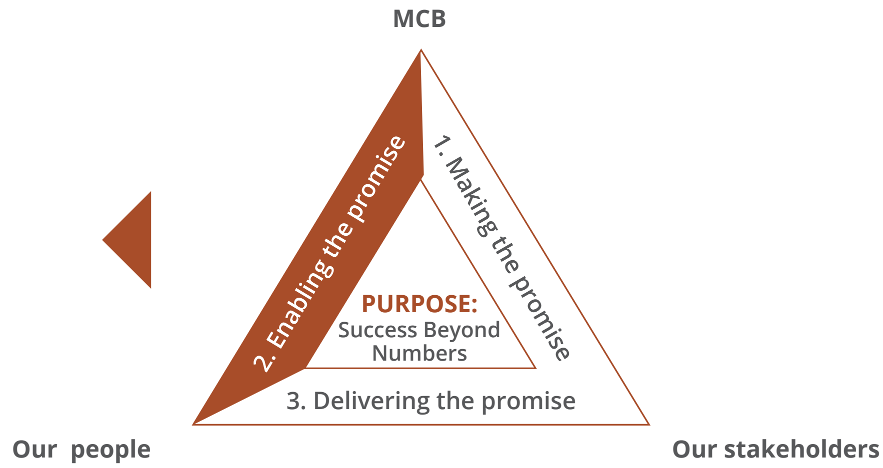


Capital impacted

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

Our approach underpinning our employee engagement

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



How we have engaged with employees

- Continuous efforts to identify, attract, grow and retain talents as well as empower them to deliver their best
- Regular interaction with employees to adequately understand and respond to their needs and gauge their level of motivation and engagement, notably by way of surveys
- Gold Standard Management Routines in place with our People Managers practicing regular conversations, team meetings, town hall meetings and walk arounds to promote the desired culture and take care of our employees
- Succession planning to ensure the organisation's continuity, stability and long-term success
- Reinforcement of human resource frameworks, in support of enhanced operational efficiencies and employee engagement
- Continuous enrichment of our training courses, both in-class and digital, to equip employees to better respond to evolving customer needs
- Application of the Group Code of Ethics to help employees understand their ethical responsibilities as they conduct business and the 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
- Maintenance of healthy relationships with employee representatives in order to work collectively towards enhancing the work environment and conditions
- Provision of a range of fringe benefits to our employees, including the employee share option scheme
- Support from the Change Management Office to cater for the impact of change from a people perspective to ensure a smooth transition following the implementation of transformation initiatives
- Promotion of a balanced and diversified workforce in terms of age group and experience as well as gender in line with our Gender Equality Charter
- Flexible Working Arrangements (FWA) available to our employees, including flexi-time, staggered hours, hot desking, and 'Work From Home' initiative
- Dedicated initiatives put in place to cater for the health and well-being of employees, including, amongst others, extended parental leaves
- Social leave policy in place that allows our employees to benefit from a paid leave and engage in a positive impact activity by helping NGOs or other organisations having social or environmental goals

Key measures deployed for our employees

Career architecture

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

- The new career architecture provides a more modern and flexible approach to organising and defining jobs within the organisation. It has been designed to provide our employees with the required information and support to manage their career.

- The career architecture contains job families and career levels that reflect not only the hierarchy of roles but also the way in which they contribute to and how they impact on the organisation, informed by the job evaluation outcomes.

- It also aims at giving due recognition to staff expertise while laying the appropriate foundations to enable us to attract, develop and retain key talents while ensuring better mobility within the organisation. The new job architecture provides a consistent and flexible framework for managing roles, pay structures, career development pathways, promotions and other HR processes.

Corporate Culture Alignment project

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

Our Shared Ways of Working

Employee Experience

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

Employee Value Proposition (EVP)

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

Joining with purpose

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

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

Work rewarded

Work and Thrive

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

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

Growing beyond titles

Employee well-being

- A series of wellness-related activities have been organised for the well-being of our staff. The organisation held a Wellness Fair over three days, which included health check-ups/screenings, nutrition stands, health talks and promotion of wellness products.

- Ongoing initiatives include (i) mental well-being awareness sessions with People Managers and individual consultations from our 2 part-time psychologists, (ii) events to promote physical well-being (e.g., hiking, health track at MCB St Jean, and corporate massages), and (iii) staff offers to encourage employees to adopt healthier lifestyles.

Gender equality

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

- Panel discussion on women-led businesses to start a dialogue on collectively contributing to building a resilient entrepreneurial ecosystem that promotes equality and fairness

- Internal event hosted in light of the International Women's Day 2023 to bring women across the Bank to share, network and celebrate the important role that they play within our organisation

- Training on unconscious bias to shed light on gender inequality and 'Women in Leadership' programme to provide women within the organisation with the skills and competencies to fulfil managerial roles

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

- Follow up of the 'Allies for Change Discussion Forums' with Management with a view to defining key actions towards Gender Equality within the organisation

- 'Lean In Circles' initiative where women can come together in small groups across roles and levels to get peer-to-peer mentorship, connect with each other, recognise and combat gender bias, and build leadership skills

Other strategic initiatives

- We made further inroads regarding talent attraction, development and retention, namely through (i) the Talent Management Committee and (ii) the Beyond Numbers Graduate Programme. The former was set up at the level of the Group in 2022 to ensure the continuous growth and advancement of our talents within the organisation. The committee plays a vital role in aligning the organisation's business goals with its human capital needs, creating a robust talent pipeline, and fostering a culture of excellence and innovation. The Beyond Numbers Graduate Programme aims to strengthen our talent pipeline at a more junior level, with graduates who demonstrate the potential to grow and move in different roles within the organisation. Of note, there are 6 graduates enrolled in the 2023 Beyond Graduate Programme.

- We have made further headway regarding leadership development, notably through the continuation of the People Managers Programme. The programme encompasses a diverse range of content designed to equip our People Managers with the skills they need to thrive, underpinned namely by the Gold Standard Management Routines and learnings through the Lead With Impact Academy.

- 9 specialised learning journeys were provided, supported notably by a number of specialised/technical courses, to strengthen capabilities across the value chain whilst supporting the organisation's strategic goals and objectives.

- Various trainings were conducted on sustainability to raise employees' awareness on the subject, while sessions were also held on handling conflicts and ensuring a safe workplace.

- To create a better workplace for its employees and adapt to the constantly evolving business requirements, the organisation has reviewed its Flexible Working Arrangements and, notably, allowed for eligible employees to work four days onsite and one day from home.

Progress on our strategic objectives

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

Key initiatives and achievements in FY 2022/23

Extend our frontiers

Consolidating our domestic positioning:

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

Growing our business internationally:

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

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

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

Deliver a world-class customer experience through digital

Enriching our digital value proposition:

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

Bolstering our IT infrastructure while streamlining processes:

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

Nurture our values and deliver on our brand promise

Promoting vibrant and sustainable economies:

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

Contributing to our cultural & environmental heritage:

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

Fostering individual & collective well-being:

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

Key priorities looking ahead

Extend our frontiers

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

Deliver a world-class customer experience through digital

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

Nurture our values and deliver on our brand promise

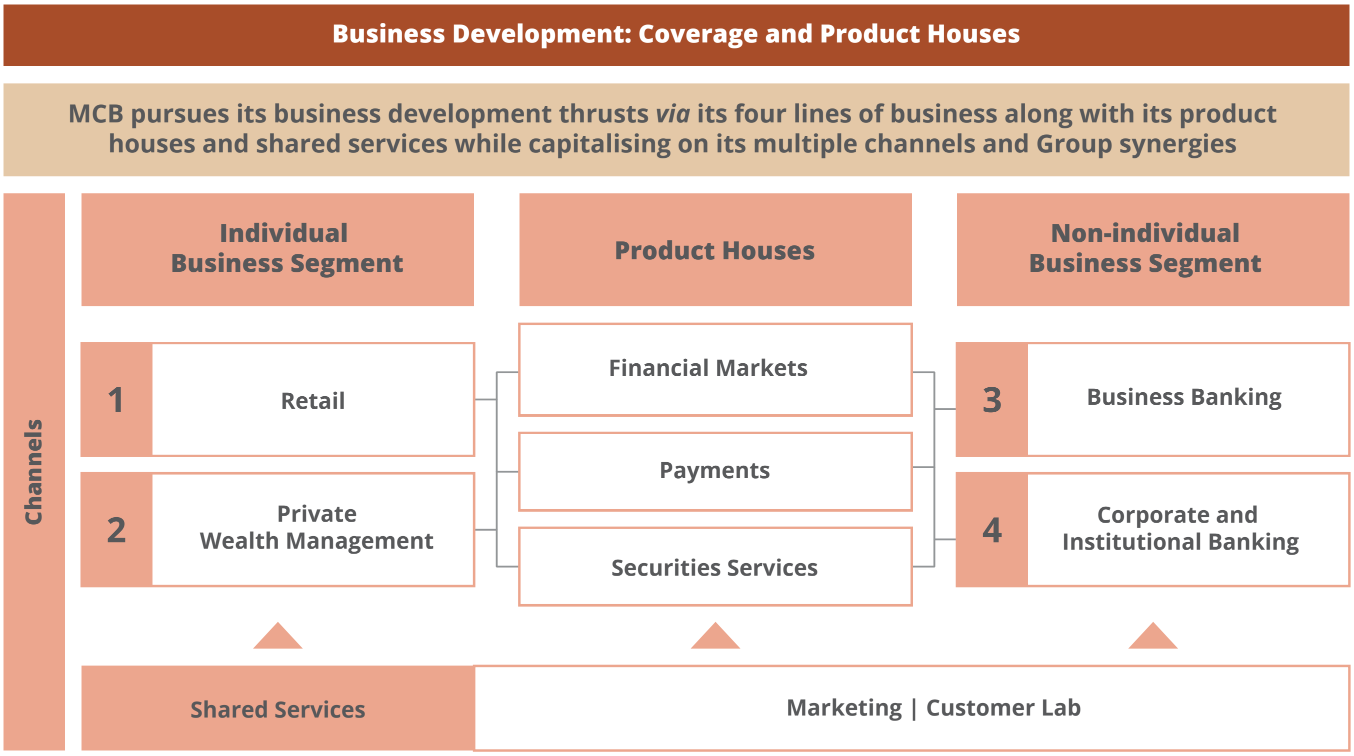
- Strengthen our position as a leading player in sustainable development
- Boost employee engagement

1 Extend our frontiers

General approach

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

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



Retail

Key clients

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

Strategic priorities set for FY 2022/23

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

Highlights

Contribution to the operating income

9%

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

9%

Deposits
(y.o.y. growth)

7%

Main initiatives and achievements during the year under review

Strengthening our market positioning

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

Enhancing our digital offerings

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

Improving the customer service

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

Key priorities looking ahead

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

Private Wealth Management

Key clients

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

Strategic priorities set for FY 2022/23

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

Highlights

Contribution to the operating income

8%

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

5%

Investable assets
(y.o.y. growth)

13%

Main initiatives and achievements during the year under review

Enriching our client offerings

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

Reinforcing our regional presence and our network of collaborators and partners

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

Consolidating our growth enablers

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

Looking ahead

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

Business Banking

Key clients

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

Strategic priorities set for FY 2022/23

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

Highlights

Contribution to operating income

7%

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

1%

Deposits
(y.o.y. growth)

20%

Main initiatives and achievements during the year under review

Promoting local entrepreneurship

- The value proposition under the aegis of our Lokal is Beautiful Scheme has been enhanced. The loan offering has been reviewed with a revamped application process, which is now simpler and more efficient. The coverage includes CAPEX financing, overdrafts and import/export loans which address the liquidity needs of our clients while supporting them in growing their business. Through this scheme, the Bank aims to lay a renewed focus on enterprises which are either 'Made in Moris' certified or aligned to SMART or CIRCULAR economy.
- We collaborated with Graines De Boss, an entrepreneurial competition to accelerate the development of young local entrepreneurs across Mauritius. The platform connects entrepreneurs with professional mentors and investors and creates opportunities to access funding and business support.
- To gain foothold in the untapped segment of women entrepreneurs, we partnered with Association Mauricienne des Femmes Chefs d'Entreprises (AMFCE) and Femmes Chefs d'Entreprises Mondiales (FCEM), and have sponsored several initiatives, notably the 'Business Without Borders' project, which is a Coaching and Mentoring Programme with the objectives to enable women entrepreneurs to grow their business.
- Our new Sustainable Loan offer – which carries preferential rates, flexible financing structure, with a repayment period of up to 15 years, as well as customised support – is available to local SMEs and MMEs transitioning to a low carbon business model.
- We leveraged our collaborative community digital platform, PUNCH, to generate synergies among local entrepreneurs. PUNCH is now anchored on MCB JuicePro to enable a more seamless client experience and has more than 3,000 entrepreneurs and 150 growth partners registered on it. We have also helped boost the visibility of entrepreneurs and prominence of their businesses through a series of events including PUNCH Meets and PUNCH Talks.

Enhancing our digital value proposition

- In June 2023, we have expanded our payments ecosystem by introducing Pay+, which enables seamless and efficient cashless payments. It is a more convenient alternative to traditional point of sale terminals used in various businesses such as stores and supermarkets. Pay+ is a small payment acceptance device, designed primarily for merchants, which is wireless and easy to carry. Merchants can thereby accept payments through debit or credit cards with contactless option or a dynamic QR code.

- MCB JuicePro has been enriched with additional features for the ease and convenience of non-individual clients. Following the introduction of the Bank of Mauritius' Instant Payment Switch, MCB JuicePro now allows the instant transfer of funds to all other local bank accounts, catering for the transactional needs of businesses, enabling them to undertake faster inter-bank transfers at reduced rates. More user-friendly features have also been introduced such as: the removal of daily funds transfer limit, instant credit options like the express overdraft facility, push notifications with regard to payment approval and option to share e-receipt. Of note, the number of registrations on MCB JuicePro has increased by two-fold over the past two years to stand at some 21,000 as at June 2023. Worth highlighting also, through the Express Overdraft feature on the application, more than 300 overdrafts were disbursed for a total value of over Rs 140 million during the year.

Reinforcing foundations for growth

- The back-end platform is now fully operational and gaining momentum. It hosts our end-to-end customer journeys, now servicing express loans in addition to short-term overdraft underpinned by a solid credit-scoring model.

- As part of our thrust to further improve the efficiency of internal processes, several initiatives have been deployed to upgrade service levels. As a result, customer experience has been enhanced on various fronts, for instance, through a simplified and less time-consuming onboarding process, with the SME Account Opening journey averaging about 5 days. Furthermore, the most frequently-used forms can now be downloaded from the MCB website.

Key priorities looking ahead

- Support the growth of entrepreneurs and consolidate our foothold in the segment by: (i) offering a wider palette of financing solutions; (ii) bolstering product awareness; and (iii) exploring other specialised services such as invoice discounting

- Focus on merchant acquisition while expanding our digital payments solutions, with a view to catalysing the shift to cashless alternatives

- Pursue our digital transformation agenda to deliver a superior customer experience through seamless onboarding and enriched offerings, underpinned by technology-enabled improvements in the efficiency of our operations and processes

- Adopt a more targeted approach with respect to the under-served sub-segments, entailing a reviewed operational structure and leveraging data analytics for enhanced cross-selling

Corporate and Institutional Banking

Highlights

Contribution to the Bank's operating income

58%

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

16%

Deposits *(y.o.y. growth)*

30%

Key clients

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

Strategic priorities set for FY 2022/23

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

Main initiatives and achievements during the year under review

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

- MCB has strengthened its position as the reference financial institution for accompanying corporates doing business in Mauritius and sustaining the local economy. The Bank has reinforced client relationships by striving to ascertain how the challenges of the business environment, such as currency volatility, supply chain disruptions and interest rates hikes, are influencing their operations and ambitions. Once client expectations were gauged, the Bank was in a better position to propose tailored solutions allowing them to build their resilience and capabilities and to facilitate their next growth chapter.
- In line with its sustainability objectives, the Corporate and Institutional Banking (CIB) SBU leveraged the Bank's new Sustainable Loan with preferential rates to support and accompany clients undertaking sustainable projects in Mauritius.

During the second Klima conference in April, the envelope allocated was increased from Rs 5 billion to Rs 10 billion, and, as at June 2023, the pipeline of potential projects amounted to more than Rs 6 billion.

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

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

  - With regard to the Specialised Finance unit, the Energy & Commodities team leveraged its expertise, established brand and track record to nurture relationships with best-in-class operators within the African oil and gas industry. Customer centricity being a key underpinning of all our undertakings, we developed and maintained excellent relationships with our trade finance clients based on our unique value proposition and recognition as a reliable and meaningful solutions provider. We played a pivotal role in countries in the Indian Ocean, East and West African regions and increased our portfolio of African-focused trade finance facilities as well as expanded our cooperation with national oil companies in the Middle East as their partner of choice for their African ambitions. We collaborated with operators demonstrating commitment to the longer term sustainable impact, by supporting their efforts to gradually decrease their carbon emissions, while being conscious of the fact that our key energy markets in Africa are still highly dependent on traditional energy sources for their development and that the transition to cleaner sources is likely to require time and huge investments. The Power & Infrastructure segment continued to support clients for their infrastructure investments in the Bank's key geographical markets, including energy projects contributing to the transition towards cleaner energy and improving electrification rate on the continent.

  - The Global and International Corporates team has made significant progress towards realising its aim of making MCB the go-to banking partner for private equity/capital funds, strategically positioned multinational corporates and large corporations looking to conduct business in African and Asian markets, while capitalising on business opportunities with the Mauritius IFC and other regional hubs. The unit is actively strengthening its capacity to provide tailored solutions to meet the increasingly complex needs of its various client segments backed by the close cooperation of our product houses, including Financial Markets, Securities Services, as well as Global Trade Solutions within the CIB SBU.

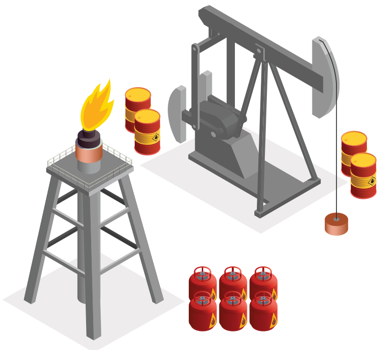
  - The Financial Institutions and Syndication team, in line with its goal to consolidate its syndication capabilities and enhance support to other coverage teams, has continued to reinforce its position as lead arranger with other financial institutions. The unit also helped the Bank close major capital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

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

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

USD 120 million

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



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

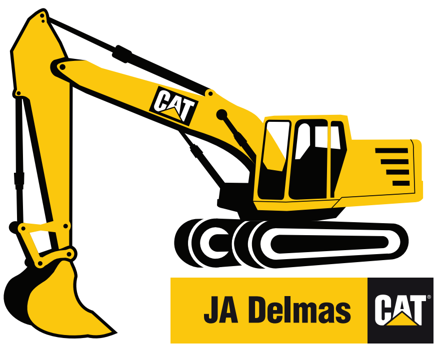
USD 45 million

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

Financing for one of the largest solar power plants in Mauritius

Rs 350 million

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



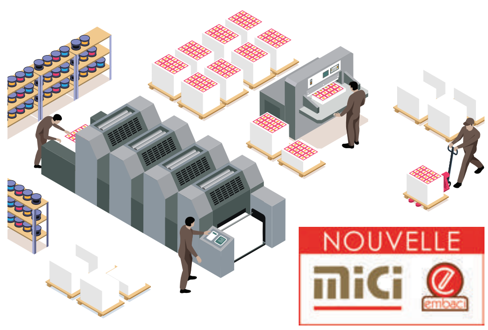
Financing for the acquisition of JA Delmas, the exclusive Caterpillar dealer in West Africa

EUR 135 million

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

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

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



Enhancing our digital offerings

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

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

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

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

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

Key priorities looking ahead

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

Zoom on selected product houses

Financial Markets

Main initiatives and achievements during the year under review

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

Key priorities looking ahead

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

Payments

Main initiatives and achievements during the year under review

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

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

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

Note: Figures relate to FY 2022/23

Key priorities looking ahead

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

Securities Services

Main initiatives and achievements during the year under review

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

Key priorities looking ahead

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

2 Deliver a world-class customer experience through digital

General approach

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

Main initiatives and achievements during the year under review

Delivering on our customer journeys

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

Key performance indicators across selected customer journeys

Lending

Mortgage

Average TAT of **26 days**

87% digital requests

CSAT score **81**

Unsecured personal loan

Average TAT of **4 days**

95% digital requests

CSAT score **96**

SME lending *(Express overdraft)*

Average TAT of **8 days**

91% digital requests

CIB lending

Average TAT of **20 days**

92% digital requests

Payments and channels

MCB Juice

521,172 subscribers *(+22% y.o.y)*

56 million transactions *(+55% y.o.y)*

CSAT score **88**

MCB JuicePro

~ **21,000** subscribers

932,384 transactions *(+103% y.o.y)*

CSAT score **88**

CIB transactional payments

1,980 registered users on SmartApprove *(+48% y.o.y)*

88% International Funds Transfer Payment STP rate

78% digital to manual transfer

IB Pro

26,926 transactions

Rs 21.7 billion value of transactions

Onboarding

SME account opening

Average TAT of **5 days**

Digital account opening **90%**

CSAT score **74**

Investment

Juice Wealth *anchored on MCB Juice*

3,080 subscribers

CSAT score **70**

Read more on our digital offerings in the 'Progress on our strategic objectives' section on pages 65 to 80

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

Building a modern banking infrastructure

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

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

Bolstering our cybersecurity defenses

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

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

Read more in 'Risk and capital management report' on pages 134 to 181

Leveraging data and advanced analytics

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

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

Key priorities looking ahead

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

3 Nuture our values and deliver on our brand promise

General approach

MCB continued to adopt dedicated initiatives executed under the three sustainability pillars, namely: (i) development of vibrant and sustainable local and regional economies; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being.

Main initiatives and achievements during the year under review

Reviewing our sustainability governance

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

Promoting vibrant and sustainable local and regional economies

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

Contributing to our cultural and environmental heritage

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

Fostering individual and collective well-being

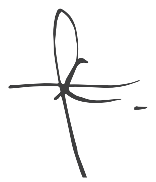
- 2023 saw the resumption of the Social Leave Programme which gives the opportunity to each employee to, via a one-day paid leave, carry out social work by helping NGOs in their day-to-day activities. Additionally, an internal platform, 'Aksion Ekolozik', was created for employees to share eco-friendly habits and good practices in support of a more sustainable lifestyle.
- With regard to initiatives in favour of gender equality, MCB continues to support the 'Business without Borders', a mentoring programme led by 'Association Mauricienne des Femmes Chefs d'Entreprises'.
- The organisation also embarked on a comprehensive analysis of existing remuneration processes and policies towards addressing potential gender inequalities, as part of the application for the Equal Salary Certification assigned by the Equal Salary Foundation in Switzerland.
- A series of wellness-related activities has been organised for the well-being of our employees, namely a Wellness Fair and dedicated initiatives aimed to improve physical and mental well-being.

Key priorities looking ahead

- Promote local entrepreneurship and help boost local production
- Pursue momentum on Sustainable Finance and support the transition to low carbon economies through the development of our sustainable value offering for local and international clients
- Integrate climate risk within our overall risk management framework
- Continue to nurture an inclusive workplace, namely by unfolding the Group's Gender Equality Charter
- Foster a strong sustainability culture at MCB through the launch of an organisation-wide ESG learning programme and continued awareness endeavours

Read more in 'Risk and capital management report' on pages 134 to 181 and in the 'How we created value for our stakeholders' section on pages 49 to 64

Read more in the Sustainability Report on our website



Alain LAW MIN
Chief Executive Officer

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Performance against objectives

OBJECTIVES FOR FY 2022/23	PERFORMANCE FOR FY 2022/23	OBJECTIVES FOR FY 2023/24
Return on average Tier 1 capital		
Return on average Tier 1 capital is forecast to increase above 15%, supported by the growth momentum expected in business activities.	Return on average Tier 1 capital improved to 19.5%, supported by growth in business activities as well as improved interest margins on foreign currency interest-earning assets.	Return on average Tier 1 capital is expected to be around 18.5%.
Return on average assets (ROA)		
ROA is anticipated to exceed 1.5%.	ROA increased to 1.8%, reflecting our strong performance.	ROA is budgeted to be around 1.7%.
Operating income		
Net interest income is expected to register a strong growth, supported by the rising interest rates in 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.	Net interest income grew by 32.6%, mainly explained by the expansion in foreign currency interest-earning assets and increased margins thereon linked to the rise in benchmark rates globally. Non-interest income grew by 39.3% on account of an increase in revenues from regional trade finance and payment activities, higher profit from dealing in foreign currencies as well as fair value gains on equity financial instruments. Operating income increased by 34.8%.	Net interest income is expected to grow by some 20%, sustained by the expansion and diversification of our lending activities as well as forecast high, albeit falling interest rates. Non-interest income is projected to grow by 10% excluding fair value gains/losses on equity financial instruments, in line with increased efforts to boost our transactional banking activities.
Operating expenses		
Operating expenses are likely to be fuelled by high inflation and sustained capacity-building initiatives linked to the reinforcement of human capital and our digitalisation journey.	Operating expenses grew by 25.9%, driven by continuous investment in human capital and technology as well as the impact of higher inflation on our cost base.	Operating expenses are likely to maintain a double-digit growth reflecting continued capacity-building initiatives to support business expansion as well as the impact of still high inflation.
Cost to income ratio		
Cost to income ratio is forecast to remain close to the current level.	Cost to income ratio dropped to 32.9%, with operating income growing at a much higher pace than operating expenses.	Cost to income ratio is expected to rise after factoring the projected growth in operating costs and the relatively lower growth projected in operating income.
Loans and advances growth		
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.	The average customer loan balance grew by 12.3%, underpinned by an expansion in our cross-border activities as well as in our domestic loan portfolio.	Customer loan book is expected to maintain a double-digit growth, supported mainly by our international business activities.

Deposits growth Efforts by the Bank to mobilise foreign currency deposits should support the growth momentum in average customer deposits, albeit at a reduced pace.	Average customer deposits grew by 14.0%, with a significant rise noted in foreign currency deposits.	Customer deposits are forecast to grow, albeit at a lower rate than in FY 2022/23, as the Bank pursues its effort to mobilise foreign currency deposits to support its business growth.
Asset quality Allowance for credit impairment charges is expected to increase in line with the growth in loan portfolio.	The allowance for credit impairment increased broadly in line with the growth in loan portfolio, leading to the cost of risk remaining relatively flat at 90 basis points. The gross NPL ratio fell to 3.0% compared to 3.4% one year earlier.	Both cost of risk and NPL are expected to increase marginally.
Capital management 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.	The overall capital adequacy ratio increased to 18.3%, supported by the improved earnings as well as the issuance of a Tier 2 instrument during the year under review.	Capital adequacy ratios are expected to remain well above regulatory limits as the Bank continues to consolidate its capital base in view of the expansion of its asset base.

Performance against objectives by lines of business

OBJECTIVES FOR FY 2022/23	PERFORMANCE FOR FY 2022/23	OBJECTIVES FOR FY 2023/24
Retail 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.	Average retail loan portfolio recorded a growth of 9%. Although non-interest income recorded a strong growth, driven by higher forex profit, gross operating margin remained relatively flat on account of pressures on margins linked to successive rate hikes and its large deposit base as well as the impact of high inflation on operating expenses.	The average loan portfolio is expected to maintain its growth trajectory, supported by the Bank's revamped retail loan offering and initiatives aimed at improving customer experience.
Business Banking 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.	Gross operating margin grew by some 50% despite a relatively flat loan book. This strong performance was mainly explained by the increase in net interest income associated with the rise in interest rates and a growth of 11% in non-interest income, the latter being linked to increased fee income and forex profit.	Net interest income and gross operating margin are both projected to grow, albeit at a slower pace, supported by an expansion of around 5% in the average loan book and higher business activities.

OBJECTIVES FOR FY 2022/23	PERFORMANCE FOR FY 2022/23	OBJECTIVES FOR FY 2023/24
Private Wealth Management		
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.	Investable assets increased by 13% while the average lending book grew by some 5%, which coupled with the rise in interest rates and higher forex profits, led to a growth of around 50% in gross operating margin.	Investable Assets is expected to increase by 17%, contributing to a double-digit growth in fees and commission income. This should contribute to an appreciable growth in gross operating margin, supported by enhancements in the value proposition to HNW clients and its international diversification strategy.
Corporate and Institutional Banking		
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.	The average loan book grew by 16% underpinned by both local and cross-border activities. Customer deposits also grew by 30% on the back of the concerted efforts to expand foreign currency funding. Gross operating margin rose by 58% driven by its growing international business, favourable global interest rate movements, as well as higher fee income derived from transaction banking activities as well as higher forex profit.	Despite a forecast decline in interest rates in the latter part of FY 2023/24, net interest income is expected to register a positive growth on account of an expansion of the lending book, in line with the momentum of its cross-border activities and sustainable financing initiatives on the domestic front. When also factoring in an expected improvement in non-interest income on the back of ongoing efforts to boost transactional banking activities, gross operating margin is forecast to grow by 12%.

Overview of results

The Bank recorded a strong performance for the year ended June 2023 with net profit growing by 44.8% to Rs 12,959 million. This result was driven by an improvement in core earnings, in particular from international activities, which contributed to 63% of the Bank's profit.

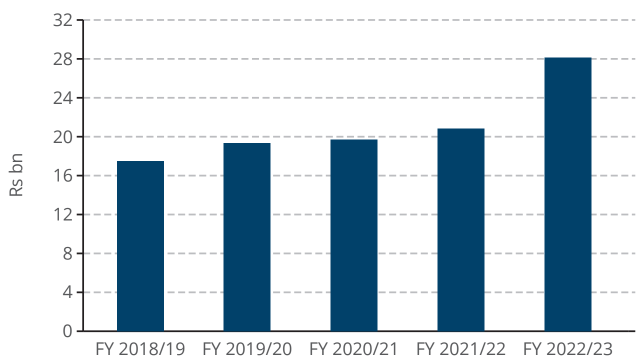
Bank financial highlights

- Operating income grew by 34.8%. Net interest income increased by 32.6%, backed by an expansion in advances and improved margins on foreign currency earning assets. Non-interest income rose by 39.3% reflecting higher transaction volume across segments and favourable movement in the value of equity financial instruments.
- Cost to income ratio decreased to 32.9%, in spite of a 25.9% increase in operating expenses to support business growth.
- Slight increase in impairment charges with the cost of risk remaining relatively flat at 0.90% while the NPL ratio declined to 3.0%.
- Share of profit of associates rose by 14.5% to Rs 544 million as a result of improved contribution from BFCOI.
- The Bank's liquidity position remained healthy with a loan-to-deposit ratio of 64.0% and loans-to-funding base ratio of 53.4%.
- Capital adequacy and Tier 1 ratio stood at 18.3% and 15.8% respectively.

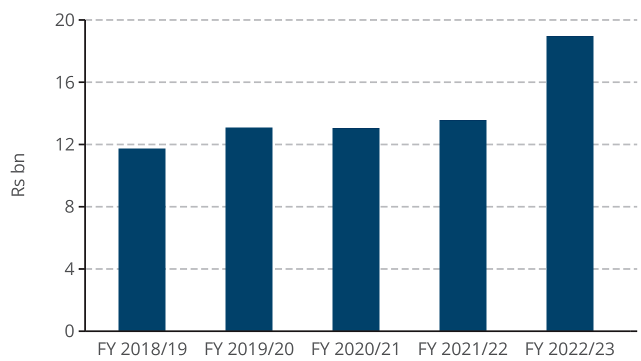
Key figures	
Rs 12,959 million *(Rs 8,948 million)*	**Profit for the year**
Rs 28,118 million *(Rs 20,854 million)*	**Operating income**
32.9% *(35.2%)*	**Cost to income ratio**
Rs 3,520 million *(Rs 3,392 million)*	**Impairment charges**
Rs 15,900 million *(Rs 10,594 million)*	**Profit before tax**
18.2% *(13.8%)*	**ROE ratio**
18.3% *(17.2%)*	**BIS ratio**

Note: figures in brackets relate to FY2021/22

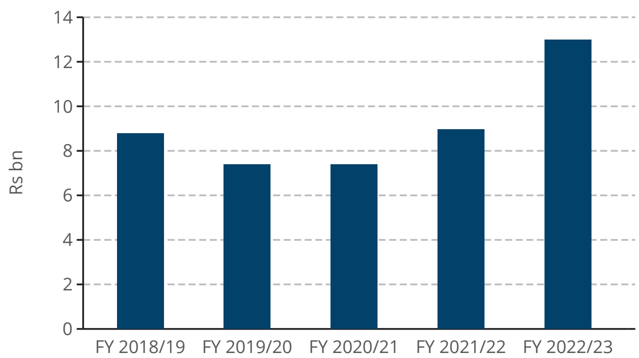
Operating income



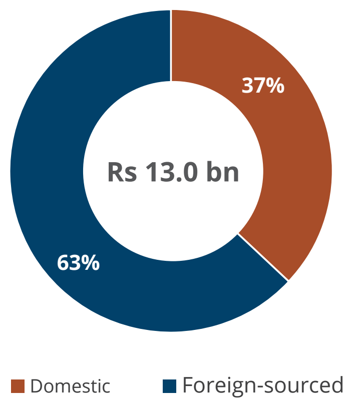
Operating profit before impairment



Profit for the year



Contribution to profit (FY 2022/23)



Income statement analysis

Net interest income	As a % of average earnings assets	
	FY 2021/22	FY 2022/23
Rs 18,480 million (+4,547 million)	2.4%	2.9%

A growth of 32.6% was recorded in net interest income following:

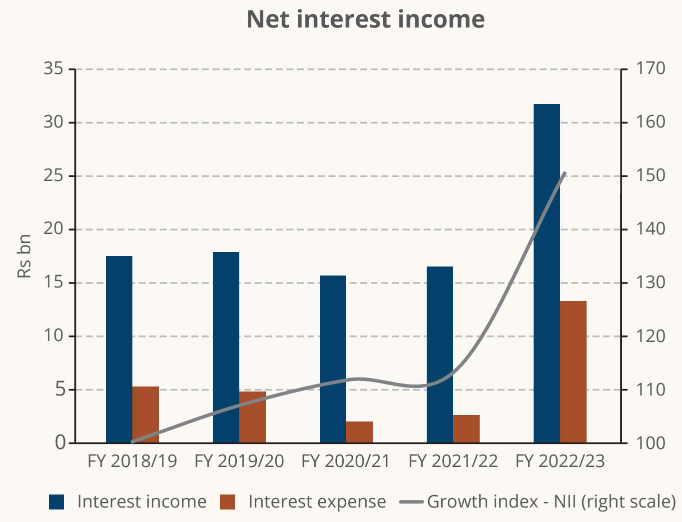
- An increase of 92.7% in interest income to Rs 31,739 million explained by improved yields resulting from the rise in interest rates and further expansion in our interest-earning assets, in particular linked to our cross-border activities.
- A rise of 422.6% in interest expense to Rs 13,259 million, driven by increases in deposits and borrowings including debt instruments, as well as higher cost of funds mainly associated with interest rate hikes.

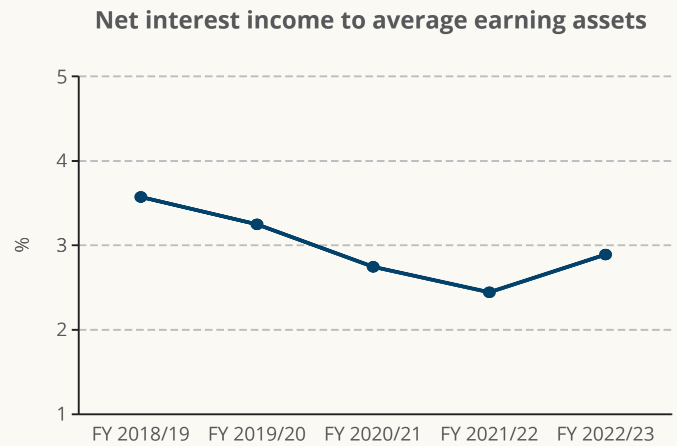
Overall, net interest income to average earning assets increased by around 46 basis points to 2.9%, explained by higher interest margins on foreign currency interest-earning assets while margins on rupee earning assets dropped slightly. The net interest income to total assets stood at 2.6% as at June 2023, an improvement of 43 basis points compared to the last financial year.

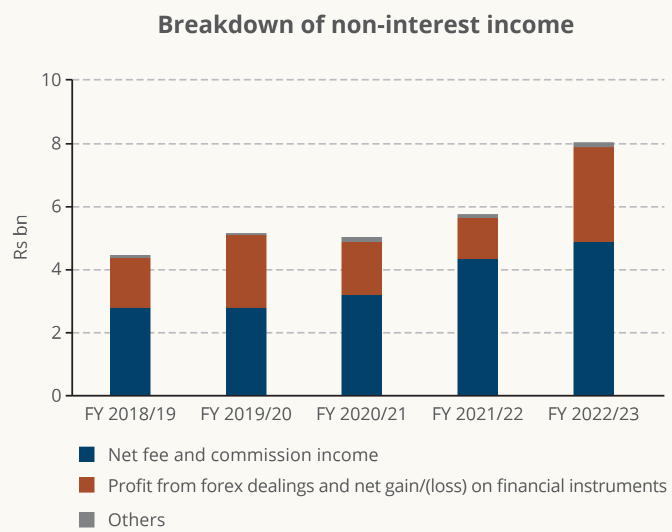
Non-interest income	As a % of operating income	
	FY 2021/22	FY 2022/23
Rs 9,638 million (+2,717 million)	33.2%	34.3%

Non-interest income went up by 39.3% on the back of:

- A growth of 12.9% in net fee and commission income to Rs 5,844 million, driven by higher revenues from regional trade financing and payment activities.
- A rise of 61.3% in profit arising from dealing in foreign currencies in line with increased volume of FX transactions.
- Fair value gains of Rs 564 million on equity financial instruments compared to a loss of Rs 291 million registered in FY 2021/22.







Operating expenses	Cost to income ratio	
Rs 9,242 million	FY 2021/22	FY 2022/23
(+ 1,899 million)	35.2%	32.9%

Operating expenses posted an increase of 25.9% on account of:

- A rise of 19.5% in staff costs reflecting ongoing efforts to reinforce our human capital as well as salary adjustments linked to the increase in the cost of living.
- A 37.9% growth in amortisation cost associated with the continued investment in technology.
- A 41.6% increase in other expenses, mainly linked to software and IT-related costs as well as professional fees.

Combined with a rise of 34.8% in operating income, the cost to income ratio decreased by 2.3 percentage points.

Impairment charges	As a % of loans and advances	
Rs 3,520 million	FY 2021/22	FY 2022/23
(+128 million)	0.91%	0.90%

In line with additional ECL associated with the expansion in our loan book and a notable increase in specific provision coverage, impairment charges increased by 3.8%. The cost of risk in relation to loans and advances remained relatively flat at 90 basis points.

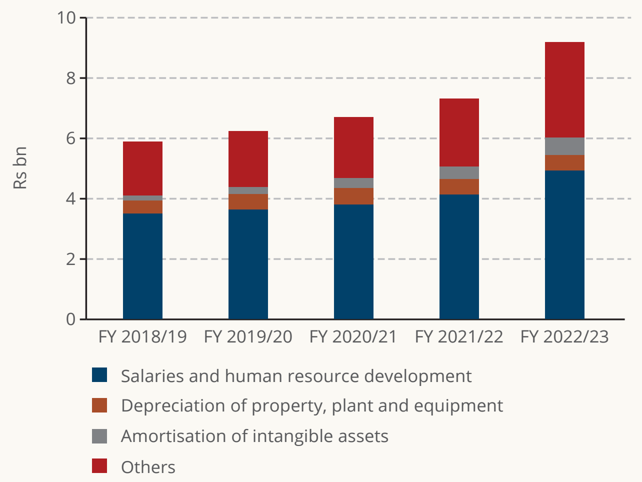
Share of profit of associates	As a % of profit for the year	
Rs 544 million	FY 2021/22	FY 2022/23
(+69 million)	5.3%	4.2%

Share of profit of associates grew by 14.5%, on the back of improved performance at the level of BFCOI.

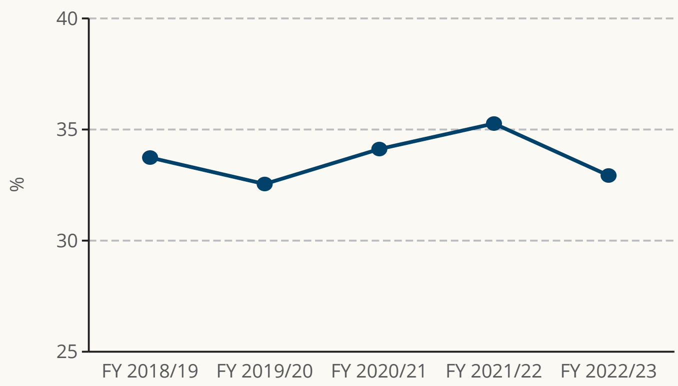
Tax expenses	Effective tax rate	
Rs 2,941 million	FY 2021/22	FY 2022/23
(+ 1,295 million)	15.5%	18.5%

The strong growth in profit before tax and a change in tax laws contributed to a rise of 78.7% in the tax charge for the year.

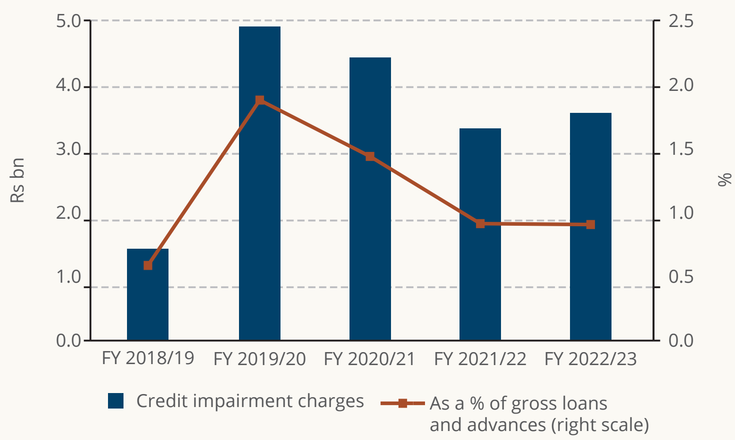
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges



Note: Cost of risk pertains to loans and advances

Financial position statement analysis

Gross loans	Gross NPL ratio	
	FY 2021/22	FY 2022/23
Rs 360.8 billion (+23.6 billion)	3.4%	3.0%

Gross loans registered a year-on-year growth of 7.0% to Rs 360.8 billion as at 30 June 2023, underpinned by an expansion in both the local and international loan portfolios. The cross-border customer loan book grew by 8.9%, as the Bank made further inroads in the commodity trade financing business, financing of Power and Infrastructure projects and the global and international corporates segment. At the domestic level, the overall loan portfolio increased by 8.3% with retail loans increasing by 8.7% while loans to the corporate segment recorded a growth of 8.1%.

As regards to asset quality, gross NPL ratio decreased to 3.0% as at June 2023 compared to 3.4% one year earlier, with the net NPL ratio decreasing from 2.2% to 1.0%.

Funding base	Loans to funding base ratio	
	FY 2021/22	FY 2022/23
Rs 668.5 billion (+82.7 billion)	57.6%	53.4%

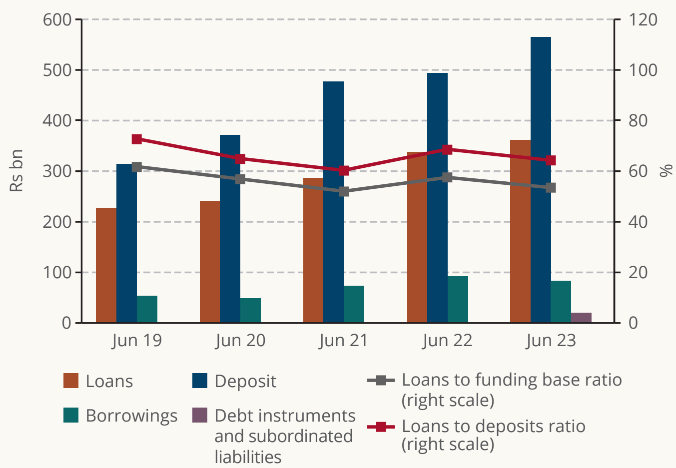
Deposits grew by 14.4%, mainly driven by an increase in foreign currency deposits in line with the Bank's strategy to mobilise foreign currency funding to support the growth of its international activities. Debt securities as at June 2023 stood at Rs 13.8 billion, following the issuance of Senior Unsecured Notes for a notional amount of USD 300 million as part of our Global Medium Term Note programme. 'Other borrowed funds' decreased by 9.0% mainly explained by the repayment of some facilities linked to the Bank's assets and liabilities management.

Loans and advances

June 2023	Rs m	Y.o.y. growth (%)
Loans to customers	**345,938**	**8.6**
Agriculture and fishing	8,150	7.3
Manufacturing	12,810	(35.1)
Tourism	28,815	(10.7)
Transport	7,414	41.3
Construction	12,875	(3.7)
Financial and business services	53,112	72.6
Traders	115,564	8.0
of which Petroleum & Energy products	*93,224*	*3.7*
Personal and professional	48,569	8.6
of which credit cards	*959*	*10.7*
of which housing	*37,332*	*8.7*
Global Business Licence holders	23,849	47.4
Others	34,780	(16.4)
of which Energy & Commodities Asset-backed financing	*17,126*	*6.8*
Loans to banks	**14,880**	**(20.3)**
Total loans	**360,818**	**7.0**
Corporate notes/bonds	35,284	26.9
Total loans and advances	**396,102**	**8.5**

June 2023	Loans to customers		
	Rs m	Y.o.y. growth (%)	Mix (%)
Domestic	159,653	8.3	46.2
Foreign	186,285	8.9	53.8
Total	**345,938**	**8.6**	**100.0**

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 352.0 billion	FY 2021/22	FY 2022/23
(+66.5 billion)	43.0%	46.2%

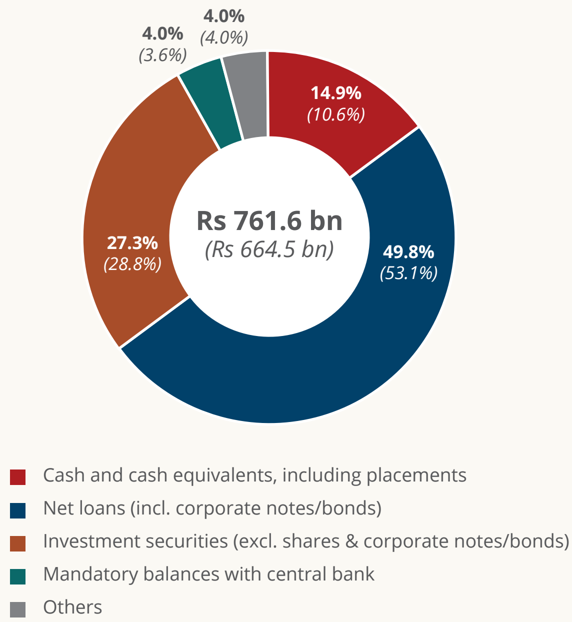
With the funding base increasing at a higher pace than loans and advances, total liquid assets increased by 23.3% to Rs 352.0 billion, underpinned by higher investment in government securities and a rise of 61.6% in cash and cash equivalents, mainly due to the deployment of rupee liquidity in the 7-day BoM bills and an increase in balances with banks abroad.

Overall, the liquid assets to total assets ratio increased to 46.2% compared to 43.0% in the previous year. The Bank's liquidity position remained comfortable and well above regulatory requirements with an overall LCR of 461% and US Dollar LCR of 354% as at June 2023.

Shareholders' funds	Return on equity	
Rs 75.4 billion	FY 2021/22	FY 2022/23
(+8.6 billion)	13.8%	18.2%

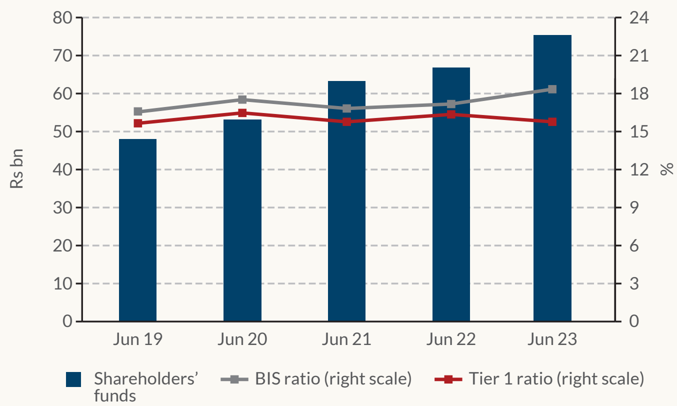
Shareholders' funds increased by 12.9% to reach Rs 75.4 billion in line with a rise of Rs 8.5 billion in retained earnings, after having factored in the dividend payments during the financial year. The Bank's capital base was further strengthened by the issuance of a Tier 2 debt instrument for a notional amount of USD 147 million. As a result, the overall capital adequacy and Tier 1 ratios stood at 18.3% and 15.8% respectively as at June 2023.

Asset mix as at 30 June 2023



Note: Figures in brackets relate to FY 2021/22

Shareholders' funds and capital adequacy



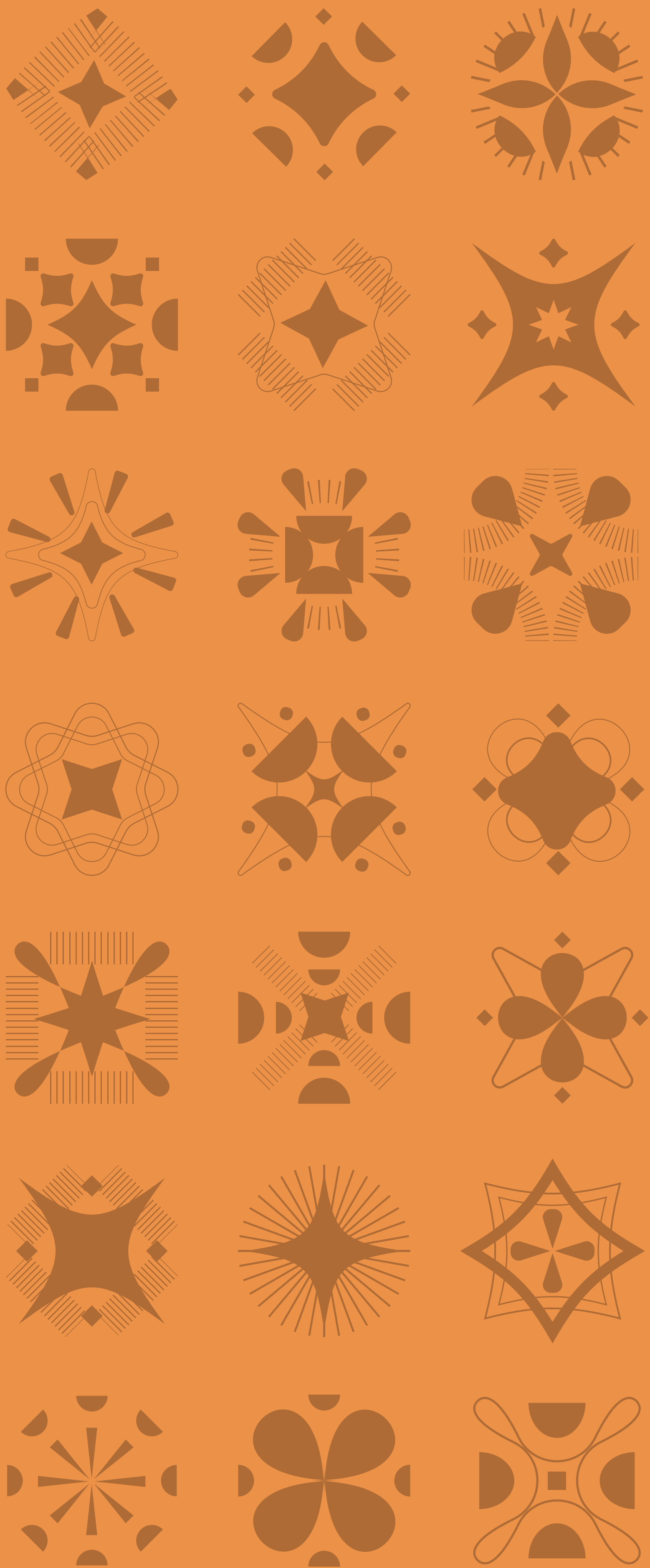
Note: Capital adequacy ratios are based on Basel III

Financial summary

Key financial indicators

Statement of profit or loss (Rs m)	Jun 23	Jun 22	Jun 21
Operating income	28,118	20,854	19,743
Operating profit before impairment	18,876	13,511	13,015
Operating profit	15,356	10,119	8,414
Profit before tax	15,900	10,594	8,751
Profit for the year	12,959	8,948	7,396
Statement of financial position (Rs m)			
Total assets	761,612	664,517	625,541
Total loans (net)	343,742	324,856	272,864
Investment securities	247,405	222,823	183,560
Total deposits	563,338	492,421	475,484
Subordinated liabilities	7,059	684	875
Debt securities	13,759	-	-
Other borrowed funds	84,422	92,755	74,626
Shareholders' funds	75,394	66,753	63,296
Performance ratios (%)			
Return on average total assets	1.8	1.4	1.3
Return on average equity	18.2	13.8	12.7
Return on average Tier 1 capital	19.5	14.6	13.4
Non-interest income to operating income	34.3	33.2	30.7
Loans to deposits ratio	64.1	68.5	60.2
Cost to income ratio	32.9	35.2	34.1
Capital adequacy ratios (%)			
BIS risk adjusted ratio	18.3	17.2	16.8
of which Tier 1	*15.8*	*16.3*	*15.8*
Asset quality			
Non-performing loans (Rs m)	11,794	12,384	9,871
Gross NPL ratio (%)	3.0	3.4	3.2
Cost of risk (%)	0.90	0.91	1.43

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



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

To the best of the Board's knowledge, the 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.

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

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

Notes:

[1] 'Our corporate profile' can be found on pages 20 to 31

[2] 'Risk and capital management report' can be found on pages 134 to 181

[3] 'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 32 to 80

[4] 'Financial performance' provides an assessment of the Group's results and can be found on pages 82 to 93

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

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 maintain ethical and responsible behaviour by all employees in their dealings with stakeholders. Principles of accountability, strong risk management, transparency, and integrity are thus inherent to the Bank's values, culture, processes and operating structures. The Bank's governance framework is also guided by major developments arising in the dynamic market place, whose implications are constantly assessed by the Board, and which, during the year, pertained to the ongoing macroeconomic uncertainty, increased competition and regulatory requirements, heightened prominence of ESG considerations, cyber threats and digital disruption, as well as, workplace transformations and employee expectations. The Bank's 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 Policy 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 standards as applicable
- Adoption of the underlying Basel principles

Robust risk governance and internal control

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

Continuous multi-stakeholder engagement

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

Governance structure

Governance framework

MCB Ltd is led by a committed and unitary Board, which has the 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 four 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 Executive Management 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 Executive Management as well as their main roles are illustrated in the following diagram.

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 internal controls, alongside ensuring adherence by the Company to relevant legislations, policies and norms, including sustainability principles.

Board of Directors

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, the Chairperson of Board committees escalates all significant matters affecting the Bank to the Board.

Audit Committee

Nomination & Renumeration Committee

Risk Monitoring Committee

Supervisory & Monitoring Committee

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

Executive Management

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 ascertains that the external obligations of the non-executive directors do not hinder them in the discharge of their duties and responsibilities. In this respect, it is worth noting that the external commitments of the Chairperson did not change during the financial year under review. The main roles and responsibilities of the Chairperson, Chief Executive Officer and Directors are described hereafter.

Key roles and responsibilities

Chairperson

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

Chief Executive Officer

- Manages the day-to-day operations
- Develops and executes the plans and strategy of the business, in line with the policies set by the Board
- Consults regularly the Chairperson and Board on matters which may have a material impact on the Bank
- Acts as a liaison between Management and the Board
- Provides leadership and direction to Management
- 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

Directors

- 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 in the Board Charter on the website

Constitution of The Mauritius Commercial Bank Limited

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

- the Board may, subject to the Companies Act 2001 of Mauritius ("Act") and its Constitution and the terms of issue of any existing shares, issue shares of any Class at any time, to any person and in such numbers as the Board may approve. The Board shall not issue further shares unless such issue has been approved by ordinary resolution;
- the Company may purchase or otherwise acquire its own shares in accordance with, and subject to, sections 68 to 74, and 108 to 110 of the Act and may hold the acquired shares in accordance with section 72 of the Act;
- the Board may authorise a distribution by the Company, if it is satisfied on reasonable grounds that the Company will satisfy the Solvency Test immediately after the distribution;
- the quorum for a meeting of the Board is a majority of the directors;
- a director who has declared his interest in a transaction or proposed transaction with the Company, shall not be counted in a quorum present at the meeting;
- subject to the Banking Act, the directors shall have the power at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors but so that the total number of directors shall not at any time exceed the number fixed in accordance with the Constitution. The directors appointed shall hold office only until the next following Annual Meeting of Shareholders and shall then be eligible for re-election;
- the Constitution of MCB Investment Holding Limited (MCBIH) provides for Reserved Matters. These provide that the representatives of the shareholder shall not vote on a shareholder's resolution of The Mauritius Commercial Bank Ltd which would trigger shareholder's rights under sections 105, 108 or 114 of the Act without prior consent of the shareholders of MCB Group Limited. Such shareholders' resolutions include:
    - 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

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 2022/23)

9	56%	4.4	97%
Number of directors	**Independent directors**	**Average length of tenure (years)**	**Average meeting attendance**

Responsibilities

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

- the composition of the Board, which shall comprise executive, non-executive and independent directors in compliance with applicable rules and regulations;
- the Chairperson of the Board who shall be an independent or non-executive director;
- the setting-up of Board committees;
- the 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 required for, amongst other important matters, modifying the Company's Constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associates, appointing of senior officers, and establishing the remuneration of executive and non-executive directors and the Chief Executive Officer.

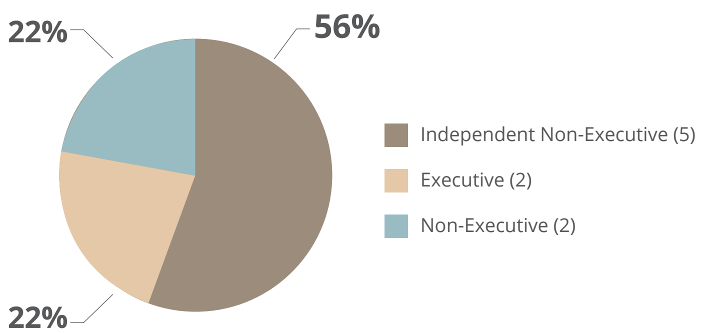
Composition and meetings

Composition

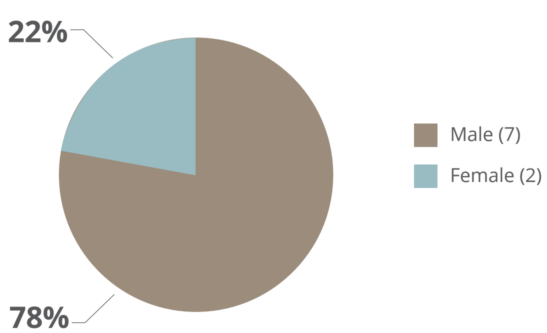
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors including the Chief Executive Officer. The Chairperson of the Board shall be an independent or a non-executive director. In case the Chairperson is an independent director, the Board shall comprise 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, in line with applicable laws and regulations. At the last Annual Meeting, Mr Alain Law Min and Mr Uday Gujadhur were re-elected as Directors in line with the Bank's Constitution, whilst Mr Thierry Hebraud was appointed as a new Board Member in June 2023.

As at 30 June 2023, the Board consisted of 9 members, with a diverse mix of skills, knowledge and experience. The average age of Board members stood at around 61 years. The Board composition for the year under review is shown hereafter.

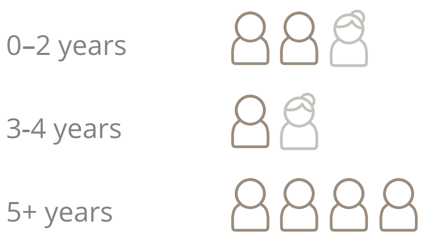
Composition



Gender



Length of tenure



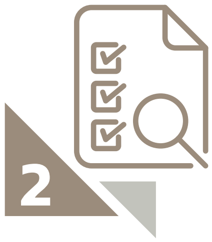
Mix of skills and experience

Meetings

The Board determines the frequency of Board meetings in such a way as to ensure that it can focus on and deal with important matters in a timely and efficient manner. In this respect, the Board Charter requires that meetings be conducted at least on a quarterly basis. Although Board meetings follow an annually scheduled calendar and a provisional agenda of items for discussion, the latter remains sufficiently flexible to include new topics while additional meetings are also called upon to effectively respond to new business needs. In general, meetings are convened so that directors are able to attend and participate in person. In case personal attendance by a director is not possible, the latter can still join the meeting by video conference. To help directors prepare effectively for meetings, relevant documents are provided sufficiently in advance to ensure they have enough time to digest the information for productive discussions during meetings. All materials for Board meetings are uploaded onto a secure portal, which can be easily accessed by directors. Of note, members of the 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.

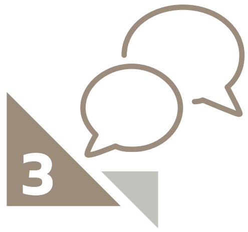
Preparation

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



Review

The Chairperson reviews the draft agenda with the Company Secretary



Discussion

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

Communication

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

Finalisation

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

Board attendance

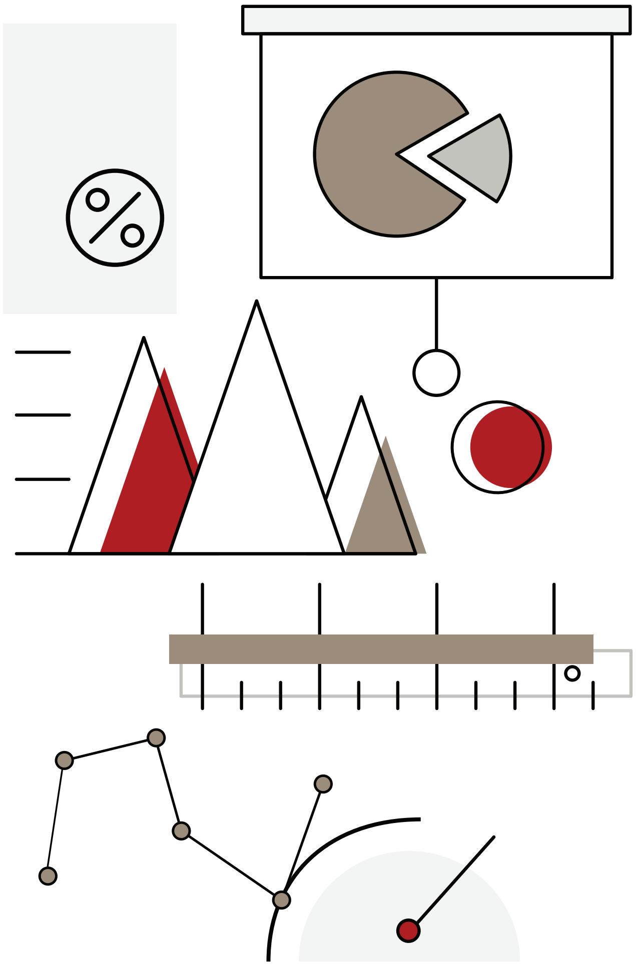
The directors who served on the Board and their attendance at Board meetings during FY 2022/23 are provided in the following table.

Members	Board member since	Board status as at 30 June 2023	Meeting attendance
Jean-François DESVAUX DE MARIGNY ***(Chairperson)***	**December 2018**	**Non-Executive Director**	**8/8**
Uday GUJADHUR	December 2017	Independent Non-Executive Director	8/8
Johanne HAGUE	January 2022	Independent Non-Executive Director	8/8
Philippe LEDESMA	December 2017	Independent Non-Executive Director	8/8
Su Lin ONG	November 2019	Independent Non-Executive Director	8/8
Simon WALKER	June 2020	Independent Non-Executive Director	8/8
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	8/8
Thierry HEBRAUD	June 2023	Executive Director	-
Alain LAW MIN	August 2015	Executive Director	8/8

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

Board focus areas

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

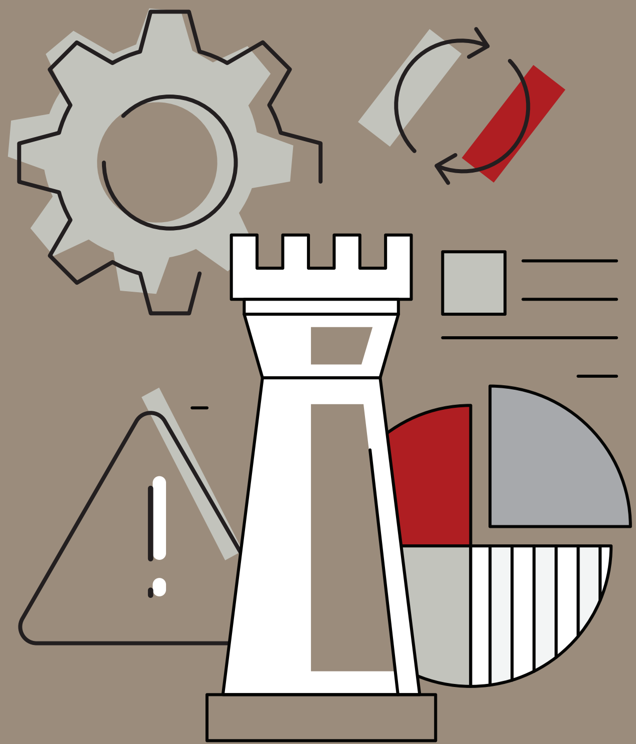


Strategy and Performance

- Discussed major developments in the operating context as well as their impact on the Mauritian economy and on business activities of the Bank
- Reviewed and approved the 3-year strategic plans and budget of the Bank
- Assessed the development of the growth pillars of the Bank
- Reviewed the progress on the Bank's sustainable finance strategy and related governance framework
- Updated on the Digital Transformation Programme and HR Transformation programmes, including the 'Career Architecture' and 'Successful Together' projects
- Discussed the revamping of the Financial Markets function
- Apprised of the progress on the strategic initiatives implemented by the Global & International Corporates and the Payments SBU
- Discussed in depth the results of the 'Great Place to Work' – Trust Index Survey

Financial

- Assessed and monitored the Bank's financial performance against budget
- Discussed and approved dividend payout
- Discussed the Bank's capital and debt raising initiatives
- Approved financial budget

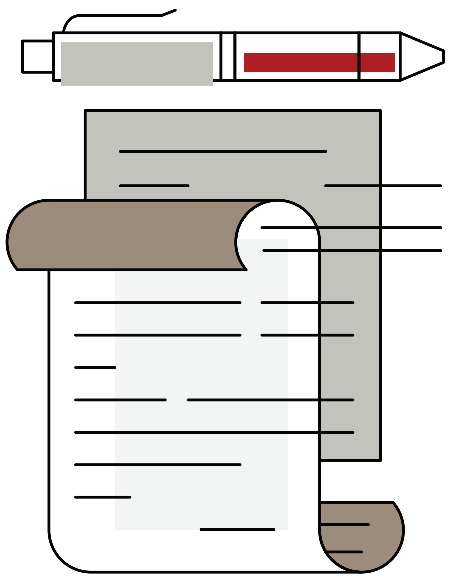


Governance and Risk

- Reviewed and approved the structure, size and composition of the Board and Board committees
- Validated the setting up of a Conduct Review Management Committee in replacement of the Conduct Review Board Committee
- Approved, upon the recommendation of the Nomination and Remuneration Committee, the appointment of Mr Thierry Hebraud as the Chief Executive Officer Designate and as Board member
- Reviewed the Board and Committee Charters and other constitutive documents
- Monitored the implementation of the Board evaluation action plan
- Approved the Board committee self-evaluation assessment
- Reviewed and approved the Bank's risk appetite
- Reviewed the Risk Heat Map
- Discussed the impact of stress testing scenarios
- Appraised the findings of the Cybersecurity Maturity Assessment
- Reviewed relevant policies and changes thereto
- Assessed reports from the Risk Monitoring Committee and the Audit Committee
- Approved the directors' development training programme

Recurrent Agenda Items

- Reviewed reports from Chairperson of Board committees
- Approved the minutes of proceedings
- Reviewed and approved the Bank's Financial Statements on a quarterly basis
- Updated on trends and developments in the operating environment



Directors' profiles

The Board comprises 9 directors who have a proven track record in various fields. The names of the directors who held office at the end of the financial year, together with details of their position, qualifications, experience and directorships in other listed companies in Mauritius (where applicable) are set out hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

KEY

AC	Audit Committee
NRC	Nomination and Remuneration Committee
RMC	Risk Monitoring Committee
SMC	Supervisory & Monitoring Committee
C	Committee Chair
M	Committee Member

Jean-François DESVAUX DE MARIGNY – Age 69

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. He is also a member of the Risk Monitoring Committee. Moreover, he is a member of the Group's Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology & Innovation Committee (a sub-committee of MCB Group Strategy 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 64

NRC	RMC	SMC
M	M	M

POSITION:

Chief Executive Officer and Executive Director

Executive Director since August 2015. Alain is a member of the Nomination & Remuneration Committee, the Risk Monitoring Committee as well as the Supervisory & Monitoring Committee on which he also acts as Secretary. Moreover, he is a member of the Group's Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology & Innovation Committee (a sub-committee of MCB Group Strategy Committee).

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 Limited. He was the Chairperson of the Mauritius Bankers Association Ltd for two consecutive years until June 2021.

Thierry HEBRAUD – Age 61

RMC	SMC
M	M

POSITION:

Chief Executive Officer Designate and Executive Director

Executive Director since June 2023. Thierry is a member of the Risk Monitoring Committee and the Supervisory & Monitoring Committee. Moreover, he is a member of the Group's Corporate Sustainability Committee (a sub-committee of MCB Group Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology and Innovation Committee (a sub-committee of MCB Group Strategy Committee).

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.

He has been appointed Chief Executive Officer Designate as from May 2023.

Uday GUJADHUR – Age 68

AC

C

POSITION:

Independent Non-Executive Director

Non-Executive Director since December 2017. Uday is the Chairperson of the Audit 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 of 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 several 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:

RHT Holding Ltd

Johanne HAGUE – Age 42

AC

M

POSITION:

Independent Non-Executive Director

Non-Executive Director since January 2022. Johanne is a member of the Audit Committee. She also sits on the Group's Corporate Sustainability Committee (a sub-committee of the MCB Group Remuneration, Corporate Governance, Ethics & Sustainability 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 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 and the International Bureau of Fiscal Documentation in Amsterdam. She is also a Director of MCB Leasing Ltd, a subsidiary of MCB Group Limited.

Philippe LEDESMA – Age 65

NRC	RMC
M	M

POSITION:

Independent Non-Executive Director

Non-Executive Director since December 2017. Philippe is a member of the Nomination & 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 Ltd, 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 63

AC
M

POSITION:

Independent Non-Executive Director

Non-Executive Director since November 2019. Su Lin is a member of the Audit Committee. She also sits on the Group's Technology and Innovation Committee (a sub-committee of MCB Group Strategy Committee).

QUALIFICATIONS:

BA (Honours) 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 is a past President of the Society of Chartered Accountants in Mauritius. Since November 2019, she sits as an Independent Non-Executive director on several boards in Mauritius.

DIRECTORSHIP IN OTHER LISTED COMPANIES:

Tropical Paradise Co. Ltd; Les Moulins de la Concorde Ltée; Mauritius Oil Refineries Ltd

Simon WALKER – Age 62

NRC	RMC
M	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 & Remuneration Committee.

QUALIFICATIONS:

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

SKILLS AND EXPERIENCE:

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

Non-Resident

Jean Michel NG TSEUNG – Age 55

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 and Executive Director of MCB Group Ltd and a Board member of several companies within the Group namely MCB Investment Holding Ltd, Banque Française Commerciale Océan Indien, MCB Seychelles Ltd, MCB Maldives Private Ltd, MCB Madagascar SA, MCB Capital Markets Ltd and MCB Equity Fund Ltd, amongst others. He also sits on various Board committees of MCB Group Limited.

DIRECTORSHIP IN OTHER LISTED COMPANIES:

Compagnie Des Villages De Vacances De L’Isle De France Limitée (COVIFRA)

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:
  - Staff members of the Bank receive an annual bonus based on the Company's performance as well as an assessment of their individual contribution thereto and for demonstrating behaviours in line with the Bank's values
  - Staff members have the added possibility to benefit from a share option scheme at the level of the Group

Remuneration package

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:

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

Group Employee Share Option Scheme

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 the 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 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 2022	**93,725**	**527,656**	**621,381**
Initial option price (Rs)	310.50	279.50	-
Number of options exercised to date	23,806	109,691	133,497
Value (Rs)*	7,391,763	30,658,635	38,050,398
Percentage exercised	25%	21%	21%
Number of employees	5	711	716
Available for the 4th window and expiring in mid-October 2023	**69,919**	**417,965**	**487,884**

**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. Chairperson 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	2,998
Uday GUJADHUR	1,152
Johanne HAGUE	853
Philippe LEDESMA	977
Su Lin ONG	955
Simon WALKER	1,275
Total Non-Executive	8,211
Thierry HEBRAUD *(as from June 2023)*	628
Alain LAW MIN	36,944
Total Executive	***37,572***
Total (Non-Executive and Executive)	**45,783**

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.

Figures may not add up due to rounding

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 2023 as well as the transactions effected by them during the financial year.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2023	Number of Ordinary shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	492,679	277,814
Alain LAW MIN	303,241	21,887
Philippe LEDESMA	-	48,520
Jean Michel NG TSEUNG	55,872	-
Su Lin ONG	14,996	53,458
Simon WALKER	-	2,003

Transactions during the year	Number of Ordinary shares	
	Purchased	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	55,856	26,681
Alain LAW MIN	18,636	19,070
Jean Michel NG TSEUNG	2,481	-
Su Lin ONG	2,628	1,967
Simon WALKER	-	88

Interests in Fincorp Investment Ltd as at 30 June 2023	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 by the four Committees namely: (i) Audit Committee; (ii) Nomination and Remuneration Committee; (iii) Risk Monitoring Committee; and (iv) Supervisory and Monitoring Committee are presented hereafter. Further to the revised Bank of Mauritius guidelines on related transactions, the Board took the decision to discontinue the Conduct Review Committee to operate as a Board committee since January 2023. A new committee has been set up at executive level, namely the Conduct Review Management Committee, which deliberates on related party transactions, with facilities above the prescribed threshold being taken up at Board level. Of note also, some directors of MCB Ltd sit on Board sub-committees of MCB Group, namely the MCB Group Corporate Sustainability Committee which monitors the implementation of the Group’s corporate sustainability initiatives, and the MCB Group Technology and Innovation Committee which oversees matters relating to technological innovation.

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 2022/23)

3	3.6	11	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 2022/23 are provided in the following table:

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Uday GUJADHUR *(Chairperson)*	**December 2017**	**Independent Non-Executive Director**	**11/11**
Johanne HAGUE	January 2022	Independent Non-Executive Director	11/11
Su Lin ONG	November 2019	Independent Non-Executive Director	11/11

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

Focus areas in FY 2022/23

Key topics discussed

- Interim and audited Financial Statements published by the Bank with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Audit plans of internal and external auditors
- 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
- Permanent supervision review
- Operational risk review
- Cyber & information security review
- Adequacy of allowance for credit impairment
- Review of model risk
- Specific regulatory changes
- Quality assurance reviews of internal audit by an Independent consultancy firm (which recognised the function as being 'Generally Compliant' with the standards of the Institute of Internal Auditors)
- Ongoing activities of some business segments

Conduct Review Committee (CRC)

As explained in the section above, the Committee ceased to operate as a Board committee since January 2023 with an executive committee set up accordingly. The mandate of the CRC was to assist 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 2022/23)

3	3.6	2	100%
Number of directors	**Average length of tenure (years)**	**Number of meetings**	**Average meeting attendance**

Meetings

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

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Su Lin ONG *(Chairperson)*	**November 2019**	**Independent Non-Executive Director**	**2/2**
Uday GUJADHUR	December 2017	Independent Non-Executive Director	2/2
Johanne HAGUE	January 2022	Independent Non-Executive Director	2/2

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2022/23

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 Conflicts of Interest and Related Party Transactions Policy

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 2022/23)

4	4.9	5	85%
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 whom 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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Jean-François DESVAUX DE MARIGNY ***(Chairperson & Secretary)***	**December 2018**	**Non-Executive Director**	**5/5**
Philippe LEDESMA	December 2017	Independent Non-Executive Director	3/5
Simon WALKER	June 2020	Independent Non-Executive Director	4/5
Alain LAW MIN	January 2017	Executive Director	5/5

Focus areas in FY 2022/23

Key topics discussed

- Appointment of CEO Designate
- Board committees composition
- Succession plan for leadership roles, including strategic talent acquisition
- Identification of a senior officer to the Leadership Team with recommendations submitted to the Board
- Career architecture project
- Remuneration strategy and reward architecture project
- Review of the financial and non-financial objectives set to Management as per the 3-year strategic plan
- Approval of salary reviews and bonuses for the Leadership Team as well as for all other employees
- Directors' fees for Board and Board committees
- Board Succession Plan

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 2022/23)

5	5.5	5	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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Simon WALKER *(Chairperson)*	**June 2020**	**Independent Non-Executive Director**	**5/5**
Philippe LEDESMA	December 2017	Independent Non-Executive Director	5/5
Jean-François DESVAUX DE MARIGNY	December 2018	Non-Executive Director	5/5
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	5/5
Alain LAW MIN	January 2017	Executive Director	5/5

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2022/23

Key topics discussed

- Review and recommend to the Board the updated risk appetite, including stress testing of the 3-year budget approved at Board as well as quarterly RWA limits
- Quarterly monitoring of risk appetite targets/ limits/ parameters including RWA limits
- Review and recommend to the Board the updated country risk appetite
- Quarterly monitoring of country risk appetite limits
- Follow-up and monitoring of early warning indicators used as a basis to trigger, or not, stress testing
- Review and recommend to the Board the annual ICAAP stress testing exercise and findings
- Review and recommend to the Board regarding quarterly asset classification, loan loss allowances (including expected credit losses) and write-offs review and follow-up on large sensitive credit files
- 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 of updated Credit Risk Policy
- Review of updated Market Risk Policy
- Follow-up and risk assessment on the deterioration of the macro-economic situation of various African economies particularly Ghana, Nigeria, Egypt and Kenya
- Review the impact analysis and risk assessment of the high interest rate environment on clients' repayment capacity
- Review of the updated Environment and Social Risk (ESR) Policy
- Review of ad hoc liquidity stress tests to assess survival horizon in a situation of bank run on FCY deposits
- Review of the contingency funding plan

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 2022/23)

2	6.2	41	100%
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. Any two members of the Committee shall form a quorum, provided that one of them is the Chairperson. 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 2022/23 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2023	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**January 2019**	**Non-Executive Director**	**41/41**
Alain LAW MIN *(also acts as Secretary)*	July 2015	Executive Director	41/41

Focus areas in FY 2022/23

Key topics discussed

- Impact of developments in the operating environment on the strategy, financial performance and operations of the Bank
- Progress on key organisation-wide initiatives, including major projects
- Review of financial performance
- Capital and funding initiatives as well as liquidity position of the Bank
- Major credit risk issues and large credit exposures ratification
- Approval of policies, procedures and terms of reference
- Legal, operational and compliance matters
- Delegation of powers and authority as well as review of authorised signatories for specific purposes
- Review of cloud-based outsourcing services or material outsourcing services
- HR matters including requests for early retirements, compliance to regulations and policies
- Investment and immovable property acquisition opportunities

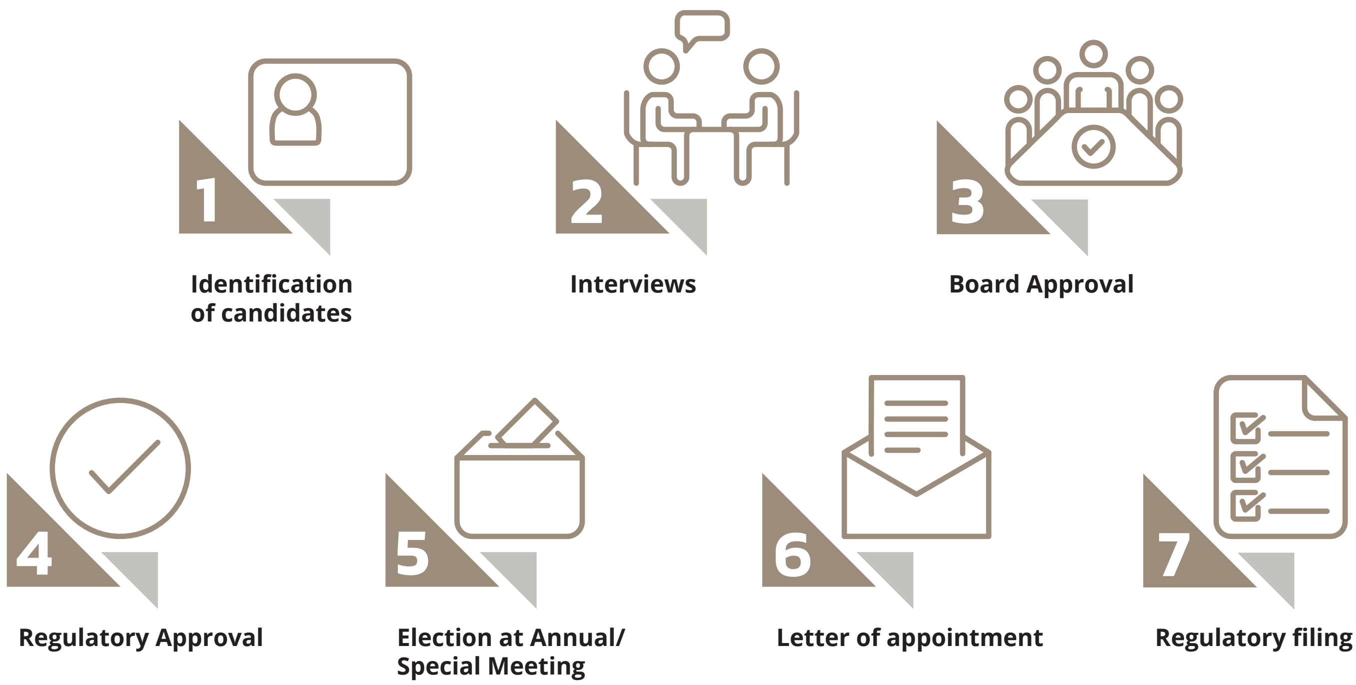
More information on the Supervisory and Monitoring Committee Charter is available on the website

Board effectiveness

Nomination Process

The Board has a formal and transparent process in place for the nomination and appointment of directors. In fulfilling this duty, the Board is supported by the Nomination and Remuneration Committee (NRC), which is responsible for overseeing board directorship renewal and succession planning. The NRC reviews the size, structure and composition of the Board on an annual basis or whenever appointments are considered. The Board places high emphasis on ensuring that its membership reflects diversity to provide the range of perspectives, insights and challenge needed to support good decision-making in the execution of the Bank's strategy. The NRC is responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. Appointment of prospective candidates are based on merit and due considerations are given to, amongst others, specific skills, expertise, knowledge, experience, their background, including the value the individual can bring to the overall Board performance. In addition, the NRC also considers gender diversity, independence and time commitments of prospective Board members. Prior to their appointment, non-executive directors are advised of time commitments and are required to devote such time as is necessary to discharge their duties effectively. The Board is satisfied that there are no directors whose time commitments are considered to be a matter of concern.

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



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

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

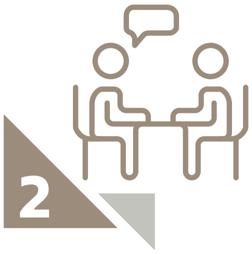
Board induction and training

All new directors, upon joining the Board, receive a comprehensive induction programme tailored to their specific requirements. The training seeks, *inter alia*, to make them aware of their legal duties and facilitate their understanding of the Bank's business strategy, governance, business operations as well as the key issues and challenges that it faces. The objective of the programme is to enable directors to be well equipped from the outset to effectively contribute to strategic discussions and oversight of the Bank. Continuous development of directors is deemed essential to maintaining a highly engaged, well-informed and effective board. In this respect, the Chairperson of the Board is responsible for identifying the development needs of members and monitoring the implementation of related training. The Company Secretary oversees the training plan for the directors, which is reviewed on a regular basis to ensure its pertinence, and a training log is maintained for each director.

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

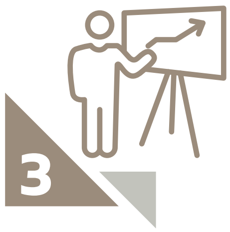
Induction pack

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



One-to-one briefings

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



Presentation sessions

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

Ongoing professional development & training

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

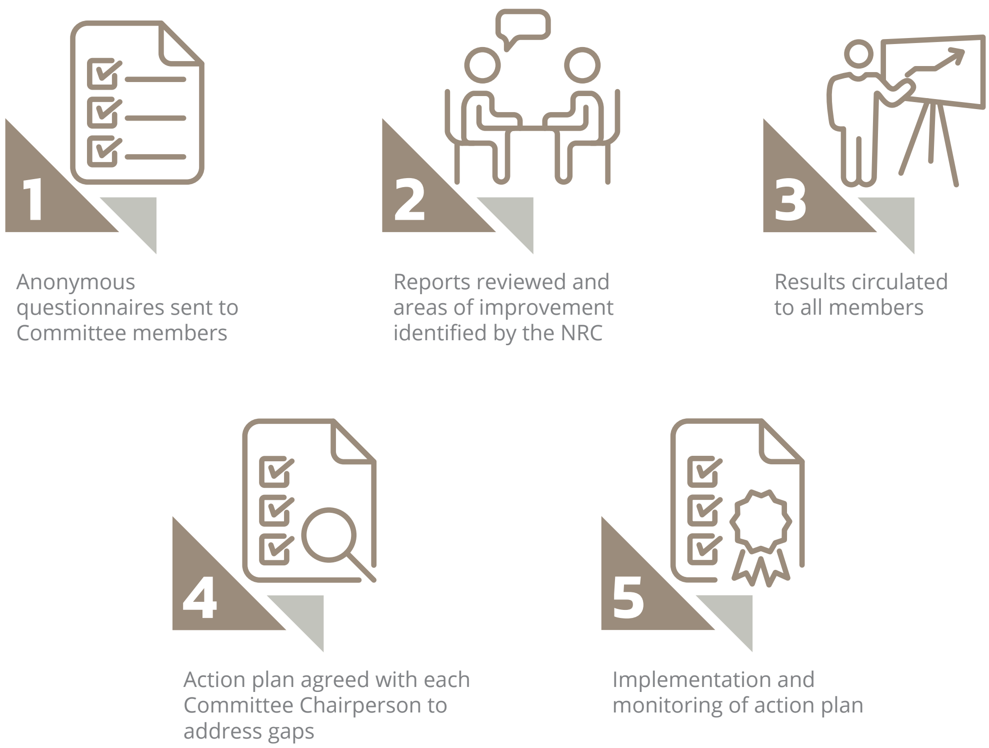
Note: Briefing and reading materials are made available on the Board Portal for consultation.

Board/Directors' performance

The Board recognises the need to undertake a regular review of its performance and effectiveness, as well as those of its committees and individual members. In this respect, the Board generally undergoes a yearly assessment either with the support of an independent external facilitator or internally, under the oversight of the Nomination and Remuneration Committee (NRC). Further to a refreshed Board evaluation exercise carried out by Ernst and Young Ltd in June 2022 based on a range of governance topics, focus was laid, during the year, on the implementation of proposed recommendations. In FY 2022/23, the Company Secretary also facilitated an internal self-assessment of Board committees, through anonymous questionnaires sent to committee members, in order to assess committees' performance, notably in terms of their functioning and effectiveness. The findings of the assessment concluded that Board committees are operating effectively and that directors continue to fulfil their roles as required. The report, which was presented to the Board, also identified a few areas for improvement, with an action plan subsequently agreed upon. The Chairperson of the Board, with the support of the NRC, will oversee the implementation of specific actions to ensure that issues identified are given due consideration within a reasonable timeframe.

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

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



Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain an effective risk management and internal control system, which it regularly reviews to cater for the principal and emerging risks, including those that could threaten the Bank's business model, performance, solvency, liquidity and reputation. 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 internal and external auditors and engages with them 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 while adhering to relevant rules and regulations. In this respect, access to information is only available to authorised parties. Physical and logical access controls are in place at all times with staff being regularly made aware of relevant requirements. Adoption of best practices in terms of cybersecurity risk management is actively promoted through regular awareness exercises including training sessions and simulated phishing attacks. The Bank continues to invest in technology to enhance its operational resilience with significant investments monitored by the Board. Internal Audit provides independent assurance on the suitability of the Bank's 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 134 to 181

Internal audit

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

More information is available in the 'Risk assurance: Internal audit' section on pages 174 and 175

External auditor

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

	2023	2022
	Rs '000	Rs '000
Audit, Quarterly Review and Internal Control Review fees paid to:	20,967	18,975
Deloitte		
Fees for other services provided by:	11,897	1,898
Deloitte		

Note that the fees for other services relate mainly to comforts on dividend declaration, AML/CFT review, issuance of GMTN programme, Senior Bond issuance under GMTN programme and Tier 2 Capital issuance. The bulk of the non-audit fees relates to the one-off fees for the issuance of the GMTN programme.

Executive Management

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. The Management Committee assists 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, such as (i) Executive Credit Committee (ii) Country Risk Committee (iii) Asset and Liability Committee (iv) Information and Operational Risk Committee (v) Compliance, Anti-Money Laundering and Legal Committee (vi) Conduct Review Management Committee and (vii) Project Review Committee.

Profiles of the Management Committee members

The profiles of the Management Committee members who held office during the financial year – excluding that for Alain LAW MIN and Thierry HEBRAUD, which appear in the Directors' Profiles section – are given hereafter.

***Vincent CHATARD* – Age 59**
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 in both 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.

***Bhavish NAECK* – Age 52**
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 49**
Group Chief Risk Officer

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

SKILLS AND EXPERIENCE: Frederic is the Chief Risk Officer of MCB Ltd since January 2016 and is also the Group Chief Risk Officer since August 2023. He joined the Bank 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' including 'Environmental and Social Risk 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, Market Risk and Climate Risk. As part of his ongoing responsibilities, he also acts as Secretary to the Risk Monitoring Committee of the Board alongside sitting on dedicated risk committees and other committees of the Bank. 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 54**
Head of Human Resources

QUALIFICATIONS: Fellow member of the Association of Chartered Certified Accountants 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 44**
Head of Financial Markets

QUALIFICATIONS: BA (Honours) 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.

Interest in shares

The following table gives the interests of Management Committee members in the Group's listed securities as at the end of the financial year.

Interest as at 30 June 2023	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	38,300	12,378	-	-	-	-
Frederic PAPOCCHIA	22,566	-	-	-	-	-
Mike SOPHIE	18,779	-	-	-	-	-

Note: The above did not hold any share in Fincorp Investment and COVIFRA as at June 2023

Remuneration

The aggregate amount paid to the Management Committee members 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 Management Committee and the Board as applicable. Note 35 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2023.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 7,886 million (on-balance sheet) and Rs 2,812 million (off-balance sheet), which represented respectively 2.3% and 2.3% of Bank loans and Bank contingent liabilities as at 30 June 2023.

Exposure of the Bank's top six related parties as at 30 June 2023 were Rs 3,064 million, Rs 1,617 million, Rs 1,275 million, Rs 755 million, Rs 616 million and Rs 614 million. These balances represented 4.4%, 2.3%, 1.8%, 1.1%, 0.9% and 0.9% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties were non-performing as at 30 June 2023.

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

Stakeholders' relations and communication

The Board is committed to building open and trustworthy relationships with stakeholders and the public at large through regular engagement. All material business developments that influence the Bank are communicated to stakeholders in a transparent, consistent and timely manner through various communication channels. In addition to direct interactions with stakeholders, official press announcements and occasional press conferences, the Bank's website, hosted at 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 distribute around one third of its profits while 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 2022 to 30 June 2023

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

25 September 2023

Company Secretary's certificate

Name of Public Interest Entity ('the PIE'): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2022 to 30 June 2023

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

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

25 September 2023

CONTENTS

Risk and capital management report

FY 2022/23 highlights

The year in review from a risk perspective

The operating context across markets we are exposed to has been subject to high uncertainty levels during FY 2022/23, notably related to the high interest rates/high inflation environment coupled with sovereign rating actions in Africa, as described on pages 41 to 49 of this Report. As a result, the risk landscape with which we have been confronted has been impacted. That said, our risk profile remained within established limits of our defined risk appetite thanks to the robust policies and processes in place and our proactive risk management. We ensured that we continue to actively identify and assess risks arising from both external and internal environments, enabling us to comprehensively analyse potential threats and identify opportunities. Our Enterprise Risk Heat Map plays a pivotal role to this end. Through this exercise, we systematically pinpoint, assess, and keep a close watch on risks that have the potential to significantly influence our operations, financial performance, solvency, or strategy. On another note, with a view to enhancing our oversight of risk management and compliance across all entities of the Group, the Chief Risk Officer and Head of Compliance functions of MCB Ltd have been elevated at Group level.

During the year under review, the most prominent themes influencing our risk landscape related to ongoing macroeconomic uncertainties, increased competition and regulatory requirements, heightened prominence of ESG considerations, cyber threats and digital disruptions as well as continued workplace transformations and employee expectations. These factors have been identified as part of our materiality determination process detailed on page 41. Accordingly, we have defined 13 key risks that impact our business, which are classified in three risk categories, known as financial principal, non-financial principal and ESG risks, for adequate risk coverage. Of note, these risks represent only the major risks to the Bank and are not exhaustive.

Our key risks

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

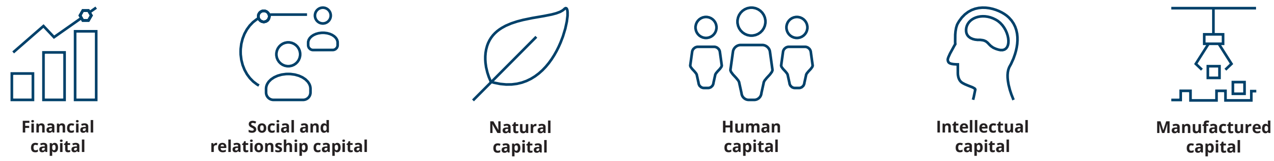
How we responded to our risk landscape

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

Increasing Decreasing Stable

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

Capital types



Financial principal risks

Credit risk

The risk of loss should borrowers or counterparties fail to fulfil their financial or contractual obligations as and when they fall due; Credit risk includes counterparty risk, settlement risk and concentration risk (excessive build-up of exposures to a counterparty, industry, market or product, amongst others).

Capital impacted

Material matters of relevance: Macroeconomic uncertainty

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

Our response

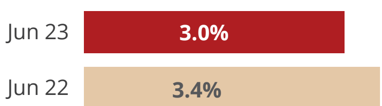
- Kept a vigilant and proactive approach to credit risk management backed by careful deal structuring and assessment of borrowers' creditworthiness while upholding a diversified loan portfolio
- Continuously assessed the implications of developments in the operating environment, notably on the foreign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

Our performance

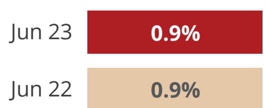
We improved the general quality of our growing exposures on the back of careful market endeavours and dedicated measures put in place, leading to a lower gross non-performing loans ratio and stable cost of risk while reinforcing our provisioning levels.

Credit risk-weighted assets

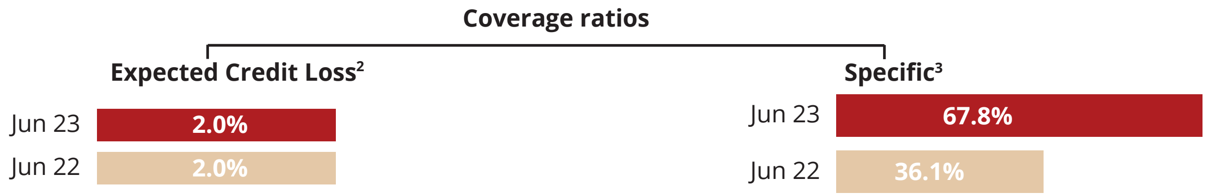
Gross non-performing loans ratio



Cost of risk[1]



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



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

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

Country risk

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.

Capital impacted

Material matters of relevance: Macroeconomic uncertainty

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

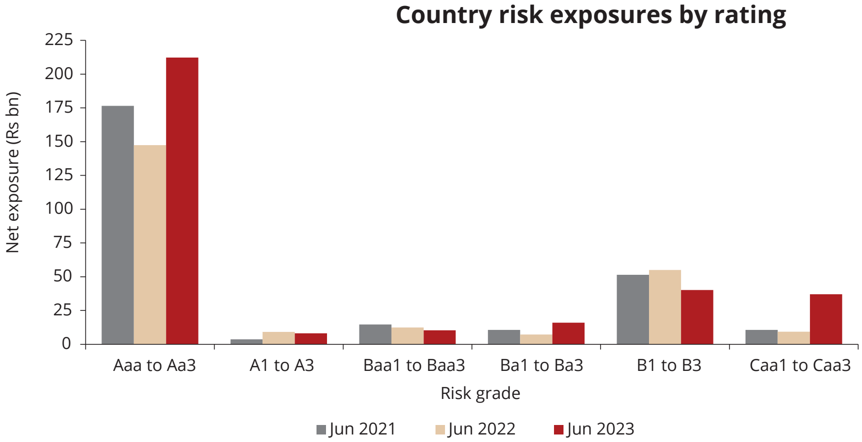
Our response

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

Our performance

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

Country risk exposures by rating



Notes:

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

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

Market, Funding and Liquidity risk ▲

Capital impacted

Market risk is the potential for losses arising from changes in the value of assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk emanates from trading and non-trading portfolios.

Funding risk is the risk linked to a relative lack of availability of funds or the risk that a maturing liability or class of liabilities may not be able to be refinanced within a designated timeframe, resulting in potential added costs.

Liquidity risk arises from insufficient readily realisable financial assets to meet the financial commitment as and when they fall due.

Material matters of relevance: Macroeconomic uncertainty | Increasing regulatory requirements

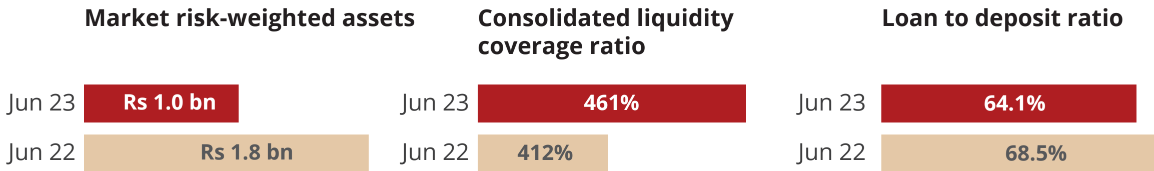
Heightened market volatility arising from tightened financial conditions, including the liquidity crisis emanating from the failures of Silicon Valley Bank and Credit Suisse Group, foreign exchange pressures and monetary policy developments warranted closer attention in view of potential implications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

Our response

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

Our performance

We took proactive steps to maintain comfortable buffers and sustain strong funding and liquidity positions in FY 2022/23.



Capital risk

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

Capital impacted

Material matters of relevance: Macroeconomic uncertainty | Increasing regulatory requirements

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

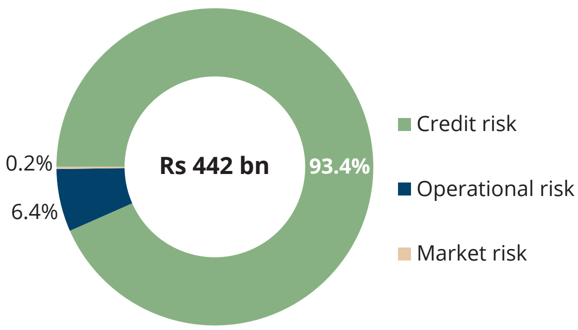
Our response

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

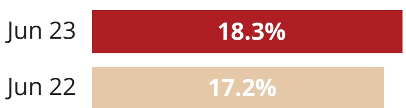
Our performance

Our capital adequacy ratios remained comfortably above regulatory requirements of 15% in terms capital adequacy ratio and 13% in terms of Tier 1 capital ratio, supported by our strong financial performance and the issuance of the Tier 2 debt instrument.

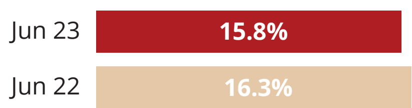
Risk-weighted assets by type of risk



Capital adequacy ratio



Tier 1 capital ratio



Non-financial principal risks

Model risk

Capital impacted

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

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

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

Our response

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

Operational risk

Capital impacted

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.

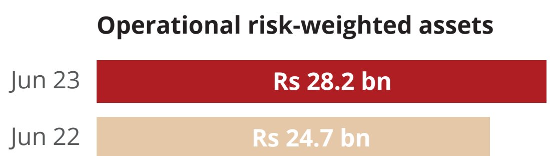
Material matters of relevance: Cyber threats and digital disruptions | Workplace transformations and employee expectations

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

Our response

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

Our performance



Business continuity risk

The risk of being unable to continue the delivery of products and services within acceptable time frames at predefined capacity during a disruption.

Capital impacted

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

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

Our response

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

Cyber and information security risk

The risk of accidental or intentional unauthorised use, modification, disclosure, destruction or breach of information resources/systems that may have an adverse effect on the confidentiality, availability, or integrity of information or information systems.

Capital impacted

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

The rapid growth in digital adoption and more sophisticated customer needs have led to greater volume of data to manage and heightened challenges to safeguard data security, especially in the face of multifaceted cyber threats. The latter risk has been compounded by the shifting mode of work.

Our response

- Enhanced our cybersecurity posture through a dedicated Red Team and a first level Blue Team; Undertook regular independent Penetration Testing and Vulnerability Assessments by leveraging external expertise as appropriate
- Implemented new innovative tools and solutions including Network Access Control (NAC), Security Information and Event Management (SIEM) and Endpoint Detection and Response (EDR)
- Contracted a dedicated person to oversee the Information Security Office; Conducted awareness campaigns on cyber risk as part of our Risk Culture Programme
- Continuous monitoring of cybersecurity events through various control systems, including our Security Operations Centre
- Continued to enhance our cybersecurity maturity through the review of policies related to cyber and technology risk management and ensured compliance with the relevant regulatory requirements such as the new Guidelines issued by the Bank of Mauritius on Cyber and Technology Risk Management and on Use of Cloud Services
- Beefed up our cyber response capabilities through the delivery of executable plans from Cyber Response Services providers
- Ran security awareness training sessions on a regular basis, in particular simulated phishing attacks, to promote the adoption of best practices in terms of cybersecurity risk management
- Increased staffing in both the first and second lines of defence to better face the increasing scope and complexity of cybersecurity threats

Regulatory and compliance risk

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

Capital impacted

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

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

Our response

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

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.

Capital impacted

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

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

Our response

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

Reputation risk

The risk arising from the damage to the Bank's image caused by negative media coverage, compliance failures, pending litigations or underperformance. Such damage may result in a breakdown of trust, confidence and business relationships, which may impair the Bank's ability to retain and generate business.

Capital impacted

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

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

Our response

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

ESG risks

Environmental and social risk

The risk that unforeseen events stemming from changes in our environment and society will result in disruptions in business activities as well as impact our customers and counterparties, while influencing our internal operations.

Capital impacted

Material matters of relevance: Increasing regulatory requirements | ESG considerations

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

Our response

- Set up a Transition Taskforce in November 2022 to drive momentum on our sustainable finance endeavours and develop a coherent transition strategy. As part of the Taskforce, we established a Climate Risk stream to assist with the implementation of the BoM Guideline on Climate-related and Environmental Financial Risk Management. Furthermore, there are two Sustainable Finance streams under the Transition Taskforce which aim to develop the pipeline and strategy for the utilisation of the Sustainable Loan credit line of Rs 10 billion and focus on developing our offering for large international corporate groups as well as elaborating the transition roadmap for oil and gas

- Enlisted an international service provider to assist in the measurement of climate-related risks as per the BoM Guideline on Climate-related and Environmental Financial Risk Management, with a progress report on the Climate Risk roadmap submitted in March 2023

- Set up a dedicated Climate Risk function within the Risk SBU with a dedicated Senior Climate Risk Executive

- Incorporated the Environmental and Social Risk Management (ESRM) function within the Risk SBU to strengthen the assessment of environmental and social risks. The ESRM function has been integrated in the credit cycle to ensure assessment is done on a transaction basis when there are ESG implications

- Updated the internal Environmental and Social Risk Policy in May 2023, which complements the credit risk policy and caters for the changes in process, including roles and responsibilities, and strengthen the scope of application to address emerging environmental and social risks for an enhanced and more holistic credit approval process. Of note, awareness sessions are currently being conducted with key stakeholders impacted

Zoom on our Risk Culture Programme

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

Main priorities looking ahead

- Further enhance the risk culture across the organisation with the continued operationalisation of the Risk Culture Programme
- Support our sustainability ambitions through the deployment of Environmental and Social Risk Management guidelines
- Ensure that our business development endeavours across geographies materialise in a disciplined manner on the back of effective risk oversight
- Uphold the soundness of our key financial metrics, backed by the further strengthening of our risk management and compliance mechanisms, aided by continuous upgrades to relevant policies, practices and processes; Maintain close discussions and interactions with Moody's Investors Service to relay our efforts to uphold sound fundamentals
- Further reinforce our inherent capabilities and operating models, notably through (i) continued upskilling of employees across risk and compliance functions; and (ii) increased synergies amongst risk functions and with other areas of the Bank

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

Our risk management strategy and framework

Our 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

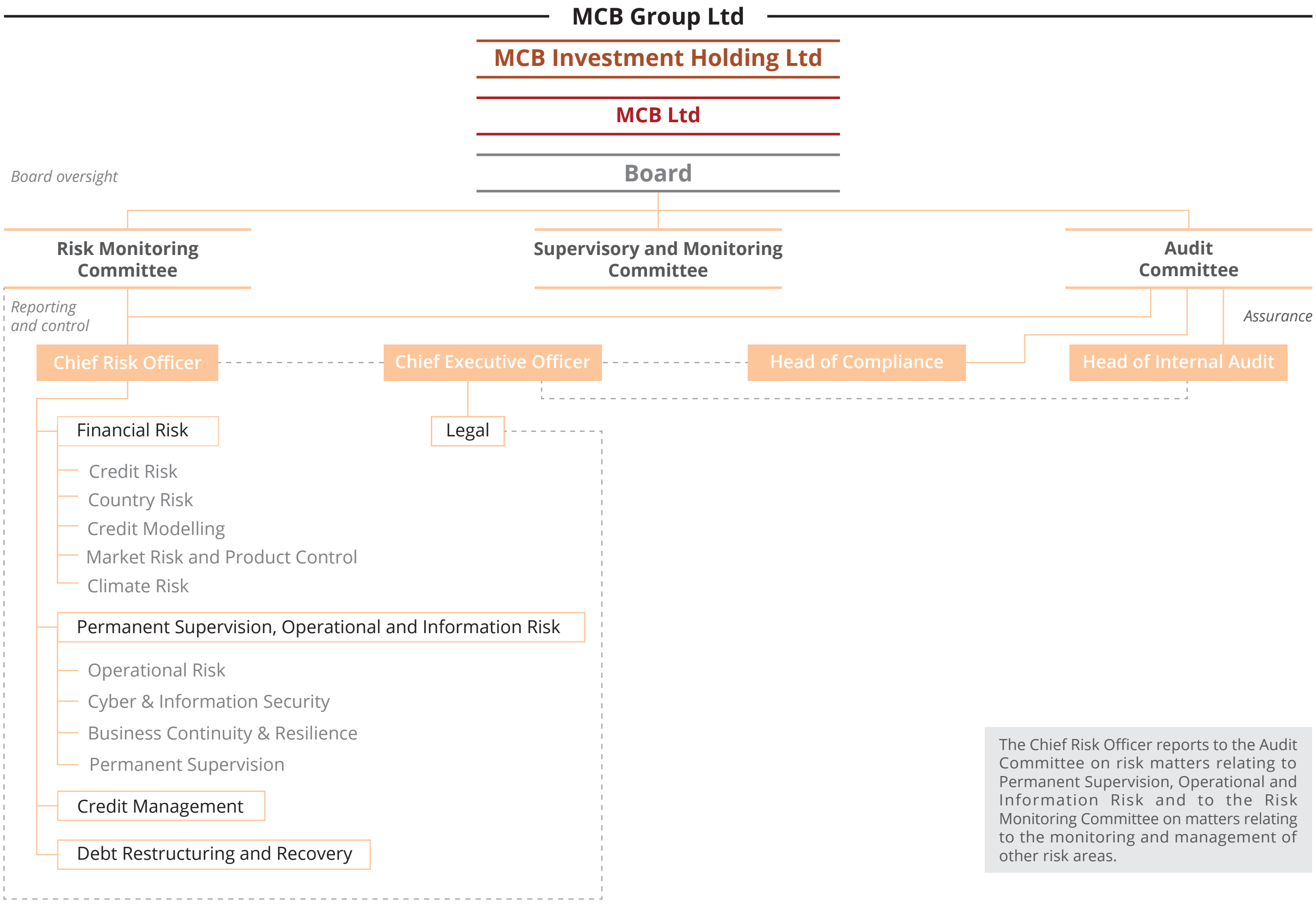
Key elements of our risk management set-up

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

Governance and oversight

Our risk management framework



Board of MCB Ltd	• As highlighted before, the Board of MCB Ltd has the ultimate responsibility for ensuring adequate risk management across the Bank, in line with good corporate governance principles. It provides clear guidance for the setting out and regular review of applicable strategic thrusts, processes and policies for risk management. • As a key focus area, the Board is responsible to validate the Bank's risk appetite towards achieving its objectives. It delegates authority to Board committees, which formulate the specific responsibilities and required policies for effective risk management.
Risk Monitoring Committee (RMC)	• It is the primary Board committee overseeing financial and legal risk matters. It assists the Board in setting up risk strategies as well as assessing and monitoring MCB's risk management process. It recommends to the Board, for approval, the risk appetite in terms of credit and market/asset liability management. 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 end of June 2023, four of the six 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.

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

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

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 Chief Executive Officer Designate, 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 includes 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

Conduct Review Management Committee (CRMC)

- Following the revised Guideline on Related Party Transactions in May 2022, MCB Ltd set up a Conduct Review Management Committee and dismantled the Board Conduct Review Committee. The Conflicts of Interest and Related Party Transactions policy was amended and thereafter approved by the Board of Directors of MCB Ltd in February 2023
- The CRMC, which is chaired by the Chief Executive Officer, ratifies credit exposures and other transactions with related parties to any single related party and/or its group of connected counterparties, which do not exceed 2% of the Bank's Tier 1 capital or Rs 500 million, whichever is lower. For any credit exposures and other transactions with related parties that exceed the specified amounts, these are ratified by circularisation to the Board of Directors

Market risk

Asset and Liability Committee (ALCO)

- The purpose of the ALCO is to oversee the overall asset/liability position, market risks and overall balance sheet management of the Bank. The ALCO ensures that the overall asset, liability and capital positions are effectively managed and that the resulting market, liquidity and funding risks to which MCB is exposed are kept within the relevant limits and targets set by the Board and remain 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 risks 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 the 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 assessments, 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 culture

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

Our risk appetite framework

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 models

Country

Country rating model (used when ratings from external rating agencies are not available)

The rating monitors macroeconomic performance, political and institutional developments, evolution of fiscal metrics, social unrest, and currency movements, amongst others

Banks

Bank rating model

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

Management of key risks

Our risk management 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 by risk type

Credit risk

General approach and objectives

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

Governing guidelines include	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; Guideline on Stress Testing; Guideline on The Recognition and Use of External Credit Assessment Institutions; Guideline on Related Party Transactions
Internal policies include	Credit Risk Policy; Environmental and Social Risk Policy; Conflicts of Interest and Related Party Transactions Policy

Measurement and monitoring

Our credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of likely future behaviours of existing accounts. Subsequently, the Bank assesses whether individual business areas provide sufficient contribution to the targeted risk-return profile. The aim is to ensure that capital allocation generates an optimum return for the Bank. This is achieved by channelling risk capital from low-return to high-return business areas, commensurate with the risks shouldered.

Key principles

Credit facilities granted are guided by the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. Collateral is taken whenever possible to mitigate the credit risk assumed, with periodic monitoring being exercised as regard the type, liquidity and volatility of the collateral value.

The Bank has established credit rating frameworks that enable the extensive usage of ratings for its portfolios. These ratings are leveraged not only in respect of loan approval, but also credit review, monitoring of risk profiles and determination of business strategies. They are used for the purpose of the stress testing and limits determination exercises.

Assessment by key business lines

Corporate portfolio

Large corporate credits are assessed on an individual basis with the support of an internally-developed Customer Rating software. The latter evaluates the counterparty's financial position and uses the historical default data of MCB's clients. The ratings and probability of default rates generated are typically used to 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 Wealth Management SBU, the Risk SBU regularly analyses default trends, identifies the underlying root causes and subsequently channels recommendations to Management. A key 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, for instance, 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 cover. 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.

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 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 2023, MCB's allowances for credit impairment computed under accounting standard was higher compared to 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. While MCB continues to adhere to key principles therein, it is worth noting that the 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 occurs; and (iii) Exposure at Default (EAD), which reflects the exposure at risk at a point of default. In addition, IFRS 9 requires that allowance be made for forward-looking information in the calculation of ECL, taking into consideration past, actual and future insights on customer behaviours and macroeconomic indicators.

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

Our staged approach

Assets move between stages based on risk characteristics

	STAGE 1 **Performing**	STAGE 2 **Under performing**	STAGE 3 **Default**
	Financial assets for which credit risk has not significantly increased since initial recognition	Financial assets for which credit risk has significantly increased/ deteriorated since initial recognition. However, there is still no objective evidence of impairment	Financial assets which have defaulted but have not yet reached write-off
Recognition of Expected Credit Losses	**12-month ECL**	**Lifetime ECL**	**Incurred Loss**

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.

- 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.
- 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.

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 enhanced the SME credit-scoring model and developed a new credit-scoring model for credit cards.

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 2022/23

Reflecting the proactive and prudent approach being endorsed by the Bank to hold adequate provisioning levels in light of the still unsteady operating environment, we maintained comfortable levels of ECL during FY 2022/23, underpinned by informed analyses, conservative assumptions and modelling exercises.

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 2023, ECL amounted to Rs 8,045 million of which Rs 7,528 million pertained to stage 1 and stage 2 loans and advances, with the corresponding ECL coverage ratio 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 2023

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institutions	Project finance	Sovereign	Energy & Commodities
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m
Stage 1						
Exposures	56,177	202,806	85,668	5,618	288,634	179,799
Expected Credit Losses	174	2,390	847	93	110	532
Coverage ratio (%)	0.3	1.2	1.0	1.7	0.0	0.3
Stage 2						
Exposures	807	13,546	0	70	0	4,848
Expected Credit Losses	609	2,343	0	35	0	911
Coverage ratio (%)	75.5	17.3	0.0	50.0	0.0	18.8
Stage 3						
Exposures	1,027	9,182	0	410	285	890
Specific provisions	308	6,348	0	408	28	733
Coverage ratio (%)	30.0	69.1	0.0	99.5	9.8	82.4

Provisions as at 30 June 2022

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

Notes:
(i) Figures may not add up to totals due to rounding
(ii) Stage 1 comprises both on- and off-balance sheet exposures while stages 2 and 3 comprise only on-balance sheet exposures
(iii) Incurred losses do not include interest in suspense on loans and overdrafts
(iv) Figures exclude investments fair valued through other comprehensive income

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

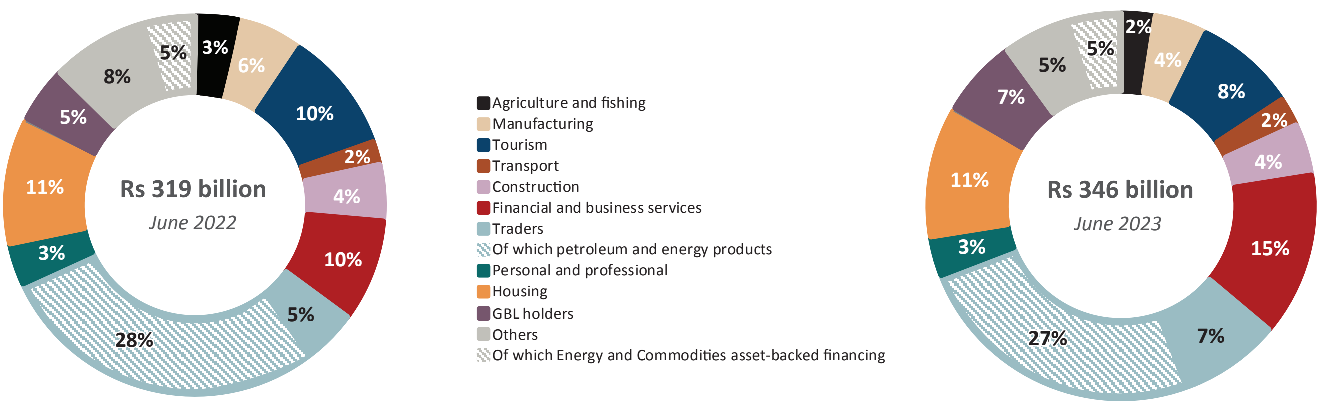
Concentration of exposures

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

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

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

Sectorwise distribution of our customer loan portfolio



Asset quality

We upheld the general quality of our exposures on the back of careful market endeavours and dedicated measures taken while also managing to close some big legacy files during the year. Our gross and net NPL ratios stood at 3.0% and 1.0% respectively down from 3.4% and 2.2% respectively as at June 2022. The Bank's specific coverage ratio increased from 36.1% to 67.8%, with the remaining portion being adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time.

Quality of exposures

June 2023	Non-performing loans (NPLs)		Specific provisions	
MCB Ltd	**Rs m**	***% of exposures***	**Rs m**	***% of NPLs***
Agriculture and fishing	633	*8.0*	904	*98.5*
Manufacturing	41	*0.3*	22	*47.1*
Tourism	461	*1.6*	444	*92.6*
Transport	11	*0.1*	7	*54.5*
Construction *(including property development)*	58	*0.5*	28	*45.3*
Financial and business services	290	*0.5*	216	*61.9*
Traders	719	*0.6*	470	*49.6*
of which petroleum and energy products	*0*	*0.0*	*0*	*0.0*
Personal and professional	860	*1.8*	361	*31.7*
of which credit cards	*30*	*3.1*	*27*	*90.0*
of which housing	*511*	*1.4*	*178*	*29.8*
Global Business Licence holders	7,285	*32.4*	6,595	*71.9*
Others	1,436	*4.1*	893	*59.0*
of which Energy and Commodities asset-backed financing	*890*	*5.2*	*746*	*82.3*
Total	**11,794**	***3.0***	**9,940**	***67.8***

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

Country risk

General approach and objectives

MCB applies a coherent and comprehensive approach and framework as well as adequate control processes to formulate its country risk tolerance and determine exposure limits assigned to markets, alongside adhering to regulatory guidelines.

Governing guidelines include	Guideline on Country Risk Management; Guideline on Cross-Border Exposure; Guideline on Stress Testing
Internal policy	Credit Risk Policy

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, currency depreciation/devaluation and political developments. Foreign country exposure limits are set by the Bank on the basis of (i) its current exposures and growth ambitions; (ii) assigned capital for international exposures; (iii) the prevailing economic and market environments as well as the size of economies under review; (iv) sovereign ratings; (v) its areas of expertise as far as its business involvement is concerned; and (vi) its knowledge of the economies. The Bank ensures the proactive monitoring of country risk exposures against country limits and sub-limits that have been set, while promptly reviewing such levels in case of unexpected events. MCB keeps track of the unfolding business opportunities across markets of interest and has also set up a list of 'restricted countries'. No limits are established for the latter countries, with activities only conducted with approval of the RMC.

Mitigation and management

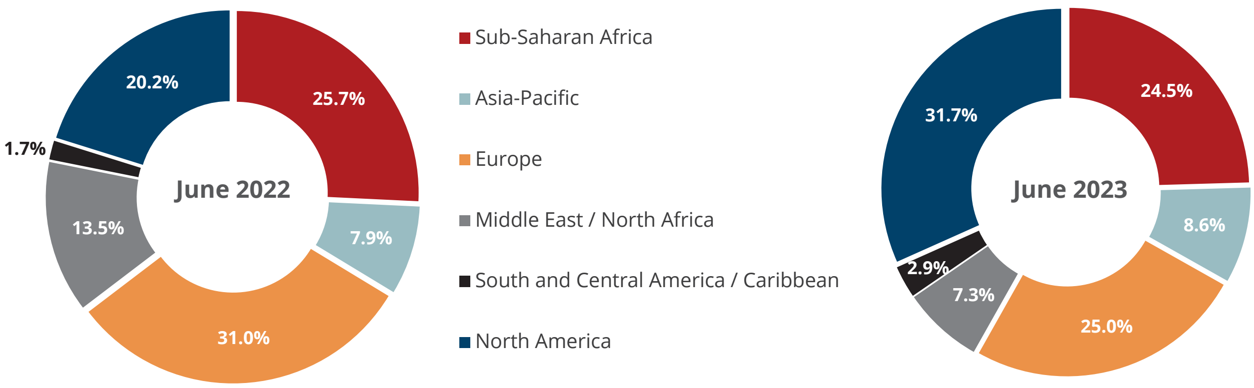
With a view to fostering sound country risk management, we lay emphasis on (i) thoughtful and regular determination and review of our risk appetite, after making allowance for the evolving operating environment and our strategic ambitions; (ii) diversified exposures across countries and sectors; (iii)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

Diversification of exposures

Distribution of MCB's customer loan portfolio

Exposures by region

(Excluding Mauritius)



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

Market risk

General approach and objectives

The Bank seeks to minimise the risk of losses in on- and off-balance sheet positions arising from activities undertaken in or impacted by financial markets. We ensure that an appropriate framework is in place to systematically identify, assess, monitor, control and report the market risk exposures across trading and banking books. These include market-contingent risks such as counterparty credit risk as well as profit and loss risks arising from market risk activities. We also detect and manage the impact of currency fluctuations, alongside properly managing the net open positions.

Governing guidelines include	Guideline on Measurement and Management of Market Risk; Guideline on Liquidity Risk Management
Internal policy	Market Risk Policy

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

General approach and objectives

The Bank seeks to keep sound funding and liquidity positions in support of its business development ambitions. While accessing wholesale markets as and when required, MCB maintains sources of funding that are cost-efficient, diversified, and stable, with a primary focus on customer deposits. Furthermore, an appropriate level of liquid assets is kept to ensure that obligations can be met within a reasonable time-frame.

Governing guidelines include	Guideline on Liquidity Risk Management; Guideline on Scope of Application of Basel III and Eligible Capital; Guideline on Cash Reserve Requirement; Guideline on Stress Testing
Internal policy	Market Risk Policy

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 scenarios; Uncommitted money and short-term forex swap and repo lines regularly tested for liquidity depth

- Maintenance of adequate high-quality liquid assets (HQLA) buffer as well as achievement of conservative maturity transformation and operational deposit optimisation to ensure compliance with the LCR with monitoring/reporting for assets and liabilities denominated in significant currencies. This entails close monitoring of the LCR and circulation of the ratio to Management on a daily basis. LCR, along with other liquidity indicators, such as gap analysis and BIS net stable funding ratio (NSFR), are presented to the ALCO on a monthly basis and to the RMC on a quarterly basis; Carrying out of frequent simulation on LCR, based on what-if investment in HQLA and renewal of wholesale market funding

- Diversification of balance sheet funding sources with a mix of internal treasury surplus, institutional lines of credit and trade refinancing lines

- Active monitoring and management of daily liquidity through a daily Operational Cash Flow model, which provides the Bank with daily cash flow projection over different time bands under various scenarios

Mitigation and management

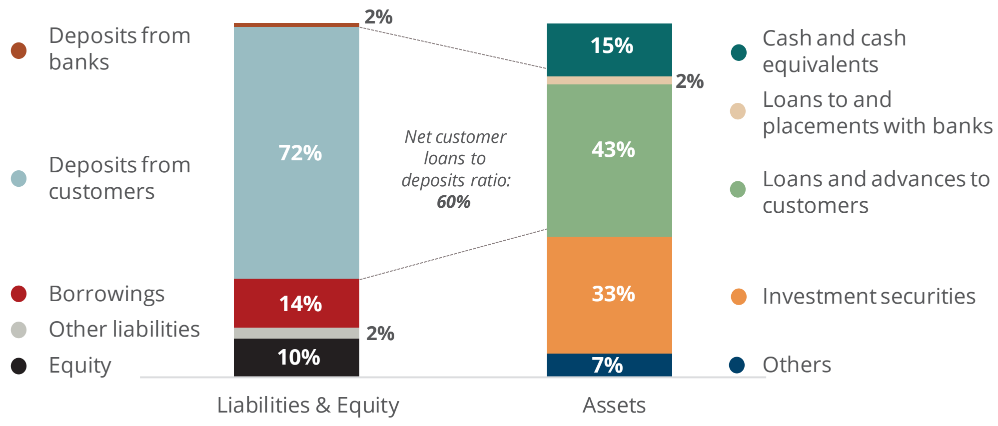
The key consideration for MCB is to diligently manage and diversify the funding and maturity profile of the balance sheet in order to ensure that we can successfully deploy our strategic endeavours over the short and longer runs.

To achieve this, the Bank employs a methodical approach that involves creating a time ladder of continuous assets and liabilities cash flows, while avoiding undue accumulation of cash flows in any time segment, especially those expected to fall due in the near future. It uses cash and liquidity gap profiles for both local and significant foreign currencies to analyse and monitor the impact of projected disbursements by lines of business. 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, we took proactive measures to maintain substantial buffers in light of the prevailing economic environment. Despite the challenges, MCB Ltd continued to display strong funding and liquidity positions in FY 2022/23. We have been active across markets to uphold sufficient funding resources to help our customers ride through the difficult conditions and support our growth ambitions. In this respect, we leveraged placements from banks and repurchasing agreements. In line with its funding diversification objective, the Bank also successfully launched and priced its first USD 300 million 5-year senior unsecured notes issuance under its USD 3 billion Global Medium Term Note Programme and signed a three-year USD 500 million syndicated loan. MCB also closed its first Basel III compliant Tier 2 bond issuance of USD 147 million, privately placed with the African Development Bank. These strategic moves contribute to strengthening the Bank's overall financial position and aligns with its commitment to maintaining a robust and diversified funding base.

Asset funding structure as at June 2023



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), which can provide support during a 30 calendar day period of significant liquidity stress. As per local regulations, the LCR is computed as the ratio of the stock of unencumbered HQLA to the net cash outflows over the next 30 days in the event of an acute liquidity stress scenario. Since 31 January 2020, the minimum regulatory LCR has been elevated to 100% for MUR, as well as for material foreign currencies, and consolidated LCR. Furthermore, in September 2020, the Guideline on Liquidity Risk Management was revised to provide that banks shall immediately notify the Bank of Mauritius of the use of HQLA denominated in major currencies that are freely convertible, transferable and actively traded in global foreign exchange markets to cover liquidity needs in other such major currencies, amongst others.

As at 30 June 2023, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 461%, which is equivalent to a surplus of some Rs 146 billion over stressed total net cash outflows. At currency level, 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 354% as at 30 June 2023. It can be noted that HQLA eligible for the purpose of calculating the LCR as per set rules consist of cash or assets that can be converted into cash at little or no loss of value in markets. In this light, MCB diligently managed its investment portfolio, holding suitable levels of investment in sovereign and cash liquid assets. This strategic approach not only contributes to meeting regulatory requirements but also reinforces the Bank's readiness to navigate various market conditions while preserving the value and stability of its position.

Net stable funding ratio (NSFR)

Under Basel III, the NSFR aims to strengthen the resilience of a bank over a longer time horizon. It achieves this by requiring the bank to maintain a stable funding profile relative to the composition of its assets and off-balance sheet activities so as to mitigate any future funding stress. The NSFR effectively recognises a bank's maturity transformation role in the credit creation and resource allocation process. It seeks to limit the bank's over-reliance on short-term wholesale funding or the running of large funding gaps meant to sustain rapid balance sheet growth. Although not yet a regulatory requirement in Mauritius, MCB monitors its NSFR performance, which requires an amount of available stable funding to be maintained. As at 30 June 2023, MCB Ltd reported an NSFR of 144%. This figure exceeds the minimum level recommended by Basel III, which mandates a minimum NSFR of 100% on an ongoing basis. This accomplishment underscores the Bank's proactive approach in ensuring a robust and balanced funding structure, contributing to its long-term stability and resilience.

Consolidated liquidity coverage ratio

As at 30 June 2023	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)	187,054	187,054
Cash outflows		
Retail deposits and deposits from small business customers, of which		
Less stable deposits	*256,278*	*23,374*
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	*11,979*	*2,995*
Non-operational deposits (all counterparties)	*246,764*	*101,033*
Secured wholesale funding		
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	*26,668*	*26,668*
Credit and liquidity facilities	*14,774*	*1,343*
Other contractual funding obligations	302	302
Other contingent funding obligations	132,057	6,603
Total cash outflows	**688,823**	**162,319**
Cash inflows		
Inflows from fully performing exposures	168,971	125,202
Other cash inflows	42,197	26,662
Total cash inflows	**211,168**	**151,865**
		Total adjusted value
		Rs m
Total HQLA		**187,054**
Total net cash outflows		**40,580**
Liquidity coverage ratio (%)		**461%**

Model risk

General approach and objectives

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

Governing guideline	Guideline on Stress Testing
Internal policy	Credit Risk Policy

Mitigation and management

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

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

Operational risk

General approach and objectives

The Bank aims to identify, mitigate and manage operational risks across activities, processes and systems in line with the defined risk tolerance. The objective is to underpin the continuity of our operations and anchor a solid platform to provide customers with seamless services. Towards determining the operational risk tolerance levels, we set risk acceptance and mitigation limits in respect of the principal categories of operational risk as appropriate.

Governing guidelines include	Guideline on Operational Risk Management and Capital Adequacy Determination; Guideline on Maintenance of Accounting and Other Records and Internal Control Systems
Internal policies include	Operational Risk Policy; Fraud Policy

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 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

Risk ownership

Business units

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

Risk control

Audit Committee/IORC/ Operational Risk BU

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

Independent assurance

Internal/External Audit

- Verify the effectiveness of the overall operational risk framework

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 was recently updated and 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 is committed to provide the highest standards of safety and health across all its business activities and on all MCB premises. Towards this end, it ensures compliance with the provisions of relevant legislations, namely the Occupational Safety and Health Act in Mauritius and other associated laws and regulations. Risk control measures are implemented through safety and health audits carried out during on-site inspections, with the latter aimed at identifying hazards and risk factors that have the potential to cause harm to the safety and health of people on our premises. The audits also seek to determine the appropriate ways to eliminate such hazards in order to protect our staff and clients. By fostering a safety culture throughout the Bank, we are able to prevent accidents, reduce injuries, and create a secure environment for everyone.

Business continuity risk

General approach and objectives

We adopt a robust and proactive approach to Business Continuity Management (BCM) to ensure that we continue to conduct our key business activities and deliver products and services in case of unforeseen events or business disruptions at acceptable pre-defined service levels. We aim to minimise the potential damage that such disruptions can cause to people and business activities, while setting forward to safeguard their reputation and the interests of key stakeholders by effectively planning for and responding to incidents.

Governing guideline	Guideline on Operational Risk Management and Capital Adequacy Determination
Internal policies include	Business Continuity Management Policy and Framework; Incident Management Policy

Mitigation and management

MCB's Business Continuity Management 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.

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 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

General approach and objectives

MCB adopts a dedicated approach to safeguard its information security, alongside complying with applicable regulatory requirements on data protection and ensuring that we are prepared to respond to potential cyber-attacks and threats to our information assets in a timely and effective manner. The Bank's primary objectives are to maintain the confidentiality, integrity, security, and availability of information assets stored, processed, and transmitted throughout the organisation. In addition, we aim to handle and mitigate cyber risks, establishing a strong IT platform to aid the delivery of the Bank's strategic objectives, while protecting confidentiality and preventing misuse of systems and business disruptions.

Governing laws and guidelines include	Data Protection Act (DPA); European Union's General Data Protection Regulation (GDPR); Guideline on Cyber and Technology Risk Management; Guideline on Use of Cloud Services
Internal policies	Various Cyber and Information Risk policies

Mitigation and management

The Cyber and Information Security BU (CIS BU) is responsible for developing and maintaining cyber, technology and information risk policies, in line with the evolving operating and threat landscapes, as well as requirements set by authorities and other stakeholders. The key objective is to ensure that an adequate level of security is maintained to protect private, confidential, personal and any other sensitive information held by the Bank. Importantly, the Bank has taken the necessary steps to ensure compliance with the requirements of the Mauritius Data Protection Act (DPA) as well as the European Union's General Data Protection Regulation (GDPR) and the different BoM guidelines.

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 Bank's security posture has improved further through the activities of a dedicated Red Team
- The set of critical controls underpinning our cybersecurity resilience is being continuously monitored, and our cyber incident response framework has been reviewed
- The security events monitoring capability of our Security Operations Centre (SOC) is continuously being refined and augmented with new use cases
- Compliance with laws and regulations relating to data protection has been assessed with a view to identifying any gaps and gearing up our capabilities to adhere to relevant stipulations, with necessary steps undertaken to fill gaps identified
- Various actions, including security awareness sessions, are continuously taken to enhance our employees' alertness to cybersecurity, with a focus on social engineering
- General awareness on data privacy matters has been enhanced, with particular attention paid to ensure that privacy and security by design concepts become embedded within the Bank's risk culture

Compliance risk

General approach and objectives

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

Governing laws and 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

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, alongside ensuring that we are sufficiently equipped in order to live up to the increasingly stringent regulatory environment and effectively cope with greater scrutiny by regulators and law enforcement authorities. To guarantee that our objectives are met in a consistent and judicious manner, we perform regular monitoring exercises, to ensure compliance with policies and procedures as well as ascertain that controls are operating in a sound way.

In terms of our AML/CFT obligations, we ensure that the Bank has adequate processes, systems and controls to render its services inaccessible to criminals, including money launderers and terrorists or their financiers, while tracking down suspicious activities. We ensure that staff is given appropriate training to help them identify suspicious transactions in keeping with legal and regulatory requirements. The Bank has also a Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage. The Bank ensures that the organisation and its staff adhere, at all times, to both the letter and spirit of applicable laws, rules and regulations, generally accepted business and industry standards, as well as advocated norms and codes. We also promote a compliance-oriented culture with a view to supporting business lines in delivering fair outcomes for customers and preserving the Bank's reputation, while helping to achieve business development objectives.

The strategic objectives of the compliance function are translated in a Compliance Programme for FY 2022/23, which was devised as a risk-based approach and duly approved by the Compliance, AML and Legal Committee (CALC) and the Board of Directors through the Audit Committee. The Compliance Programme sets out its planned activities, such as the implementation and review of specific policies and procedures pertaining but not limited to governance and policy management, KYC, customer onboarding, Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), managing correspondent banks' compliance queries, compliance auditing, monitoring and testing, Enterprise Wide Risk Assessment (EWRA), complaints management and educating staff on compliance matters, which are designed to fundamentally strengthen the compliance risk management culture across the Bank. Progress status updates and reports are duly reported by the Head of Compliance in the CALC and Audit Committee at least on a quarterly basis.

The focus areas of the Compliance Programme FY 2022/23 included the following:

Regulatory liaison

- 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

Governance and policy management

- 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
- Reviewing the ecosystem of committees across the Bank, in line with corporate governance standards
- 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
- Ensuring adherence to risk statements of correspondent banks
- Maintaining up to date the country risk rating, in line with the country-risk methodology

Training

- Promoting the awareness of directors and employees on the requirements arising out of new/amendments to laws and regulations and other compliance-related matters
- Providing tailor-made training to the Bank's directors and employees to ensure that they have the necessary knowledge and skills to fulfil their duties and responsibilities

Advisory

- Engage with the different business lines for customer on-boarding requests and assist them in the on-boarding process
- 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
- Nurturing the working relationship with regulatory and supervisory bodies by engaging or collaborating with them on new projects and regulatory queries

Monitoring and 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 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 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 & Proliferation Financing (ML/TF) 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

- Attending diligently to requests from law enforcement bodies and representing the Bank in Court in relation to ML/FT/PF matters

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 of alleged breach of duty of confidentiality 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 framework. EWRA, which is a regulatory requirement, aims at identifying the ML/TF risks to which the Bank is exposed per product, service, channel and segment, 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

Project and analytics

- Coordinating and executing strategic SBU initiatives and projects. Managing project resources, under scope of responsibility, to ensure delivery in line with project priorities, quality standards, budget and deadlines and lead data intensive compliance related initiatives

- Developing, monitoring and reporting on costs and benefits metrics of specific projects and recommend appropriate actions as well as compliance data architecture and governance

- Aiming to be autonomous in data reports for the Compliance SBU and regulatory body

Zoom on our Permanent Supervision unit

Our Permanent Supervision section acts as an independent control function within our second line of defence. 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 Organizations 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 SBUs regularly report the main risks and control events observed, while ensuring timely escalation of findings to Heads of host SBUs, the IORC and the Audit Committee as appropriate. Of note, with a view to further enhancing the risk management and control framework, the span of Risk & Control Executives has been broadened to cover all the major activities of the Bank, including support functions as well as non-financial risks (information risk, including cyber risk, and compliance risk). Identified internal control deficiencies are managed in a timely and effective manner through adherence to established procedures and proper monitoring of the implementation of reinforcement measures.

Risk assurance: Internal audit

General approach

Our Internal Audit's responsibilities, as the third line of defence, include: evaluating the reliability, adequacy and effectiveness of the system of internal controls, risk management, governance framework and processes; and reviewing whether Management is taking appropriate steps to address control deficiencies. The Head of Internal Audit (IA) 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.

The Internal Audit plan spreads out over three years and 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. 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.

In line with leading practices, the IA SBU – which is certified as compliant with the Institute of Internal Auditors' (IIA) standards – has a Quality Assurance and Improvement Programme (QAIP) that covers its audit activity. As part of the QAIP, internal Quality Assurance Reviews (QAR) are conducted by a team of experienced auditors, and external QAR are carried out at least once every five years by qualified professionals from an independent organisation. The latest external assessment was completed in September 2023 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 management and processes; and (ii) the reinforcement of the Internal Audit function's image and credibility.

Audit reports containing the main observations and corrective action plans are reported to the respective managers being audited, and senior management including the Chief Executive Officer, Chief Operating Officer, Chief Risk Officer and Head of Compliance. 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, as well as coverage. Progress of the corrective action plans is monitored, and past due action plans are queried.

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 sets 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 and professional development. To further professionalise the function, the following initiatives are in place:
    - 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)
    - co-sourcing arrangements with subject matter experts to audit areas of specific nature
- 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.

Capital management

Our objective

Our underlying capital management objective, which is aligned to general directions determined at Group level, is to ensure that MCB has adequate capital resources at all times. This objective serves a threefold purpose: enabling effective operation, fostering sustained business growth and either maintaining or enhancing our credit ratings. We aim to maintain a comfortable capital position, which is consistent with the expectations and requirements of our diverse stakeholders, notably the regulators and authorities, rating agencies, customers and correspondent banks.

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

Our 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 the Board sets the risk appetite limits for the financial year. The Bank monitors its exposures on a quarterly basis against those limits, and pertinent insights are reported to the RMC.

The capital plan includes a crisis management plan. The latter makes allowance for various measures to facilitate the rapid mobilisation of 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 stress scenarios. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational and market risks) and Pillar II risk types (i.e. concentration, liquidity, interest rate, strategic risks, etc.). These assessments are undertaken to understand the sensitivity of the key assumptions of the capital plan with regard to the realisation of plausible stress scenarios. This helps MCB evaluate how it can maintain adequate capital under such scenarios.

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 2022/23, the Bank conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on key metrics. We have used the 3-year budget forecasts to conduct our different stress tests. We assumed that the stress scenarios take place in the middle of FY 2022/23, i.e. at the beginning of January 2023, and we then measured the relevant impacts accordingly. The scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Bank's risk profile, activities as well as prevailing and forecasted economic conditions. We measured potential impacts on the following metrics: (i) Solvency: Capital adequacy ratio and Tier 1 ratio; (ii) Profitability: Net profit after tax; (iii) Asset quality: NPL ratio and cost of risk; and (iv) Liquidity: LCR, 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.

Mild scenario	The continued effects of inflation globally resulted in an increase in base rates from Central Banks, forcing the BoM to increase the Key Rate even further in an attempt to curb imported inflation. This leads to a mild recession globally and in Mauritius, resulting in investors pulling away from emerging markets. The conflict between Russia and Ukraine continues without further deterioration and without further shocks to oil and gas prices. The conflict is assumed to finish in 2024 and the world returns to a slow pace of growth in 2025.

Medium scenario	The conflict between Russia and Ukraine worsens considerably resulting in a spike in oil and gas prices, and further inflation globally. This results in a full global recession and a further flight away from emerging markets by investors. Combined with the shock to the tourism sector, the rupee is under even more pressure and the country rating is downgraded. The Russia/Ukraine conflict lasts until the beginning of 2025 while the world resumes slow growth only towards the end of 2025.
Severe scenario	The world experiences a resurgence in variants of COVID-19 resulting in several lockdowns and restricted travel. The Russia/Ukraine conflict simultaneously worsens causing a squeeze in oil and gas supplies and a rise in prices. The reduced number of tourist arrivals and decrease in FDI cause a significant depreciation of the rupee. The country rating is also downgraded. In this scenario, the contagion effects of the pandemic and the ongoing Russia/Ukraine conflict would derail the fragile recovery and the global economic depression would prevail beyond FY 2024/25.

Our capital position

Adherence to Basel rules

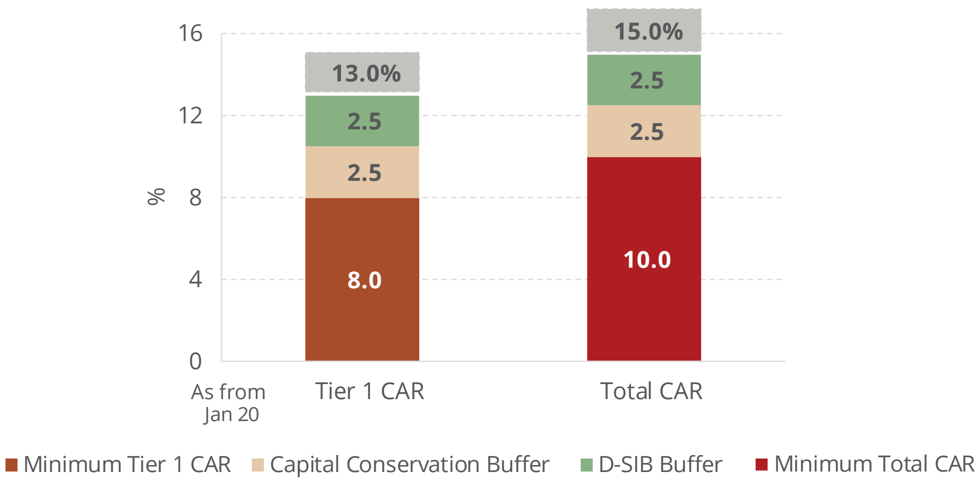
The Bank uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Alternative Standardised Approach used for operational risk. The determination of its capital resources is conducted in line with the BoM Guideline on Scope of Application of Basel III and Eligible Capital. It also complies with the Guideline for dealing with Domestic-Systemically Important Banks (D-SIB). Under the latter guideline, banks are required to hold a capital surcharge, also known as D-SIB buffer, ranging from 1.0% to 2.5% of their risk-weighted assets depending on their systemic importance. The assessment for determining domestic-systemically important banks is carried out on a yearly basis by the Central Bank using end-June figures.

According to the assessment carried out by the Central Bank, MCB Ltd features among the five banks that have been identified as systemically important in our jurisdiction. This assessment is based on five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability. The minimum regulatory Tier 1 and capital adequacy ratios currently applicable to MCB Ltd stand at 13.0% and 15.0% respectively as summarised below.

Regulatory ratios applicable to MCB

Tier 1 CAR and Total CAR

(plus Capital Conservation Buffer plus D-SIB Buffer)



Our performance for FY 2022/23

Our capital position remained strong during the year under review. Our Tier 1 and total capital adequacy ratios stood at 15.8% and 18.3% respectively as at 30 June 2023, thus comfortably exceeding minimum regulatory levels. The increase in the total capital adequacy ratio was mainly driven by an expansion of our capital base owing to higher retained earnings and the issuance of a Tier 2 debt instrument for a notional amount of USD 147 million.

Determination and evolution of our capital adequacy ratios

MCB Ltd	Jun 22	Jun 23
Capital base	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	8,880	8,880
Retained earnings	48,159	56,623
Accumulated other comprehensive income and other disclosed reserves	9,712	9,892
Common Equity Tier 1 capital before regulatory adjustments	**66,750**	**75,394**
Regulatory adjustments		
Other intangible assets	(1,897)	(2,212)
Deferred tax assets	(1,804)	(2,709)
Defined benefit pension fund assets	0	(456)
Common Equity Tier 1 capital (CET1)	**63,049**	**70,017**
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**63,049**	**70,017**
Capital instruments	68	6,840
Provisions or loan-loss reserves	4,508	5,165
Tier 2 capital before regulatory adjustments	**4,577**	**12,004**
Regulatory adjustments	(853)	(855)
Tier 2 capital (T2)	**3,724**	**11,149**
Total capital (T1 + T2)	**66,773**	**81,166**

Risk-weighted assets	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	332,079	379,501
Weighted amount of off-balance sheet exposures	28,578	33,674
Weighted risk assets for operational risk*	24,662	28,234
Aggregate net open foreign exchange position	1,826	973
Total risk-weighted assets	**387,145**	**442,381**

Capital adequacy ratios	**%**	**%**
Total capital adequacy ratio	**17.2**	**18.3**
of which Tier 1	***16.3***	***15.8***

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, banks are required to hold additional capital whenever their overall trading book position activities exceeds 5% of total assets. As at 30 June 2023, 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 2023, the Bank held 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

	Jun 22	Jun 23		
Risk-weighted on-balance sheet assets	**Weighted Assets**	**Amount**	**Weight**	**Weighted Assets**
	Rs m	**Rs m**	**%**	**Rs m**
Cash items	71	3,591	0 - 20	80
Claims on sovereigns	287	252,730	0 - 100	213
Claims on central banks	0	35,246	0	0
Claims on banks	22,173	81,437	20 - 150	32,178
Claims on non-central government public sector entities	1	2,608	0	412
Claims on corporates	251,928	306,245	20 - 150	292,618
Claims on retail segment	7,355	12,198	75	8,117
Claims secured by residential property	13,910	38,529	35 - 125	15,398
Fixed assets/other assets	22,196	15,447	100 - 250	23,932
Past due claims	14,157	6,473	50 - 150	6,552
Total	**332,079**			**379,501**

	Jun 22	Jun 23				
Non-market related off-balance sheet risk-weighted assets	**Weighted Amount**	**Nominal Amount**	**Credit Conversion Factor**	**Credit Equivalent Amount**	**Weight**	**Weighted Amount**
	Rs m	**Rs m**	**%**	**Rs m**	**%**	**Rs m**
Direct credit substitutes	2,475	3,196	100	3,163	0 - 100	3,049
Transaction-related contingent items	11,742	32,474	50	15,126	0 - 100	13,360
Trade related contingencies	8,916	60,022	20 - 100	10,455	0 - 100	9,860
Outstanding loans commitment	5,062	12,260	20 - 50	6,064	100	6,581
Total	**28,194**					**32,849**

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

	Jun 22	Jun 23
	Rs m	**Rs m**
Total credit risk-weighted assets	**360,657**	**413,175**

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

Risk-weighted assets for operational risk		
Alternative standardised approach	**Jun 22**	**Jun 23**
	Rs m	**Rs m**
Weighted gross income (for 6 business lines*)	1,129	1,308
Average outstanding balance of loans and advances (retail and commercial banking)	263,392	297,683
Capital charge for operational risk	2,466	2,823
Risk-weighted assets for operational risk	**24,662**	**28,234**

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

Risk-weighted assets for market risk		
Market risk	**Jun 22**	**Jun 23**
	Rs m	**Rs m**
Aggregate net open foreign exchange position	1,826	973
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 22**	**Jun 23**
Eligible collateral	**Rs m**	**Rs m**
On-balance sheet		
Corporate	8,456	13,247
Retail	1,759	1,552
	10,215	**14,799**
Eligible collateral	**Rs m**	**Rs m**
Off-balance sheet		
Direct credit substitutes	45	33
Transaction-related contingent items	2,182	1,577
Trade-related contingencies	10,517	13,436
	12,744	**15,046**
Total	**22,958**	**29,845**

Simon WALKER
Director
Chairperson Risk Monitoring Committee

Alain LAW MIN
Chief Executive Officer

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 2023 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 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 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 192 to 316, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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 2023, 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 Banking Act 2004 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' *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 ECL 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: • Inspecting the minutes of the Risk Monitoring Committee, Audit Committee and the Board of Directors to ensure that there are governance controls in place in relation to assessment of the ECL; • Using specialist team in performing certain procedures; • Reviewing a sample of the rating reports derived from the internal rating system; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology;

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (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 ECL 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. 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.	• Assessing the appropriateness of the macro-economic forecasts used; • Independently assessing the probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Loans and advances to customers which are credit impaired	
Provision for expected credit losses on credit-impaired loans and advances to customers involve the use of assumptions which are subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of the provision for expected credit losses on credit-impaired loans and advances to customers. The most significant judgements are: - whether impairment events have occurred; - valuation of collateral and future cash flows; and - management judgements and assumptions used.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for impairment events identification of impaired assets and impairment assessment; • Inspecting the minutes of the Risk Monitoring Committee, Audit Committee and Board of Directors to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience;

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (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 details of the provisions for expected credit losses on credit-impaired loans and advances to customers are disclosed in Note 6(b)(iv) to the financial statements. Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	• Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; • Independently recalculating the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers. • 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;
- Financial highlights;
- Non-financial highlights;
- 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;
- Statement of management's responsibility for financial reporting 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)

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

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. or assume responsibility to anyone other than the Bank and the Bank's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte

Chartered Accountants

25 September 2023

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

Statement of financial position

as at 30 June 2023

	Notes	2023 RS'M	2022 RS'M	2021 RS'M
ASSETS				
Cash and cash equivalents	4	**113,609**	64,594	101,154
Derivative financial instruments	5	**1,214**	438	1,035
Loans to and placements with banks	6(a)	**14,092**	23,934	40,869
Loans and advances to customers	6(b)	**329,650**	306,648	256,750
Investment securities	7	**247,405**	222,823	183,560
Investment in subsidiary	8(a)	**118**	118	118
Investments in associates	8(b)	**6,084**	5,569	5,820
Intangible assets	9	**2,211**	1,896	1,462
Property, plant and equipment	10	**5,003**	4,951	5,211
Deferred tax assets	11	**2,710**	1,804	1,189
Post employee benefit asset	17	**455**	-	1,218
Other assets	12	**39,061**	31,742	27,155
Total assets		**761,612**	664,517	625,541
LIABILITIES AND SHAREHOLDER'S EQUITY				
Liabilities				
Deposits from banks	13(a)	**15,752**	11,318	21,656
Deposits from customers	13(b)	**547,586**	481,103	453,828
Derivative financial instruments	5	**1,216**	497	1,406
Other borrowed funds	14	**84,422**	92,755	74,626
Debt securities	15	**13,759**	-	-
Subordinated liabilities	16	**7,059**	684	875
Current tax liabilities		**2,872**	1,148	1,031
Post employee benefit liability	17	**-**	460	-
Other liabilities	18	**13,552**	9,799	8,823
Total liabilities		**686,218**	597,764	562,245
Shareholder's equity				
Stated capital	19	**8,880**	8,880	8,880
Retained earnings		**56,625**	48,161	45,343
Other components of equity		**9,889**	9,712	9,073
Total equity		**75,394**	66,753	63,296
Total equity and liabilities		**761,612**	664,517	625,541
CONTINGENT LIABILITIES (NET)	20	**121,559**	120,441	117,712

These financial statements were approved by the Board of Directors and authorised for issue on the 25 September 2023.

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 203 to 316 form part of these financial statements.
Auditor's report on pages 186 to 190.

Statement of profit or loss

for the year ended 30 June 2023

	Notes	2023 RS'M	2022 RS'M	2021 RS'M
Interest income using the effective interest method	21	**31,739**	16,470	15,628
Interest expense	22	**(13,259)**	(2,537)	(1,938)
Net interest income		**18,480**	13,933	13,690
Fee and commission income	23	**8,414**	7,233	4,934
Fee and commission expense	24	**(2,570)**	(2,057)	(1,068)
Net fee and commission income		**5,844**	5,176	3,866
Profit arising from dealing in foreign currencies		**2,769**	1,717	1,227
Net gain/(loss) from equity financial instruments carried at fair value through profit or loss		**564**	(291)	611
Net gain from other financial instruments carried at fair value	25	**280**	163	165
Dividend income	26	**102**	79	36
Other operating income		**79**	77	148
		3,794	1,745	2,187
Operating income		**28,118**	20,854	19,743
Non-interest expense				
Salaries and human resource costs	27(a)	**(4,950)**	(4,143)	(3,834)
Depreciation of property, plant and equipment	10	**(523)**	(527)	(556)
Amortisation of intangible assets	9	**(593)**	(430)	(321)
Other	27(b)	**(3,176)**	(2,243)	(2,017)
		(9,242)	(7,343)	(6,728)
Operating profit before impairment		**18,876**	13,511	13,015
Net impairment of financial assets	28	**(3,520)**	(3,392)	(4,601)
Operating profit		**15,356**	10,119	8,414
Share of profit of associates	8(b)	**544**	475	337
Profit before tax		**15,900**	10,594	8,751
Income tax expense	29	**(2,941)**	(1,646)	(1,355)
Profit for the year		**12,959**	8,948	7,396
Earnings per share (Rs)	31	**14.59**	10.08	10.73

The notes on pages 203 to 316 form part of these financial statements.
Auditor's report on pages 186 to 190.

Statement of comprehensive income

for the year ended 30 June 2023

	Notes	2023 RS'M	2022 RS'M	2021 RS'M
Profit for the year		**12,959**	8,948	7,396
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss:				
Net fair value (loss)/gain on equity instruments		**(38)**	124	111
Reclassification adjustments on disposal of equity investments at fair value		**-**	-	(1)
Share of other comprehensive income of associates		**54**	24	-
Remeasurement of defined benefit pension plan, net of deferred tax	29(b)	**(224)**	(1,529)	2,108
		(208)	(1,381)	2,218
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	8(b)	**294**	(360)	576
Reclassification adjustments on disposal of debt investments at fair value		**-**	7	-
Net fair value loss on debt instruments		**(79)**	(23)	(108)
		215	(376)	468
Other comprehensive income/(expense) for the year		**7**	(1,757)	2,686
Total comprehensive income for the year		**12,966**	7,191	10,082

The notes on pages 203 to 316 form part of these financial statements.
Auditor’s report on pages 186 to 190.

Statement of changes in equity

for the year ended 30 June 2023

	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Translation Reserve RS'M	Statutory Reserve RS'M	Total Equity RS'M
At 1 July 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		**8,880**	**48,161**	**159**	**673**	**8,880**	**66,753**
Profit for the year		**-**	**12,959**	**-**	**-**	**-**	**12,959**
Other comprehensive (expense)/income for the year		**-**	**(170)**	**(117)**	**294**	**-**	**7**
Total comprehensive income/(expense) for the year		**-**	**12,789**	**(117)**	**294**	**-**	**12,966**
Dividends	30	**-**	**(4,325)**	**-**	**-**	**-**	**(4,325)**
Transactions with owner		**-**	**(4,325)**	**-**	**-**	**-**	**(4,325)**
At 30 June 2023	19	**8,880**	**56,625**	**42**	**967**	**8,880**	**75,394**

The notes on pages 203 to 316 form part of these financial statements.
Auditor's report on pages 186 to 190.

Statement of cash flows
for the year ended 30 June 2023

	Notes	2023 RS'M	2022 RS'M	2021 RS'M
Operating activities				
Net cash flows from trading activities	33	**13,817**	29,366	4,126
Net cash flows from other operating activities	34	**24,167**	(60,654)	30,725
Dividends received from associates	8(b)	**410**	383	134
Dividends paid	30	**(3,559)**	(4,200)	-
Income tax paid		**(2,084)**	(1,906)	(2,080)
Net cash flows from operating activities		**32,751**	(37,011)	32,905
Investing activities				
Net subordinated loan granted to associate	8(b)	**-**	(40)	-
Purchase of property, plant and equipment		**(485)**	(378)	(439)
Purchase of intangible assets		**(908)**	(939)	(717)
Proceeds from sale of property, plant and equipment		**7**	4	3
Net cash flows from investing activities		**(1,386)**	(1,353)	(1,153)
Financing activities				
Issue of share capital	19	**-**	-	2,000
Repayment of lease liabilities		**(72)**	(61)	(60)
Issue of debt securities	15	**13,506**	-	-
Issue/(refund) of subordinated liabilities	16	**6,285**	(225)	(179)
Net cash flows from financing activities		**19,719**	(286)	1,761
Increase/(Decrease) in cash and cash equivalents		**51,084**	(38,650)	33,513
Net cash and cash equivalents at 1 July		**62,559**	101,209	67,696
Net cash and cash equivalents at 30 June	4	**113,643**	62,559	101,209

The notes on pages 203 to 316 form part of these financial statements.
Auditor's report on pages 186 to 190.

General information

The Mauritius Commercial Bank Limited ("the Bank") is a public company incorporated by Royal Charter in 1838 and registered as a limited liability company on 18 August 1955. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius. The Bank is listed on the International Securities Market of the London Stock Exchange since October 2022.

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 2023

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of The Mauritius Commercial Bank Limited (the "Bank"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004, and 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. The directors further have a reasonable expectation that the Bank has adequate resources to continue in operational existence in the foreseeable future.

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

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

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

New and amended standards adopted by the Bank

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 July 2022, and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Bank in the current reporting period. For this financial year, the following has been adopted:

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

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

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

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

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

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

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

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

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

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

The following changes are effective for annual reporting periods beginning on or after 1 January 2022:
IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

New and revised standards in issue but not yet effective

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

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

Amendments to IAS 8 - Definition of Accounting Estimates

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

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

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

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

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

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

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

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

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

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

The Bank has not yet considered the potential impact of the application of these amendments on the Bank's financial statements.

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.

If there is objective evidence that the Bank's net investment in an associate is impaired, the requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Bank's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date when the investment ceases to be an associate . When the Bank retains an interest in the former associate and the retained interest is a financial asset, the Bank measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

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

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

Investment in associates (Cont'd)

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

In addition, the Bank accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Bank reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Bank transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the financial statements only to the extent of interests in the associate that are not related to the Bank.

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.

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 and are not subsequently retranslated.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(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.

1. Significant accounting policies (Cont'd)

(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).

The Effective Interest Rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

(f) Fees and commissions

The Bank recognises fee and commission income charged for services provided by the Bank as and when performance obligations are satisfied, for example, on completion of the underlying transaction. Where the contractual arrangements also result in the Bank recognising financial instruments in scope of IFRS 9, such financial instruments are initially recognised at fair value in accordance with IFRS 9 before applying the provisions of IFRS 15.

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan is drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(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.

(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. An expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Recognition and measurement (Cont'd)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank 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

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.

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).

Amortised cost and effective interest rate

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition the 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 profit or loss.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

FVPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. The Bank may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognized in profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in net gain from other financial instruments carried at fair value in the year in which it arises. A gain or loss on an equity investment elected to be measured at FVPL is presented in net gain from equity financial instruments carried at fair value through profit or loss.

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.

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.

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

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Equity instruments (Cont'd)

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 from equity financial instruments carried at fair value through profit or loss' line in the 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.
(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.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-months ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the 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).

Where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment, the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-months ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the 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 nor the Bank has 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.

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivatve contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to 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) 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 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.

Notes to the financial statements

for the year ended 30 June 2023

1. Significant accounting policies (Cont'd)

(h) Investments, other financial assets and financial liabilities (Cont'd)

(ii) Derecognition (Cont'd)

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the 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 ECL is computed as follows:

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down.

- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

For contracts that include both a loan and an undrawn commitment and the 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.

1. Significant accounting policies (Cont'd)

(i) Impairment of financial assets (Cont'd)

Definition of Default

The definition of default is critical to the determination of the ECL. It is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-months or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The 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 Guideline on Credit Impairment Measurement and Income Recognition.

Credit impaired

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured. It is credit impaired and is in Stage 3 when contractual payments or accounts in excess are past due by more than 90 days and/or other quantitaive and qualitative factors indicate that the obligator is unlikely to honour its credit obligations.

Evidence of credit-impairment includes observable data about the following events:
- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit impairment including meeting the definition of default.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-months ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

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

1. Significant accounting policies (Cont'd)

(i) Impairment of financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Bank employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

Write off Policy

Financial Assets are written off either partially or in its entirety when the 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.

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 estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

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

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

(k) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the 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.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

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.

(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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(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 17 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.

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

1. Significant accounting policies (Cont'd)

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy.Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(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.

1. Significant accounting policies (Cont'd)

(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

Ordinary shares are classified as equity.
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.

(v) Leases

The Bank assesses whether a contract is, or contains, a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Bank and the lease does not benefit from a guarantee from the Bank.

Lease payments included in the measurement of the lease liability comprise :

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)

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

1. Significant accounting policies (Cont'd)

(v) Leases (Cont'd)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included as part of Property, plant and equipment in the statement of financial position. Details about the right-of-use is disclosed in note 10.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment'.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other non-interest expense" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(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.

(y) Operating segments

The Bank's segmental reporting is in accordance with IFRS 8 Operating segment. Operating segments are reported in a manner consistent with internal reporting provided to Chief Executive Officer and management who are responsible for allocating resources and assessing performance of the operating segment. The Chief Operating Decision Maker (CODM) is the CEO and ultimately the Board. Information provided for resource allocation and assessment of performance can be split into two segment namely the domestic segment and the international segment.

2. Critical accounting estimates and judgements

As part of the process of preparing the financial statements of the Bank, management is called upon to make judgement, estimates and assumptions. This affect the reported amount of revenues, expenses, assets, liabilities and the disclosures. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The 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) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(c) Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its longterm nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(d) Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available. Only where these are unavailable that the Bank employs less observable inputs. Unobservable input are used where observable or less observable input are unavailable.

The fair value of securities not quoted in an active market may be determined by the 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.

(e) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

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

2. Critical accounting estimates and judgements (Cont'd)

(e) Asset lives and residual values (Cont'd)

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.

(f) Deferred Tax

Deferred Tax are recognized to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Recognition of deferred tax assets depends on management's intention of the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefit thereon. The outcome of their actual utilization may be different.

(g) Provision and Contingencies

Provision is recognised in the financial statements when the Bank has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. A reliable estimate is required to be made. Management makes various assumptions in order to determine whether to recognise a provision and its amount thereafter. For potential litigation and claims, management relies on the advice of the Bank's legal department and counsel.

(h) Measurement of expected credit loss

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the Risk and Capital Management report, which also sets out the key sensitivities of the ECL to changes in those elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward looking scenarios for each type of market and associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

Detailed information about the judgements and estimates made by the Bank in above areas is set out in the Risk and Capital Management report.

(i) 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.

(j) Leases

The adoption of IFRS 16 requires significant judgement and estimate. Critical judgement like the determination of whether an extension or termination option will be exercised. Other key assumption and estimate are:

- Determination of the appropriate rate to discount the lease payments
- Estimating the lease term
- Assessing whether the right of use is impaired

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.

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality

The following tables set out the credit quality of exposures measured at amortised cost by different segments for the year ended 30 June 2023.

At 30 June 2023	Performing			Under performing			Non performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Portfolio										
Retail	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250
Total	818,702	4,146	814,556	19,271	3,898	15,373	11,794	7,825	2,115	3,969
Retail										
Housing loans	36,852	48	36,804	437	314	123	511	153	26	358
SME	9,445	33	9,412	118	84	34	200	55	25	145
Unsecured and revolving	5,557	88	5,469	126	121	5	98	74	12	24
Other secured loans	4,323	5	4,318	126	90	36	218	26	57	192
Total Retail	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale										
Sovereign	288,634	110	288,524	-	-	-	285	28	26	257
Financial institutions	85,668	847	84,821	-	-	-	-	-	-	-
Project finance	5,618	93	5,525	70	35	35	410	408	17	2
Energy & commodities	179,799	532	179,267	4,848	911	3,937	890	733	13	157
Corporate	202,806	2,390	200,416	13,546	2,343	11,203	9,182	6,348	1,939	2,834
Total Wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250

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

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

At 30 June 2023	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	73,352	-	-	1	-	-	73,351	-	-
3	1,505	-	-	-	-	-	1,505	-	-
4	19,540	-	-	1	-	-	19,539	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	3,978	-	-	1	-	-	3,977	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	202,687	-	-	28	-	-	202,659	-	-
9	35	-	-	-	-	-	35	-	-
10	6,470	-	-	-	-	-	6,470	-	-
11	29,548	121	-	63	-	-	29,485	121	-
12	58,873	564	-	231	88	-	58,642	476	-
13	118,331	1,780	-	611	88	-	117,720	1,692	-
14	58,986	3,074	-	578	278	-	58,408	2,796	-
15	114,788	2,935	-	1,259	368	-	113,529	2,567	-
16	12,594	4,562	-	430	1,117	-	12,164	3,445	-
17	7,589	3,505	-	475	744	-	7,114	2,761	-
18	2,042	1,386	-	102	513	-	1,940	873	-
19	2,068	537	-	177	93	-	1,891	444	-
20	-	-	10,767	-	-	7,517	-	-	3,250
Total	762,525	18,464	10,767	3,972	3,289	7,517	758,553	15,175	3,250
Sovereign									
2	73,352	-	-	1	-	-	73,351	-	-
4	15,546	-	-	1	-	-	15,545	-	-
8	198,648	-	-	28	-	-	198,620	-	-
13	213	-	-	-	-	-	213	-	-
19	875	-	-	80	-	-	795	-	-
20	-	-	285	-	-	28	-	-	257
Total	288,634	-	285	110	-	28	288,524	-	257

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023	Gross exposure			Expected credit loss			Net exposure		
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	1,505	-	-	-	-	-	1,505	-	-
4	105	-	-	-	-	-	105	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	2,044	-	-	1	-	-	2,043	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	4,039	-	-	-	-	-	4,039	-	-
9	35	-	-	-	-	-	35	-	-
10	6,344	-	-	-	-	-	6,344	-	-
11	2,391	-	-	7	-	-	2,384	-	-
12	262	-	-	1	-	-	261	-	-
13	1,419	-	-	10	-	-	1,409	-	-
15	3,708	-	-	36	-	-	3,672	-	-
16	4,675	-	-	244	-	-	4,431	-	-
17	7,143	-	-	440	-	-	6,703	-	-
18	1,859	-	-	93	-	-	1,766	-	-
Total	85,668	-	-	847	-	-	84,821	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Project Finance									
13	4,193	-	-	34	-	-	4,159	-	-
14	113	-	-	1	-	-	112	-	-
15	507	70	-	11	35	-	496	35	-
16	236	-	-	6	-	-	230	-	-
17	386	-	-	32	-	-	354	-	-
18	183	-	-	9	-	-	174	-	-
20	-	-	410	-	-	408	-	-	2
Total	5,618	70	410	93	35	408	5,525	35	2
Energy & Commodities									
4	3,889	-	-	-	-	-	3,889	-	-
5	-	-	-	-	-	-	-	-	-
6	1,934	-	-	-	-	-	1,934	-	-
11	3,383	-	-	2	-	-	3,381	-	-
12	10,009	-	-	10	-	-	9,999	-	-
13	44,741	1,367	-	81	68	-	44,660	1,299	-
14	29,564	-	-	60	-	-	29,504	-	-
15	81,885	888	-	291	99	-	81,594	789	-
16	4,394	-	-	88	-	-	4,306	-	-
17	-	1,569	-	-	358	-	-	1,211	-
18	-	1,024	-	-	386	-	-	638	-
19	-	-	-	-	-	-	-	-	-
20	-	-	890	-	-	733	-	-	157
Total	179,799	4,848	890	532	911	733	179,267	3,937	157

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023	Gross exposure			Expected credit loss			Net exposure		
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	126	-	-	-	-	-	126	-	-
11	23,774	121	-	54	-	-	23,720	121	-
12	48,602	564	-	220	88	-	48,382	476	-
13	67,765	413	-	486	20	-	67,279	393	-
14	29,309	3,074	-	517	278	-	28,792	2,796	-
15	28,688	1,977	-	921	234	-	27,767	1,743	-
16	3,289	4,562	-	92	1,117	-	3,197	3,445	-
17	60	1,936	-	3	386	-	57	1,550	-
18	-	362	-	-	127	-	-	235	-
19	1,193	537	-	97	93	-	1,096	444	-
20	-	-	9,182	-	-	6,348	-	-	2,834
Total	202,806	13,546	9,182	2,390	2,343	6,348	200,416	11,203	2,834

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is as 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	-	-
Total	**48,985**	**-**	**-**	**515**	**-**	**-**	**48,470**	**-**	**-**

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2022	Gross exposure			Expected credit loss			Net exposure		
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**

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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**

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 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**

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for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 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
<u>Corporate</u>									
10	704	-	-	1	-	-	703	-	-
11	429	1	-	2	-	-	427	1	-
12	17,389	8	-	87	-	-	17,302	8	-
13	44,342	380	-	327	19	-	44,015	361	-
14	33,751	704	-	444	33	-	33,307	671	-
15	33,700	8,830	-	996	632	-	32,704	8,198	-
16	11,979	6,806	-	343	1,001	-	11,636	5,805	-
17	2,829	7,376	-	207	1,409	-	2,622	5,967	-
18	119	2,205	-	10	415	-	109	1,790	-
19	194	1,579	-	25	362	-	169	1,217	-
20	-	-	6,417	-	-	2,326	-	-	4,091
Total	**145,436**	**27,889**	**6,417**	**2,442**	**3,871**	**2,326**	**142,994**	**24,018**	**4,091**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

The Bank defines "rescheduling" as any 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.

	2023	2022	2021
	RS 'M	RS 'M	RS 'M
Amortised cost before restructure	**12**	24	741
Net modification gain or loss	**8**	3	44
Gross carrying amount at the end of the reporting year when the loss allowance was measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the year to an amount of 12 months ECL.	**4**	7	2

Assets obtained by taking possession of collateral

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

	2023	2022	2021
	RS 'M	RS 'M	RS 'M
Property	**104**	101	79

Maximum exposure to credit risk - Financial instruments measured at fair value through profit or loss

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e fair value through profit or loss).

	2023	2022	2021
	RS 'M	RS 'M	RS 'M
Derivative financial instruments	**1,214**	438	1,035
Investment securities	**1,521**	698	18,019

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

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

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. The Bank considers that it is sufficiently collaterised against its impaired book.

Fixed and floating charges on properties and other assets constitute the bulk of our collateral while cash and marketable securities are immaterial.

Long-term finance and lending to corporate entities are generally secured whilst revolving individual credit facilities are generally unsecured. When the borrower's credit worthiness is not sufficient to justify an extension of credit, corporate guarantees are required.

In extending credit facilities to small and medium sized enterprises, the 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.

The Bank did not hold any financial instrument for which no loss allowance is recognised because of collateral. There was no change in the Bank's collateral policy during the year.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

As part of IFRS 9, the Bank needs to convert the through the circle (TTC) PDs to point in time (PIT) PDs.

This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

Macroeconomic variables used for the Forward-Looking PDs (Probability of Default)

<u>Wholesale Portfolio</u>

The variables used for the inclusion of forward-looking aspects to our PDs i.e for the conversion of TTC PDs to PIT PDs are as follows:

- Credit index (-2)*
- Credit index (-1)*
- GDP growth
- ln (lending rate)

<u>Retail Portfolio</u>

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

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

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

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

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

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.

	2023	2022	2021
	RS 'M	RS 'M	RS 'M
Agriculture and fishing	**481**	715	5,115
Manufacturing	**7,562**	9,682	909
Tourism	**12,401**	18,145	17,818
Transport	**2,504**	195	9,046
Construction	**6,993**	6,361	11,223
Financial and business services	**13,683**	9,308	64,024
Traders	**216,036**	261,203	99,865
of which Petroleum & Energy products	***189,045***	*225,849*	*90,147*
Global Business Licence holders	**8,144**	9,626	10,217
Others	**8,218**	8,803	8,961
	276,022	324,038	227,178

Refer to the risk management report for further details on concentration risk management.

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

3. Financial risk management (Cont'd)

(c) Market risk

Market risk refers to the potential of market price fluctuations, such as those in interest rates, equity prices, foreign exchange rates, and market credit spreads, impacting a bank's income or the valuation of its financial instrument holdings. The primary objective of market risk management is to proficiently handle and regulate these exposures within acceptable benchmarks, all while optimizing returns from risk-associated endeavors.

The formulation of market risk management policies within the Bank lies under the jurisdiction of the Board Risk Monitoring Committee. The execution of these policies and the oversight of this risk category are entrusted to both the Risk Business Unit (BU) and the Asset and Liability Committee (ALCO). Central to the supervision and control of market risk activities are the Market Risk Business Unit (MRBU) and the Assets and Liabilities Management Unit (ALM Unit). These units play a pivotal role in the ongoing monitoring and regulation of market risk activities.

The MRBU is devoted to ensuring the effective adherence to market risk policies and guidelines, as well as maintaining a vigilant watch over predetermined limits. Similarly, the ALM Unit concentrates on monitoring the interest rate risk in the banking book. Their collective efforts contribute to a comprehensive approach to risk management within the Bank.

(i) Investment Price risk

Investment price risk pertains to the vulnerability of an investment's value to shifts in market prices. This risk emanates from a multitude of factors, including the interplay of supply and demand, prevailing economic conditions, geopolitical occurrences, and prevailing market sentiment. The Bank designates a portion of its investments under the categories of Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL).

The table below summarises the impact of increases/decreases in fair value of the investments on the Bank's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	2023	2022	2021
	RS 'M	RS 'M	RS 'M
Financial assets at fair value through other comprehensive income	**97**	178	396
Financial assets at fair value through profit or loss	**225**	156	1,036
	322	334	1,432

(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
2023 (RS 'M)	**(21)**	**(23)**	**(40)**	**(9)**
2022 (RS 'M)	(7)	(10)	(25)	(1)
2021 (RS 'M)	(13)	(15)	(39)	(7)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

At 30 June 2023	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets						
Cash and cash equivalents	11,215	36,869	6,038	54,156	5,365	113,643
Derivative financial instruments	446	242	-	526	-	1,214
Loans to and placements with banks	310	14,596	-	2	(28)	14,880
Loans and advances to customers	30,092	187,422	379	127,749	296	345,938
Investment securities	11,988	81,314	4,247	150,269	2	247,820
Other financial assets	2,963	4,835	510	24,426	351	33,085
	57,014	325,278	11,174	357,128	5,986	756,580
Less allowances for credit impairment						(17,525)
Total						739,055
Financial liabilities						
Deposits from banks	943	13,535	449	784	41	15,752
Deposits from customers	49,556	208,505	6,621	277,689	5,215	547,586
Derivative financial instruments	456	242	-	518	-	1,216
Other borrowed funds	3,370	80,867	288	(118)	15	84,422
Debt securities	-	13,759	-	-	-	13,759
Subordinated liabilities	-	7,113	-	(54)	-	7,059
Other financial liabilities	243	629	55	3,006	26	3,959
Total	54,568	324,650	7,413	281,825	5,297	673,753
Net on-balance sheet position	2,446	628	3,761	75,303	689	82,827
Less allowances for credit impairment						(17,525)
						65,302
Off balance sheet net notional position	9,196	18,099	5,156	-	1,746	34,197
Credit commitments	4,655	108,353	153	20,370	1,542	135,073

Notes to the financial statements

for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

At 30 June 2022	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets						
Cash and cash equivalents	11,785	13,432	4,805	32,072	2,540	64,634
Derivative financial instruments	71	-	-	367	-	438
Loans to and placements with banks	1,723	21,941	-	(29)	772	24,407
Loans and advances to customers	26,512	174,088	436	117,231	253	318,520
Investment securities	9,150	52,751	1,355	159,924	-	223,180
Other financial assets	1,374	2,586	228	20,800	314	25,302
	50,615	264,798	6,824	330,365	3,879	656,481
Less allowances for credit impairment						(12,742)
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)

At 30 June 2021	EURO	USD	GBP	MUR	OTHER	TOTAL
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	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

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

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk in the banking book encompasses the potential adverse effects on earnings resulting from fluctuations in market interest rates. This risk primarily affects non-traded assets and liabilities, specifically encompassing loans, deposits, and financial instruments held without the intent of trading. To effectively manage this risk, the Asset and Liability Management Business Unit, situated within the Finance Strategic Business Unit employs a variety of strategies.

Net interest income (NII) sensitivity stands as a key metric, evaluating the anticipated changes in net interest income across diverse interest rate scenarios, while holding all other economic factors constant. ALCO oversees the fluctuations in net interest income sensitivity.

The calculations of NII sensitivity assume uniform interest rate movements across all maturities within the 'up-shock' scenario. In contrast, the 'down-shock' scenario assumes a floor at zero for rates, except when market rates are already negative, as seen in the Euro case.

The below table delineates the carrying amount of the Bank's financial instruments, categorized by the earlier of contractual repricing or maturity dates.

Interest Rate Risk Earnings Impact Analysis

The Bank is exposed to interest rate risk (IRR), primarily manifested as repricing risk. To effectively measure and oversee this particular risk, the Bank employs an interest rate risk gap analysis, illustrated below. One of the methodologies utilized involves the Bank of Mauritius (BOM) framework, which incorporates a 200 basis point parallel shift in interest rates. This framework provides insights into estimating the potential one-year earnings impact based on a static balance sheet scenario.

	2023	2022	2021
	RS 'M	RS 'M	RS 'M
Impact on Earnings	**1,833**	211	273

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 2023	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing*	Total
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets								
Cash and cash equivalents	111,666	905	-	1	-	-	1,071	113,643
Derivative financial instruments	6	-	-	-	-	-	1,208	1,214
Loans to and placements with banks	1,560	9,893	3,015	-	101	311	-	14,880
Loans and advances to customers	204,015	50,507	34,247	15,026	19,993	10,948	11,202	345,938
Investment securities	27,171	14,343	23,158	38,439	71,298	66,941	6,470	247,820
Other financial assets	-	-	-	-	-	-	33,085	33,085
	344,418	75,648	60,420	53,466	91,392	78,200	53,036	756,580
Less allowances for credit impairment								(17,525)
Total								739,055
Financial liabilities								
Deposits from banks	9,645	1,065	3,938	1,104	-	-	-	15,752
Deposits from customers	284,367	12,545	9,785	17,136	9,340	634	213,779	547,586
Derivative financial instruments	-	-	-	-	2	-	1,214	1,216
Other borrowed funds	1,047	49,199	19,323	2,003	12,492	50	308	84,422
Debt securities	-	-	-	-	-	13,566	193	13,759
Subordinated liabilities	6,696	273	-	-	-	-	90	7,059
Other financial liabilities	-	-	-	-	-	-	3,959	3,959
Total	301,755	63,082	33,046	20,243	21,834	14,250	219,543	673,753
On balance sheet interest sensitivity gap	42,663	12,566	27,374	33,223	69,558	63,950	(166,507)	82,827
Less allowances for credit impairment								(17,525)
								65,302

* Includes interest receivable

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3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (Cont'd)

At 30 June 2022	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing*	Total
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets								
Cash and cash equivalents	6,315	16	-	-	-	-	58,303	64,634
Derivative financial instruments	-	-	-	-	-	-	438	438
Loans to and placements with banks	5,302	11,302	2,950	4,677	74	46	56	24,407
Loans and advances to customers	200,775	31,870	26,169	17,193	15,863	13,934	12,716	318,520
Investment securities	4,071	11,408	16,131	18,598	83,688	83,882	5,402	223,180
Other financial assets	-	-	-	-	-	-	25,302	25,302
	216,463	54,596	45,250	40,468	99,625	97,862	102,217	656,481
Less allowances for credit impairment								(12,742)
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

* Includes interest receivable

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (Cont'd)

At 30 June 2021	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing*	Total
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets								
Cash and cash equivalents	12,667	457	-	-	-	-	88,087	101,211
Derivative financial instruments	-	-	1	1	4	14	1,015	1,035
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

* Includes interest receivable

Notes to the financial statements

for the year ended 30 June 2023

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk entails the risk of being unable to procure readily available funds to satisfy immediate or near-term obligations in a cost-efficient manner. The Bank recognizes the indispensable nature of skillfully managing liquidity, not only to foster market confidence but also to ensure the enduring viability of its operations.

In order to effectively navigate liquidity and funding risk, the Bank has established a robust internal framework that synergizes Risk, Finance, and Treasury Management functions, all of which operate under the vigilant oversight of the Asset and Liability Committee (ALCO). The Bank has implemented a series of key strategies to proficiently manage liquidity risk:

- Proactively forecast future cash flows and devise plans to address both routine operational necessities as well as diverse potential scenarios and contingencies.
- Oversee day-to-day liquidity by closely monitoring intra-day liquidity dynamics and projecting future cash flows, thereby guaranteeing the capability to meet all outgoing fund requirements.
- Uphold a reserve of liquid assets that can be promptly mobilized in situations of unanticipated cash outflows.
- Foster a diversified and stable funding foundation to fortify the Bank's financial resilience.
- Rigorously monitor a set of early warning indicators that signal potential liquidity stress.
- Maintain a comprehensive Contingency Funding Plan to address liquidity emergencies.

The below table provides a breakdown of financial assets and liabilities according to their remaining contractual maturities as of the end of the reporting period. The Bank also holds financial assets and financial liabilities for which the expected cash flows are significantly different from the contractual cash flows. The most common examples of such instruments are the current deposits from customers which are largely repayable on demand are not expected to be withdrawn immediately but to remain stable or increase. Similarly, retail mortgage loans might have a longer average contractual maturity but the average expected maturity could be lower since customers may take advantage of early repayment options.

The amounts disclosed in the following tables are undiscounted.

Maturities of assets and liabilities

At 30 June 2023	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets								
Cash and cash equivalents	112,981	-	-	1	-	-	671	113,653
Derivative financial instruments	-	-	-	-	-	-	1,202	1,202
Loans to and placements with banks	1,543	7,217	2,043	87	4,125	311	-	15,326
Loans and advances to customers	101,393	28,896	30,570	22,595	86,502	131,743	11,738	413,437
Investment securities	27,002	11,963	20,319	36,595	80,441	86,949	4,836	268,105
Other financial assets	-	-	-	-	-	-	33,085	33,085
	242,919	48,076	52,932	59,278	171,068	219,003	51,532	844,808
Less allowances for credit impairment								(17,525)
Total								827,283
Financial liabilities								
Deposits from banks	9,902	808	3,949	1,159	45	-	-	15,863
Deposits from customers	483,153	13,933	11,963	20,801	17,507	4,321	-	551,678
Derivative financial instruments	-	1	1	2	5	-	1,204	1,213
Other borrowed funds	2,478	26,683	10,937	2,935	43,792	4,662	(118)	91,369
Debt securities	-	-	543	543	2,176	15,835	193	19,290
Subordinated liabilities	-	296	-	6,696	-	-	(63)	6,929
Other financial liabilities	-	-	-	-	-	-	3,959	3,959
Lease liabilities	-	-	-	-	-	-	*200*	*200*
Total	495,533	41,721	27,393	32,136	63,525	24,818	5,175	690,301
Net liquidity gap	(252,614)	6,355	25,539	27,142	107,543	194,185	46,357	154,507
Less allowances for credit impairment								(17,525)
								136,982
Off balance sheet net notional position	6,576	3,615	5,141	29,647	48,950	10,708	-	104,637
Credit commitments	5,425	10,808	6,359	1,678	2,799	373,184	-	400,253

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities (Cont'd)

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

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

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities (Cont'd)

At 30 June 2021	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
Financial Assets								
Cash and cash equivalents	85,675	1,417	-	-	-	-	14,117	101,209
Derivative financial instruments	-	-	-	(1)	(2)	11	956	964
Loans to and placements with banks	17,555	12,631	5,639	2,200	2,984	342	-	41,351
Loans and advances to customers	62,626	20,198	21,436	20,704	62,230	105,469	9,591	302,254
Investment securities	1,435	12,400	10,412	14,503	59,283	80,406	4,535	182,974
Other financial assets	-	-	-	-	-	-	23,982	23,982
	167,291	46,646	37,487	37,406	124,495	186,228	53,181	652,734
Less allowances for credit impairment								(13,692)
Total								639,042
Financial liabilities								
Deposits from banks	18,672	853	1,665	428	1	41	-	21,660
Deposits from customers	425,192	6,623	4,024	7,408	7,363	3,680	173	454,463
Derivative financial instruments	-	-	-	-	-	-	1,355	1,355
Other borrowed funds	688	6,663	1,297	38,271	17,902	10,673	-	75,494
Subordinated liability	-	230	-	227	447	-	-	904
Other financial liabilities	-	-	-	-	-	-	1,865	1,865
Total	444,552	14,369	6,986	46,334	25,713	14,394	3,393	555,741
Net liquidity gap	(277,261)	32,277	30,501	(8,928)	98,782	171,834	49,788	96,993
Less allowances for credit impairment								(13,692)
								83,301

3. Financial risk management (Cont'd)

(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;
- Fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- 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.

(e) Capital risk management

Disclosures relating to capital risk management are available in the Risk and Capital Management Report.

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

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 2023						
Financial assets						
Cash and cash equivalents	113,609	-	-	-	-	113,609
Derivative financial instruments	-	-	1,214	-	-	1,214
Loans to and placements with banks	14,092	-	-	-	-	14,092
Loans and advances to customers	329,650	-	-	-	-	329,650
Investment securities	240,972	4,497	-	715	1,221	247,405
Other financial assets	33,085	-	-	-	-	33,085
Total	731,408	4,497	1,214	715	1,221	739,055
Financial liabilities						
Deposits from banks	15,752	-	-	-	-	15,752
Deposits from customers	547,586	-	-	-	-	547,586
Derivative financial instruments	-	-	1,216	-	-	1,216
Other borrowed funds	84,422	-	-	-	-	84,422
Debt securities	13,759	-	-	-	-	13,759
Subordinated liabilities	7,059	-	-	-	-	7,059
Other financial liabilities	3,959	-	-	-	-	3,959
Total	672,537	-	1,216	-	-	673,753
Net on-balance sheet position	58,871	4,497	(2)	715	1,221	65,302

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 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**

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

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd)

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M	RS 'M
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)

(g) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Bank's statement of financial position at their fair values.

	Carrying value	Fair value	Level 1	Level 2
	RS 'M	RS 'M	RS 'M	RS 'M
At 30 June 2023				
Financial assets				
Loans to and placements with banks	14,092	14,092	-	14,092
Loans and advances to customers	329,650	328,812	-	328,812
Investment securities	240,972	232,272	232,272	-
Financial liabilities				
Deposits from banks	15,752	15,762	-	15,762
Deposits from customers	547,586	547,908	-	547,908
Other borrowed funds	84,422	85,376	-	85,376
Debt securities	13,759	13,985	13,985	-
Subordinated liabilities	7,059	7,060	-	7,060

(i) Loans and advances to banks and to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Deposits at amortised cost

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and debt securities issued and not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iii) Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value.

(iv) Subordinated liabilities

The estimated fair value of the loan capital and not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Notes to the financial statements

for the year ended 30 June 2023

4. Cash and cash equivalents

	2023 RS'M	2022 RS'M	2021 RS'M
Cash in hand	**3,059**	3,191	2,804
Foreign currency notes and coins	**132**	122	89
Unrestricted balances with Central Bank*	**671**	50,118	14,117
Balances due in clearing	**400**	354	381
Treasury and BOM bills	**46,344**	66	5,092
Money market placements	**11,663**	2,140	4,140
Balances with banks abroad	**51,374**	7,828	73,588
Interbank loans	**-**	815	1,000
	113,643	64,634	101,211
Allowances for credit impairment (12 months expected credit loss)	**(34)**	(40)	(57)
	113,609	64,594	101,154

* 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 2022	**40**
Provision for credit impairment for the year	**70**
Provision released during the year	**(23)**
Financial assets that have been derecognised	**(1)**
Changes in models/risk parameters	**(52)**
At 30 June 2023	**34**
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

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

	2023 RS'M	2022 RS'M	2021 RS'M
Cash and cash equivalents	**113,643**	64,634	101,211
Other borrowed funds (see note 14(a))	**-**	(2,075)	(2)
Net cash and cash equivalents	**113,643**	62,559	101,209
Increase/(Decrease) in cash and cash equivalents	**51,084**	(38,650)	33,513

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	Fair value assets	Fair value liabilities
	RS'M	RS'M	RS'M
Fair value through profit or loss - Level 2*			
Derivative Instruments			
At 30 June 2023			
Currency forwards	**21,263**	**470**	**473**
Interest rate swaps	**4,792**	**266**	**627**
Currency swaps	**14,994**	**43**	**47**
Commodities	**4,643**	**63**	**63**
Others	**13,225**	**372**	**6**
	58,917	**1,214**	**1,216**
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	3,597	13	-
	29,992	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	250	1	-
	74,130	1,035	1,406

*Refer to definition of Level 2 in note 7.

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

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

6. Loans

(a) Loans to and placements with banks

	2023 RS'M	2022 RS'M	2021 RS'M
(i) Loans to and placements with banks			
in Mauritius	-	815	39
outside Mauritius	**77,917**	34,375	119,815
	77,917	35,190	119,854
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(63,037)**	(10,783)	(78,728)
	14,880	24,407	41,126
Less:			
Allowances for credit impairment	**(788)**	(473)	(257)
	14,092	23,934	40,869
(ii) Remaining term to maturity			
Up to 3 months	-	9,077	29,577
Over 3 months and up to 6 months	**8,278**	2,752	5,248
Over 6 months and up to 1 year	**2,139**	8,651	1,014
Over 1 year and up to 5 years	-	3,747	4,965
Over 5 years	**4,463**	180	322
	14,880	24,407	41,126
Loans to and placements with banks can be classified as :	**10,417**	20,480	35,839
Current	**4,463**	3,927	5,287
Non-current	**14,880**	24,407	41,126

(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 2022	**24,407**	-	**24,407**
New loans and placements with banks, originated or purchase	**11,938**	-	**11,938**
Loans and placements with banks derecognised or repaid (excluding write off)	**(21,465)**	-	**(21,465)**
At 30 June 2023	**14,880**	-	**14,880**
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

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment

	12 months expected credit loss	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**473**	**-**	**473**
Provision for credit impairment for the year	**657**	**-**	**657**
Provision released during the year	**(76)**	**-**	**(76)**
Financial assets that have been derecognised	**(257)**	**-**	**(257)**
Changes in models/risk parameters	**(9)**	**-**	**(9)**
Provision and interest in suspense at 30 June 2023	**788**	**-**	**788**
At 1 July 2021	255	1	256
Provision for credit impairment for the year	239	-	239
Provision released during the year	(45)	(1)	(46)
Financial assets that have been derecognised	(113)	-	(113)
Changes in models/risk parameters	137	-	137
Provision 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

There were no non performing loans (NPL) under Loans to and placements with banks in 2022 & 2023 (2021:NPL:Rs1M). (Provisions 2023 and 2022: Rs Nil; 2021:Rs1M)

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

6. Loans (Cont'd)

(b) Loans and advances to customers

	2023 RS'M	2022 RS'M	2021 RS'M
(i) Loans and advances to customers			
Retail customers:			
Credit cards	**979**	912	821
Mortgages	**37,332**	34,336	32,177
Other retail loans	**9,976**	9,260	10,118
Corporate customers	**132,670**	120,129	123,015
Governments	**-**	-	244
Entities outside Mauritius	**164,981**	153,883	103,395
	345,938	318,520	269,770
Less:			
Allowances for credit impairment	**(16,288)**	(11,872)	(13,020)
	329,650	306,648	256,750
(ii) Remaining term to maturity			
Up to 3 months	**129,433**	127,589	81,354
Over 3 months and up to 6 months	**20,469**	13,672	4,856
Over 6 months and up to 1 year	**12,948**	7,731	15,557
Over 1 year and up to 5 years	**86,342**	84,709	78,673
Over 5 years	**96,746**	84,819	89,330
	345,938	318,520	269,770
Loans and advances to customers can be classified as:			
Current	**162,850**	148,992	101,767
Non-current	**183,088**	169,528	168,003
	345,938	318,520	269,770

(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 2022	**287,648**	**17,225**	**13,647**	**318,520**
Exchange adjustment	**-**	**-**	**82**	**82**
Transfer to 12 months ECL	**1,961**	**(1,679)**	**(282)**	**-**
Transfer to lifetime ECL not credit impaired	**(3,402)**	**4,300**	**(898)**	**-**
Transfer to lifetime ECL credit impaired	**(1,715)**	**(592)**	**2,307**	**-**
New loans and advances to customers, originated or purchase	**189,018**	**6,394**	**1,113**	**196,525**
Loans and advances to customers derecognised or repaid (excluding write off)	**(27,448)**	**(2,925)**	**(1,115)**	**(31,488)**
Financial assets that have been derecognised	**(132,818)**	**(3,938)**	**(665)**	**(137,421)**
Write offs	**-**	**-**	**(280)**	**(280)**
At 30 June 2023	**313,244**	**18,785**	**13,909**	**345,938**
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

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment

	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 2022	**3,248**	**3,039**	**4,322**	**10,609**
Exchange adjustment	**-**	**-**	**82**	**82**
Transfer to 12 months ECL	**275**	**(207)**	**(68)**	**-**
Transfer to lifetime ECL not credit impaired	**(51)**	**699**	**(648)**	**-**
Transfer to lifetime ECL credit impaired	**(36)**	**(98)**	**134**	**-**
Provision for credit impairment for the year	**1,656**	**2,151**	**4,561**	**8,368**
Provision released during the year	**(1,840)**	**(1,444)**	**(187)**	**(3,471)**
Financial assets that have been derecognised	**(563)**	**(297)**	**(176)**	**(1,036)**
Write offs	**-**	**-**	**(195)**	**(195)**
Changes in models/risk parameters	**(173)**	**(11)**	**-**	**(184)**
At 30 June 2023	**2,516**	**3,832**	**7,825**	**14,173**
Interest in suspense	**-**	**-**	**2,115**	**2,115**
Provision and interest in suspense at 30 June 2023	**2,516**	**3,832**	**9,940**	**16,288**
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
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

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

6. Loans (Cont'd)

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

(v) Allowances for credit impairment by industry sectors

	2023					
	Gross amount of loans	Non performing loans*	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	**8,150**	**633**	**93**	**166**	**904**	**1,163**
Manufacturing	**12,810**	**41**	**136**	**164**	**22**	**322**
Tourism	**28,815**	**461**	**377**	**1,389**	**444**	**2,210**
Transport	**7,414**	**11**	**99**	**12**	**7**	**118**
Construction	**12,875**	**58**	**107**	**105**	**28**	**240**
Financial and business services	**53,112**	**290**	**441**	**225**	**216**	**882**
Traders	**115,564**	**719**	**528**	**875**	**470**	**1,873**
of which Petroleum & Energy products	***93,224***	***-***	***322***	***823***	***-***	***1,145***
Personal	**48,274**	**849**	**124**	**64**	**357**	**545**
of which credit cards	***959***	***30***	***9***	***3***	***27***	***39***
of which housing	***37,332***	***511***	***47***	***22***	***178***	***247***
Professional	**295**	**11**	**4**	**1**	**4**	**9**
Global Business Licence holders	**23,849**	**7,285**	**44**	**63**	**6,595**	**6,702**
Others	**34,780**	**1,436**	**563**	**768**	**893**	**2,224**
of which Energy and Commodities Asset Backed financing	***17,126***	***890***	***74***	***89***	***746***	***909***
	345,938	**11,794**	**2,516**	**3,832**	**9,940**	**16,288**

	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
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	107,002	1,062	482	215	751	1,448
of which Petroleum & Energy products	*89,865*	*856*	*173*	*190*	*654*	*1,017*
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	41,618	991	482	783	273	1,538
of which Energy and Commodities Asset Backed financing	*16,041*	*807*	*97*	*168*	*183*	*448*
	318,520	12,384	3,248	3,039	5,585	11,872

*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)

	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
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	50,673	1,653	402	515	1,267	2,184
of which Petroleum & Energy products	*31,494*	*1,269*	*182*	*461*	*1,086*	*1,729*
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
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	27,392	198	194	589	42	825
of which Energy and Commodities Asset Backed financing	*12,597*	-	*24*	*40*	-	*64*
	269,770	9,769	2,677	4,713	5,630	13,020

*Non performing loans excludes interest in suspense.

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

7. Investment securities

(a) Investment securities

	2023 RS'M	2022 RS'M	2021 RS'M
Investment in debt securities at amortised cost (note 7(b))	**241,387**	216,503	155,282
Less allowances for credit impairment on investment in debt securities at amortised cost	**(415)**	(357)	(358)
	240,972	216,146	154,924
Investment in debt and equity securities measured at fair value through other comprehensive income (note 7(c))	**1,936**	3,567	7,914
Investment in debt and equity securities measured at fair value through profit or loss (note 7(d))	**4,497**	3,110	20,722
	247,405	222,823	183,560

As at 30 June 2023 and 2022, there were no credit impaired investments fair valued through other comprehensive income. (**Credit Impaired** 2021:Rs101M/Provisions Rs 11M); **12 months expected credit loss** - 2021: Rs 8M)

Investment securities (gross of allowances for credit impairment) can be classified as:

	2023 RS'M	2022 RS'M	2021 RS'M
Current	**90,835**	48,667	39,313
Non-current	**156,985**	174,513	144,605

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

	2023 RS'M	2022 RS'M	2021 RS'M
Government of Mauritius and Bank of Mauritius bonds	**106,753**	111,658	103,843
Treasury bills	**33,446**	20,809	7,415
Foreign bonds	**72,775**	55,839	22,000
Notes	**28,019**	27,813	21,643
Index linked note	**394**	384	381
	241,387	216,503	155,282

(ii) Remaining term to maturity

2023	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	**7,980**	**5,428**	**13,324**	**56,430**	**23,591**	**106,753**
Treasury bills	**23,141**	**9,322**	**983**	**-**	**-**	**33,446**
Foreign bonds	**2,471**	**2,505**	**18,284**	**38,739**	**10,776**	**72,775**
Notes	**1,772**	**2,421**	**1,683**	**11,298**	**10,845**	**28,019**
Index linked note	**-**	**-**	**-**	**226**	**168**	**394**
	35,364	**19,676**	**34,274**	**106,693**	**45,380**	**241,387**

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

7. Investment securities (Cont'd)

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

	2021					
	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	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

(iii) Reconciliation of gross carrying amount of 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 2022	**216,503**	**-**	**216,503**
Transfer to lifetime ECL not credit impaired	**(422)**	**422**	**-**
Investments originated or purchased	**73,544**	**15**	**73,559**
Investments derecognised or repaid	**(48,667)**	**(8)**	**(48,675)**
At 30 June 2023	**240,958**	**429**	**241,387**
At 1 July 2021	153,370	1,912	155,282
Transfer to 12 months ECL	1,505	(1,505)	-
Investments originated or purchased	85,668	-	85,668
Investments derecognised or repaid	(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	(23,236)	(204)	(23,440)
At 30 June 2021	153,370	1,912	155,282

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

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 2022	**357**	**-**	**357**
Transfer to lifetime ECL not credit impaired	**(5)**	**5**	**-**
Provision for credit impairment for the year	**308**	**62**	**370**
Provision released during the year	**(120)**	**(3)**	**(123)**
Financial assets that have been derecognised	**(31)**	**-**	**(31)**
Changes in models/risk parameters	**(159)**	**1**	**(158)**
At 30 June 2023	**350**	**65**	**415**
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

7. Investment securities (Cont'd)

(c) (i) Investment in debt and equity securities measured at fair value through other comprehensive income by levels

	2023	2022	2021
	RS'M	RS'M	RS'M
Quoted - Level 1			
Official list : shares (equity instrument)	**861**	961	797
Bonds (debt instrument)	**125**	1,662	6,182
	986	2,623	6,979
Unquoted - Level 2			
Investment fund (debt instrument)	**590**	675	677
Unquoted - Level 3			
Shares (equity instrument)	**360**	269	258
	1,936	3,567	7,914

(ii) Reconciliation of level 3 fair value measurements

	2023	2022	2021
At 1 July	**269**	258	244
Additions	**1**	17	99
Disposal of investment	**-**	-	(101)
Movement in fair value	**90**	(6)	16
At 30 June	**360**	269	258

(d) Investment in debt and equity securities measured at fair value through profit or loss by levels

	2023	2022	2021
	RS'M	RS'M	RS'M
Quoted - Level 1			
Foreign bonds (debt instrument)	**136**	-	1
Foreign shares (equity instrument)	**2,976**	2,412	2,703
	3,112	2,412	2,704
Unquoted - Level 2			
Government of Mauritius and Bank of Mauritius bonds (debt instrument)	**1,021**	196	1,251
Treasury bills (debt instrument)	**364**	502	16,767
	1,385	698	18,018
	4,497	3,110	20,722

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.

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.

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.

Notes to the financial statements
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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
The Mauritius Commercial Bank(Madagascar) S.A						
Year ended 30 June 2023	**Madagascar**	**Banking & Financial Services**	**11,350**	**10,528**	**80.00**	**118**
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

(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 2023							
Banque Française Commerciale Océan Indien	**Reunion**	**Banking & Financial Services**	**107,314**	**97,619**	**5,125**	**978**	**49.99**
Société Générale Moçambique, S.A	**Mozambique**	**Banking & Financial Services**	**11,311**	**9,662**	**1,796**	**158**	**35.00**
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, S.A	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, S.A	Mozambique	Banking & Financial Services	11,328	10,146	878	16	35.00

(ii) The above associates are accounted for using the equity method.

(iii) Banque Française Commerciale Océan Indien (BFCOI) and Société Générale Moçambique, S.A (SG) are unquoted.

8. Investments in subsidiary and associates (Cont'd)

(b) Investments in associates (Cont'd)

(iv) Movements in investments in associates

	BFCOI	SG Moçambique	Subordinated loan to BFCOI	Total
	RS'M	RS'M	RS'M	RS'M
At 1 July 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**
Share of profit of associates	**489**	**55**	**-**	**544**
Exchange differences on translating foreign operations	**287**	**7**	**-**	**294**
Share of other movements in associates	**54**	**-**	**-**	**54**
Dividend received from associates	**(410)**	**-**	**-**	**(410)**
Adjustments	**-**	**3**	**30**	**33**
At 30 June 2023	**4,913**	**628**	**543**	**6,084**

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

Banque Française Commerciale Océan Indien (BFCOI)

	2023	2022	2021
	RS'M	RS'M	RS'M
Summarised statement of financial position:			
Current assets	**13,424**	11,607	17,753
Non current assets	**93,890**	88,224	97,111
Current liabilities	**23,904**	21,276	25,362
Non current liabilities	**73,715**	69,681	79,955
Equity attributable to owners of BFCOI	**9,695**	8,874	9,547
Summarised statement of profit or loss and other comprehensive income:			
Revenue	**5,125**	4,853	4,547
Profit	**978**	801	662
Other comprehensive income	**109**	47	-
Total comprehensive income	**1,087**	848	662

The directors are satisfied that there are no indications requiring an impairment of the Bank's investment in subsidiary and investments in its associates.

Investments in subsidiary and associates are classified as non-current assets.

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

9. Intangible assets

	Computer software	Work in progress	Total
	RS'M	RS'M	RS'M
Cost			
At 1 July 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**
Additions	**13**	**895**	**908**
Adjustment	**675**	**-**	**675**
Transfer	**1,172**	**(1,172)**	**-**
At 30 June 2023	**4,333**	**237**	**4,570**
Accumulated amortisation			
At 1 July 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**
Charge for the year	**593**	**-**	**593**
Adjustment	**675**	**-**	**675**
At 30 June 2023	**2,359**	**-**	**2,359**
Net book values			
At 30 June 2023	**1,974**	**237**	**2,211**
At 30 June 2022	1,382	514	1,896
At 30 June 2021	996	466	1,462

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 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**
Additions	**14**	**273**	**20**	**178**	**132**	**617**
Scrap	**-**	**(78)**	**(1)**	**-**	**-**	**(79)**
Disposals	**-**	**(4)**	**(16)**	**-**	**-**	**(20)**
Adjustment on re-measurement	**-**	**-**	**-**	**-**	**(39)**	**(39)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Transfer	**40**	**72**	**31**	**(143)**	**-**	**-**
At 30 June 2023	**4,832**	**3,887**	**973**	**183**	**419**	**10,294**
Accumulated depreciation						
At 1 July 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**
Charge for the year	**81**	**324**	**58**	**-**	**60**	**523**
Scrap adjustment	**-**	**(78)**	**-**	**-**	**-**	**(78)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Disposal adjustment	**-**	**(4)**	**(14)**	**-**	**-**	**(18)**
At 30 June 2023	**1,247**	**3,136**	**680**	**-**	**228**	**5,291**
Net book values						
At 30 June 2023	**3,585**	**751**	**293**	**183**	**191**	**5,003**
At 30 June 2022	3,612	730	303	148	158	4,951
At 30 June 2021	3,629	973	324	149	136	5,211

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for the year ended 30 June 2023

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 5 years.
Moreover, the Bank does not have the possibility of acquiring the asset at the end of the lease.

11. Deferred tax assets

	Balance as at 1 July	Effect of change in tax rate	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	RS'M
2023						
Provisions and post retirement benefits	**195**	**30**	**-**	**166**	**39**	**430**
Provisions for credit impairment	**1,892**	**291**	**(1)**	**492**	**-**	**2,674**
Accelerated tax depreciation	**(283)**	**(43)**	**-**	**(68)**	**-**	**(394)**
At 30 June 2023	**1,804**	**278**	**(1)**	**590**	**39**	**2,710**
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

The applied deferred tax rate is 15% (2022 & 2021:13%).
Deferred tax assets are classified as non-current asset.

12. Other assets

	2023	2022	2021
	RS'M	RS'M	RS'M
Mandatory balances with Central Bank	**30,639**	24,146	21,990
Prepayments and other receivables	**1,939**	1,880	1,126
Credit card clearing	**1,162**	490	152
Non-banking assets acquired in satisfaction of debts*	**104**	101	79
Impersonal and other accounts	**5,217**	5,125	3,808
	39,061	31,742	27,155

* 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'.
Management has assessed the impact of ECLs on the balances as immaterial.

13. Deposits

	2023	2022	2021
	RS'M	RS'M	RS'M
(a) Deposits from banks			
Demand deposits	**7,795**	5,205	16,955
Money market deposits with remaining term to maturity:			
Up to 3 months	**2,870**	4,271	2,570
Over 3 months and up to 6 months	**3,893**	-	1,663
Over 6 months and up to 1 year	**1,150**	1,799	427
Over 1 year and up to 5 years	**44**	43	41
	7,957	6,113	4,701
	15,752	11,318	21,656
Deposits from banks can be classified as:			
Current	**15,708**	11,275	21,615
Non-current	**44**	43	41
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	**49,119**	52,473	46,602
Savings deposits	**195,731**	185,371	169,830
Time deposits with remaining term to maturity:			
Up to 3 months	**6,410**	2,487	3,419
Over 3 months and up to 6 months	**3,803**	1,679	1,673
Over 6 months and up to 1 year	**6,445**	3,490	3,302
Over 1 year and up to 5 years	**12,069**	9,760	9,320
Over 5 years	**30**	6	8
	28,757	17,422	17,722
	273,607	255,266	234,154
(ii) Corporate customers			
Demand deposits	**205,448**	200,862	193,036
Savings deposits	**5,452**	5,342	6,145
Time deposits with remaining term to maturity:			
Up to 3 months	**33,943**	11,903	12,598
Over 3 months and up to 6 months	**7,662**	2,640	2,315
Over 6 months and up to 1 year	**13,613**	3,354	4,131
Over 1 year and up to 5 years	**7,710**	1,631	1,326
Over 5 years	**-**	1	-
	62,928	19,529	20,370
	273,828	225,733	219,551
(iii) Government			
Demand deposits	**95**	45	54
Savings deposits	**56**	59	69
	151	104	123
	547,586	481,103	453,828
Deposits from customers can be classified as:			
Current	**527,777**	469,705	443,174
Non-current	**19,809**	11,398	10,654

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14. Other borrowed funds

(a) Other borrowed funds comprise the following:

	2023	2022	2021
	RS'M	RS'M	RS'M
Borrowings from banks:			
in Mauritius	**18,740**	9,961	24,158
abroad	**65,682**	82,794	50,468
	84,422	92,755	74,626
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**-**	2,075	2

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

(b) Remaining term to maturity:

	2023	2022	2021
On demand or within a period not exceeding 1 year	**37,705**	24,181	43,844
Within a period of more than 1 year but not exceeding 3 years	**41,800**	57,962	17,154
Within a period of more than 3 years	**4,917**	10,612	13,628
	84,422	92,755	74,626
Other borrowed funds can be classified as:			
Current	**37,705**	24,181	43,844
Non-current	**46,717**	68,574	30,782

15. Debt securities

	2023
	RS'M
5-year senior unsecured notes maturing in 2028 at a fixed coupon rate of 7.95%	**13,506**
Exchange adjustments and others	**253**
	13,759

Debt securities are classified as non-current liabilities.

During the year, the Bank launched a Global Medium Term Note Programme, which enables the Bank to tap into the international bond market for up to USD 3 billion. This programme has earned a Baa3 rating from Moody's and was registered on the International Securities Market of the London Stock Exchange in October 2022. It aims at diversifying the funding sources of the Bank and support its overall growth strategy.

Under this programme, the Bank issued its first bond for a notional value of USD 300 million on 26 April 2023.

16. Subordinated liabilities

Subordinated liabilities comprise the following:

		2023	2022	2021
		RS'M	RS'M	RS'M
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 6.1% (2022 and 2021: 3.5%)	(i)	**684**	875	1,013
Repayment of USD 9M during the year (2022: USD 5.3M, 2021: USD 4.5M)	(i)	**(404)**	(225)	(179)
USD 147M floating rate unsecured Tier 2 notes maturing on 30 March 2033 at an average interest rate of 8.6%	(ii)	**6,689**	-	-
Exchange adjustments and others		**90**	34	41
		7,059	684	875
Subordinated liabilities can be classified as:				
Current		**220**	-	-
Non-current		**6,839**	684	875

The carrying amount of the subordinated liabilities are not materially different from their fair value.

(i) In 2013, the Bank secured USD 30 million through a 10-year amortizing subordinated debt arrangement with the African Development Bank. The remaining balance is fully repayable in August 2023.

(ii) On 31 March 2023, the Bank successfully concluded its inaugural Basel III compliant Tier 2 bond issuance, amounting to USD 147 million. This bond was issued under the umbrella of a private placement agreement with the African Development Bank. With an original maturity span of 10 years, it features semi-annual amortization, which comes into play starting from the sixth year.

This bond helps consolidate the capital of the Bank and provides the necessary buffer to support its growth strategy.

Notes to the financial statements
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17. Post employee benefit (asset)/liability

	2023	2022	2021
Post employee benefit (asset)/liability	RS'M	RS'M	RS'M
(a) Staff superannuation fund (defined benefit section)	**(689)**	278	(1,344)
(b) Residual retirement gratuities	**234**	182	126
	(455)	460	(1,218)

(a) Staff superannuation fund (defined benefit section)

	2023	2022	2021
Reconciliation of net defined benefit (asset)/liability			
Opening balance	**278**	(1,344)	1,041
Amount recognised in statement of profit or loss	**230**	131	255
Amount recognised in statement of comprehensive income	**234**	1,716	(2,407)
Less employer contributions	**(1,431)**	(225)	(233)
Closing balance	**(689)**	278	(1,344)
Reconciliation of fair value of plan assets			
Opening balance	**8,765**	8,952	7,555
Interest income	**492**	443	241
Employer contributions	**1,431**	225	233
Transfer of assets	**-**	-	(45)
Benefits paid	**(376)**	(401)	(322)
Return on plan assets (below)/above interest income	**(83)**	(454)	1,290
Closing balance	**10,229**	8,765	8,952
Reconciliation of present value of defined benefit obligation			
Opening balance	**9,043**	7,608	8,596
Current service cost	**253**	203	229
Interest expense	**469**	371	270
Past service cost	**-**	-	(3)
Transfer of assets	**-**	-	(45)
Benefits paid	**(376)**	(401)	(322)
Liability experience loss	**-**	96	-
Liability loss/(gain) due to change in financial assumptions	**151**	1,166	(1,117)
Closing balance	**9,540**	9,043	7,608
Components of amount recognised in statement of profit or loss			
Current service cost	**253**	203	229
Past service cost	**-**	-	(3)
Net interest on net defined benefit (asset)/liability	**(23)**	(72)	29
Total	**230**	131	255
Analysed as follows:			
The Mauritius Commercial Bank Limited (see note 27(a))	**195**	118	223
Other members of The MCB Group Limited	**35**	13	32
	230	131	255
Components of amount recognised in statement of comprehensive income			
Return on plan assets below/(above) interest income	**83**	454	(1,290)
Liability experience loss	**-**	96	-
Liability loss/(gain) due to change in financial assumptions	**151**	1,166	(1,117)
Total	**234**	1,716	(2,407)

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

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

	2023	2022	2021
Allocation of plan assets at end of year	%	%	%
Equity - Local quoted	**30**	38	32
Equity - Local unquoted	**1**	1	1
Debt - Overseas quoted	**1**	-	1
Debt - Local quoted	**13**	11	12
Debt - Local unquoted	**8**	5	5
Property - Local	**5**	6	5
Investment funds	**31**	31	37
Cash and other	**11**	8	7
Total	**100**	100	100

Allocation of plan assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	**9**	11	10
Property occupied by reporting entity	**5**	6	6
Other assets used by reporting entity	**2**	3	3

Principal assumptions used at end of year			
Discount rate	**5.7%**	5.3%	5.0%
Rate of salary increases	**4.2%**	3.7%	2.5%
Rate of pension increases	**2.7%**	2.2%	1.0%
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

	2023	2022	2021
	RS' M	RS' M	RS' M
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**1,718**	1,628	1,301
Decrease due to 1% increase in discount rate	**1,345**	1,275	1,027
Increase due to 1% increase in salary increase rate	**745**	697	-
Decrease due to 1% decrease in salary increase rate	**630**	597	-
Increase due to 1% increase in pension increase rate	**897**	850	-
Decrease due to 1% decrease in pension increase rate	**773**	732	-

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

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

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

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

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

The Bank sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Bank. The Bank has recognised a total net defined benefit asset of Rs 689M as at 30 June 2023 for the defined benefit pension plan (2022: net defined liability of Rs 278M and 2021: net defined asset of Rs 1,344M).

The liability loss due to change in financial assumptions amounting to Rs 151M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 1.6% p.a. in 2022 to 1.5% p.a. in 2023 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.1% p.a. in 2022 to 3.0% p.a. in 2023.

The 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):	**324**
Weighted average duration of the defined benefit obligation:	**16 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.

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

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	2023	2022	2021
	RS'M	RS'M	RS'M
Reconciliation of net defined benefit liability			
Opening balance	**182**	126	129
Amount recognised in statement of profit or loss (see note 27(a))	**48**	14	13
Amount recognised in statement of comprehensive income	**29**	42	(16)
Employer contributions	**(25)**	-	-
Closing balance	**234**	182	126
Reconciliation of present value of defined benefit obligation			
Opening balance	**182**	126	129
Current service cost	**27**	8	11
Interest expense	**21**	6	4
Past service cost	**-**	-	(2)
Other benefits paid	**(25)**	-	-
Liability experience loss/(gain)	**19**	(6)	1
Liability loss/(gain) due to change in financial assumptions	**10**	48	(17)
Closing balance	**234**	182	126
Components of amount recognised in statement of profit or loss			
Current service cost	**27**	8	11
Past service cost	**-**	-	(2)
Net interest on net defined benefit liability	**21**	6	4
Total (see note 27(a))	**48**	14	13
Components of amount recognised in statement of comprehensive income			
Liability experience loss/(gain)	**19**	(6)	1
Liability loss/(gain) due to change in financial assumptions	**10**	48	(17)
Total	**29**	42	(16)
Principal assumptions used at end of year			
Discount rate	**5.7%**	5.3%	5.0%
Rate of salary increases	**4.2%**	3.7%	2.5%
Rate of pension increases	**2.7%**	2.2%	1.0%
Average retirement age (ARA)	**63**	63	63

	2023	2022	2021
	RS'M	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**52**	59	42
Decrease due to 1% increase in discount rate	**42**	45	32
Increase due to 1% increase in salary increase rate	**47**	50	-
Decrease due to 1% decrease in salary increase rate	**38**	38	-
Increase due to 1% increase in pension increase rate	**5**	8	-
Decrease due to 1% decrease in pension increase rate	**5**	9	-

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

(b) Residual retirement gratuities (Cont'd)

The Bank has also recognised a net defined benefit liability of Rs 234M as at 30 June 2023 (2022: Rs 182M, 2021: Rs 126M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Workers' Rights Act (WRA) 2019 and who are therefore entitled to residual retirement gratuities under the Workers' Rights Act (WRA) 2019.

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

The liability experience loss of Rs 19M disclosed is due to the retirement gratuities paid to employees who retired during the year being higher than their past service reserve.

The liability loss of Rs 10M is mainly due to the decrease in the net pre-retirement discount rate (the difference between the nominal discount rate and the salary increase rate) from 1.6% p.a. in 2022 to 1.5% p.a. in 2023 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.1% p.a. in 2022 to 3.0% p.a. in 2023.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cashflow as and when due:

Expected employer contribution for the next year (Rs'M): **nil**

Weighted average duration of the defined benefit obligation: **22 years**

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants dated 4 September 2023.

Post employee benefit asset/(liability) is classified as non-current asset/(liability).

18. Other liabilities

	2023	2022	2021
	RS'M	RS'M	RS'M
Allowances for credit impairment on off balance sheet exposures (18 (a))	**459**	484	389
Lease liabilities (18 (b))	**200**	163	139
Impersonal, other accounts and deferred income	**10,593**	7,618	6,295
Proposed dividend (see note 30)	**2,300**	1,534	2,000
	13,552	9,799	8,823

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	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2022	**484**	**-**	**484**
Provision for credit impairment for the year	**387**	**-**	**387**
Provision released during the year	**(353)**	**-**	**(353)**
Changes in models/risk parameters	**(59)**	**-**	**(59)**
At 30 June 2023	**459**	**-**	**459**
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

(b) The lease liabilities can be analysed as follows:

	2023	2022	2021
	RS'M	RS'M	RS'M
Over 6 months and up to 1 year	**52**	10	14
Over 1 year and up to 5 years	**148**	153	125
	200	163	139

Notes to the financial statements

for the year ended 30 June 2023

19. Stated capital and reserves

(a) Stated capital

Issued and paid up share 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 2021,2022 and 2023	**887,960,247**	**8,880**

Fully paid ordinary shares carry one vote per share and the right to dividend.

(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) 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

	2023	2022	2021
	RS'M	RS'M	RS'M
(a) Instruments			
Guarantees on account of customers	**51,287**	60,460	71,930
Letters of credit and other obligations on account of customers (net)	**56,528**	46,320	38,028
Other contingent items (net)	**1,473**	3,537	2,539
	109,288	110,317	112,497
(b) Commitments			
Loans and other facilities, including undrawn credit facilities	**12,260**	10,124	5,215
(c) Tax assessments	**11**	-	-
	121,559	120,441	117,712

On 30 June 2023, the Bank received income tax assessments relating to years of assessment 2016/2017 to 2019/2020 against which the Bank has objected.

Additional tax payable based on the notices of assessment amounts to MUR 10.6 million.

21. Interest income using the effective interest method

	2023 RS'M	2022 RS'M	2021 RS'M
Loans to and placements with banks	**3,620**	649	577
Loans and advances to customers	**20,882**	11,375	11,061
Investments at amortised cost	**7,199**	4,411	3,891
Investments at fair value through other comprehensive income	**38**	35	99
	31,739	16,470	15,628

22. Interest expense

	2023 RS'M	2022 RS'M	2021 RS'M
Deposits from banks	**269**	20	16
Deposits from customers	**8,093**	948	883
Debt securities	**192**	-	-
Subordinated liabilities	**177**	26	31
Other borrowed funds	**4,511**	1,536	1,002
Lease liabilities	**17**	7	6
	13,259	2,537	1,938

23. Fee and commission income

	2023 RS'M	2022 RS'M	2021 RS'M
Cards and other related fees	**3,697**	2,930	1,686
Trade finance fees	**1,283**	1,417	997
Transaction fees	**1,220**	1,043	925
Guarantee fees	**1,319**	943	381
Loan related fees	**484**	459	368
Private banking and wealth management fees	**391**	423	497
Others	**20**	18	80
	8,414	7,233	4,934

24. Fee and commission expense

	2023 RS'M	2022 RS'M	2021 RS'M
Cards and other related fees	**2,166**	1,655	786
Loan related and trade finance fees	**379**	377	258
Transaction fees	**25**	25	24
	2,570	2,057	1,068

25. Net gain from other financial instruments carried at fair value

	2023 RS'M	2022 RS'M	2021 RS'M
Net gain from derivative financial instruments fair valued through profit or loss	**55**	243	168
Net gain from investment securities fair valued through profit or loss	**209**	254	110
Net loss from derecognition of debt securities measured at fair value through other comprehensive income	**-**	(337)	(113)
Net gain from other investment securities	**16**	3	-
	280	163	165

26. Dividend income

	2023 RS'M	2022 RS'M	2021 RS'M
Quoted investments FVOCI	**24**	23	14
Quoted investments FVPL	**22**	11	9
Unquoted investments FVOCI	**25**	2	13
Subsidiary	**31**	43	-
	102	79	36

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27. Non-interest expense

	2023 RS'M	2022 RS'M	2021 RS'M
(a) Salaries and human resource costs			
Wages and salaries	**3,306**	2,722	2,529
Defined benefit plan (note 17(a))	**195**	118	223
Defined contribution plan	**218**	118	102
Residual retirement gratuities (note 17(b))	**48**	14	13
Compulsory social security obligations	**147**	136	107
Equity settled share-based payments	**4**	16	7
Other personnel expenses	**1,032**	1,019	853
	4,950	4,143	3,834
(b) Other non-interest expense			
Legal and professional fees	**634**	392	398
Rent, repairs, maintenance and security costs	**407**	342	358
Software licensing and other information technology costs	**932**	609	544
Electricity, water and telephone charges	**319**	283	265
Advertising, marketing costs and sponsoring	**227**	131	79
Postage, courier and stationery costs	**197**	199	156
Insurance costs	**187**	159	129
Others	**273**	128	88
of which short term leases	***21***	*8*	*3*
of which low value leases	**-**	-	*6*
of which variable leases	**-**	*14*	*10*
	3,176	2,243	2,017

28. Net impairment of financial assets

	2023 RS'M	2022 RS'M	2021 RS'M
Net allowance for credit impairment			
Cash and cash equivalents	**(6)**	(17)	41
Loans and advances			
Loans to and placements with banks	**315**	217	246
Loans and advances to customers	**3,677**	3,448	4,431
Investment securities			
Amortised cost	**58**	(1)	(1)
Fair value through other comprehensive income	**(1)**	76	(1)
Off balance sheet exposures	**(25)**	95	154
	4,018	3,818	4,870
Recoveries of advances previously written off	**(498)**	(426)	(269)
	3,520	3,392	4,601

29. Income tax expense

(a) The tax charge related to statement of profit or loss is as follows:

	2023	2022	2021
	RS'M	RS'M	RS'M
Income tax based on the adjusted profit	**2,498**	1,286	1,185
Deferred tax	**(590)**	(377)	(493)
Effect of change in tax rate	**289**	-	-
Special levy on banks	**645**	624	556
Corporate Social Responsibility contribution	**98**	114	107
Under/(Over) provision in previous years	**1**	(1)	-
Charge for the year	**2,941**	1,646	1,355

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2023	2022	2021
Profit before tax	**15,900**	10,594	8,751
Less share of profit of associates	**(544)**	(475)	(337)
	15,356	10,119	8,414
Tax calculated at applicable tax rates	**2,185**	1,108	1,027
Effect of change in tax rate	**289**	-	-
Impact of:			
Income not subject to tax	**(1,153)**	(471)	(570)
Expenses not deductible for tax purposes	**882**	278	235
Tax credits	**(6)**	(6)	-
Special levy on banks	**645**	624	556
Corporate Social Responsibility contribution	**98**	114	107
(Under)/Over provision in previous years	**1**	(1)	-
Tax charge	**2,941**	1,646	1,355

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 was abolished for income tax purposes and a new tax regime was applicable for the banking sector.
Accordingly, the Bank was subjected to income tax of 5% on the first Rs1.5 billion of its chargeable income, at 15% of its chargeable income between Rs1.5 billion and the base year chargeable income, and at a reduced rate of 5% on the remainder, subject to meeting prescribed conditions.
The Mauritius Revenue Authority is now of the view that the lapsing of the prescribed conditions implies that banks should no longer apply the reduced rate of 5% on chargeable profits in excess of the base year profit as from the year ended 30 June 2022.

(b) The tax (credit)/charge related to statement of comprehensive income is as follows:

	2023	2022	2021
Remeasurement of defined benefit pension plan and retirement residual gratuities	**263**	1,758	(2,423)
Deferred tax (credit)/charge	**(39)**	(229)	315
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**224**	1,529	(2,108)

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30. Dividends

	2023	2022	2021
	RS'M	RS'M	RS'M
Dividends in cash			
Opening dividend payable	**1,534**	2,000	-
Declared during the year	**4,325**	3,734	2,000
Paid during the year	**(3,559)**	(4,200)	-
Closing dividend payable	**2,300**	1,534	2,000

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.

	2023	2022	2021
	RS'M	RS'M	RS'M
Profit for the year	**12,959**	8,948	7,396
Weighted average number of ordinary shares (thousands)	**887,960**	887,960	689,056
Earnings per share (Rs)	**14.59**	10.08	10.73

32. Commitments

(a) Capital commitments

	2023	2022	2021
	RS'M	RS'M	RS'M
Expenditure contracted for but not incurred	**197**	192	152
Expenditure approved by the Board but not contracted for	**92**	121	135

(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.

	2023	2022	2021
	RS'M	RS'M	RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	**7,631**	7,113	6,413
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	**37,647**	32,620	46,961
	45,278	39,733	53,374

33. Net cash flows from trading activities

	2023	2022	2021
Continuing operations	RS'M	RS'M	RS'M
Operating profit	**15,356**	10,119	8,414
Increase in other assets	**(8,234)**	(3,369)	(6,014)
Increase in other liabilities	**2,957**	374	1,950
Net (increase)/decrease in derivative financial instruments	**(57)**	(312)	407
Net (increase)/decrease in investment securities at fair value through profit or loss	**(1,387)**	17,612	(5,883)
(Release)/additional provision for employee benefits	**(104)**	(94)	22
Additional provision for residual retirement gratuities	**48**	14	13
Charge/(release) for credit impairment:			
Loans and advances	**3,992**	3,665	4,677
Investment securities	**58**	(1)	(1)
Cash and cash equivalents	**(6)**	(17)	41
Off balance sheet	**(25)**	95	154
Investments fair valued through other comprehensive income	**(1)**	76	(1)
Exchange profit/(loss)	**108**	(88)	(646)
Depreciation of property, plant and equipment	**523**	527	556
Amortisation of intangible assets	**593**	430	321
(Profit)/Loss on disposal of property, plant and equipment	**(5)**	(3)	3
Loss on scrapped assets	**1**	1	-
Loss on disposal of debt investment securities fair valued through other comprehensive income	**-**	337	113
	13,817	29,366	4,126

34. Net cash flows from other operating activities

	2023	2022	2021
	RS'M	RS'M	RS'M
Net increase in deposits	**70,917**	16,937	103,876
Net increase in loans and advances	**(17,152)**	(36,628)	(56,166)
Purchase of investments at fair value through other comprehensive income	**(237)**	(5,523)	(36,560)
Proceeds from sale of investments at fair value through other comprehensive income	**1,781**	9,725	49,861
Net increase in investment securities at amortised cost	**(24,884)**	(61,221)	(54,541)
Net (decrease)/increase in other borrowed funds	**(6,258)**	16,056	24,255
	24,167	(60,654)	30,725

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

35. Related party transactions

	Ultimate Holding Company*	Holding Company*	Entities under common control (including defined benefit plan)	Entities in which the Bank holds more than a 10% interest	Directors and Key Management Personnel (including parent)	Enterprises in which Directors and Key Management Personnel have significant interest (including parent)
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cash equivalents, Loans and Advances						
Balances at 30 June 2023	**1,617**	**-**	**3,542**	**634**	**182**	**22**
Net movements during the year	**1,617**	**-**	**593**	**29**	**(161)**	**(387)**
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
Deposits						
Balance at year end:						
30 June 2023	**1,593**	**272**	**6,032**	**28**	**415**	**261**
30 June 2022	1,188	241	5,830	59	528	557
30 June 2021	588	-	4,779	151	392	405
Amounts due from/(to)						
Balance at year end:						
30 June 2023	**1**	**(1,910)**	**140**	**96**	**-**	**-**
30 June 2022	366	(1,534)	152	88	-	-
30 June 2021	1	(2,000)	128	87	-	-
Off Balance sheet items						
Balance at year end:						
30 June 2023	**-**	**-**	**2,572**	**3**	**-**	**237**
30 June 2022	-	-	2,625	74	-	195
30 June 2021	-	-	2,169	714	-	192
Interest income						
For the year ended:						
30 June 2023	**38**	**-**	**191**	**17**	**5**	**1**
30 June 2022	-	-	122	6	3	14
30 June 2021	-	-	118	12	2	14
Interest expense						
For the year ended:						
30 June 2023	**7**	**-**	**147**	**1**	**8**	**-**
30 June 2022	-	-	4	1	2	-
30 June 2021	-	-	3	1	2	-

35. Related party transactions (Cont'd)

	Ultimate Holding Company*	Holding Company*	Entities under common control (including defined benefit plan)	Entities in which the Bank holds more than a 10% interest	Directors and Key Management Personnel (including parent)	Enterprises in which Directors and Key Management Personnel have significant interest (including parent)
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Other income						
For the year ended:						
30 June 2023	**1**	**-**	**150**	**399**	**3**	**1**
30 June 2022	1	-	149	371	3	4
30 June 2021	1	-	128	144	3	2
Non-interest expense						
For the year ended:						
30 June 2023	**(1)**	**-**	**(16)**	**-**	**-**	**-**
30 June 2022	(1)	-	10	-	-	-
30 June 2021	-	-	139	-	-	-

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 2,300M for 2022/2023, Rs 1,534M for 2021/2022 and Rs 2,000M for 2020/2021.

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 as per the Group's transfer pricing policy.

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, 50,114 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 20M(FY 2021/2022: 88,343 share options for Rs 22M; FY 2020/2021: 80,345 share options for Rs 17M).

Notes to the financial statements

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35. Related party transactions (Cont'd)

Key Management Personnel compensation

	2023	2022	2021
	RS'M	RS'M	RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :			
Salaries and short term employee benefits	**139**	121	124
Post employment benefits	**12**	9	11
	151	130	135

36. Operating segments

The Bank's Chief Executive Officer, supported by the Board is considered as the Chief Operation Decision Maker (CODM) for the purpose of identifying the Bank's reportable segment. The Chief Operation Decision Maker reviews the Bank's performance based on the identified segments which enable management to assess its performance towards meeting its strategic intent of "extending our frontier." Furthermore, internal management reports cover the performance of the domestic and international markets. The Bank's reportable segment under IFRS 8 are:

1. Domestic segment - This segment englobes all our banking activities and other financial services offered to customers in Mauritius ranging from deposit taking, provision of loan, card services and other investment products.

2. International segment - This segment relates to the provision of financial services to customers outside Mauritius.

Reported segment profit or loss information

	DOMESTIC			INTERNATIONAL		
	2023	2022	2021	2023	2022	2021
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Interest income using the effective interest method	**14,922**	10,079	9,815	**16,817**	6,391	5,813
Interest expense	**(6,442)**	(1,106)	(1,031)	**(6,817)**	(1,431)	(907)
Net fee and commission income	**2,718**	2,213	1,834	**3,126**	2,963	2,032
Dividend income	**27**	23	27	**75**	56	9
Operating income	**13,078**	12,805	11,558	**15,040**	8,049	8,185
Depreciation of property, plant and equipment	**(470)**	(491)	(518)	**(53)**	(36)	(38)
Amortisation of intangible assets	**(506)**	(397)	(296)	**(87)**	(33)	(25)
Net impairment of financial assets	**1,042**	146	(1,286)	**(4,562)**	(3,538)	(3,315)
Operating profit (adjusted)	**6,846**	6,670	4,674	**8,971**	3,699	4,078
Share of profit of associates	**-**	-	-	**544**	475	337
Profit before tax (adjusted)	**6,846**	6,670	4,674	**9,515**	4,174	4,415
Income tax expense	**(1,705)**	(1,282)	(1,333)	**(1,826)**	(741)	(515)
Profit for the year (adjusted)	**5,141**	5,388	3,341	**7,689**	3,433	3,900

Reported segment asset and liabilities information

Loan and advances to customers	**155,852**	142,877	140,314	**173,798**	163,771	116,436
Deposits from customers	**344,709**	320,058	286,950	**202,877**	161,045	166,878
Total Assets (adjusted)	**400,080**	389,681	339,773	**358,367**	273,032	283,361
Total Liabilities (adjusted)	**377,939**	340,865	321,191	**308,279**	256,439	241,054

36. Operating segments (Cont'd)

Reconciliation of reported profit or loss

	2023	2022	2021
	RS'M	RS'M	RS'M
Total profit or loss for reportable segments	**12,830**	8,821	7,241
Adjustment to pension expense	**(461)**	(250)	(338)
Adjustment for deferred tax	**590**	377	493
Profit for the year	**12,959**	8,948	7,396

Reconciliation of assets and liabilities

	2023	2022	2021
	RS'M	RS'M	RS'M
Total assets for reportable segment	**758,447**	662,713	623,134
Deferred tax	**2,710**	1,804	1,189
Post employee benefit asset	**455**	-	1,218
	761,612	664,517	625,541
Total liabilities for reportable segment	**686,218**	597,304	562,245
Post employee benefit liability	**-**	460	-
	686,218	597,764	562,245

Notes to the financial statements
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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.

Statement of financial position as at 30 June 2023

		2023			2022			2021		
		TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	Note	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
ASSETS										
Cash and cash equivalents		**113,609**	**54,599**	**59,010**	64,594	54,648	9,946	101,154	23,475	77,679
Derivative financial instruments	37(a)	**1,214**	**45**	**1,169**	438	200	238	1,035	98	937
Loans to and placements with banks	37(b)	**14,092**	**-**	**14,092**	23,934	-	23,934	40,869	39	40,830
Loans and advances to customers	37(c)	**329,650**	**155,852**	**173,798**	306,648	142,877	163,771	256,750	140,314	116,436
Investment securities	37(d)	**247,405**	**147,455**	**99,950**	222,823	157,848	64,975	183,560	144,971	38,589
Investment in subsidiary	37(e)	**118**	**-**	**118**	118	-	118	118	-	118
Investments in associates	37(e)	**6,084**	**-**	**6,084**	5,569	-	5,569	5,820	-	5,820
Intangible assets	37(f)	**2,211**	**2,211**	**-**	1,896	1,896	-	1,462	1,462	-
Property, plant and equipment	37(g)	**5,003**	**5,003**	**-**	4,951	4,951	-	5,211	5,211	-
Deferred tax assets		**2,710**	**525**	**2,185**	1,804	508	1,296	1,189	386	803
Post employee benefit asset		**455**	**455**	**-**	-	-	-	1,218	1,218	-
Other assets	37(h)	**39,061**	**34,915**	**4,146**	31,742	27,261	4,481	27,155	24,203	2,952
Total assets		**761,612**	**401,060**	**360,552**	664,517	390,189	274,328	625,541	341,377	284,164
LIABILITIES AND SHAREHOLDER'S EQUITY										
Deposits from banks	37(i)	**15,752**	**240**	**15,512**	11,318	254	11,064	21,656	223	21,433
Deposits from customers	37(j)	**547,586**	**344,709**	**202,877**	481,103	320,058	161,045	453,828	286,950	166,878
Derivative financial instruments	37(a)	**1,216**	**64**	**1,152**	497	163	334	1,406	198	1,208
Other borrowed funds	37(k)	**84,422**	**18,740**	**65,682**	92,755	9,961	82,794	74,626	24,158	50,468
Debt securities	37(l)	**13,759**	**-**	**13,759**	-	-	-	-	-	-
Subordinated liabilities	37(m)	**7,059**	**-**	**7,059**	684	-	684	875	-	875
Current tax liabilities		**2,872**	**1,719**	**1,153**	1,148	890	258	1,031	933	98
Post employee benefit liability		**-**	**-**	**-**	460	460	-	-	-	-
Other liabilities	37(n)	**13,552**	**12,467**	**1,085**	9,799	9,539	260	8,823	8,729	94
Total liabilities		**686,218**	**377,939**	**308,279**	597,764	341,325	256,439	562,245	321,191	241,054
Shareholder's equity										
Stated capital		**8,880**	**8,880**	**-**	8,880	8,880	-	8,880	8,880	-
Retained earnings		**56,625**	**56,625**	**-**	48,161	48,161	-	45,343	45,343	-
Other components of equity		**9,889**	**9,051**	**838**	9,712	9,155	557	9,073	8,575	498
Total equity		**75,394**	**74,556**	**838**	66,753	66,196	557	63,296	62,798	498
Total equity and liabilities		**761,612**	**452,495**	**309,117**	664,517	407,521	256,996	625,541	383,989	241,552
CONTINGENT LIABILITIES (NET)	37(o)	**121,559**	**31,361**	**90,198**	120,441	25,116	95,325	117,712	23,085	94,627

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of profit or loss for the year ended 30 June 2023

		2023			2022			2021		
		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(p)	**31,739**	**14,922**	**16,817**	16,470	10,079	6,391	15,628	9,815	5,813
Interest expense	37(q)	**(13,259)**	**(6,442)**	**(6,817)**	(2,537)	(1,106)	(1,431)	(1,938)	(1,031)	(907)
Net interest income		**18,480**	**8,480**	**10,000**	13,933	8,973	4,960	13,690	8,784	4,906
Fee and commission income	37(r)	**8,414**	**4,041**	**4,373**	7,233	3,272	3,961	4,934	2,345	2,589
Fee and commission expense	37(s)	**(2,570)**	**(1,323)**	**(1,247)**	(2,057)	(1,059)	(998)	(1,068)	(511)	(557)
Net fee and commission income		**5,844**	**2,718**	**3,126**	5,176	2,213	2,963	3,866	1,834	2,032
Profit arising from dealing in foreign currencies		**2,769**	**1,592**	**1,177**	1,717	1,347	370	1227	806	421
Net gain/(loss) from equity financial instruments carried at fair value through profit or loss		**564**	**-**	**564**	(291)	-	(291)	611	-	611
Net gain/(loss) from other financial instruments carried at fair value	37(t)	**280**	**233**	**47**	163	218	(55)	165	88	77
Dividend income	37(u)	**102**	**27**	**75**	79	23	56	36	27	9
Other operating income		**79**	**28**	**51**	77	31	46	148	19	129
		3,794	**1,880**	**1,914**	1,745	1,619	126	2,187	940	1,247
Operating income		**28,118**	**13,078**	**15,040**	20,854	12,805	8,049	19,743	11,558	8,185
Non-interest expense										
Salaries and human resource costs	37(v)	**(4,950)**	**(3,813)**	**(1,137)**	(4,143)	(3,538)	(605)	(3,834)	(3,172)	(662)
Depreciation of property, plant and equipment		**(523)**	**(470)**	**(53)**	(527)	(491)	(36)	(556)	(518)	(38)
Amortisation of intangible assets		**(593)**	**(506)**	**(87)**	(430)	(397)	(33)	(321)	(296)	(25)
Other	37(w)	**(3,176)**	**(2,776)**	**(400)**	(2,243)	(2,021)	(222)	(2,017)	(1,898)	(119)
		(9,242)	**(7,565)**	**(1,677)**	(7,343)	(6,447)	(896)	(6,728)	(5,884)	(844)
Operating profit before impairment		**18,876**	**5,513**	**13,363**	13,511	6,358	7,153	13,015	5,674	7,341
Net impairment of financial assets	37(x)	**(3,520)**	**1,042**	**(4,562)**	(3,392)	146	(3,538)	(4,601)	(1,286)	(3,315)
Operating profit		**15,356**	**6,555**	**8,801**	10,119	6,504	3,615	8,414	4,388	4,026
Share of profit of associates		**544**	**-**	**544**	475	-	475	337	-	337
Profit before tax		**15,900**	**6,555**	**9,345**	10,594	6,504	4,090	8,751	4,388	4,363
Income tax expense	37(y)	**(2,941)**	**(1,805)**	**(1,136)**	(1,646)	(1,388)	(258)	(1,355)	(1,258)	(97)
Profit for the year		**12,959**	**4,750**	**8,209**	8,948	5,116	3,832	7,396	3,130	4,266

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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of comprehensive income for the year ended 30 June 2023

	2023			2022			2021		
	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	**12,959**	**4,750**	**8,209**	8,948	5,116	3,832	7,396	3,130	4,266
Other comprehensive income/(expense):									
Items that will not be reclassified to profit or loss:									
Net fair value (loss)/gain on equity instruments	**(38)**	**(108)**	**70**	124	124	-	111	111	-
Reclassification adjustments on disposal of investments at fair value	**-**	**-**	**-**	-	-	-	(1)	(1)	-
Share of other comprehensive income of associates	**54**	**-**	**54**	24	-	24	-	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	**(224)**	**(224)**	**-**	(1,529)	(1,529)	-	2,108	2,108	-
	(208)	**(332)**	**124**	(1,381)	(1,405)	24	2,218	2,218	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations	**294**	**-**	**294**	(360)	-	(360)	576	-	576
Reclassification adjustments on disposal of investments at fair value	**-**	**-**	**-**	7	-	7	-	-	-
Net fair value (loss)/gain on debt instruments	**(79)**	**(2)**	**(77)**	(23)	(6)	(17)	(108)	2	(110)
	215	**(2)**	**217**	(376)	(6)	(370)	468	2	466
Other comprehensive income/(expense) for the year	**7**	**(334)**	**341**	(1,757)	(1,411)	(346)	2,686	2,220	466
Total comprehensive income for the year	**12,966**	**4,416**	**8,550**	7,191	3,705	3,486	10,082	5,350	4,732

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(a) Derivative financial instruments

	2023			2022			2021		
	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
(i) Fair value assets									
Currency forwards	**470**	**24**	**446**	244	139	105	143	69	74
Interest rate swaps	**266**	**8**	**258**	44	-	44	733	3	730
Currency swaps	**43**	**13**	**30**	123	61	62	158	26	132
Commodities	**63**	**-**	**63**	14	-	14	-	-	-
Others	**372**	**-**	**372**	13	-	13	1	-	1
	1,214	**45**	**1,169**	438	200	238	1,035	98	937
(ii) Fair value liabilities									
Currency forwards	**473**	**39**	**434**	255	110	145	98	46	52
Interest rate swaps	**627**	**10**	**617**	64	9	55	895	-	895
Currency swaps	**47**	**15**	**32**	164	44	120	413	152	261
Commodities	**63**	**-**	**63**	14	-	14	-	-	-
Others	**6**	**-**	**6**	-	-	-	-	-	-
	1,216	**64**	**1,152**	497	163	334	1,406	198	1,208

(b) Loans to and placements with banks

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
(i) Loans to and placements with banks									
in Mauritius	**-**	**-**	**-**	815	815	-	39	39	-
outside Mauritius	**77,917**	**-**	**77,917**	34,375	-	34,375	119,815	1,000	118,815
	77,917	**-**	**77,917**	35,190	815	34,375	119,854	1,039	118,815
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(63,037)**	**-**	**(63,037)**	(10,783)	(815)	(9,968)	(78,728)	(1,000)	(77,728)
	14,880	**-**	**14,880**	24,407	-	24,407	41,126	39	41,087
Less allowances for credit impairment	**(788)**	**-**	**(788)**	(473)	-	(473)	(257)	-	(257)
	14,092	**-**	**14,092**	23,934	-	23,934	40,869	39	40,830
(ii) Remaining term to maturity									
Up to 3 months	**-**	**-**	**-**	9,077	-	9,077	29,577	39	29,538
Over 3 months and up to 6 months	**8,278**	**-**	**8,278**	2,752	-	2,752	5,248	-	5,248
Over 6 months and up to 1 year	**2,139**	**-**	**2,139**	8,651	-	8,651	1,014	-	1,014
Over 1 year and up to 5 years	**-**	**-**	**-**	3,747	-	3,747	4,965	-	4,965
Over 5 years	**4,463**	**-**	**4,463**	180	-	180	322	-	322
	14,880	**-**	**14,880**	24,407	-	24,407	41,126	39	41,087

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

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 2022	**473**	**-**	**-**	**473**	**473**	**-**
Provision for credit impairment for the year	**657**	**-**	**-**	**657**	**657**	**-**
Provision released during the year	**(76)**	**-**	**-**	**(76)**	**(76)**	**-**
Financial assets that have been derecognised	**(257)**	**-**	**-**	**(257)**	**(257)**	**-**
Changes in models/risk parameters	**(9)**	**-**	**-**	**(9)**	**(9)**	**-**
Provision and interest in suspense at 30 June 2023	**788**	**-**	**-**	**788**	**788**	**-**
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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers

	2023			2022			2021		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Retail customers:									
Credit cards	**979**	**954**	**25**	912	896	16	821	804	17
Mortgages	**37,332**	**36,053**	**1,279**	34,336	33,162	1,174	32,177	31,020	1,157
Other retail loans	**9,976**	**9,254**	**722**	9,260	8,487	773	10,118	9,280	838
Corporate customers	**132,670**	**113,392**	**19,278**	120,129	104,879	15,250	123,015	105,708	17,307
Governments	**-**	**-**	**-**	-	-	-	244	-	244
Entities outside Mauritius	**164,981**	**-**	**164,981**	153,883	-	153,883	103,395	-	103,395
	345,938	**159,653**	**186,285**	318,520	147,424	171,096	269,770	146,812	122,958
Less:									
Allowances for credit impairment	**(16,288)**	**(3,801)**	**(12,487)**	(11,872)	(4,547)	(7,325)	(13,020)	(6,498)	(6,522)
	329,650	**155,852**	**173,798**	306,648	142,877	163,771	256,750	140,314	116,436

(i) Remaining term to maturity

Up to 3 months	**129,433**	**38,314**	**91,119**	127,589	37,117	90,472	81,354	40,541	40,813
Over 3 months and up to 6 months	**20,469**	**12,562**	**7,907**	13,672	3,998	9,674	4,856	3,717	1,139
Over 6 months and up to 1 year	**12,948**	**5,521**	**7,427**	7,731	3,448	4,283	15,557	4,348	11,209
Over 1 year and up to 5 years	**86,342**	**23,296**	**63,046**	84,709	28,643	56,066	78,673	23,340	55,333
Over 5 years	**96,746**	**79,960**	**16,786**	84,819	74,218	10,601	89,330	74,866	14,464
	345,938	**159,653**	**186,285**	318,520	147,424	171,096	269,770	146,812	122,958

(ii) Credit concentration of risk by industry sectors

Agriculture and fishing	**481**	**481**	**-**	715	715	-	5,115	5,115	-
Manufacturing	**7,562**	**7,562**	**-**	9,682	702	8,980	909	909	-
Tourism	**12,401**	**10,787**	**1,614**	18,145	14,286	3,859	17,818	14,074	3,744
Transport	**2,504**	**87**	**2,417**	195	103	92	9,046	16	9,030
Construction	**6,993**	**6,993**	**-**	6,361	6,361	-	11,223	11,223	-
Financial and business services	**13,683**	**13,683**	**-**	9,308	9,308	-	64,024	9,544	54,480
Traders	**216,036**	**9,609**	**206,427**	261,203	14,657	246,546	99,865	3,293	96,572
of which Petroleum & Energy products	***189,045***	***33***	***189,012***	*225,849*	-	*225,849*	*90,147*	-	*90,147*
Global Business Licence holders	**8,144**	**-**	**8,144**	9,626	-	9,626	10,217	-	10,217
Others	**8,218**	**907**	**7,311**	8,803	803	8,000	8,961	906	8,055
	276,022	**50,109**	**225,913**	324,038	46,935	277,103	227,178	45,080	182,098

Notes to the financial statements
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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 2022	**10,609**	**4,111**	**1,892**	**1,438**	**781**	**6,498**	**1,356**	**1,601**	**3,541**
Exchange adjustment	82	-	-	-	-	82	-	-	82
Transfer to 12 months ECL	-	(3)	243	(180)	(66)	3	32	(27)	(2)
Transfer to lifetime ECL not credit impaired	-	-	(35)	49	(14)	-	(16)	650	(634)
Transfer to lifetime ECL credit impaired	-	-	(6)	(12)	18	-	(30)	(86)	116
Provision for credit impairment for the year	8,368	2,084	482	1,116	486	6,284	1,174	1,035	4,075
Provision released during the year	(3,471)	(2,178)	(1,319)	(686)	(173)	(1,293)	(521)	(758)	(14)
Financial assets that have been derecognised	(1,036)	(351)	(217)	(57)	(77)	(685)	(346)	(240)	(99)
Write offs	(195)	(187)	-	-	(187)	(8)	-	-	(8)
Changes in models/risk parameters	(184)	(87)	(82)	(5)	-	(97)	(91)	(6)	-
Provision at 30 June 2023	**14,173**	**3,389**	**958**	**1,663**	**768**	**10,784**	**1,558**	**2,169**	**7,057**
Interest in suspense	2,115	412	-	-	412	1,703	-	-	1,703
Provision and interest in suspense at 30 June 2023	**16,288**	**3,801**	**958**	**1,663**	**1,180**	**12,487**	**1,558**	**2,169**	**8,760**
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

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

	2023					
	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	7,097	15	92	99	7	198
Manufacturing	9,416	41	54	164	21	239
Tourism	19,860	27	241	420	14	675
Transport	2,585	11	23	12	7	42
Construction	9,518	58	78	105	28	211
Financial and business services	37,774	277	139	224	204	567
Traders	21,259	717	169	52	468	689
of which Petroleum & Energy products	*331*	-	*5*	-	-	*5*
Personal	46,248	809	102	45	336	483
of which credit cards	*934*	*29*	*9*	*2*	*26*	*37*
of which housing	*36,053*	*475*	*46*	*20*	*160*	*226*
Professional	295	11	4	1	4	9
Global Business Licence holders	-	-	-	-	-	-
Others	5,601	261	56	540	92	688
Of which Energy and Commodities Asset Backed financing	-	-	-	-	-	-
	159,653	2,227	958	1,662	1,181	3,801
SEGMENT B						
Agriculture and fishing	1,053	618	1	67	897	965
Manufacturing	3,394	-	82	-	1	83
Tourism	8,955	434	136	969	430	1,535
Transport	4,829	-	76	-	-	76
Construction	3,357	-	29	-	-	29
Financial and business services	15,338	13	302	1	12	315
Traders	94,305	2	359	823	2	1,184
of which Petroleum & Energy products	*92,893*	-	*317*	*823*	-	*1,140*
Personal	2,026	40	22	19	21	62
of which credit cards	*25*	*1*	-	*1*	*1*	*2*
of which housing	*1,279*	*36*	*1*	*2*	*18*	*21*
Professional	-	-	-	-	-	-
Global Business Licence holders	23,849	7,285	44	63	6,595	6,702
Others	29,179	1,175	507	228	801	1,536
Of which Energy and Commodities Asset Backed financing	*17,126*	*890*	*74*	*89*	*746*	*909*
	186,285	9,567	1,558	2,170	8,759	12,487
TOTAL						
Agriculture and fishing	8,150	633	93	166	904	1,163
Manufacturing	12,810	41	136	164	22	322
Tourism	28,815	461	377	1,389	444	2,210
Transport	7,414	11	99	12	7	118
Construction	12,875	58	107	105	28	240
Financial and business services	53,112	290	441	225	216	882
Traders	115,564	719	528	875	470	1,873
of which Petroleum & Energy products	*93,224*	-	*322*	*823*	-	*1,145*
Personal	48,274	849	124	64	357	545
of which credit cards	*959*	*30*	*9*	*3*	*27*	*39*
of which housing	*37,332*	*511*	*47*	*22*	*178*	*247*
Professional	295	11	4	1	4	9
Global Business Licence holders	23,849	7,285	44	63	6,595	6,702
Others	34,780	1,436	563	768	893	2,224
Of which Energy and Commodities Asset Backed financing	*17,126*	*890*	*74*	*89*	*746*	*909*
	345,938	11,794	2,516	3,832	9,940	16,288

*Non performing loans exclude interest in suspense.

Notes to the financial statements

for the year ended 30 June 2023

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)

	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
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
of which Petroleum & Energy products	*389*	*16*	*11*	*1*	*16*	*28*
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
Global Business Licence holders	-	-	-	-	-	-
Others	12,994	113	90	326	80	496
Of which Energy and Commodities Asset Backed financing	-	-	-	-	-	-
	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
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	89,841	842	177	189	640	1,006
of which Petroleum & Energy products	*89,476*	*840*	*162*	*189*	*638*	*989*
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
Global Business Licence holders	16,175	7,414	142	25	3,080	3,247
Others	28,624	878	392	457	193	1,042
Of which Energy and Commodities Asset Backed financing	*16,041*	*807*	*97*	*168*	*183*	*448*
	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
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	107,002	1,062	482	215	751	1,448
of which Petroleum & Energy products	*89,865*	*856*	*173*	*190*	*654*	*1,017*
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	41,618	991	482	783	273	1,538
Of which Energy and Commodities Asset Backed financing	*16,041*	*807*	*97*	*168*	*183*	*448*
	318,520	12,384	3,248	3,039	5,585	11,872

*Non performing loans exclude 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
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
of which Petroleum & Energy products	*595*	*254*	*6*	*1*	*210*	*217*
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
Global Business Licence holders	-	-	-	-	-	-
Others	4,774	69	57	420	36	513
Of which Energy and Commodities Asset Backed financing	-	-	-	-	-	-
	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
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	30,988	1,016	180	461	878	1,519
of which Petroleum & Energy products	*30,899*	*1,015*	*176*	*460*	*876*	*1,512*
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
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	22,618	129	137	169	6	312
Of which Energy and Commodities Asset Backed financing	*12,597*	-	*24*	*40*	-	*64*
	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
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	50,673	1,653	402	515	1,267	2,184
of which Petroleum & Energy products	*31,494*	*1,269*	*182*	*461*	*1,086*	*1,729*
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
Global Business Licence holders	19,770	1,809	208	1,216	568	1,992
Others	27,392	198	194	589	42	825
Of which Energy and Commodities Asset Backed financing	*12,597*	-	*24*	*40*	-	*64*
	269,770	9,769	2,677	4,713	5,630	13,020

*Non performing loans exclude interest in suspense.

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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities

	2023			2022			2021		
	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
Investment in debt securities at amortised cost	**241,387**	**145,078**	**96,309**	216,503	156,182	60,321	155,282	125,538	29,744
Less:									
Allowances for credit impairment on investment in debt securities at amortised cost	**(415)**	**(210)**	**(205)**	(357)	(294)	(63)	(358)	(337)	(21)
	240,972	**144,868**	**96,104**	216,146	155,888	60,258	154,924	125,201	29,723
Investment in debt and equity securities at:									
Fair value through other comprehensive income	**1,936**	**1,202**	**734**	3,567	1,262	2,305	7,914	1,752	6,162
Fair value through profit or loss	**4,497**	**1,385**	**3,112**	3,110	698	2,412	20,722	18,018	2,704
	247,405	**147,455**	**99,950**	222,823	157,848	64,975	183,560	144,971	38,589

As at 30 June 2023 and 2022, there were no credit impaired investments fair valued through other comprehensive income. (Credit Impaired 2021:Rs101M/Provisions Rs 11M); 12 months expected credit loss - 2021: Rs 8M).

(i)

	2023			2022			2021		
	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
Investment in debt securities at amortised cost									
Government of Mauritius & Bank of Mauritius bonds	**106,753**	**106,753**	**-**	111,658	111,658	-	103,843	103,843	-
Treasury bills	**33,446**	**9,912**	**23,534**	20,809	16,327	4,482	7,415	167	7,248
Foreign Bonds	**72,775**	**-**	**72,775**	55,839	-	55,839	22,000	-	22,000
Notes	**28,019**	**28,019**	**-**	27,813	27,813	-	21,643	21,147	496
Index linked note	**394**	**394**	**-**	384	384	-	381	381	-
	241,387	**145,078**	**96,309**	216,503	156,182	60,321	155,282	125,538	29,744

Allowances for credit impairment on investment in debt securities at amortised cost

		Segment A		Segment B	
	TOTAL	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)
	RS'M	RS'M	RS'M	RS'M	RS'M
At 1 July 2022	**357**	**294**	**-**	**63**	**-**
Transfer to lifetime ECL not credit impaired	**-**	**-**	**-**	**(5)**	**5**
Provision for credit impairment for the year	**370**	**173**	**-**	**135**	**62**
Provision released during the year	**(123)**	**(120)**	**-**	**-**	**(3)**
Financial assets that have been derecognised	**(31)**	**(31)**	**-**	**-**	**-**
Changes in models/risk parameters	**(158)**	**(106)**	**-**	**(53)**	**1**
At 30 June 2023	**415**	**210**	**-**	**140**	**65**
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	-

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(ii) Investment in debt and equity securities measured at fair value through other comprehensive income by levels

	2023			2022		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Quoted - Level 1						
Official list: shares (equity instrument)	**861**	**861**	**-**	961	961	-
Bonds (debt instrument)	**125**	**124**	**1**	1,662	103	1,559
	986	**985**	**1**	2,623	1,064	1,559
Unquoted - Level 2						
Investment fund (debt instrument)	**590**	**-**	**590**	675	-	675
Unquoted - Level 3						
Shares (equity instrument)	**360**	**217**	**143**	269	198	71
	1,936	**1,202**	**734**	3,567	1,262	2,305

	2021		
	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M
Quoted - Level 1			
Official list: shares (equity instrument)	797	797	-
Bonds (debt instrument)	6,182	726	5,456
	6,979	1,523	5,456
Unquoted - Level 2			
Investment fund (debt instrument)	677	-	677
Unquoted - Level 3			
Shares (equity instrument)	258	229	29
	7,914	1,752	6,162

Notes to the financial statements

for the year ended 30 June 2023

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(iii) Investment in debt and equity securities measured at fair value through profit or loss by levels

	2023			2022		
	TOTAL	Segment A	Segment B	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Quoted - Level 1						
Foreign bonds (debt instrument)	**136**	**-**	**136**	-	-	-
Foreign shares (equity instrument)	**2,976**	**-**	**2,976**	2,412	-	2,412
	3,112	**-**	**3,112**	2,412	-	2,412
Unquoted - Level 2						
Government of Mauritius & Bank of Mauritius bonds (debt instrument)	**1,021**	**1,021**	**-**	196	196	-
Treasury bills (debt instrument)	**364**	**364**	**-**	502	502	-
	1,385	**1,385**	**-**	698	698	-
	4,497	**1,385**	**3,112**	3,110	698	2,412

	2021		
	TOTAL	Segment A	Segment B
	RS'M	RS'M	RS'M
Quoted - Level 1			
Foreign bonds (debt instrument)	1	-	1
Foreign shares (equity instrument)	2,703	-	2,703
	2,704	-	2,704
Unquoted - Level 2			
Government of Mauritius & Bank of Mauritius bonds (debt instrument)	1,251	1,251	-
Treasury bills (debt instrument)	16,767	16,767	-
	18,018	18,018	-
	20,722	18,018	2,704

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:

	Country of incorporation	Holding %	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
			RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
The Mauritius Commercial Bank (Madagascar) S.A	**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, S.A	Mozambique	35.00

Movements in investments in associates

	SEGMENT B			
	BFCOI	SG Moçambique	Subordinated loan to BFCOI	TOTAL
	RS'M	RS'M	RS'M	RS'M
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**
Share of profit of associates	**489**	**55**	**-**	**544**
Exchange differences on translating foreign operations	**287**	**7**	**-**	**294**
Share of other movements in associates	**54**	**-**	**-**	**54**
Dividend received from associates	**(410)**	**-**	**-**	**(410)**
Adjustments	**-**	**3**	**30**	**33**
At 30 June 2023	**4,913**	**628**	**543**	**6,084**

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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 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**
Additions	**13**	**895**	**908**
Adjustment	**675**	**-**	**675**
Transfer	**1,172**	**(1,172)**	**-**
At 30 June 2023	**4,333**	**237**	**4,570**
Accumulated Amortisation			
At 1 July 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**
Charge for the year	**593**	**-**	**593**
Adjustment	**675**	**-**	**675**
At 30 June 2023	**2,359**	**-**	**2,359**
Net book value - Segment A			
At 30 June 2023	**1,974**	**237**	**2,211**
At 30 June 2022	1,382	514	1,896
At 30 June 2021	996	466	1,462

Intangible assets are classified as non-current assets.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(g) 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 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**
Additions	**14**	**273**	**20**	**178**	**132**	**617**
Scrap	**-**	**(78)**	**(1)**	**-**	**-**	**(79)**
Disposals	**-**	**(4)**	**(16)**	**-**	**-**	**(20)**
Adjustment on re-measurement	**-**	**-**	**-**	**-**	**(39)**	**(39)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Transfer	**40**	**72**	**31**	**(143)**	**-**	**-**
At 30 June 2023	**4,832**	**3,887**	**973**	**183**	**419**	**10,294**
Accumulated depreciation						
At 1 July 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**
Charge for the year	**81**	**324**	**58**	**-**	**60**	**523**
Scrap adjustment	**-**	**(78)**	**-**	**-**	**-**	**(78)**
Adjustment	**-**	**105**	**-**	**-**	**-**	**105**
Disposal adjustment	**-**	**(4)**	**(14)**	**-**	**-**	**(18)**
At 30 June 2023	**1,247**	**3,136**	**680**	**-**	**228**	**5,291**
Net book values - Segment A						
At 30 June 2023	**3,585**	**751**	**293**	**183**	**191**	**5,003**
At 30 June 2022	3,612	730	303	148	158	4,951
At 30 June 2021	3,629	973	324	149	136	5,211

Property, plant and equipment are classified as non-current assets.
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 5 years. Moreover, the Bank does not have the possibility of acquiring the asset at the end of the lease.

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37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(h) Other assets

	2023			2022			2021		
	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
Mandatory balances with Central Bank	**30,639**	**30,639**	**-**	24,146	24,146	-	21,990	21,990	-
Prepayments and other receivables	**1,939**	**1,499**	**440**	1,880	1,238	642	1,126	993	133
Credit card clearing	**1,162**	**1,162**	**-**	490	490	-	152	152	-
Non-banking assets acquired in satisfaction of debts*	**104**	**104**	**-**	101	101	-	79	79	-
Impersonal & other accounts	**5,217**	**1,511**	**3,706**	5,125	1,286	3,839	3,808	989	2,819
	39,061	**34,915**	**4,146**	31,742	27,261	4,481	27,155	24,203	2,952

* 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'.
Management has assessed the impact of ECLs on the balances as immaterial.

(i) Deposits from banks

	2023			2022			2021		
	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
Demand deposits	**7,795**	**240**	**7,555**	5,205	254	4,951	16,955	223	16,732
Money market deposits with remaining term to maturity:									
Up to 3 months	**2,870**	**-**	**2,870**	4,271	-	4,271	2,570	-	2,570
Over 3 months and up to 6 months	**3,893**	**-**	**3,893**	-	-	-	1,663	-	1,663
Over 6 months and up to 1 year	**1,150**	**-**	**1,150**	1,799	-	1,799	427	-	427
Over 1 year and up to 5 years	**44**	**-**	**44**	43	-	43	41	-	41
	7,957	**-**	**7,957**	6,113	-	6,113	4,701	-	4,701
	15,752	**240**	**15,512**	11,318	254	11,064	21,656	223	21,433
Deposits from banks can be classified as:									
Current	**15,708**	**240**	**15,468**	11,275	254	11,021	21,615	223	21,392
Non-current	**44**	**-**	**44**	43	-	43	41	-	41

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(j) Deposits from customers

	2023			2022			2021		
	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
(i) Retail customers									
Demand deposits	**49,119**	**33,385**	**15,734**	52,473	34,461	18,012	46,602	29,420	17,182
Savings deposits	**195,731**	**184,940**	**10,791**	185,371	175,279	10,092	169,830	160,437	9,393
Time deposits with remaining term to maturity:									
Up to 3 months	**6,410**	**4,827**	**1,583**	2,487	1,984	503	3,419	2,636	783
Over 3 months and up to 6 months	**3,803**	**2,851**	**952**	1,679	1,313	366	1,673	1,294	379
Over 6 months and up to 1 year	**6,445**	**4,702**	**1,743**	3,490	2,988	502	3,302	2,845	457
Over 1 year and up to 5 years	**12,069**	**9,789**	**2,280**	9,760	8,734	1,026	9,320	8,495	825
Over 5 years	**30**	**22**	**8**	6	5	1	8	7	1
	28,757	**22,191**	**6,566**	17,422	15,024	2,398	17,722	15,277	2,445
	273,607	**240,516**	**33,091**	255,266	224,764	30,502	234,154	205,134	29,020
(ii) Corporate customers									
Demand deposits	**205,448**	**83,899**	**121,549**	200,862	83,559	117,303	193,036	67,625	125,411
Savings deposits	**5,452**	**5,420**	**32**	5,342	5,339	3	6,145	6,138	7
Time deposits with remaining term to maturity:									
Up to 3 months	**33,943**	**7,428**	**26,515**	11,903	2,892	9,011	12,598	4,124	8,474
Over 3 months and up to 6 months	**7,662**	**3,441**	**4,221**	2,640	1,004	1,636	2,315	637	1,678
Over 6 months and up to 1 year	**13,613**	**1,892**	**11,721**	3,354	1,102	2,252	4,131	2,091	2,040
Over 1 year and up to 5 years	**7,710**	**1,962**	**5,748**	1,631	1,293	338	1,326	1,078	248
Over 5 years	**-**	**-**	**-**	1	1	-	-	-	-
	62,928	**14,723**	**48,205**	19,529	6,292	13,237	20,370	7,930	12,440
	273,828	**104,042**	**169,786**	225,733	95,190	130,543	219,551	81,693	137,858
(iii) Government									
Demand deposits	**95**	**95**	**-**	45	45	-	54	54	-
Savings deposits	**56**	**56**	**-**	59	59	-	69	69	-
	151	**151**	**-**	104	104	-	123	123	-
	547,586	**344,709**	**202,877**	481,103	320,058	161,045	453,828	286,950	166,878

Deposits from customers can be classified as:

Current	**527,777**	**332,936**	**194,841**	469,705	310,025	159,680	443,174	277,370	165,804
Non-current	**19,809**	**11,773**	**8,036**	11,398	10,033	1,365	10,654	9,580	1,074

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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(k) Other borrowed funds

(i) Other borrowed funds comprise the following:

	2023			2022			2021		
	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
Borrowings from banks:									
in Mauritius	**18,740**	**18,740**	**-**	9,961	9,961	-	24,158	24,158	-
abroad	**65,682**	**-**	**65,682**	82,794	-	82,794	50,468	-	50,468
	84,422	**18,740**	**65,682**	92,755	9,961	82,794	74,626	24,158	50,468

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

(ii) Remaining term to maturity:									
On demand or within a period not exceeding 1 year	**37,705**	**14,104**	**23,601**	24,181	3,207	20,974	43,844	15,611	28,233
Within a period of more than 1 year but not exceeding 3 years	**41,800**	**4,636**	**37,164**	57,962	6,754	51,208	17,154	8,547	8,607
Within a period of more than 3 years	**4,917**	**-**	**4,917**	10,612	-	10,612	13,628	-	13,628
	84,422	**18,740**	**65,682**	92,755	9,961	82,794	74,626	24,158	50,468

(l) Debt securities

Senior unsecured notes			
5-year senior unsecured notes maturing in 2028 at a fixed coupon rate of 7.95%	**13,506**	**-**	**13,506**
Exchange adjustments and others	**253**	**-**	**253**
	13,759	**-**	**13,759**

(m) Subordinated liability

USD 30M subordinated debt maturing in August 2023 at an average interest rate of 6.1% (2022 and 2021: 3.5%)	**684**	**-**	**684**	875	-	875	1,013	-	1,013
Repayment of USD 9M during the year (2022: USD 5.3M, 2021: USD 4.5M)	**(404)**	**-**	**(404)**	(225)	-	(225)	(179)	-	(179)
USD 147M floating rate unsecured Tier 2 notes maturing on 30 March 2033 at an average interest rate of 8.6%	**6,689**	**-**	**6,689**	-	-	-	-	-	-
Exchange adjustments and others	**90**	**-**	**90**	34	-	34	41	-	41
	7,059	**-**	**7,059**	684	-	684	875	-	875

(n) Other liabilities

Allowances for credit impairment on off balance sheet exposures	**459**	**275**	**184**	484	283	201	389	312	77
Lease liabilities	**200**	**200**	**-**	163	163	-	139	139	-
Impersonal, other accounts and deferred income	**10,593**	**9,692**	**901**	7,618	7,559	59	6,295	6,278	17
Proposed dividend	**2,300**	**2,300**	**-**	1,534	1,534	-	2,000	2,000	-
	13,552	**12,467**	**1,085**	9,799	9,539	260	8,823	8,729	94

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(o) Contingent liabilities

	2023			2022			2021		
	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
(i) Instruments									
Guarantees on account of customers	**51,287**	**23,689**	**27,598**	60,460	16,959	43,501	71,930	17,282	54,648
Letters of credit and other obligations on account of customers (net)	**56,528**	**3,005**	**53,523**	46,320	3,394	42,926	38,028	1,160	36,868
Other contingent items (net)	**1,473**	**-**	**1,473**	3,537	-	3,537	2,539	57	2,482
	109,288	**26,694**	**82,594**	110,317	20,353	89,964	112,497	18,499	93,998
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	**12,260**	**4,656**	**7,604**	10,124	4,763	5,361	5,215	4,586	629
(iii) Tax assessments	**11**	**11**	**-**	-	-	-	-	-	-
	121,559	**31,361**	**90,198**	120,441	25,116	95,325	117,712	23,085	94,627

(p) Interest income using the effective interest method

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Loans to and placements with banks	**3,620**	**309**	**3,311**	649	7	642	577	168	409
Loans and advances to customers	**20,882**	**8,982**	**11,900**	11,375	5,905	5,470	11,061	5,780	5,281
Investments at amortised cost	**7,199**	**5,605**	**1,594**	4,411	4,151	260	3,891	3,845	46
Investments at fair value through other comprehensive income	**38**	**26**	**12**	35	16	19	99	22	77
	31,739	**14,922**	**16,817**	16,470	10,079	6,391	15,628	9,815	5,813

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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(q) Interest expense

	2023			2022			2021		
	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
Deposits from banks	**269**	**-**	**269**	20	-	20	16	-	16
Deposits from customers	**8,093**	**5,309**	**2,784**	948	867	81	883	732	151
Debt securities	**192**	**-**	**192**	-	-	-	-	-	-
Subordinated liabilies	**177**	**-**	**177**	26	-	26	31	-	31
Other borrowed funds	**4,511**	**1,116**	**3,395**	1,536	232	1,304	1,002	293	709
Leases	**17**	**17**	**-**	7	7	-	6	6	-
	13,259	**6,442**	**6,817**	2,537	1,106	1,431	1,938	1,031	907

(r) Fee and commission income

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Cards and other related fees	**3,697**	**2,439**	**1,258**	2,930	1,991	939	1,686	1,181	505
Trade finance fees	**1,283**	**164**	**1,119**	1,417	96	1,321	997	122	875
Transaction fees	**1,220**	**753**	**467**	1,043	591	452	925	533	392
Guarantee fees	**1,319**	**216**	**1,103**	943	196	747	381	160	221
Loan related	**484**	**242**	**242**	459	204	255	368	165	203
Private banking and wealth management fees	**391**	**221**	**170**	423	190	233	497	171	326
Others	**20**	**6**	**14**	18	4	14	80	13	67
	8,414	**4,041**	**4,373**	7,233	3,272	3,961	4,934	2,345	2,589

(s) Fee and commission expense

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Cards and other related fees	**2,166**	**1,322**	**844**	1,655	1,059	596	786	510	276
Loan related and trade finance fees	**379**	**-**	**379**	377	-	377	258	-	258
Transaction fees	**25**	**1**	**24**	25	-	25	24	1	23
	2,570	**1,323**	**1,247**	2,057	1,059	998	1,068	511	557

(t) Net gain/(loss) from other financial instruments carried at fair value

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Net gain/(loss) from derivative financial instruments fair valued through profit or loss	**55**	**25**	**30**	243	(9)	252	168	1	167
Net gain from investment securities fair valued through profit or loss	**209**	**207**	**2**	254	225	29	110	87	23
Net loss from investment securities fair valued through other comprehensive income	**-**	**-**	**-**	(337)	-	(337)	(113)	-	(113)
Net gain from other investment securities	**16**	**1**	**15**	3	2	1	-	-	-
	280	**233**	**47**	163	218	(55)	165	88	77

(u) Dividend income

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Quoted investments FVOCI	**24**	**24**	**-**	23	23	-	14	14	-
Quoted investments FVPL	**22**	**-**	**22**	11	-	11	9	-	9
Unquoted investments FVOCI	**25**	**3**	**22**	2	-	2	13	13	-
Subsidiary	**31**	**-**	**31**	43	-	43	-	-	-
	102	**27**	**75**	79	23	56	36	27	9

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(v) Salaries and human resource costs

	2023			2022			2021		
	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
Wages and salaries	**3,306**	**2,599**	**707**	2,722	2,341	381	2,529	2,109	420
Defined benefit plan	**195**	**113**	**82**	118	76	42	223	179	44
Defined contribution plan	**218**	**131**	**87**	118	76	42	102	94	8
Residual retirement gratuities	**48**	**47**	**1**	14	14	-	13	13	-
Compulsory social security obligations	**147**	**117**	**30**	136	116	20	107	91	16
Equity settled share-based payments	**4**	**4**	**-**	16	16	-	7	7	-
Other personnel expenses	**1,032**	**802**	**230**	1,019	899	120	853	679	174
	4,950	**3,813**	**1,137**	4,143	3,538	605	3,834	3,172	662

(w) Other non-interest expense

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Legal and professional fees	**634**	**435**	**199**	392	252	140	398	314	84
Rent, repairs, maintenance and security costs	**407**	**366**	**41**	342	322	20	358	336	22
Software licensing and other information technology costs	**932**	**910**	**22**	609	599	10	544	518	26
Electricity,water and telephone charges	**319**	**279**	**40**	283	253	30	265	238	27
Advertising, marketing costs and sponsoring	**227**	**140**	**87**	131	97	34	79	66	13
Postage, courier and stationery costs	**197**	**181**	**16**	199	186	13	156	144	12
Insurance costs	**187**	**164**	**23**	159	145	14	129	118	11
Others	**273**	**301**	**(28)**	128	167	(39)	88	164	(76)
of which short term leases	***21***	***21***	**-**	*8*	*8*	-	*3*	*3*	-
of which low value leases	**-**	**-**	**-**	-	-	-	*6*	*6*	-
of which variable leases	**-**	**-**	**-**	*14*	*14*	-	*10*	*10*	-
	3,176	**2,776**	**400**	2,243	2,021	222	2,017	1,898	119

(x) Net impairment of financial assets

The impairment charge related to the Statement of Profit or Loss:

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Allowance for credit impairment:									
Cash and cash equivalent	**(6)**	**(11)**	**5**	(17)	9	(26)	41	5	36
Loans and advances	**3,494**	**(939)**	**4,433**	3,239	(77)	3,316	4,408	1,138	3,270
Investment securities:									
Amortised cost	**58**	**(84)**	**142**	(1)	(43)	42	(1)	(13)	12
Fair value through other comprehensive income	**(1)**	**(1)**	**-**	76	(6)	82	(1)	(2)	1
Off balance sheet exposures	**(25)**	**(7)**	**(18)**	95	(29)	124	154	158	(4)
	3,520	**(1,042)**	**4,562**	3,392	(146)	3,538	4,601	1,286	3,315

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

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(y) Income tax expense

	2023			2022			2021		
	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
Current tax expense									
Current year	**3,241**	**1,431**	**1,810**	2,024	1,277	747	1,848	1,332	516
Under/(Over) provision in previous years	**1**	**1**	**-**	(1)	5	(6)	-	1	(1)
	3,242	**1,432**	**1,810**	2,023	1,282	741	1,848	1,333	515
Deferred tax	**(590)**	**100**	**(690)**	(377)	106	(483)	(493)	(75)	(418)
Effect of change in tax rate	**289**	**273**	**16**	-	-	-	-	-	-
Charge for the year	**2,941**	**1,805**	**1,136**	1,646	1,388	258	1,355	1,258	97

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Profit before tax:	**15,900**	**6,489**	**9,411**	10,594	6,504	4,090	8,751	4,388	4,363
Less share of profit of associates	**(544)**	**-**	**(544)**	(475)	-	(475)	(337)	-	(337)
	15,356	**6,489**	**8,867**	10,119	6,504	3,615	8,414	4,388	4,026
Tax calculated at applicable tax rates of 15%/5%	**2,185**	**604**	**1,581**	1,108	479	629	1,027	579	448
Effect of change in tax rate	**289**	**273**	**16**	-	-	-	-	-	-
Impact of:									
Income not subject to tax	**(1,153)**	**(58)**	**(1,095)**	(471)	52	(523)	(570)	(118)	(452)
Expenses not deductible for tax purposes	**882**	**248**	**634**	278	120	158	235	133	102
Tax credits	**(6)**	**(6)**	**-**	(6)	(6)	-	-	-	-
Special levy on banks	**645**	**645**	**-**	624	624	-	556	556	-
Corporate social responsibility contribution	**98**	**98**	**-**	114	114	-	107	107	-
Under/(Over) provision in previous years	**1**	**1**	**-**	(1)	5	(6)	-	1	(1)
Tax charge	**2,941**	**1,805**	**1,136**	1,646	1,388	258	1,355	1,258	97

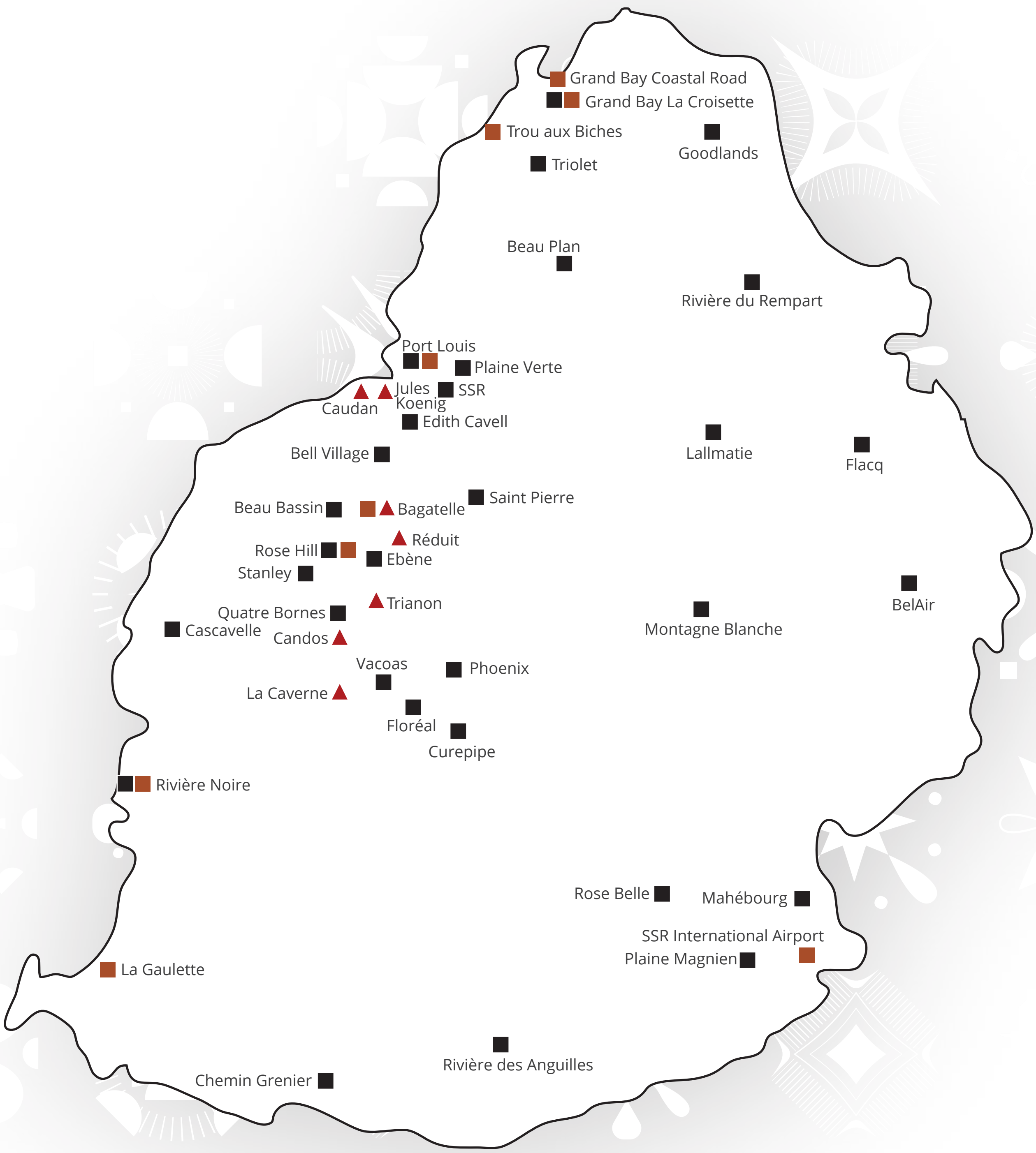
The tax (credit)/charge related to statement of comprehensive income is as follows:

	2023 TOTAL	2023 Segment A	2023 Segment B	2022 TOTAL	2022 Segment A	2022 Segment B	2021 TOTAL	2021 Segment A	2021 Segment B
Remeasurement of defined benefit pension plan and retirement residual gratuities	**263**	**263**	**-**	1,758	1,758	-	(2,423)	(2,423)	-
Deferred tax (credit)/charge	**(39)**	**(39)**	**-**	(229)	(229)	-	315	315	-
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**224**	**224**	**-**	1,529	1,529	-	(2,108)	(2,108)	-

Administrative information

Local branch network

Mauritius



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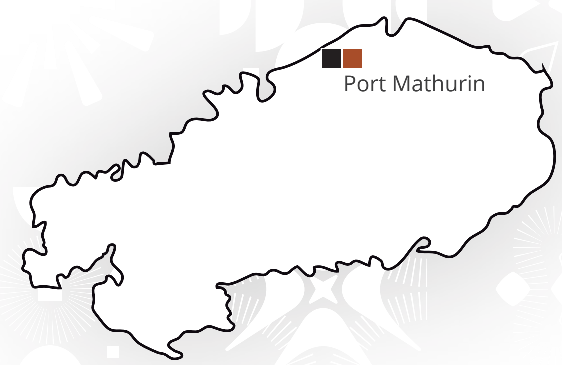

- Branches
- Bureaux de change/Forex ATMs
- Bank kiosks