MCB GROUP

ANNUAL REPORT 2024

ONLINE INVESTOR CENTRE

Easy access to up-to-date information

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

Post queries online in the ‘Investor Enquiry’ section

SCAN ME

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

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

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

Dear Shareholder,

The Directors of MCB Group Limited are pleased to present its Annual Report for the year ended 30 June 2024.

The Annual Report was approved by the Board of Directors on 27 September 2024.

M G Didier HAREL
Chairperson

Jean Michel NG TSEUNG
Group Chief Executive

FAREWELL PIERRE GUY & THANK YOU

It is with profound sadness that we learnt of the passing of our former Group CEO, Pierre Guy Noël, on 27th December 2023. Pierre Guy was more than just a visionary leader; he was the heart and soul of our organisation, a staunch believer in the power of human capital. Over his remarkable 27-year tenure, he led our Group through a period of profound transformation, leaving behind a legacy that will continue to inspire us for generations.

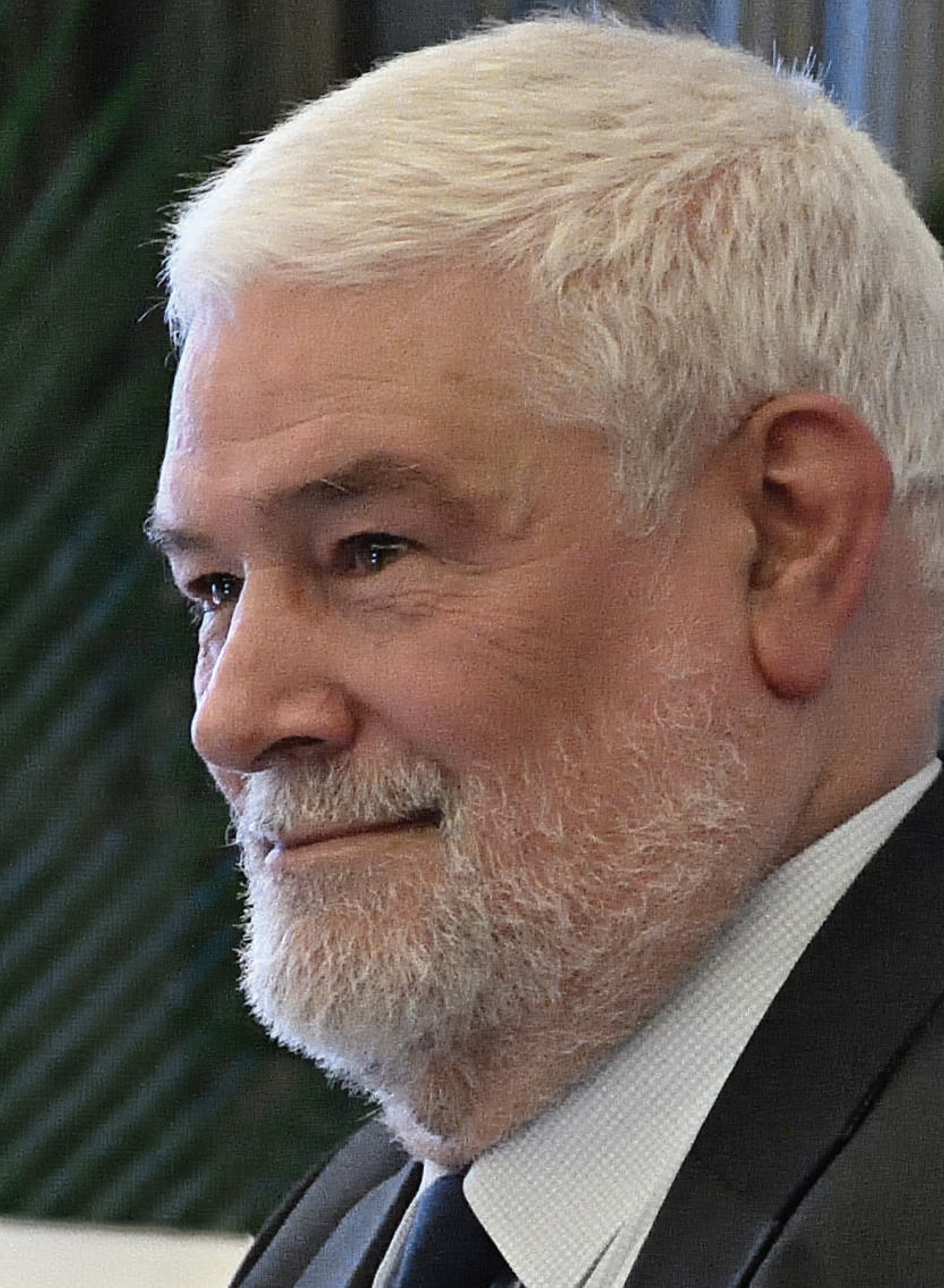
Under his guidance, Pierre Guy masterfully planned and implemented the diversification and internationalisation of our banking and non-banking activities. His forward-thinking approach and unwavering commitment to excellence positioned our Group for sustained growth and ensured that we are well-equipped to meet future challenges. His vision was not just about growth but about creating a more resilient organisation that would stand the test of time for our customers' and staff's betterment.

But beyond his professional achievements, Pierre Guy will be remembered for his deep humanity. He was a leader who always put his staff and clients first, understanding that the true strength of any organisation lies in its people. He took the time to listen, support, and nurture those around him, fostering a culture of respect, collaboration, and shared success. His kindness, empathy, and genuine concern for the well-being of others made him not just a leader but a mentor and a friend to many, irrespective of their position in the organisation.

Pierre Guy Noël joined MCB on June 3, 1992, bringing with him a wealth of experience from his decade-long tenure at De Chazal Du Mée, the then-local representative of Arthur Andersen. In 1994, he was appointed Senior Manager, quickly rising to Chief Manager in 1995 and General Manager of MCB Ltd in 1996. He held this position until 2014 when he took the reins as the CEO of MCB Group.

In addition to his pivotal role within the MCB Group, Pierre Guy also chaired or served on the boards of numerous companies, including Banque Française Commerciale Océan Indien (BFCOI), MCB Madagascar, MCB Seychelles, MCB Maldives, MCB Capital Markets Ltd, MCB Consulting, MCB Factors Ltd, and MCB Microfinance. His influence and leadership extended beyond our organisation, shaping the broader financial landscape.

As we bid farewell to Pierre Guy, we carry with us the profound impact he had on all of us. His legacy will live on in the values he instilled, the innovations he championed, and the countless lives he touched. Thank you, Pierre Guy, for everything you have given us. You are deeply missed, but you never will be forgotten.



The illustrative concept

At MCB, we believe that good deeds need a helping hand. In line with our raison d'être, Success Beyond Numbers, we are committed to making a difference by partnering with those who have made it their mission to make a difference in their respective areas and on issues we hold dear. This year's annual report showcases our impactful partnerships with various stakeholders.

MCB Group at a glance

Our identity

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

Our purpose-driven approach

The Group's continuous advancement is founded on the trust of its customers, shareholders and the community at large. In line with our purpose, Success Beyond Numbers, we are committed to using our financial expertise and investing in our employees to act as a force for good to deliver a positive economic, societal and environmental contribution across countries where we operate, whilst adhering to the highest standards of governance and ethics.

We strive to offer tailored and inclusive solutions to our clients, in a seamless manner through their channels of choice.

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

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

Our reporting suite

This **Annual Report** is our primary report to our stakeholders. These relate to employees, customers, shareholders and investors, economies, societies and communities.

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

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

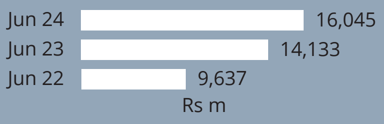
Financial highlights

Financial performance

Net profit

Rs 16,045 m

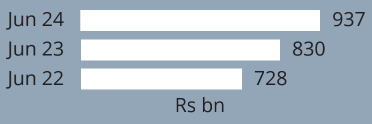
+13.5%



Total assets

Rs 937 bn

+12.9%

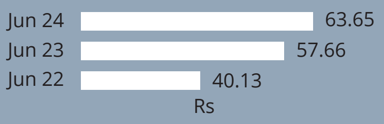


Shareholder value

Earnings per share

Rs 63.65

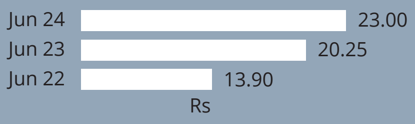
+10.4%



Dividend per share

Rs 23.00

+13.6%

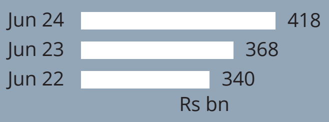


Market positioning

Customer loans

Rs 418 bn

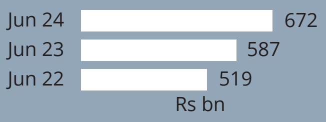
+13.6%



Customer deposits

Rs 672 bn

+14.5%

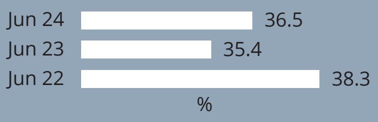


Efficiency and return ratios

Cost to income

36.5%

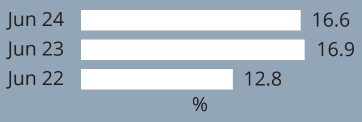
+110 bp



Return on equity

16.6%

-23 bp

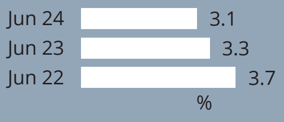


Asset quality and capitalisation

Gross NPL ratio

3.1%

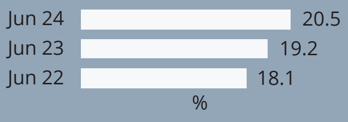
-21 bp



Capital adequacy ratio

20.5%

+129 bp



Non-financial highlights

Employees

~ 4,400
Workforce

34%
Women at middle and senior management level*

~ 92%
Employee retention rate

Customers

1,243,100
Overall customer base

~ 1,183,900
Individual customers

~ 59,200
Non-individual customers

25
Net Promoter Score*

80
Customer satisfaction score*

626,556
MCB Juice subscribers

Shareholders and investors

~ Rs 96 billion
Market capitalisation on Stock Exchange of Mauritius (SEM)
First on the local stock market

Baa3/P-3
Long-term / short-term deposit ratings - Moody's Ratings*

Economies, Societies and Communities

Rs 57.4 million
Amount spent by MCB Forward Foundation

BBB
MCB Group MSCI ESG Rating

35%
Cash to digital payment ratio*

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

~ 1.5%
of the total value added generated in Seychelles

~ 12%
of total corporate tax paid in Mauritius*
Inclusive of levies on income

** Relates to MCB Ltd*

Note: Figures are as at 30 June 2024, unless otherwise stated

Read more about our key stakeholders in the 'Stakeholder engagement' section on page 34 to 35

Read more in the Sustainability Report on our website

> *“As I prepare to hand over the reins, I am reassured by the knowledge that the Group is in capable hands...”*

Reflections from the Chairperson

Foreword

As I write to you for the last time in my capacity as Chairperson of this distinguished Group, I am filled with immense pride in all that we have achieved together. Our journey has been marked by resilience, growth and innovation. Through the highs and the challenges, our commitment to delivering sustainable value to our shareholders has remained unwavering.

In a volatile and often unpredictable operating environment, the Group delivered a strong set of financial results in FY 2023/24. Profit attributable to shareholders grew by 13.5% to stand at Rs 16,045 million, driven by the continued growth in operating income. Net interest income rose by 22.5%, on the back of growth in interest-earning assets and improved foreign currency margins amidst the high global interest rate environment. Non-interest income was supported by higher transaction volumes across entities, notably in terms of trade finance and payments activities as well as improved trading income. Moreover, we preserved our financial soundness in support of our growth strategy. The Group remained well capitalised with Tier 1 and capital adequacy ratios standing at 18.0% and 20.5% respectively as at 30 June 2024. We also maintained healthy liquidity and funding positions while our asset quality metrics have improved.

The success of the Group's efforts during the year under review have been widely recognised. MCB Group Ltd has consolidated its standing as the strongest blue-chip company on the Official Market of the Stock Exchange of Mauritius with a market capitalisation of around Rs 96 billion as at 30 June 2024, representing a market share of 36%. Our share price witnessed a notable year-on-year increase of around 21.3% during the period under review, thus largely outperforming the market index. It achieved an all-time high closing price of Rs 450.00 in September 2024. Further, reflecting our enduring success, the Group has been ranked 581st worldwide and is positioned at the 13th spot within Africa while being the top banking institution in East Africa as per the July 2024 edition of The Banker Top 1000 World Banks rankings. With regard specifically to MCB Ltd, it upheld its investment-grade credit rating assigned to it by Moody's Ratings. It has also been named the 'Best Bank in Mauritius' by Euromoney Awards for Excellence in 2024. Beyond Mauritius, the Bank was awarded the 'Best Regional Bank in Southern Africa' in the context of the African Banker Awards 2024. Testifying to our commitment to creating a positive impact within the community, MCB received the PwC Sustainability Awards 2024 for the financial services industry.

Key drivers of our success

Group entities have made further strides in the execution of their strategic objectives in FY 2023/24. Within the banking cluster, despite competitive pressures, MCB Ltd has reinforced its leadership position in Mauritius by offering a more refined and personalised value proposition, facilitated by enhanced digital solutions, to help its individual customers, entrepreneurs and corporates navigate the unsteady context and pursue their undertakings. On the international front, we continued to drive our diversification efforts, targeting niche segments where our expertise is well-established. We remained committed to supporting African economies through oil and gas financing, alongside accompanying their shift to cleaner energy. A key focus has also been on reinforcing our involvement in infrastructure project financing towards shaping the African energy landscape. Alongside upholding our engagement with other financial institutions, the Group further pushed ahead with its sustainability agenda by securing key funding reflecting commitment to ESG principles. We reinforced our role as a key banking partner for regional and international corporates across African and Asian markets. In doing so, we leveraged the Mauritius IFC and our regional hubs to facilitate cross-border flows and support clients' needs. Furthermore, we strengthened our involvement vis-à-vis overseas high-net-worth customers and external asset managers, backed by a range of tailor-made investment solutions and advisory services as well as enhanced market visibility. Our overseas banking subsidiaries have driven balance sheet growth by adopting a customer-focused strategy and implementing value-adding initiatives, while harnessing Group synergies to deliver distinct value propositions. In the non-banking sector, our entities maintained efforts to uphold market positioning. As a key milestone in the local debt market, MCB Capital Markets advised on the first bond issued to finance a renewable energy project. We also continued our relentless drive to promoting excellence in the workplace, which is the key differentiation-factor for all successful corporates. The four constitutive building-blocks of this ambitious, but absolutely essential objective are outlined hereunder.

a) Charting a path for lasting progress for the future

As illustrated above, the Group is demonstrating an ability to consistently deliver outstanding results - a hallmark of a truly great organisation. Sustaining high performance is a challenge that requires well-considered investment. I remain convinced that the highest yielding investments we can make are not just in financial assets but in something far more foundational - namely our people. Talent, leadership, and culture are the key cornerstones upon which organisations that deliver outstanding performance over time are built and they are the key to ensuring the Group's enduring success.

b) Investing in Talent

Over the years, we have attracted some of the brightest minds in the industry - individuals who bring passion and innovation as well as deep subject matter expertise. It is imperative that we continue to invest in nurturing talent at all levels of the organisation. To ensure the very best possible return on this investment, we must boldly reinforce the principles of meritocracy, continue to provide opportunities for growth, foster a culture of continuous learning and empower our people to lead with confidence and creativity. In this respect, I am pleased to observe that our sustained focus on talent development is equipping our teams to excel in a digital and increasingly sophisticated environment, thereby enabling us to continuously improve our service delivery to clients.

Reflections from the Chairperson

c) Cultivating Leadership

Impactful leadership is vital in navigating the complexities of today's financial services landscape. Our leaders must be equipped not just with technical knowledge but also with the vision and integrity to inspire and guide our teams through both opportunities and uncertainties. I have been particularly pleased to see major investments in building our leadership capability over the course of FY 2023/24, with initiatives such as the IMPACT Excellence Program and the IMPACT Accelerate Program, both accredited by Stellenbosch University. We will continue to build a team that is ready to take our Group into the future with courage and conviction. In the same vein, succession planning remains a top priority at both Board and Management levels as it is crucial to ensuring the continuity of leadership and the long-term success of the organisation. At Board level, Maya Makanjee was appointed as Independent Director, in November 2023, in replacement of Alain Rey. Moreover, following the retirement of Gilbert Gnany after a rich career in the organisation, we welcome Dipak Chummun who has been appointed as Group Chief Finance Officer and also joined the Board as Executive Director in September 2024.

> *" I remain convinced that the highest yielding investments we can make are not just in financial assets but in something more foundational - namely our people."*

d) Building a Culture of Excellence

Our culture shapes what we care about and what we stand for. The time and energy that have been spent in embedding the values and Shared Ways of Working over the last two years are starting to pay dividends. We must not grow weary in well-doing but continue these efforts with rigour and energy. As we advance, it is crucial that we maintain a culture that promotes diversity, inclusion, collaboration, and a shared sense of purpose. This will enable us to adapt, innovate and excel in an ever-evolving market.

Our collective efforts to invest in talent, leadership and culture are bringing about significant changes in the Group's operating philosophy that will serve all stakeholders well. By introducing clear and strategically-aligned performance scorecards, we have created a shared understanding of our priorities and the key metrics that drive success. In addition, we have made significant changes to executive compensation to increase transparency and objectivity in performance assessment and create a much clearer connection between reward and results. These changes have provided a robust framework for accountability and have strengthened our ability to execute our strategy with precision and agility.

Final words

Before I conclude, I wish to pay a special tribute to Mr Pierre Guy Noël, the former Group CEO, who sadly passed away on 27 December 2023. Apart from being a visionary leader and the linchpin of the internationalisation and diversification of MCB Group's Banking and Non-Banking activities, Mr Noël was a charismatic and profoundly humane leader, with a strong personality that left nobody indifferent. I have had the great pleasure of working closely with him, over the first six years of my Chairmanship, to jointly and continuously serve the Group's interest. His name will be written in gold letters, in view of the fact that he undeniably shaped the history of MCB over the years.

> *"Through the highs and the challenges, our commitment to delivering sustainable value to our shareholders has remained unwavering."*

As I prepare to hand over the reins, I am reassured by the knowledge that the Group is in capable hands. I leave with the confidence that the future is bright, sustained by a strong foundation of talent, leadership, and a culture that truly embodies our values. Thank you for the trust you have placed in me over the last eight years. It has been an honour to serve as your Chairperson. May I also express my sincere thanks to Jean Michel Ng Tseung, with whom I have had the pleasure to work closely and productively over the last two years, and to all the Directors I have worked with at Board and committee levels, over my tenure as Chairperson, for their valuable counsel and continuous support, as well as for their unflinching dedication to upholding and acting in the best interests of the Group and to promote its success for the benefit of our shareholders. My thanks and appreciation also go to all the management teams and staff of the Group at large.

I am confident the Group will continue to embody its purpose, Success Beyond Numbers, with unwavering commitment, driving innovation and excellence in meeting stakeholder expectations.

I would finally like to wish all the very best to my successor as Chairperson, Mr Jayananda (Jay) Nirsimloo who has now served as a member of the MCB Group Board for 2 years and I am absolutely convinced that the Group chairmanship will be in very able hands, going forward.

M G Didier HAREL
Chairperson

Board of Directors

Independent Non-Executive Directors

Didier HAREL *(Chairperson)*
Karuna BHOOJEDHUR-OBEEGADOO
Constantine CHIKOSI
Jean-Philippe COULIER
Stephen DAVIDSON
Cédric JEANNOT
Georges Michael David LISING
Maya MAKANJEE *(as from November 2023)*
Jayananda NIRSIMLOO
Alain REY *(until November 2023)*
San T SINGARAVELLOO

Executive Directors

Jean Michel NG TSEUNG
Dipak CHUMMUN *(as from September 2024)*
Gilbert GNANY *(until March 2024)*

Secretary to the Board:

MCB Group Corporate Services Ltd
(represented by Marivonne OXENHAM)

Committees of the Board

Risk Monitoring Committee

Jean-Philippe COULIER *(Chairperson)*
Constantine CHIKOSI
Dipak CHUMMUN *(as from September 2024)*
Gilbert GNANY *(until March 2024)*
Didier HAREL
Jean Michel NG TSEUNG

***Secretary:** Frederic PAPOCCHIA*

Remuneration, Corporate Governance, Ethics and Sustainability Committee

Didier HAREL *(Chairperson)*
Karuna BHOOJEDHUR-OBEEGADOO
Stephen DAVIDSON
Maya MAKANJEE *(as from January 2024)*
Jean Michel NG TSEUNG
Jayananda NIRSIMLOO

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

Corporate Strategy Committee

Didier HAREL *(Chairperson)*
Dipak CHUMMUN *(as from September 2024)*
(will also act as Secretary)
Gilbert GNANY *(acted as Secretary) (until March 2024)*
Cédric JEANNOT
Georges Michael David LISING
Maya MAKANJEE *(as from January 2024)*
Jean Michel NG TSEUNG *(Secretary as from April 2024)*
Jayananda NIRSIMLOO
Alain REY *(until November 2023)*

Directors from MCB Ltd, namely, Jean-François DESVAUX DE MARIGNY, Thierry HEBRAUD and Simon WALKER, joined the Committee in July 2024.

Audit Committee

San T SINGARAVELLOO *(Chairperson)*
Karuna BHOOJEDHUR-OBEEGADOO
Stephen DAVIDSON

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

Supervisory and Monitoring Committee

Didier HAREL *(Chairperson)*
Dipak CHUMMUN *(as from September 2024)*
(will also act as Secretary)
Gilbert GNANY *(acted as Secretary) (until March 2024)*
Jean Michel NG TSEUNG *(Secretary as from April 2024)*

Executive Management

Group Executive Committee

Jean Michel NG TSEUNG	Group Chief Executive – MCB Group Ltd
Thierry HEBRAUD	Chief Executive Officer – MCB Ltd
Vincent CHATARD	Group Chief Operating Officer
Dipak CHUMMUN	Group Chief Finance Officer
Vanessa DOGER DE SPEVILLE	Group Head of Sustainability, Reputation and Engagement
Allan FREED	Group Head of Human Resources
Frederic PAPOCCHIA	Group Chief Risk Officer

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About this Report

Philosophy of the Annual Report

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

Integrated reporting: Process, scope and boundary

Compilation of the Report
in line with

- Integrated Reporting Framework & Global Reporting Initiative (GRI) standards
- Local and international regulations, codes & standards

Ensuring integrity of the Report
using a Coordinated Assurance Model

- Oversight by independent external auditors
- Review by Management as well as Chairperson of the Board and relevant committees

Approval of the Report
at Board level

- Corporate Governance Report discussed at the Remuneration, Corporate Governance, Ethics and Sustainability Committee
- Financial statements approved by the Board of Directors

Reporting period

The Report is published annually and covers the period spanning 1 July 2023 to 30 June 2024. Material events taking place after this date and until approval of the Report by the Board of Directors of MCB Group Ltd have also been communicated.

Financial and non-financial reporting

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

Operating business

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

Report content and materiality

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

Specific areas of reporting

The Report details the organisation's strategic and operational progress during the year under review. It covers our operating environment, business model and strategy, performance, stakeholder support, risk management, and corporate governance adherence.

Capital types

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

Icons used in this report

Stakeholders	Capital types	Sustainable Development Goals (SDGs)	Others
Customers Shareholders and investors Economies, Societies and Communities Employees	Financial capital Social and relationship capital Natural capital Human capital Intellectual capital Manufactured capital	The Group has identified 16 of the 17 SDGs of the United Nations where it believes it can generate meaningful value through its operations. 1 No Poverty 3 4 5 Gender Equality 6 7 Affordable and Clean Energy 8 Decent Work and Economic Growth 9 10 Reduced Inequalities 11 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 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**

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

Mauritian Wildlife Foundation (MWF)

We have been MWF's constant companion in supporting their mission to protect the fragile biodiversity of our islets since 2019. In particular, we have funded the NGO's work to save four endemic species – the Pink Pigeon, the Echo Parakeet, the Günther's Gecko and the Round Island Boa – from extinction. To mark MWF's 40th anniversary in 2024, we sponsored the publication of an educational book, the "Dodo's Legacy".

Who we are

MCB Group is an integrated financial services provider, offering customised products and services to a wide range of clients through its local and overseas subsidiaries and associates.

Credit ratings

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

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

Sustainability highlights

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

Presence in
10 countries
outside Mauritius

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

MCB Group

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

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

Our channels

Branches/Kiosks	ATMs	MCB Juice subscribers
63	**215**	**626,556**

Domestic market shares of our main subsidiary, MCB Ltd

~ 49% of local currency deposits

~ 39% of domestic credit to the economy

Stock profile

Market capitalisation
~ Rs 96 billion
~ 36% of SEMDEX[1]

~ 22,750
Ordinary shareholders (Individual shareholders account for 45.8% of the ownership base)

~ 1,950
Preference shareholders & bondholders

Notes:
Figures are as at 30 June 2024
[1] excludes foreign currency denominated, GBL and international companies

Note: The use by MCB Group of any MSCI ESG research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of MCB Group by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

Accolades

World

581st in the **world** based on Tier 1 capital

The Banker Top 1000 World Banks, 2024

Africa

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

13th in **Africa** based on Tier 1 capital

The Banker Top 1000 World Banks, 2024

59th in **Africa** in terms of market capitalisation

African Business Top 250 companies, May 2024

12th in **Africa** in terms of assets

Jeune Afrique, Top 200 Banks, The Africa Report, October 2023

Best Regional Bank – Southern Africa

African Banker Awards, 2024

Mauritius

Best Bank in Mauritius
Best Corporate Bank in Mauritius
Best Digital Bank in Mauritius

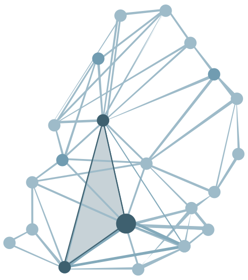
Euromoney Awards for Excellence 2024

Brand with a Purpose
Sustainable Brand
Employer Brand
Innovative Brand

Top Brands of Mauritius by Kantar, Brand Magic Summit 2024

Financial Institutions/Bank Bond Deal of the Year

Global Banking & Markets Africa AWARDS



Best for Digital Solutions in Mauritius
Best for Discretionary Portfolio Management in Mauritius

Euromoney Global Private Banking Awards 2024

Best Trade Finance Bank

Global Trade Review (GTR) Awards - Mauritius and East Africa

Best Bank for Cash Management in Mauritius

Global Finance Magazine 2024

Best Private Bank in Mauritius
Best Innovation in Retail Banking Mauritius

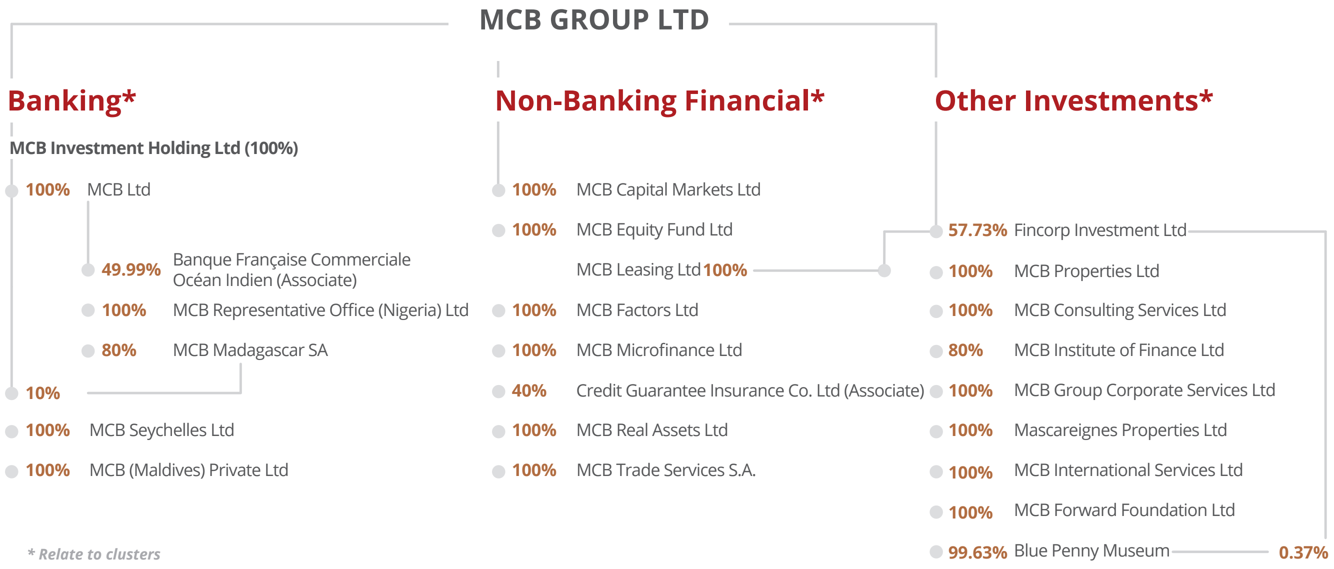
International Banker 2024

Winner in the Financial Services category

PwC Sustainability Awards 2024

How we operate

MCB Group Ltd, which is the ultimate holding company of the Group, holds a number of subsidiaries and associates in Mauritius and beyond. The Group operates under three clusters, i.e. 'Banking', 'Non-banking financial', and 'Other investments'. MCB Investment Holding Ltd, a wholly owned subsidiary of MCB Group Ltd, is the holding company of all the banking investments of the Group, namely MCB Ltd and the other overseas banking subsidiaries and associates.



MCB GROUP LTD

Banking*

MCB Investment Holding Ltd (100%)

- **100%** MCB Ltd
  - **49.99%** Banque Française Commerciale Océan Indien (Associate)
  - **100%** MCB Representative Office (Nigeria) Ltd
  - **80%** MCB Madagascar SA
- **10%**
- **100%** MCB Seychelles Ltd
- **100%** MCB (Maldives) Private Ltd

Non-Banking Financial*

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

Other Investments*

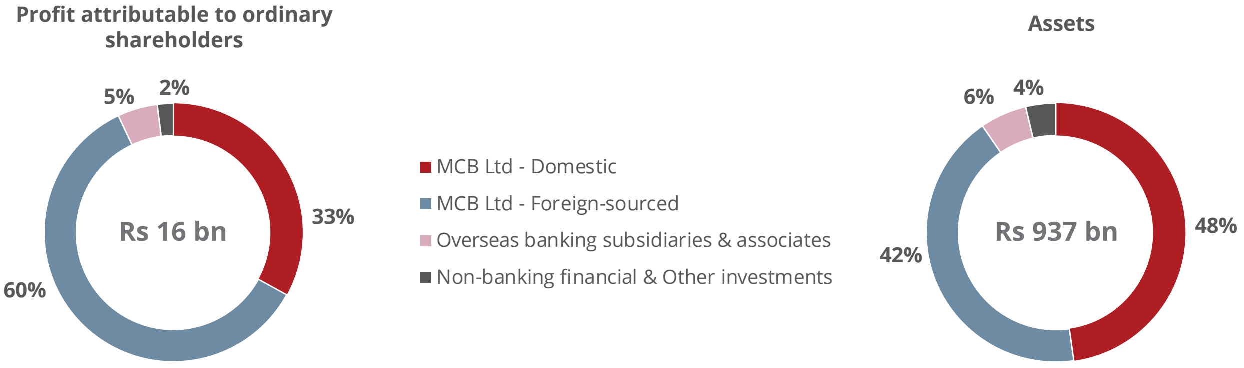
- **57.73%** Fincorp Investment Ltd
- **100%** MCB Properties Ltd
- **100%** MCB Consulting Services Ltd
- **80%** MCB Institute of Finance Ltd
- **100%** MCB Group Corporate Services Ltd
- **100%** Mascareignes Properties Ltd
- **100%** MCB International Services Ltd
- **100%** MCB Forward Foundation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

** Relate to clusters*

Notes:

- *The Group exercised its tag along right to dispose of its 35% stake in Société Générale Moçambique S.A. alongside Société Générale S.A. to Vista Group Holdings S.A. Following a Share Purchase Agreement signed on 10 May 2024 to this effect, the transaction was concluded in August 2024.*
- *In line with regulatory requirements, MCB Ltd incorporated an entity to operate its Representative Office in Nigeria.*
- *In November 2023, MCB Group set-up a new structure in Luxembourg to facilitate its trade finance activities (mainly credit protection services) to our international and local clients.*

Breakdown of Group performance for FY 2023/24



Note: Contribution of overseas banking subsidiaries and associates was impacted by the loss on disposal of the Group's stake in Société Générale Moçambique S.A.

Our clusters and entities

Banking

MCB Ltd

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

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

Overseas entities

The Group's overseas banking subsidiaries in Madagascar, Maldives and Seychelles as well as its overseas associates, i.e. Banque Française Commerciale Océan Indien - operating in Réunion Island, Mayotte and Paris - provide clients with an array of banking services adapted to local market realities. Our overseas banking subsidiaries capitalise on Group synergies to position themselves as the trusted banking partner of corporate and individual clients while we also leverage our strategically-located regional hubs in Johannesburg, Nairobi, Paris, Lagos and Dubai to develop our international business.

Non-banking financial

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

MCB Capital Markets Ltd is the investment banking, asset management and principal investment arm of MCB Group. The unit provides a broad range of services to corporates and individual clients, including corporate finance advisory, asset management, stockbroking, structured products and registry services. Our team advises clients, who wish to start or expand their activities in Africa on their strategic, financing and investment initiatives. MCB Capital Partners, a wholly-owned subsidiary, manages MCB Equity Fund and MCB Real Assets Ltd, two vehicles that house the investment activities of MCB Group.

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

MCB Real Assets Ltd is a wholly owned subsidiary of the Group that owns 93.4% in Compagnie des Villages de Vacances de L'Isle de France Limitée (COVIFRA), owner of the Club Med hotel resort located at Pointe aux Canonniers, Mauritius. The resort, a 394-key property situated on one of the prime beach spots of Mauritius, is managed by Club Med under a long-term lease agreement.

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

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

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

Other investments

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

MCB Forward Foundation serves as the Group's dedicated vehicle for upholding its role as a responsible corporate citizen. It provides human, logistical, and financial resources to support specific corporate social responsibility initiatives.

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

MCB Consulting Services Limited provides advisory services – which range from strategic planning and execution to risk management – business process and organisational reviews, assistance in the selection, implementation and maintenance of Information Technology solutions, as well as the delivery of training services.

Our extensive and customised financial solutions

Through its banking and non-banking entities, the Group provides its clients in Mauritius, Africa and beyond, with customised and innovative financial solutions as well as dedicated advice to meet their ambitions. We work closely with customers to understand their imperatives, challenges and priorities, while assisting them to design solutions adapted to their needs. Intra-Group synergies are tapped into to provide clients with required solutions, e.g. provision of investment-related services.

Individuals

Everyday Banking

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

Banking Channels

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

Payment Services

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

Financing Solutions

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

Savings & Investment

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

Wealth Management Solutions

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

Entrepreneurs, Corporates and Institutions

Cash Management Solutions

- Electronic & mobile points of sale
- Card acquiring services
- Business debit & deposit card
- Business & Corporate credit cards
- Fleetman Card
- E-commerce
- International transfers
- Transfers & remittances
- Internet Banking Pro (IB Pro) and SmartApprove App
- Bulk Payment
- Mobile banking solutions
- SWIFT gpi tracker
- Host to Host Connectivity
- SWIFT Connectivity
- SWIFT Service Bureau
- Deposit accounts
- Foreign Currency Accounts
- Bank drafts
- Cross currency transfer & remittances
- Overdrafts
- Mobile banking: MCB JuicePro
- Centralised Direct Debit

Financing Solutions

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

Global Trade Solutions

- Documentary Import/Export Credit
- Stand By LC
- LC Re-issuance/Confirmation
- Avalisation
- Shipping guarantees
- Documentary Import/Export collections
- Trade payables financing
- Digital import LC
- Negotiation/Confirmed Documentary Credit Discounts
- Trade receivables financing
- Trade Protection Solution
- International Guarantees
- Global Trade Portal
- Sustainable supply chain financing
- Sustainable trade finance
- Back to back LC
- Usance Paid At Sight (UPAS) Financing
- Triangular Supply Chain Financing
- Structured Trade Financing
- Structured Commodity Finance

Business Services

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

Financial Markets Solutions

- Foreign exchange solutions
- Money markets & fixed income
- Hedging solutions (foreign exchange, interest rates, commodities)
- Yield enhancement solutions
- Insights and research

Investment Related Services

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

Outsourcing & Advisory Services

- Payments outsourcing
- Consulting & project management services
- Online marketplace: punch.mu*

** punch.mu 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.*

Value creation for our stakeholders

SAMUDRA Art Prize

We are staunch supporters of the Samudra Art Prize, an art competition aimed at raising public awareness of environmental and societal issues. A strong platform for artists of all levels, the competition also aims to foster creativity and showcase talent. The first edition inspired more than 50 artists to create works of art about marine conservation, resulting in a strong awareness of the issue.

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Our value-creating business model

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

Our inputs and resources …

Financial capital

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

Social and relationship capital

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

Human capital

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

Natural capital

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

Intellectual capital

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

Manufactured capital

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

… generate value-adding activities …

Our purpose: Success Beyond Numbers

… underpins our objectives of being …

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

Our clusters

Banking | **Non-banking financial** | **Other investments**

Our business areas

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

… that cater for the material matters identified for FY 2023/24 …

Operating context influences

Material sustainability topics

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

Employees

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

3 · 4 · 5 Gender Equality · 8 Decent Work and Economic Growth · 10 Reduced Inequalities

Customers

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

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

Shareholders and investors

We deliver consistent returns for our shareholders and investors

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

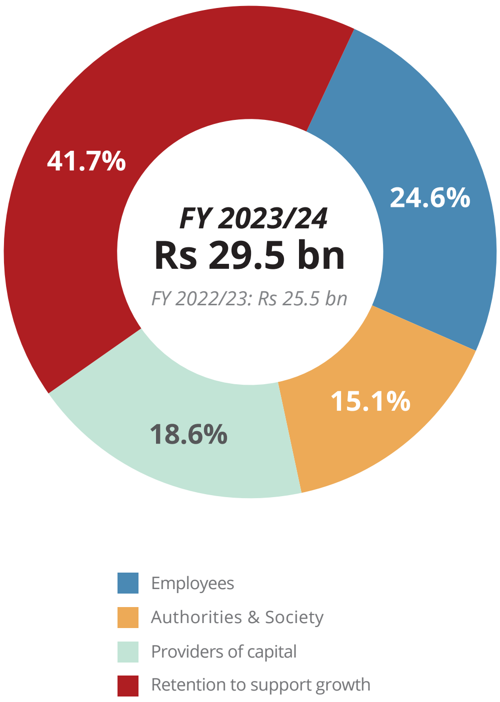
Economies, societies and communities

We foster financial stability by collaborating with authorities and economic agents, while promoting social progress, inclusion, environmental and cultural preservation in the countries where we operate

3 · 4 · 7 Affordable and Clean Energy · 8 Decent Work and Economic Growth · 9 · 10 Reduced Inequalities · 11

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

Wealth created by MCB Group



Stakeholder engagement

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.

	EMPLOYEES	CUSTOMERS
What they expect from us?	• Safe and enriching working conditions with flexible work practices • Empowering environment that embraces diversity, inclusivity and meritocracy principles • Strong leadership and change management • Competitive reward and effective performance management system • Training, development and career opportunities	• Innovative and customised financial solutions • Excellent service quality and competitive pricing • Safe and convenient access to financial solutions • Security and privacy of transactions and data • Effective process for dealing with complaints • Responsible banking solutions
How did we maintain engagement with them?	• Ongoing quest to identify, attract, grow and retain talents • Regular surveys to gauge employee engagement • Enrichment of our training courses, in-class and digital • Adapted career architecture to align with current business realities and global best practices • Fair and robust remuneration philosophy • Provision of various fringe benefits, including staff banking facilities at preferential rates as well as the employee share option scheme • Initiatives to cater for employee health/well-being, including Flexible Working Arrangements • Social leave policy offering paid leave to engage in impactful activities • Gender Equality Charter to promote a balanced and diversified workforce • Gold Standard Management Routines to promote desired corporate culture • Succession planning to ensure the organisation's continuity, stability and long-term success • Maintenance of healthy relationships with employee representatives • Application of Group Code of Ethics and Code of Banking Practice • Adoption of Group Whistleblowing Policy	• Ensure prompt service and communication via our multiple channels, including ATMs, digital platforms, contact centers, and adapted branch networks • Enrichment of our offerings in line with customer needs and market trends • Efforts to reduce waiting times and improve turnaround efficiency as well as address complaints • Ongoing client interactions to better understand and anticipate their needs by leveraging our dedicated customer lab • Compliance with data protection regulations and investments to ensure the safety and confidentiality of client information and reliability of our channels • Fair pricing and effective management of new and existing product offerings by dedicated committees
Key performance indicators	**56%** Trust Index score *(+6 p.p compared to the previous survey)* **~ 8%** Turnover rate **~ Rs 111 million** Investment in training	Customer satisfaction scores (MCB Ltd) **82** Retail **75** Business Banking **77** Corporate and Institutional Banking **84** Private Wealth Management

Note: Figures are as at June 2024, unless otherwise stated

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

SHAREHOLDERS AND INVESTORS

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

- Ensure sustainable returns through the diligent execution of our strategic endeavours
- Interactions with shareholders and investors to better understand their perspectives and update them on our performance, strategy and sustainability commitments
- Corporate announcements and publications, in particular quarterly Financial and Group Management Statements, roadshow presentations, and annual reports
- Open, constructive and regular dialogue with rating agencies to report on our performance and prospects as well as provide comfort on our risk management and business growth foundations
- Interactions with players across capital and debt markets to consolidate our FCY funding resources to support our international diversification strategy

16.6%
Return on equity

6.1%
Dividend yield

~ Rs 3.9 billion value traded
~ 45% of market turnover
(Excludes one-off transactions)

+21%
Increase in share price of MCB Group over FY 2023/24

ECONOMIES, SOCIETIES AND COMMUNITIES

- Initiatives to promote socio-economic progress and financial inclusion and literacy
- Efficient use of natural resources and eco-friendly operations
- Responsible banking practices and adherence to laws and regulations
- Participation in and promotion of discussions on topical, regulatory and economic issues

- Regular engagement with communities and stakeholders across presence countries facilitated mainly by the MCB Forward Foundation
- No political donations made during FY 2023/24
- Continuous support to local economies and modernisation of sectors across jurisdictions
- Contribution to the positioning of Mauritius as a credible and competitive IFC
- Full compliance with regulatory requirements and guidelines
- Policies and procedures in place to detect and prevent financial crimes and prompt attendance to submission of regulatory reviews and reports
- Thought leadership initiatives, 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 as well as financial literacy promotion events

BBB
MCB Group MSCI ESG rating

Rs 57.4 million
Amount spent by MCB Forward Foundation

61%
of total procurement expenditure sourced from local suppliers (MCB Ltd)

3,875
Reports sent to the Bank of Mauritius (MCB Ltd)

Note: Figures are as at June 2024, unless otherwise stated

Read more on our employees and customers in the 'Our key value drivers' section on pages 56 to 59
Read more on our economies, societies and communities in the 'Becoming more sustainable' section on pages 53 to 55

Material matters

How we determine our material matters

In a volatile and challenging environment, we remain focused on our material matters as we drive our strategy forward. The determination of our material matters took into consideration the impact of developments in the operating context on our business and the growing prominence of sustainability considerations. In the latter respect, we recently conducted a comprehensive materiality assessment for the Bank with the help of an external consultant, engaging stakeholders at different levels to identify a set of material sustainability topics.

Our approach strengthens the Group's resilience and responsiveness to market dynamics while assessing the environmental and social impacts of our activities on a wide range of stakeholders. Guided by the Integrated Reporting Framework and the Global Reporting Initiative, our process for determining material matters enables us to prioritise issues that shape the content of our Integrated Annual Report and Sustainability Report.

Our materiality determination process

1. Identification

We identify a list of factors taking into account:

- Our operating environment
- Stakeholder needs and expectations
- Risks and opportunities

2. Prioritisation

This involves ranking material matters in order of importance through an impact evaluation by ensuring:

- Alignment with the Group's strategic objectives and sustainability goals
- Stakeholder interests

3. Strategic integration

The matters that are crucial to value creation are integrated into our strategic planning process. This allows for the formulation of short, medium, and long-term business plans and strategic targets.

4. Monitoring

We regularly evaluate and reassess the impact and relevance of material matters, including risks to strategy, reputation, performance, and operations.

Material matters identified for the period under review

Material matters derived from the appraisal of the operating context are detailed below, while the material sustainability topics identified as part of the afore-described assessment are outlined in the report on Materiality Analysis for MCB Ltd which can be accessed on our website.

Operating context influences

1 **Geopolitical and macroeconomic conditions**

Intensifying geopolitical tensions; sovereign rating downgrades of some countries of interest; FX pressures; Higher-for-longer interest rate regime

2 **Heightened regulatory demands**

More complex regulatory and supervisory requirements; blacklisting/greylisting of some African countries

3 **Climate, environmental and social considerations**

Prominent emphasis on climate change; growing awareness on gender diversity and transparency

4 **Cybersecurity and technological disruptions**

Data protection and privacy; increased interconnectedness, digital adoption and more sophisticated demand

5 **Workplace transformations and employee engagement**

Workplace culture; Skills shortages and talent retention; talent development; flexibility and wellbeing; succession planning

6 **Customer loyalty in a competitive market**

Innovative product offerings and competitive pricing models; new players such as fintech or mobile money companies

Read more in the Sustainability Report and our report on Materiality Analysis for MCB Ltd

Our response to operating context influences

We remain agile and responsive to risks from a changing environment globally and the opportunities unfolding therein.

Stakeholder impacted **Capital impacted**

Geopolitical and macroeconomic conditions

- Global growth remains steady, but heightened geopolitical tensions are keeping freight costs and commodity prices volatile, while high interest rates have persisted amidst gradual disinflation although central banks have started lowering rates
- SSA region on track for a gradual recovery, but key challenges remain, with elections and social tensions creating policy uncertainty
- Business operations impacted by FX pressures across markets
- Economic momentum sustained in Mauritius with robust tourism, inflation down to 4.0% in August 2024, but external imbalances continue to warrant attention. The Key Rate was cut by 50 basis points to 4.0% in September 2024
- Economic growth in Seychelles and Madagascar being supported by the upturn in tourism
- Sovereign rating of Maldives downgraded by ratings agencies on account of declining gross foreign reserves

Heightened regulatory demands

- Introduction, in Mauritius, of a Corporate Climate Responsibility Levy, equivalent to 2% of chargeable income of companies with a turnover over Rs 50 million to create a Climate and Sustainability Fund to pursue climate change initiatives
- Deposit Insurance Scheme Act has been amended, requiring banks and non-bank deposit taking institutions to contribute to the Fund in Mauritius
- BoM guideline on classification, provisioning and write-off of credit exposures revised and new guidelines issued relating to net stable funding ratio and regulatory sandbox authorisation
- Promulgation of Financial Crimes Commission (FCC) Act, establishing FCC as Mauritius' apex financial crimes agency
- Key African countries of interest in the FATF's greylist (Kenya, Nigeria, South Africa, Tanzania)
- Madagascar: Change in basis of computation of the Capital Adequacy Ratio to Basel II and III; announcement of new liquidity ratio requirement; increase in reserve requirement rate from 9% to 12%

Climate, environmental and social considerations

- Growing need to address Africa's energy demands by emphasising both traditional and sustainable financing
- Need to incorporate climate-related risks and opportunities into operations and reporting practices, notably in line with BoM Guideline on Climate-related and Environmental Financial Risk Management
- Growing focus on addressing gender pay gap to ensure fair and equitable compensation
- Extension of maternity and paternity leaves in Mauritius

Cybersecurity and technological disruptions

- Heightened AI adoption and new technologies such as Cloud computing potentially enhancing efficiency and customer experiences while introducing new risks
- Increased focus on data protection and privacy amidst growing concern of cyber risks (E.g, Seychelles: Enactment of Data Protection Act 2023; introduction of whistleblowing laws)

Workplace transformations and employee engagement

- Skills gap in the labour market and high demand for new skills, notably in the technology and specialised fields
- Evolving world of work,with hybrid working arrangements gaining prominence
- Introduction of incentives to boost openness of Mauritius to foreign talents
- Mauritius: Increase in 'Revenu Minimum Garanti' to Rs 20,000; announcement of wage adjustment for Private Sector workers earning up to Rs 50,000

Customer loyalty in a competitive market

- Increasingly sophisticated customer expectations calling for tailored solutions and enhanced engagement
- Heightened competition across individual, corporate as well as payment segments; aggressive mortgage loan campaign by Mauritian banks
- New entrants like fintechs and peer-to-peer lenders locally and in presence countries

Our response	Main risks impacted
• Diversified revenue streams while adopting a prudent approach and remaining focused on niche segments where we have developed expertise • Remained focused on large corporates/multinational corporates with a solid track record • Offered adapted products and services to customers to meet their foreign currency needs • Reinforced market vigilance by regularly monitoring country risk across markets as well as leveraging representative offices • Assessed our activities, notably in countries that have been downgraded or have their ratings under review for downgrade thus ensuring ring-fencing of exposures	• Credit • Country • Market • Funding and Liquidity • Capital • Model • Strategic and business
Our response	
• Maintained a proactive engagement with regulators • Strengthened the Group's risk management and compliance capabilities to ensure strict adherence to mandatory rules and advocated norms • Continued to promote transparency and enhanced disclosure	• Market • Funding and Liquidity • Capital • Model • Cyber and information security • Regulatory and compliance • Strategic and business • Climate • Environmental and social
Our response	
• Expanded our sustainable finance offering both locally and abroad • Ongoing initiatives aimed at reducing our environmental footprint and enhancing sustainability practices • Reinforced the structure and process in respect of climate, environmental and social risks • Initiatives in favourof promoting diversity, equity,and inclusion and employee well-being	• Regulatory and compliance • Strategic and business • Business continuity • Reputation • Climate • Environmental and social
Our response	
• Client engagement enhanced through digital innovations and initiatives to further improve customer experience • Reinforced our cybersecurity framework and embedded a strong risk culture across the organisation • Conducted Group-wide training/ quizzes to increase cybersecurity knowledge and awareness • Equipped employees with more sophisticated tools,leveraging machine learning	• Model • Operational • Business continuity • Cyber and information security • Regulatory and compliance • Strategic and business • Reputation
Our response	
•Career architecture in place to support the growth and career development of ouremployees •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 •Flexible working environment and continuous investment in learning and development	• Model • Operational • Business continuity • Cyber and information security • Strategic and business • Reputation
Our response	
• Pursued our investment in innovative technologies to refine our product offering • Maintained our proximity with our clients and adapting our offering to their needs • Ongoing brand promotion initiatives showcasing our products and services	• Strategic and business

Read more in the 'Risk and capital management' report

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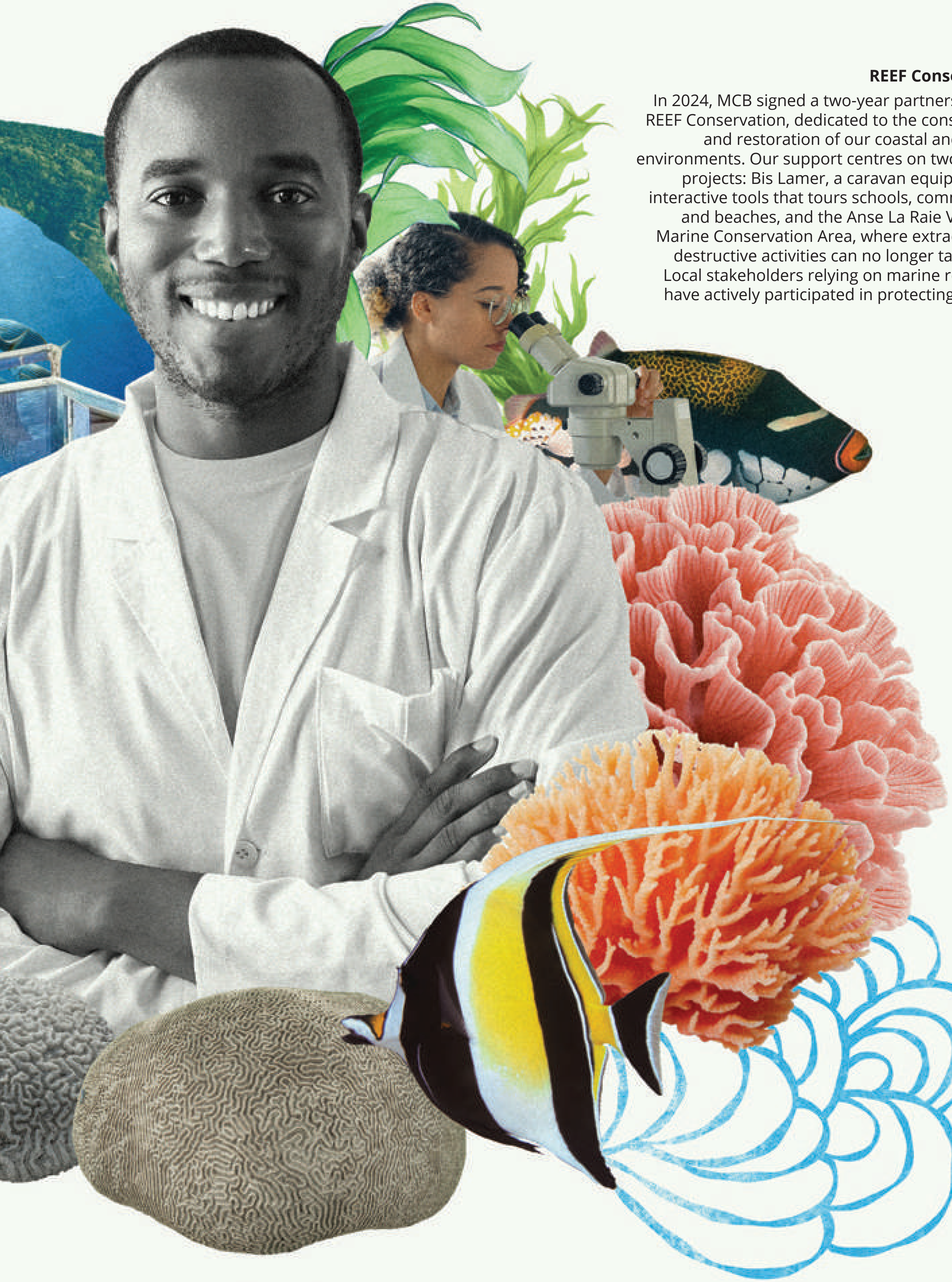
REEF Conservation

In 2024, MCB signed a two-year partnership with REEF Conservation, dedicated to the conservation and restoration of our coastal and marine environments. Our support centres on two specific projects: Bis Lamer, a caravan equipped with interactive tools that tours schools, communities, and beaches, and the Anse La Raie Voluntary Marine Conservation Area, where extractive and destructive activities can no longer take place. Local stakeholders relying on marine resources have actively participated in protecting the site.



"Our strong performance highlights the effectiveness of our strategy, commitment to digital innovation for enhanced customer experience and the strength of our risk management framework."

Message from the Group Chief Executive

Navigating unpredictable waters

In a year where the currents constantly shifted, we maintained our ship on a steady course, keeping our eyes on our purpose and adjusting our sails to forge ahead with determination.

Looking back at the operating environment from a macroeconomic perspective, the global economy exhibited resilience with inflation gradually trending downwards. That said, the ramifications of heightened geopolitical tensions and policy uncertainties in a significant election period continued to impact activity levels worldwide, with ripple effects across countries where the Group is present.

Sub-Saharan Africa is showing signs of recovery from the impact of the Ukraine conflict and the pandemic, but fiscal vulnerabilities, currency difficulties and political instability have triggered sovereign rating downgrades in some key economies on the continent. In our home market, Mauritius, growth momentum has been sustained by the strong performance in the tourism, construction, ICT and financial services sectors. The continued recovery in tourism has also driven economic growth in Seychelles and Maldives but successive sovereign rating downgrades for the Maldives amidst the decline in foreign exchange reserves warrant attention. In Madagascar, growth is being supported by the mining and tourism sectors, though challenges in the vanilla industry and weather-related disruptions continue to pose downside risks.

A financial performance of which we can be proud

The Group delivered higher income and profits whilst improving the quality of its assets and strengthening its capital base despite ongoing challenges in the operating environment. Profit attributable to ordinary shareholders increased by 13.5% to Rs 16,045 million, reflecting continued growth in core earnings. Operating income for the Group rose by 16.0% to Rs 36,893 million through its continuously improved domestic offering and sustained expansion of its foreign sourced activities with the latter, in particular, making a strong contribution to our results.

Net interest income rose by 22.5% through a combination of a steady balance sheet growth and improved margins arising from high foreign currency interest rates. Non-interest income increased by 5.4%, driven by higher revenues from our trade finance and payments activities as well as improved trading income linked to increased business activities. However, the Group recorded lower fair value gains on equity financial instruments compared to last year as well as a one-off loss arising from the disposal of our stake in our associate, Société Générale Moçambique.

The Group's cost to income ratio increased to 36.5%, up from 35.4% last year as a result of an increase of 19.7% in operating expenses amidst continued investment in human capital and technology. Impairment charge stayed relatively stable as the Group continues to uphold its sound risk profile with the gross NPL ratio falling to 3.1% from 3.3% in the previous year. The Group's funding and liquidity positions were maintained at healthy levels backed by ongoing efforts to grow and diversify its foreign currency funding base. Comfortable capital buffers were maintained in spite of a notable growth in risk weighted assets, with the overall capital adequacy ratio and Tier 1 ratio standing at 20.5% and 18.0% respectively. Our robust financial results coupled with our solid capital position allowed us to increase our total dividend pay-out to Rs 23.00 per share for FY 2023/24 and deliver on our commitment to provide continuously improving returns to our shareholders.

Our strong performance highlights the effectiveness of our strategy, commitment to digital innovation for enhanced customer experience and the strength of our risk management framework. For us, success goes beyond financial results—it is about making a positive impact on our customers, people, economies, societies and communities. This is embodied in our purpose, Success Beyond Numbers.

Making a positive difference to customers and economic development

Our universal banking model remains at the heart of our strategy, providing a robust foundation to offer customised solutions to our clients that meet their needs. At the same time, we play a key role in supporting economic growth in countries where we are present, capitalising on enhanced cross-selling capabilities and reinforcing synergies amongst Group entities. In Mauritius, we affirmed our leadership market positioning, despite heightened competitive pressures, by continuing to support economic operators across sectors, with MCB holding market shares of around half of local currency deposits and nearly 40% of domestic credit to the economy. Our new flagship branch in Madagascar should help us strengthen our proximity to our clients and partners, enabling us to better serve their needs and foster deeper relationships in this market. In Seychelles, we proudly contribute to 36% of the domestic corporate credit market, underscoring our vital role in supporting the local economy and fostering business growth.

Our market position is supported by our continuous investments in digital innovation aimed at enhancing client experience. MCB Juice, our flagship mobile banking application, has experienced remarkable success in FY 2023/24 with transaction volumes growing by 74% and now serving over 600,000 clients in Mauritius. This growth reflects a successful response to shifting customer demand since 2023 in favour of a cash-lite society. The application's popularity is also rising in other regions, with subscriber numbers nearly doubling in Madagascar. Additionally, we have streamlined our operations by centralising our core banking system within a private cloud infrastructure, simplifying processes and enhancing our capacity to deliver cutting-edge solutions.

We have continued to advance our strategic objective of becoming more diversified by enhancing our role as a specialist bank, with a particular focus on cross-border activities and regional expansion, predominantly in Africa. We further supported African economies by addressing their energy needs through our Energy and Commodities financing. We are also expanding our Power and Infrastructure franchise and exploring opportunities to build a metals and minerals business to finance key projects that will drive a successful energy transition. Moreover, we are also strategically positioning MCB as a core banking partner for global and international corporates operating in Africa, tapping into significant cross-border flows. By leveraging the Mauritius International Financial Centre (MIFC) and our strategically-located regional hubs, we are creating opportunities for businesses to thrive across borders through a client offering that goes beyond traditional banking services, including bespoke and specialised solutions. On that note, we hosted the second edition of the GIC Business Series at the Dubai International Financial Centre (DIFC), where representatives from over 100 major corporations, legal firms, and fiduciaries collectively reflected on how to address the challenges of doing business across African corridors. Additionally, we are strengthening our transactional offerings by actively developing and promoting solutions designed to meet our clients' treasury management, cross-border, hedging, and investment needs. Our wealth segment clientele also benefited from an enriched value proposition with personalised wealth management services designed to meet their evolving needs.

Regarding the non-banking financial sector, MCB Capital Markets advised EnVolt's on its inaugural issue of Rs 510 million Green Projects Bond, as part of the latter's Rs 2 billion Multi Currency Green Bond Programme. The issuance represents a major milestone for the Mauritian debt capital markets as it is the first time that a renewable energy project is financed by a bond issue.

Making a positive difference to our People

We recognise that success requires us to win in the marketplace and in the workplace. This is why, throughout the year, we have reinforced our Shared Ways of Working—a set of guiding principles focused on making things simple, acting responsibly, building partnerships, pushing boundaries and creating a positive impact. As part of a culture that embraces diversity, we have progressed in promoting gender equality, with the share of women in leadership roles having increased to 34%. I am also proud to announce that MCB Group has become the first bank/financial services group in Africa to achieve EQUAL-SALARY certification. This certification, awarded by the Equal Salary Foundation, confirms our commitment to equal pay for equal work and gender equality within our workforce.

Furthermore, reflecting our commitment to fostering a culture of trust, the organisation has improved its score in the 'Great Place to Work' survey compared to the previous assessment. Feedback from earlier surveys has helped shaped several initiatives, including the introduction of a Remuneration Framework following the launch of the Career Architecture Framework in Mauritius, with the latter having been extended to MCB Seychelles this year. While we are proud of these advancements, we recognise that there is still more to be done and we will continue our efforts to enhance our people-focused initiatives, ensuring their well-being and fostering an environment where everyone has the opportunity to thrive.

To drive our strategic plan forward, we have enhanced our capabilities in key areas, notably to uphold customer service, support our international expansion, and reinforce risk and control management. We have also provided our staff with training opportunities, including specialised and technical courses, empowering them to excel in a rapidly evolving environment. Additionally, to foster strong leadership across the organisation, we introduced the IMPACT Excellence Program and the IMPACT Accelerate Program, both accredited by Stellenbosch University. These programs are designed to equip participants with advanced skills in strategic thinking, team leadership, and negotiation, ensuring they are prepared to navigate complex challenges.

Making a positive difference to Societies and Communities

We have made significant progress on our journey to become more sustainable, remaining resolute in our efforts to reduce our environmental impact while empowering our clients to transition towards a low-carbon future. Through our Sustainable Loan offering, we have played a key role in supporting local companies in their transition to a greener future, with 20% of our Rs 10 billion credit line already disbursed. In November 2023, MCB entered into a new partnership with Proparco and DEG, with the latter extending a loan of up to USD 120 million to support our ambition to unlock further opportunities to finance climate mitigation and adaptation measures. We also signed our first Sustainability-Linked Syndicated Term Loan of USD 400 million, with the loan's key performance indicators focusing on sustainable financing and gender diversity.

Through the MCB Forward Foundation, we have deepened our engagement with the communities in which the Group operates. Internally, to scale up sustainability initiatives across the Group, we established the Sustainability, Reputation and Engagement SBU, with the Central Sustainability Office at its core. In response to the growing risks posed by climate change, our efforts have also focused on assessing its impact on our activities while working to integrate environmental and social risk management into our operations. This approach aims to promote positive impacts and mitigate potential negative effects on people, communities, and the environment.

> *"For us, success goes beyond financial results - it is about making a positive impact."*

Consolidating the core and building for the future

As we look to the future, I remain confident in our ability to thrive, grow and respond to our clients' needs in an ever-changing operating landscape. While consolidating our core businesses, our focus will be on scaling up in key areas and exploring and seizing emerging opportunities that are aligned with our strategy and competencies. We will refine our business model to adapt to evolving market conditions and respond to our customer needs as they also strive to grow whether domestically or internationally. By leveraging our network and enhancing cross-selling, we aim to enhance our value proposition in both existing and new markets.

Our customers will remain at the core and we will continue our efforts towards delivering excellent customer service, cultivating a talented and engaged workforce and maintaining rigorous risk and control frameworks. On the latter grounds, we have elevated our Risk and Compliance functions to the Group level to enhance oversight, ensuring we are well-positioned to navigate the evolving financial ecosystem.

Moreover, to facilitate the smooth running of the business while delivering on key strategic priorities, the governance of the Group has been reinforced through the creation of dedicated executive committees and forums. In particular, we have set up a Group Executive Committee that drives organisational alignment, appraises developments in our operating environment and manages issues impacting the Group. In addition, the Group Executive Strategy Committee has been established to lead the formulation and execution of the Group's strategy, ensuring that performance is measured against set objectives and targets. To track our strategic progress, we have introduced a Group Scorecard for FY 2024/25, featuring key impact measurement metrics. This will enable us to assess our performance across all stakeholders and focus on sharpening our competitive edge while preserving the legacy of trust and service that has long defined our organisation.

Additionally, as we continue to evolve and grow as a Group, it is imperative that we adapt our structure in line with our strategic priorities. As such, we have brought about some key changes to our management team, reflecting our commitment to promoting talent from within our organisation and leveraging the diverse skills and expertise of our team to drive our business forward.

> *" I remain confident in our ability to thrive, grow and respond to an ever-changing operating landscape."*

Concluding remarks

As we reflect on this year's achievements, it is evident that our commitment to our purpose has shaped our success. We have not only supported our customers but also made a positive difference in the communities we serve. I want to extend my deepest gratitude to our talented teams, whose hard work and commitment have been the driving force behind our success.

I also extend my thanks to the members of our various Boards for their guidance throughout the year. A special acknowledgment goes to Gilbert Gnany for his remarkable 28 years of dedicated service, including his role as Chief Strategy Officer. Throughout his tenure, Gilbert has not only upheld the Group's values and helped advance our strategic objectives but also fostered crucial interactions with authorities and key stakeholders, strengthening our organisational position. I am pleased to announce that as of 1st September 2024, Dipak Chummun has joined the Group to assume the role of Group Chief Finance Officer. His experience at senior levels of global banks and in industry will reinforce our leadership in local and regional markets.

On behalf of the staff, management teams, and myself, I also wish to extend my deepest gratitude to Mr. Didier Harel, who is retiring as Chairperson after eight years of distinguished service to the organisation. His authentic leadership and objective insight have been instrumental in establishing a solid foundation to drive our transformation and to be recognised and respected as a reputable financial institution in Africa. He has also guided us through a particularly challenging environment, marked by the pandemic. I extend my heartfelt thanks for his outstanding contributions to the Group and wish him continued success in his future endeavours.

As I end this year's statement, a special thought and immense gratitude goes to our former CEO, Pierre Guy Nöel, who passed away during the year. His leadership and passion for MCB over three decades transformed our organisation and our people. He leaves an indelible imprint on us all and will be deeply missed.

Finally, as I look to the future, I am confident that our dedication and strategic focus will chart a course towards continued success. We will strive to deliver meaningful value to our stakeholders and stay true to our purpose that defines our journey.

Jean Michel NG TSEUNG
Group Chief Executive

Our strategy

Executing our strategic objectives to fulfil our purpose

We recognise the challenges of operating in a volatile environment and remain steadfast in our commitment to making a meaningful and positive impact. To translate this conviction into tangible results, we have anchored our efforts in fulfilling our purpose, Success Beyond Numbers, which serves as the cornerstone of our strategy. This purpose drives us to go beyond financial metrics, focusing on creating lasting value for our stakeholders, fostering innovation, and building resilient communities.

Throughout the year, we continued to make headway on our 3-year rolling plan, strategically positioning ourselves to seize opportunities in an ever-evolving landscape. Guided by our proven business model, our strategy focuses on delivering sustained earnings by becoming more diversified, digital and sustainable. As we continue our efforts to make MCB Group a simpler and more efficient organisation, we are focused on delivering excellent customer service and customised offerings, capitalising on our talented workforce while operating within the precinct of our risk appetite.

Our strategy in action

Living 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

Our strategic objectives

1 Becoming more diversified	2 Becoming more digital	3 Becoming more sustainable
Strengthening our position in local markets	Refining our value proposition	Developing 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	Modernising internal capabilities	Promoting individual and collective well-being

Key value drivers

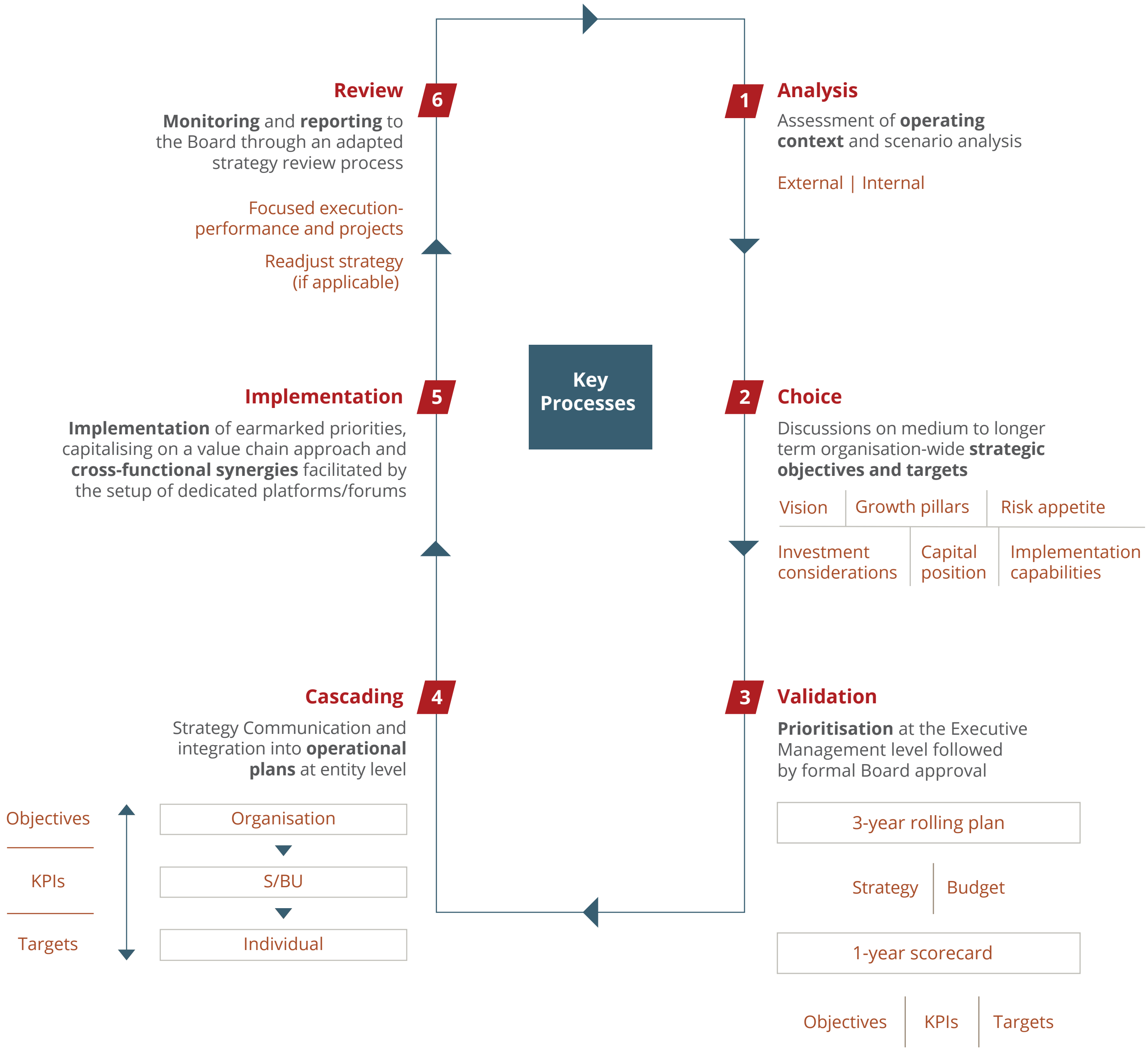
Customer experience

People and culture

Risk and compliance

Our strategy setting and execution process

MCB Group has a well-defined governance framework to underpin the strategy setting and execution process. The Board, with the assistance of the Corporate Strategy Committee, sets the strategic directions of the Group and approves strategic policies while ensuring that they are communicated throughout the organisation and regularly assessed. Consistent with the direction given by the Board, the Group Executive Strategy Committee leads the Group's strategy setting and execution, and measures the organisation-wide performance against set objectives and targets. While ensuring congruence with the strategic directions set at Group level, entities formulate their 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 objectives 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

Strategy | Budget

1-year scorecard

Objectives | KPIs | Targets

4 Cascading

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

Objectives	Organisation
KPIs	S/BU
Targets	Individual

5 Implementation

Implementation of earmarked priorities, capitalising on a value chain approach and **cross-functional synergies** facilitated by the setup of dedicated platforms/forums

6 Review

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

Focused execution-performance and projects

Readjust strategy (if applicable)

Becoming more diversified

Our universal banking model remains core to our strategy, providing a strong underpinning to support our customers – notably through the continuous adaptation of our offerings to meet their needs – while also contributing to the sustainable development of the local economies in which we operate. We are also committed to strengthening our position as a specialist bank, especially for our cross-border activities and regional diversification agenda, with Africa being our main target. Additionally, we seek to boost our involvement in the provision of non-bank financial services locally and in the region.

Main initiatives and achievements during the year under review

1 Strengthening our position in local markets

- Upheld our market positioning across both individual and non-individual segments through our contribution to the development of local markets where we operate. Of note, we consolidated our positioning as a strategic partner for the transition and growth of Mauritian and regional corporates.
- Launched innovative end-to-end client solutions with enhanced features, while promoting digital payment solutions to support the transition to cash-lite.
- Improved our cross-selling through refined coverage-product strategies and increased collaboration within the Group, between (i) MCB and other banking subsidiaries, and (ii) MCB Ltd's coverage teams, MCB Factors, and MCB Leasing.
- Strengthened our proximity with client and partner relationships across the region, including through the expansion of our branch network with the set up of a new flagship branch in Madagascar.

Market shares

49%
Share of local currency deposits
(Mauritius)

39%
Share of domestic credit to the economy
(Mauritius)

36%
Share of domestic credit to corporates in Seychelles

Reinforced our commitment to SMEs via the "Lokal is Beautiful" scheme and punch.mu platform

Supported the transition to renewable energy

20%
Disbursement of our sustainable finance facilities of Rs10 billion
(as at June 2024)

2

Growing our international footprint

- Continued to support African economies in their energy needs through our Energy & Commodities financing. We also leveraged our Power and Infrastructure franchise and are building a Metals & Minerals business to finance activities which are crucial for a successful energy transition.
- Pursued our strategy to position MCB as a core banking partner for large corporates, multinational corporations and funds doing business across African and selected Asian, GCC, European and American corridors, while deepening relationships with fiduciaries and intermediaries both in the Mauritius International Financial Centre (MIFC) and in international financial hubs.
- Bolstered our network of correspondent banks to become more prominent in the African as well as regional financial institution landscape and better service the cross-border and investment needs of our corporate client segments.
- Enhanced our transactional offering, notably through a more active development and promotion of our solutions aimed at helping clients better manage and address their treasury management, cross-border, hedging and/or investment needs, while also helping them develop their own network of business partners via, for example, our Global Trade Portal.
- Further grew our International Wealth business, with a focus on External Asset Management and International Private Banking, by enriching our value proposition and boosting business development initiatives.

Closed major capital and funding initiatives

USD 400 million
Sustainability Linked Syndicated term Loan

USD 120 million
Loan from DEG and Proparco

Enhanced market presence through targeted initiatives and our network of hubs in Africa, the Middle East, and Europe, as well as the MIFC

E.g, GIC Business Series and sponsorship of key African and international conferences

3

Expanding our non-bank activities

- Strengthened the capabilities and positioning of our investment management and corporate finance activities towards accompanying our clients and partners across key markets.
- Leveraged the brand franchise and distribution capabilities of the Group to consolidate our positioning in the factoring segment, while making further inroads into the microfinance segment.
- Enhanced our capabilities at MCB Leasing with the roll out of a software to improve operational efficiency and deliver faster response to clients.

Advised EnVolt on its Green Project Bond Issue

Read more on our initiatives to become more diversified in the 'Our performance across entities' section on pages 60 to 76

Becoming more digital

We are advancing on our journey to become more digital, with a keen focus on elevating customer experience and driving the shift towards a cash-lite economy. Building on the strong foundation laid in previous years, we are committed to refining our end-to-end customer journeys, ensuring that our solutions are user-friendly, personalised, and seamlessly integrated across all digital platforms. As a key axis of our digital journey, we are modernising our infrastructure to enhance business operations, harnessing advanced analytics to deliver innovative, customer-centric solutions, and bolstering our cybersecurity defenses to protect our customers and our future.

Main initiatives and achievements during the year under review

Refining our value proposition

We remain committed to continuously adapting our value proposition and are ensuring that our solutions remain relevant and impactful, aligning with the dynamic expectations of our clients. During the year, our focus was on capitalising on cutting-edge technology to create personalised and lasting customer experiences. Several initiatives have been deployed to upgrade service levels and deliver a seamless customer experience, including:

- New features on our mobile banking solution, MCB Juice, in Mauritius, notably, the extension of the list of recurrent billers on our 'Bill Payment' feature and a 'Government Portal' that allows customers to make direct payments to government bodies.
- A 'Trading' feature accessible through the 'Wealth' entry point of MCB Juice for our affluent and high net worth clients, offering them a suite of convenient tools to actively manage their investments.
- Two key features on MCB Juice Madagascar: (i) Statements feature to enable customers to access their account statements directly through the app and (ii) Card Companion feature to allow users to manage their cards.

Becoming more digital - Key performance indicators

Payments and channels

MCB Juice Mauritius
Subscribers
604,185
(+16% y.o.y)
86 CSAT

MCB Juice Seychelles
Subscribers
17,910
(+ 54% y.o.y)

CIB transactional payments
SmartApprove subscribers
2,117
(+ 7% y.o.y)
***87%** digital request*
***91%** International Funds Transfer Payment STP rate*

MCB Juice Madagascar
Subscribers
4,461
(+ 91% y.o.y)
76 CSAT

MCB Juice Pro
Subscribers
29,148
(+ 25% y.o.y)
87 CSAT

IB Pro
Subscribers
15,395

Lending

Mortgage
Average TAT
47 days
72 CSAT
***95%** digital requests*

Unsecured personal loan
Average TAT
7 days
94 CSAT
***99%** digital requests*

SME lending (Express overdraft)
Average TAT
7 days
***100%** digital requests*

CIB lending
Average TAT
25 days
***99%** digital requests*

Investment

Juice Wealth anchored on MCB Juice
Active users
2,856
75 CSAT

Onboarding

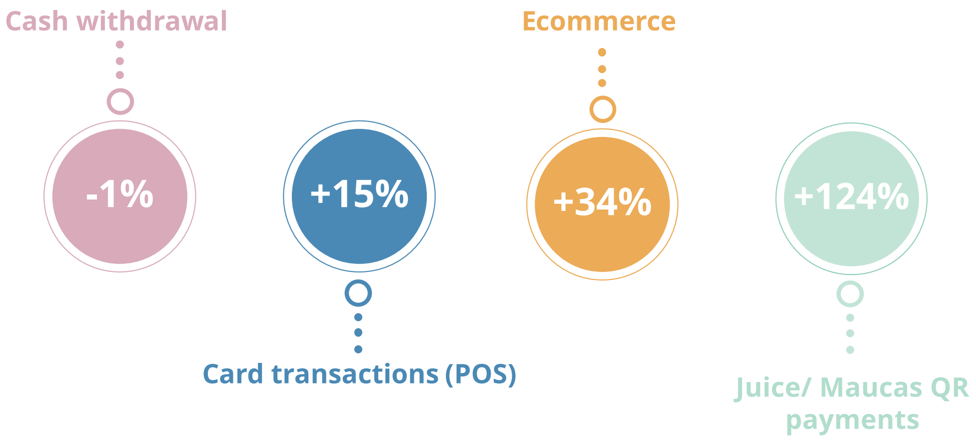
SME account opening
Average TAT
8 days
80 CSAT
***92%** digital requests*

Notes:
(i) All figures relate to FY 2023/24, unless otherwise stated.
(ii) The number of active users of Juice Wealth relates to June 2024.
(iii) CSAT scores, which indicate customer satisfaction, refer to June 2024. CSAT score for Juice Wealth relates to the 3rd quarter of FY 2023/24 while CSAT score for SME account opening relate to FY 2023/24.
(iv) TAT (turnaround time) includes the time taken for customers to respond and excludes outliers. TAT statistics are not strictly comparable to last year's published figures.

Read more on our digital offerings in the 'Our performance across entities' section on pages 60 to 76

Supporting the transition to cash-lite

We actively promoted our digital payment solutions through campaigns highlighting our secure digital channels, which enable clients to perform transactions anytime and anywhere. In the same vein, the deployment of a more self-service oriented concept in our branch network locally continued to further the shift to digital. In Mauritius, we pursued our efforts to increase our digital payments acceptance footprint and recruited over 3,000 merchants, with the majority being in the SME segment. Our POS network is now fully contactless-enabled, with an increasing number of merchants offering several digital payment options, namely online, in-store, card or QR enabled payments. Digital payments, encompassing MCB Juice, contactless, and online transactions, exhibited a notable increase in Mauritius, with the volume of MCB Juice transactions experiencing a 74% surge and contactless payments increasing by 45%. We are moving in the right direction in our cash-lite strategy with the proportion of cash to digital payments ratio of MCB Ltd declining from 40% to 35% when compared to the previous period.



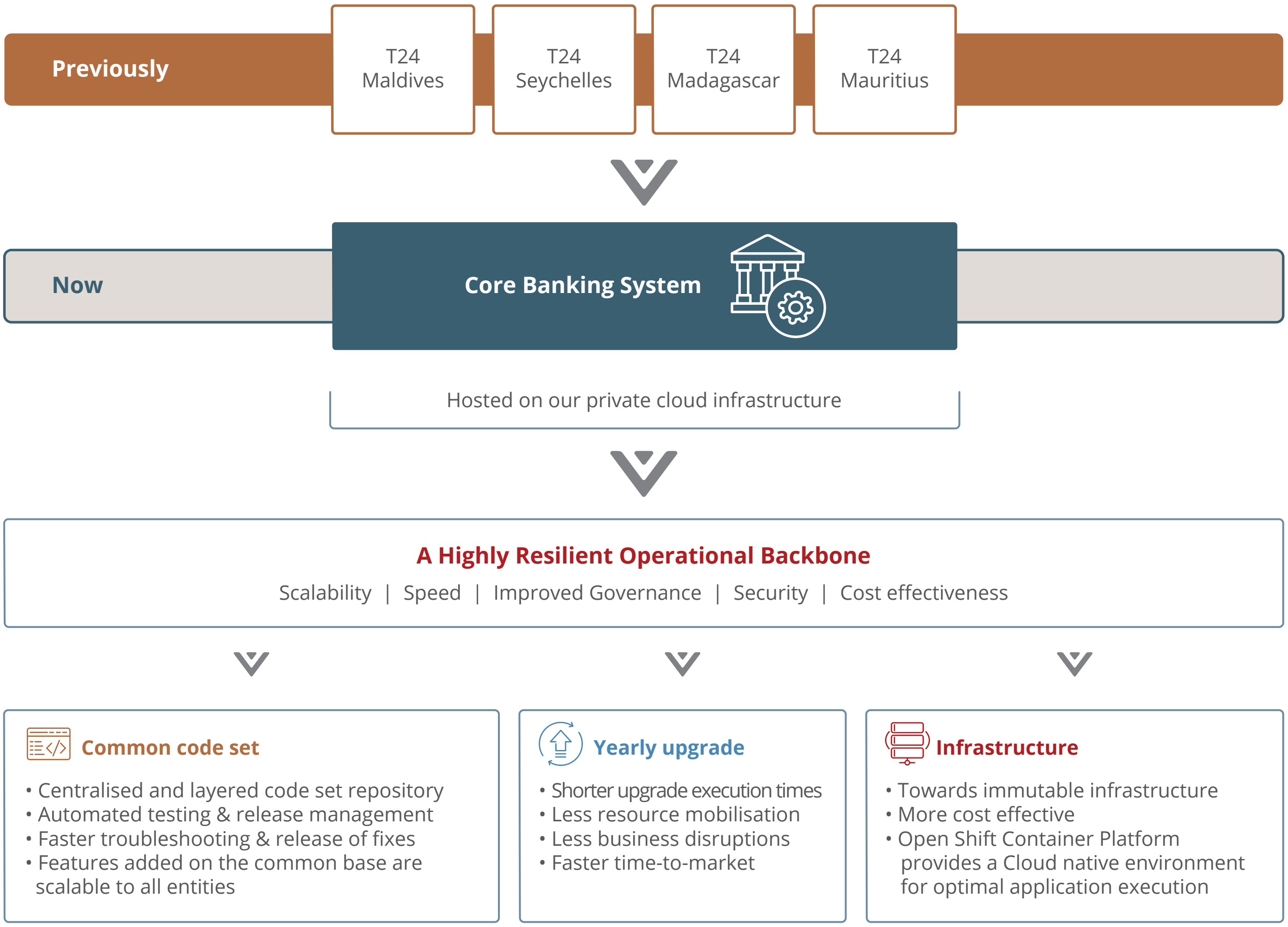
Note: Above metrics underpin the cash to digital ratio, with figures indicating the y.o.y change in the volume of transactions in FY 2023/24

Modernising internal capabilities

Building a modern banking infrastructure

Reflecting our commitment to remaining at the forefront of innovation and upholding operational efficiency, we continually strived to upgrade our IT infrastructure by investing in the latest technology. Notable achievements include the following:

- We completed the implementation of our centralised core banking system at Group level. This modern platform integrates all our banking operations into a single, unified system within our private cloud infrastructure, providing a secure and adaptable environment that meets the evolving needs of our customers and the increasing demands of regulatory compliance. This platform enables us to streamline complex processes, enhance our agility, and foster innovation. As a result, the organisation is now able to schedule one core banking upgrade per year, with execution times cut by 50% and the creation of new development environments completed in a single day, reducing workloads by 70% and impacts to our business. The consolidation has also resulted in significant cost savings, notably by downsizing our hardware estate, contributing to a lower environmental impact.
- We obtained the Tier III Certification of Constructed Facility (TCCF) from the Uptime Institute of Technology. This reflects our pledge to ensuring the highest levels of availability and resilience in our data centre, adhering to the stringent standards required for peak performance and reliability. By securing this certification, we are enhancing the efficiency and security of our operations and anticipating the evolving needs of our customers in an increasingly digital landscape.



Previously

T24 Maldives | T24 Seychelles | T24 Madagascar | T24 Mauritius

Now

Core Banking System

Hosted on our private cloud infrastructure

A Highly Resilient Operational Backbone

Scalability | Speed | Improved Governance | Security | Cost effectiveness

Common code set

- Centralised and layered code set repository
- Automated testing & release management
- Faster troubleshooting & release of fixes
- Features added on the common base are scalable to all entities

Yearly upgrade

- Shorter upgrade execution times
- Less resource mobilisation
- Less business disruptions
- Faster time-to-market

Infrastructure

- Towards immutable infrastructure
- More cost effective
- Open Shift Container Platform provides a Cloud native environment for optimal application execution

Bolstering our cybersecurity defences

During FY 2023/24, we pursued several initiatives to improve our overall cybersecurity defences:

- Established a specialised Information Security Business Unit, ensuring complete independence from the Technology SBU, which has allowed for more focused and effective security operations.
- Created a dedicated Security Incident Monitoring team to better detect and respond to potential threats in real-time.
- Launched a Counter Threat Intelligence team, tasked with proactively identifying and mitigating emerging threats.
- Strengthened our capabilities and refined our processes, positioning us to better safeguard the organisation's assets and information in an increasingly complex threat landscape.

Read more in 'Risk and capital management report' on pages 145 to 192

Leveraging data and advanced analytics

The organisation also pursued several initiatives to capitalise on data and analytics:

- MCB, through its Data Business Unit and its Technology SBU, implemented a data lake to host its data and analytics operations. This initiative goes hand in hand with a review of MCB's data architecture to ensure that the technology stack, data engineering processes, and data governance are well orchestrated to enable scalability and efficiency. The use of a data lake allows for the consolidation of vast amounts of structured and unstructured data, enhancing advanced analytics capabilities and supporting real-time decision-making in banking analytics use cases.
- We enhanced the Credit Scoring model for SME customers, resulting in more customers being eligible for automatic approval of credit requests. We also implemented a new Credit Scoring model for credit card applications made by individual customers, which led to reduced turnaround times on credit card applications.
- The intake of data practitioners being coached for Business Intelligence (BI) through the MCB Digital Academy increased to two cohorts yearly, compared to one cohort in previous years. To date, 58 people have become BI practitioners with the help of the in-house course.

Becoming more sustainable

Our sustainability strategy is rooted in our purpose, Success Beyond Numbers, and articulates our commitment to be a responsible organisation and a catalyst to the economic development of countries in which we operate. Guided by our adherence to strong corporate governance and ethical conduct, we strive to become more sustainable through the following three pillars:

Vibrant and sustainable local and regional economies

Our Cultural and environmental heritage

Individual and collective well-being

Commitment to responsible practices

Our actions are underpinned by our adherence to the international principles, standards, and frameworks we have adopted:

Since 2012, MCB Ltd has adopted the Equator Principles, an internationally recognised voluntary framework that guides the Bank's Environmental and Social Risk Policy. This framework ensures effective risk management in lending activities, especially for projects involving loans of USD 5 million or more.

MCB Ltd is a founding signatory of the UN Environment Programme's Principles for Responsible Banking. These Principles provide a unified framework for integrating sustainability into banking strategies, portfolios, and transactions, enabling banks to contribute to society's goals.

MCB Ltd is committed to embedding relevant principles in its strategy and operations and adheres to the United Nations Global Compact at the participant level. As the world's largest voluntary corporate responsibility initiative, it guides businesses to align with universally accepted principles in human rights, labour,environment, and anti-corruption.

The SDGs reflect an ambitious international agreement to eradicate poverty and inequality, protect health and prevent climate change by Agenda 2030 through 17 specific outcomes that are universally recognised. The organisation has identified 16 of the 17 SDGs of the United Nations where it believes it can generate meaningful value through its operations.

Read more in the Sustainability Report on our website

Main initiatives and achievements during the year under review

- We have further progressed on our sustainability journey, remaining steadfast in our commitment to reducing environmental impact while aiding clients in their transition to a low-carbon economy. Through our Sustainable Loan offering, we have played a key role in supporting local companies and African players in their transition to a greener future. In response to the growing risks posed by climate change, our efforts have concentrated on assessing its impact on our operations and integrating environmental and social risk management into our credit value chain.
- To strengthen the foundation for scaling up sustainability initiatives across the Group, we established the Sustainability, Reputation, & Engagement SBU, with the Central Sustainability Office at its core. This office is integral to our sustainability ambitions and drives the Group's agenda under three core pillars: (i) developing vibrant and sustainable local and regional economies; (ii) contributing to our cultural and environmental heritage; and (iii) promoting individual and collective well-being.

Developing vibrant and sustainable local and regional economies

We strive to positively impact our local and regional economies by boosting domestic production and contributing to the socio-economic development of the countries in which we operate. We are increasing our efforts to foster entrepreneurship and innovation while ensuring our products and services support positive development. Some key initiatives during FY 2023/24 include:

- MCB Ltd organised several **'PUNCH Meets' events** , themed (i) Unifying Innovators for a smarter island, (ii) Responsible Tourism, and (iii) Inspiring Women Entrepreneurship, to foster collaboration among entrepreneurs towards boosting local economic growth.
- We held **Coffee circle events** with members from PUNCH, AMFCE (Association Mauricienne des Femmes Chefs d'Entreprises) and 'Made in Moris' to help address key topics to power business growth.
- In collaboration with '**La Turbine**', we supported Mauritian entrepreneurship, by rewarding viable and impactful business ideas. The 10th edition of Test Drive focused on the circular economy and green innovation, in line with Sustainable Development Goals.
- With **MCB Juice, Juice Pro and PUNCH being awarded the 'Made in Moris' label**, we have asserted our commitment to supporting local entrepreneurship and fostering inclusiveness.

Financial inclusion

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

MCB Ltd delivers an **inclusive banking experience** through a range of physical touchpoints (namely 39 branches and kiosks as well as 181 ATMs, with more than 50% located in rural areas), self-service solutions (604,185 subscribers on MCB Juice and 325,465 Internet Banking subscribers) and remote assistance (Contact Centre). Though our efforts towards a cash-lite society is prominent, we continue to support in-cash transaction for more vulnerable/less digitally versed parties through cash deposit solutions in our branches. Our digital channels have **expanded financial access** beyond branch hours, as evidenced by increase in pay to mobile transactions.

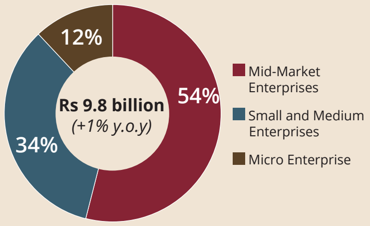
We also have a financial well-being programme for women with the goal of fostering an investment culture and involving them as ambassadors to raise awareness on this important issue within the broader community.

MCB Madagascar partnered with MVola to enable customers to make transfers between their MVola account and their bank account. This partnership makes financial services more accessible, simple, instant, and secure, while also extending payment options beyond traditional methods such as cash, cheques, and bank transfers.

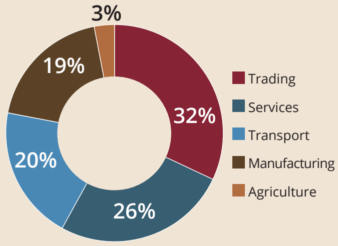
We offer innovative, customised solutions to SMEs, micro-enterprises, and self-employed individuals to meet their needs. Of note, our online platform, **punch.mu**, enables the community of entrepreneurs (from micro businesses to mid-market enterprises) to access new markets, opportunities and alternative sources of finance, acts as a knowledge centre for entrepreneurs and supports them in their development.

Additionally, our payment solution, **Pay+**, is a small payment acceptance device, designed primarily for merchants, which is wireless and easy to carry. It is a more convenient alternative to traditional point of sale terminals used in various businesses such as stores and supermarkets.

Outstanding loan to MSMEs



Microfinance: Outstanding loans by sector



Of note, MCB Microfinance Ltd financed and disbursed **7,175 loans** totaling **Rs 1,529 million** as at 30 June 2024.

Contribution to socio-economic development

Direct contribution of **MCB Ltd to the Mauritian economy** (FY 2023/24)

Financial intermediation
26% Domestic loans as a share of GDP in Mauritius (including corporate notes)

Paying taxes in support of government revenue mobilisation
~ 12% 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

Direct contribution of **MCB Seychelles to the Seychellois economy** (2023)

~ 11% Domestic loans as a share of GDP in Seychelles

~ 8% of employment in the financial and insurance activities

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

Contributing to our cultural and environmental heritage

We are committed to being a responsible corporate citizen and actively contribute to mitigating the negative impacts of climate change. Some key initiatives during FY 2023/24 include:

- Proparco and DEG announced a **new partnership with MCB** to support the Bank in expanding its climate finance offering in Mauritius and Sub-Saharan Africa. A loan of up to USD 120 million was provided to accompany the Bank in its ambition to unlock further opportunities to finance climate mitigation and adaptation measures.
- MCB Madagascar launched the **Your Card for Change Programme**, where each debit card transaction results in a donation to support biodiversity projects.
- The organisation sponsored several NGOs in Mauritius that pursue impactful environmental initiatives, including a new partnership with **Reef Conservation** for restoring marine ecosystems.
- We organised the second edition of the inter-college debate competition '**Deba Klima**' in collaboration with Rajiv Gandhi Science Centre and Dr. François Gemenne.
- We sponsored the reintroduction of an **extinct plant species, Cylindrocline lorencei**, enabled by the National Park and Conservation Service.
- We supported arts, culture, and the protection of Mauritius' heritage through the Blue Penny Museum. This included the "**Les Brèdes: Un trésor caché**" exhibition, showcasing the importance of these local plants in culinary heritage and health.
- The organisation conducted a **staff campaign for digital clean-up**, focusing on the disposal of unused personal equipment to ensure proper handling of electronic waste, resulting in the collection of 280kg of electronic waste.
- MCB Ltd launched a **Direct Environmental Impact cross-functional working group** tasked with identifying, implementing, and overseeing initiatives to reduce our environmental footprint and enhance our overall sustainability practices.

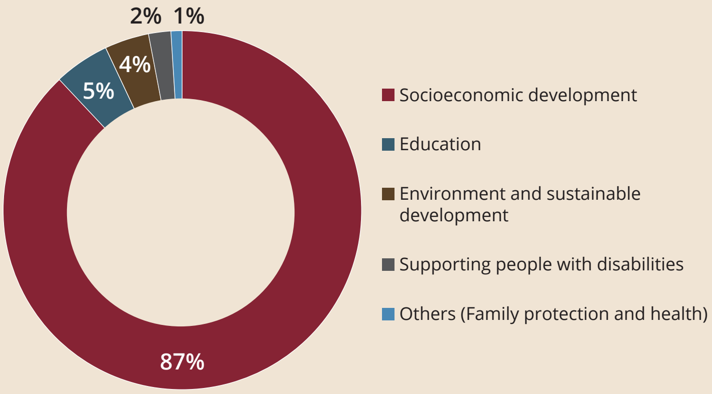
Promoting individual and collective well-being

In addition to promoting the development and welfare of our people, we regularly engage with the communities in which the Group is involved, facilitated mainly by the MCB Forward Foundation (MCBFF), which is responsible for our corporate social responsibility efforts. For FY 2023/24, an aggregate amount of around Rs 67.7 million was entrusted to MCBFF by MCB Group, of which **Rs 57.4 million was spent on 22 projects**, with 19 still ongoing.

Some key initiatives from MCBFF and the organisation:

- MCBFF supported **Collectif Arc en Ciel** in providing parent counseling sessions to families in need of mental health support.
- MCBFF continued its support of socioeconomic development through its MCB Football Academy project, which welcomed **600 beneficiaries** during the year.
- In collaboration with the foundation Mc2H, MCBFF provided support to the **education sector in Nigeria** through the Radio School Programme, which was developed as a literacy and numeracy intervention for out-of-school children.
- Since 1988, **35 scholarships** have been awarded to Mauritian students ranked next in line after those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations. Additionally, **45 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.
- Approximately 170 of our employees participated in our **Social Leave Programme**, which gives each employee the opportunity to take a one-day paid leave to carry out social work by helping NGOs in their day-to-day activities.

Projects financed by MCBFF during FY 2023/24



~ Rs 2.1 billion student loans approved by MCB Ltd as at June 2024 (under normal banking terms and the Government Guarantee Scheme), accounting for a market share of around 65% (over the period April 2013 - June 2024)

Our key value drivers

We continue to build our capabilities, with an emphasis on our key value drivers: (i) customer experience, (ii) people and culture, and (iii) risk and compliance. Our progress in these areas provides us with a strong foundation to execute our strategic objectives.

Customer experience

We are continuously investing to build more meaningful relationships with our customers alongside providing customised financial products and excellent customer service across all touchpoints based on their feedback. Main initiatives and achievements in FY 2023/24 include:

- Following the review of the Marketing and Communication SBU, a Customer Experience and Marketing SBU has been established at MCB Ltd to focus on our quest for continuous customer experience enhancements and improved integration within our activities, channels, processes and client engagement.
- Our Customer Lab, which serves as an essential platform for the centralisation and analysis of all customer feedback, has made further headway towards embedding the voice of the customer as a key value driver. New surveys and methodologies were developed to reinforce our capacity to measure our clients' experience on different channels. Customer Lab reinforced their pool of customers, which has grown to over 2,200, willing to participate in the development and enhancement of our products and services, notably through user testing and discovery exercises. To gauge customer satisfaction, a CX (Customer Experience) framework was implemented for CIB, while progress was also made on a CX framework for MCB Seychelles.
- We leveraged customer complaints received to identify areas for improvement, enabling us to enhance our products and services. Regarding complaints during FY 2023/24, the share of complaints resolved within 5 days stood at around 70%, slightly down compared to the previous year due to an increase in complex complaints (e.g fraud cases, card issues, and payment recalls), where investigations typically take longer.
- To help us deliver superior value to our customers, we are also laying emphasis on enhancing our process efficiency by streamlining our operations and adopting best practices. Of note, MCB Seychelles implemented an appointment system for onboarding customers to reduce waiting times, while a new card tracking system was introduced to improve service delivery across branches. MCB Maldives implemented a contact management strategy for corporate clients to ensure optimal service levels.
- The entire web architecture of MCB Group was migrated to a new Content Management System, facilitating unified content management across all digital platforms. This upgrade enables prompt and accessible content distribution on any device, making the user experience even more fluid and pleasant.
- The organisation actively participated in promotional and commercial initiatives, including international seminars, conferences, and roadshows. These activities aim to strengthen client relationships, expand networks, and showcase the Group's capabilities and value proposition.

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

~ 20,000
Customer participation in surveys/research projects

>120
Number of research projects/initiatives undertaken

37
Recurrent surveys (monthly/quarterly)

30
Real Time Dashboards

Customer Satisfaction scores (MCB Ltd)

82
Retail
(FY 2022/23: 84)

84
Private Wealth Management
(FY 2022/23: 81)

75
Business Banking
(FY 2022/23: 76)

77
Corporate and Institutional Banking
(FY 2022/23: 75)

Read more on our initiatives to deliver excellent customer experiences in the 'Our performance across entities' section on pages 60 to 76

People and culture

Our people are a key priority for us, and we recognise that fostering their engagement and development is essential for our success. We have, during the year, reinforced our capabilities in key areas, notably to uphold customer service, support our international expansion, and reinforce risk and control management. We also focused on enhancing our Employee Value Proposition which defines the value and experience an employee can expect from working at the organisation. This is reflected in four pillars, namely: Joining with Purpose, Work Rewarded, Work and Thrive, and Growing beyond Titles which guide our efforts to create a supportive and fulfilling work environment that adapts to the evolving operating context and supports our employees' growth and success.

Joining with Purpose

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

- Further embed the five Shared Ways of Working as part of our culture. This included upholding the Gold Management Routines which encompass management activities such as one-on-one sessions, team meetings, communication through SBU townhall and regular walk around.
- Reviewed the recruitment and onboarding journey to enhance the employee experience.
- Tailored the Corporate Induction Programme to the needs of new employees, ensuring they are equipped with the necessary skills and knowledge to perform in their roles.
- Regularly interacted with employees to understand and respond to their needs, and to gauge their level of motivation and engagement, notably through collaboration with Great Place to Work® for our annual employee engagement survey.
- Actively promoted diversity and inclusive practices:
    - Established a Diversity, Equity and Inclusion (DEI) function within the Human Resources SBU to define and implement DEI initiatives, fostering an inclusive and equitable work environment that supports the Group's sustainability strategy and commitment.
    - Increased the share of women in middle and senior management at MCB to 34%, on track to reach our goal of 35% by the end of 2024 and 40% by 2026.
    - Enrolled some 60 women in the 'Women in Leadership' Programme during the FY 2023/24, reflecting the organisation's ongoing commitment to gender diversity and inclusion. A Gender Working Group Roadshow was also conducted across the Bank during SBU Townhall meetings to showcase all initiatives and projects undertaken.
    - Enrolled 126 people managers on the 'Allies for Change' Programme, which focuses on promoting gender inclusivity within the organisation.
    - Updated our recruitment process to attract a broader and more diverse range of internal and external candidates. Job advertisements requiring educational certifications now also include "or equivalent experience" to diversify the talent pool, value experience, and align with industry trends.

Our Shared Ways of Working

Trust Index Survey 2024
(Great place to work)

77%
Participation rate

56%
Trust Index score
(+6 p.p compared to previous survey)

Work Rewarded

We strive to provide a combination of meaningful incentives, recognition, and reward programmes that align with employee and company interests.

- Launched MCB's new Remuneration Framework in October 2023, aligning the Group's compensation strategy with the new career architecture introduced in July 2023. The objective is to ensure that every role within the career architecture is appropriately benchmarked against industry standards to offer competitive and equitable remuneration to all employees.

  This includes:

  - Competitive remuneration packages to attract and retain our people
  - Performance-based rewards to acknowledge individual and team performance
  - Group Employee Share Option Scheme to value our employees for their long-term commitment
  - Other incentives such as pensions, medical plans, subsidised interest rates, amongst others, that promote the well-being of our employees
- Recognised the potential and contributions of our employees through dedicated events, including: (i) the IMPACT Programmes Graduation Ceremony, and (ii) the Loyalty Recognition Programme, which honours employees for their years of service.
- Recognised as the first African bank/financial services group to receive the Equal Salary certification, confirming our commitment to equal pay and gender equality. This accomplishment aligns with UN Women's Empowerment Principles and the UN Global Compact.

Work and Thrive

We are committed to providing and fostering an enriching and supportive work environment that promotes staff well-being while maintaining high performance standards to ensure our success.

- Fostered an enriching and supportive work environment that promotes staff well-being, including through: (i) the MCB Wellness Tour, which offers a range of services and activities to highlight the importance of health care, (ii) events promoting employee well-being, such as corporate massages and health talks, and (iii) special offers and discounts for staff. Additionally, we organised a fun version of the Olympic Games in Mauritius, Zozolympik, to bring together our employees and foster team spirit.
- Launched the monthly Childcare Allowance, starting from 1st August 2024, with an amount of Rs 6,500 granted to employees with children aged 14 weeks to three years. This initiative aligns with our Success Beyond Numbers purpose and underscores our commitment to supporting employee well-being.

Growing beyond Titles

We are creating an environment where employees are empowered to take ownership of their professional and personal growth

- Implemented the career architecture framework in MCB Seychelles in June 2024 to support the growth and career development of employees.
- Established a robust and integrated talent management framework that aligns with our strategic objectives. This framework is designed to attract, develop, and retain high-potential employees by fostering a collaborative environment. Additionally, it helps us maintain a competitive edge, drive innovation, and ensure long-term success.

Growing at MCB through our Talent Management Framework

Learning & development

- Soft and technical competencies
- Leadership Development

Assessment & measurement

- Assess desired behaviours and competencies for developmental purposes
- Monitor performance on a recurring basis

Talent management - succession Plan

- Identification of critical roles and assessment of high potentials
- Build up internal bench strength

Strategic talent acquisition

- Build and nurture a pipeline of external talents
- Acquire talents to reinforce our talent workforce capabilities

- Advanced leadership development through the launch of the IMPACT Excellence Program and the IMPACT Accelerate Program. Both programs, accredited by Stellenbosch University, aim to equip participants with the knowledge, tools, and techniques for strategic thinking, team management and negotiation. In total, some 90 participants graduated in May 2024. Similarly, the 'Lead with Impact Academy' programme empowers people managers to create a conducive environment for employee development and promote desired leadership behaviours. The second cohort of some 430 participants concluded in March 2024.
- Launched the Beyond Graduate Programme in August 2023, which aims to strengthen our talent pipeline at a junior level by recruiting graduates who show potential for growth and flexibility in various roles within the Group. For the FY 2023/24, 9 graduates have been recruited and enrolled in the programme.
- ESG training with Moody's to reinforce MCB's commitment to understanding and applying ESG principles. Key topics included sustainability and ESG, an introduction to ESG and climate risk, and sustainable finance's role in decarbonisation. The training concluded with an ESG knowledge test to assess collective understanding of these concepts.
- Provided a range of training courses, both in-class and digital, to equip employees to better respond to evolving customer needs. A number of specialised/technical courses were also provided to strengthen our capabilities across the value chain to support the organisation's strategic objectives.

Field of expertise	Specialised courses	No of employees (MCB Ltd)
Relationship Management (RM)	Relationship Managers Development Programme with Moody's	7
Credit Analysis (CA)	Banking and Credit Analyst Programme with Corporate Finance Institute	16
Trade Finance	MCB Trade Finance Program accredited with LIBF	34
Product Ownership (PO)	PO learning journey accredited with LIBF	12
Digital Academy	Software Engineering / Data Scientist / Product Designer/ QA Engineer	12
Wealth Management	CWMA (Certified Wealth Management Advisor)	10

Percipio (our online learning platform) statistics for FY 2023/24

3,885
Employees, representing 89% of our workforce, engaged on 'Percipio'

41,224
Number of learning units completed

18,624
Number of hours

- Sponsored around 50 employees in their academic studies through the 'Study Assistance Scheme' (SAS), a financial support programme available to all staff across the Group. With the organisation becoming increasingly present in international and specialised markets, we also sponsored a number of employees for international certifications and accreditations with global institutions in their respective fields of expertise.

Read more in the Sustainability Report on our website

Risk and compliance

We pursue our activities by leveraging our sound business model and adopting a prudent business development strategy. This approach enables us to navigate the complexities of a volatile risk landscape effectively, supported by a solid risk and compliance framework. Importantly, our risk profile has remained within the established limits of our risk appetite during the year in review, thanks to our stringent policies, processes, and proactive risk management across the Group, as evidenced by the following actions:

- We continued to actively identify and assess risks from both external and internal sources, allowing us to tackle potential threats and seize opportunities.
- We leveraged our Enterprise Risk Heat Map to cater for the dynamic environment and focus on the risks that could have a significant impact on the Group's operations, financial performance, solvency, or strategic direction.
- We embedded a strong risk culture across the organisation through the implementation of the Risk Culture Programme, which defines the proper behaviours necessary to guide our operations and ensure that our daily business activities are consistently within our risk appetite.
- We have maintained proactive engagement with regulators and strengthened the Group's risk management and compliance capabilities to ensure strict adherence to mandatory rules and established norms.

As a key move to strengthen the risk governance and oversight, the Risk and Compliance functions of MCB Ltd have been elevated at the Group level since August 2023.

Read more in 'Risk and capital management report' on pages 145 to 192

Our performance across entities

Despite the challenges posed by a volatile operating environment affecting certain activities, Group entities made headway progress on the execution of their strategic objectives during FY 2023/24. In addition to driving business development, the entities have reinforced internal capabilities and bolstered their risk and compliance practices.

Banking cluster

MCB Ltd

Financial performance

Highlights

93% Contribution to MCB Group profit	**+17.9%** Operating income	**+20.5%** Operating expenses	**-5.4%** Impairment charges	**+13.2%** Gross loans to customers	**+19.9%** Total deposits

Navigating an operating landscape marked by mixed economic fortunes, net profit after tax of MCB Ltd increased by 19.2% to Rs 15,446 million, with continued robust contribution from its international activities, which accounted for some 66% of the results. Operating income grew by 17.9% as a result of a strong growth of 21.3% in net interest income, supported by improved foreign currency margins in the context of high global interest rates, alongside an increase in loans and advances as well as investment securities. For its part, non-interest income grew by 11.3%, with net fee and commission income increasing by 14.3%, aided by our trade finance and payment activities. After accounting for a one-off loss on disposal of our stake in Société Générale Moçambique and lower fair value gains on equity financial instruments, other income grew by 6.8%, reflecting the strong performance in our global markets and foreign exchange activities. This performance resulted in a cost-to-income ratio of 33.6%, marking an increase of 72 basis points on account of a 20.5% growth in operating expenses in line with our ongoing investments in people and technology as well as an increase in operational risk losses and other business-related expenses. Our share of profit of associates declined by 43.8% mainly due to reduced profitability at the level of BFCOI as compared to FY 2022/23 when notable recoveries led to provision releases. As a major source of satisfaction in view of the volatile context, the Bank preserved its financial soundness as evidenced by relatively stable asset quality, comfortable capital adequacy ratios and healthy liquidity and funding positions.

The solid set of financial results realised in FY 2023/24 reflects the continued progress across the various business lines of the Bank. They have pursued efforts to enrich their value proposition to meet the evolving needs of customers alongside consolidating growth enablers. The Bank also continued to conduct business realignment initiatives to support its strategic endeavours. In particular, to enrich our Mauritian business proposition, the Retail and Business Banking units were regrouped under the newly created Domestic Banking function while the Securities Services BU has been repositioned within the Financial Markets SBU to enhance the approach to business development by reinforcing synergies with the Global Markets coverage team.

Retail

Key clients

- Mass and mass affluent individual customers
- Junior and youth segments

Strategic priorities

- Expand our portfolio underpinned by reinforced commercial capabilities and enhanced offerings
- Diversify our revenue streams and leverage data analytics to boost cross-selling
- Deliver a more seamless customer experience by capitalising on digitally-enabled solutions and our omni-channel strategy
- Reduce cost to serve through process optimisation

Highlights

Contribution to the Bank's operating income

8%

Loans and advances[1] ***(y.o.y. growth)***

10%

Deposits[1] ***(y.o.y. growth)***

10%

[1] Average balances

Main initiatives and achievements during the year under review

Consolidating our market positioning

- We maintained our positioning as a prominent player in this segment despite a highly competitive environment. Our campaigns and commercial efforts helped us achieve a steady increase with regard to our housing loan portfolio. In the same vein, we witnessed significant growth in our unsecured loan portfolio, backed by our same-day disbursement capabilities.
- To enhance the in-branch journey and improve customer experience, we are progressively deploying Instabank, in replacement of traditional kiosk platforms. The new platform integrates the MCB Juice user interface for a more intuitive navigation, thereby facilitating self-service banking. The Appointment Booking System has also been extended to five more branches, bringing the total to 14 branches.
- We continued to modernise our network of ATMs while also reviewing their geographical location to enhance accessibility to our facilities. During the year under review, we have added new ATMs in affluent places notably malls, thereby increasing the total to 181, representing a market share of around 40%.

Enriching our value proposition

- We brought further enhancements to MCB Juice to offer increased value and convenience to customers, thus strengthening its position as the leading mobile banking application on the market. Recent upgrades resulted in faster login, with latest features and functionalities, also including the integration of a 'Government Portal' and the extension of the list of recurrent billers to new partners such as the Central Water Authority. The new 'Juice Mwa' feature enables users to request payments and split bills. Furthermore, e-commerce transactions can now be authorised directly via Juice notifications, offering greater flexibility for customers on local e-commerce platforms, which encompass over 100 merchants. The introduction of the Prepaid Card functionality offers added convenience to clients.
- As part of our efforts to become more sustainable, we further promoted our Green Loan offer and are exploring new avenues for mortgage financing such as Container House, which are more affordable than traditional concrete houses.

Our flagship mobile application, MCB Juice has gained significant traction with more than 600,000 subscribers as at June 2024, including some 83,000 over the past year representing a year-on-year increase of 16%.

Biometric login
- faster login
- improved functionality

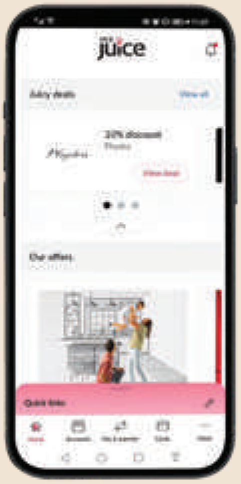
PayPal
- secure international transactions

Investing functionality
- on-the-go portfolio access overview of asset allocation and portfolio holdings

Push notifications

Cardless withdrawal

Scan to Pay



Everyday banking
- open additional savings/ current accounts
- access bank accounts held with other local banks

Bills payment

Account re-activation

Loan initiation, status & overview
- swift approval and disbursement

Bills presentment

Government Portal

Standing order

Diversifying our revenue base through synergies and cross-selling

- Leveraging market penetration and diversification opportunities, we promoted our adjacent products such as insurance and investment, capitalising on intra-Bank as well as intra-Group synergies. Our cross-selling efforts were underpinned by reinforced commercial capabilities, enhanced offerings and integration of analytical tools to drive better customer insights, which, *inter alia*, led to targeted solutions including bundling options for new or revamped segments such as MCB Junior.

- Our dedicated Outbound Team successfully contacted 22,000 customers during the year under review, achieving a conversion rate of 6%. Additionally, we pursued our efforts in promoting our NEO bundle through two tailored packages for the Mass Affluent segment, resulting in a penetration rate of 56% in that segment

Building capabilities and upskilling

- We have further progressed with the automation of our customer journeys from front to back, particularly in our unsecured and secured lending processes, by capitalising on our technological infrastructure and our credit scoring model.

- We are also in the process of reviewing our operational structures by setting up a Middle Office to streamline operations, thereby enabling a greater focus on customer service. We have also implemented several initiatives to reduce turnaround time.

- Sales training has been extended to the branch network to boost our product detention rate, while customer service training was delivered across the Contact Centre and branches, aimed at enhancing customer service and improving onboarding. Furthermore, our contact centre management system has been migrated on the Cloud platform, thereby opening possibilities for the rollout of other enhancements and functionalities.

Private Wealth Management (PWM)

Key clients

- Affluent individuals

- High Net Worth and Ultra High Net Worth individuals

- Domestic and international External Asset Managers & Financial Intermediaries such as fiduciaries, family offices and financial advisors

Strategic priorities

- Reinforce our domestic foothold and boost our international business development, with key focus on aligning our value proposition to client needs and market dynamics while strengthening our growth foundations

- Accelerate deployment of digital solutions towards enhancing customer experience and improving operational efficiency

- Foster quality relationships and uphold our brand image and visibility

Highlights

Contribution to the Bank's operating income

9%

Loans and advances[1]
(y.o.y. growth)

8%

Investable assets
(y.o.y. growth)

29%

[1] *Average balances*

Main initiatives and achievements during the year under review

Enriching our client offerings and experience

- The Private Wealth Management SBU has further consolidated its domestic positioning by launching innovative investment solutions tailored to the evolving needs of its clientele as well as adapted to the evolving market dynamics and upcoming trends.
    - With a view to enhancing the appeal of Lombard credit facilities amidst a high-interest rate environment, the PWM SBU undertook a comprehensive refinement of these facilities, which involved the inclusion of more complex asset classes and investment products like structured products, specifically targeting international clients. We have also enhanced the competitiveness of our FCY loans as part of the review of our product offerings.
    - In line with global trends and reflecting the unit's commitment to entrenching sustainability principles as a key value driver alongside meeting the increasing demand for sustainability-linked investment options, ESG structured products were launched in collaboration with the Financial Markets unit. An ESG offering in high-end residential financing was also conceptualised to promote sustainable design, biodiversity conservation and job creation. Additionally, a 3-year MCB structured deposit linked to the MSCI Global Climate Change Multi-Asset Select Index was also introduced.

- The PWM SBU also focused on enhancing customer experience and expanding its wealth management services. The lounge at the Port Louis branch underwent a complete revamp to offer clients an elevated experience. Building on the recent access to client portfolios via the MCB Juice application, which allows for an aggregated view and detailed portfolio insights, the Bank launched Juice Trading. This new feature, being rolled out in phases, currently supports foreign market trading, offering a user-friendly interface, straight-through execution, near real-time market data, and features like a watchlist to enable the tracking of favourite securities and market order tracking, empowering clients to make informed investment decisions with ease.

Consolidating our growth enablers

- With the objective of promoting sound business growth, the unit has maintained continuous risk monitoring processes, underpinned by improved compliance mechanisms, ongoing review of internal guidelines and staff training.

- The Customer Relationship Management (CRM) platform was also enhanced to enable a global view of all asset holdings (including adjacent holdings with other MCB entities). This holistic overview of the client would enable us to better gauge preferences and devise adapted solutions to assist them.

Upholding our brand image & fostering relationships

- The PWM SBU reinforced the competitive positioning of MCB as a reference player in the region for premium banking and wealth management expertise, by pursuing expansion endeavours through its network of Representative/ Advisory Offices in Kenya, Dubai and South Africa and leveraging our business introducers and referrals in sub-Saharan Africa, Europe and MENA region. Concomitantly, we broadened interactions with External Asset Managers and Financial Intermediaries in these regions.

- Towards enhancing brand visibility and image, we hosted a series of events including golf tournaments, art exhibitions, and private wine tasting, amongst others. In particular, we hosted our flagship MCB Tour Championship which is a tournament of the European Senior Tour, ranking highly on the Staysure Tour calendar and is the most prestigious golf contest held in Mauritius. We also sponsored The Tenth Annual Wealth Briefing MENA Awards for Excellence 2023 event, held in Dubai, which recognises innovative products and services across the global wealth management industry in the MENA region.

- The PWM SBU collaborated with the Corporate and Institutional Business SBU on a series of 'Ateliers d'échanges', which is a dynamic platform for increasing knowledge sharing of teams' value proposition, perspectives, and fostering long-term partnership and synergies for international business development.

Platinum sponsor at the Juristconsult Investment Summit 2024

- PWM SBU was the Platinum Sponsor at Juristconsult Investment Summit 2024 which featured six panel discussions, a keynote speech and networking opportunities and serves as a knowledge sharing platform with industry leaders.

- The event helped the team to engage with industry peers, experts, and visionaries to explore the latest trends and insights in ESG, Impact Investing, Artificial Intelligence, Fintech, Data protection, Dispute Resolution, the Mauritius International Financial, Administrative and Corporate Centre.

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

- Promote the growth of the local economy by connecting Mauritian entrepreneurs and facilitating their access to finance
- Improve customer experience through enhanced value offering and operational efficiency while promoting cross-selling and digital sales
- Encourage the migration to digital by promoting the adoption of digital payment solutions by merchants

Highlights

Contribution to the Bank's operating income

6%

Loans and advances[1]
(y.o.y. growth)

1%

Deposits[1]
(y.o.y. growth)

17%

[1] Average balances

Main initiatives and achievements during the year under review

Consolidating our domestic market foothold

- Our 'Lokal is Beautiful' scheme has been revamped to provide accessible financing to enterprises, which are 'Made in Moris' certified or promote a SMART or CIRCULAR economy.
- We made further inroads with respect to merchant acquisition, successfully onboarding over 3,000 new merchants during the year under review while concomitantly promoting digital payments solutions, with a view to catalysing the shift to cashless alternatives. We are also boosting the use of our Business Banking debit cards through a loyalty and rewards program, with discounts on Amazon Cloud services, amongst others.
- We pursued our efforts to maintain a strong brand presence in the local community leveraging our SME Partners for incubator and accelerator programmes. For example, we sponsored the Turbine's Test Drive 10 with the Green Champion Award. We reinforced our connections with the MSME community on the back of our actions to boost the visibility of entrepreneurs and prominence of their businesses through a series of tailored events for our MSME community, namely PUNCH Meets and PUNCH Talks.

'PUNCH Meets' event – Responsible tourism

- Featuring insights from three panelists from the hospitality industry, the event concluded with a networking cocktail, allowing our customers to forge new connections, exchange ideas and explore collaboration avenues.

Enhancing our digital value proposition

- We leveraged our collaborative community digital platform, punch.mu, to generate synergies among local entrepreneurs, to increase financial literacy, enhance ecosystem value and strengthen community presence. It is gaining traction with more than 4,000 entrepreneurs (+30% compared to the previous year) and 175 growth partners registered as at June 2024.
- We continued to promote our dedicated mobile application MCB JuicePro, through commercial campaigns and feature enhancements including direct debit, standing order management and consolidated Account Position view.
- The back-end platform MONETA that hosts our end-to-end credit application, paved the way for the first end-to-end digital non-individual journey in the Indian Ocean. During the year, Express Overdraft registered a twofold increase in disbursement, while the new Express Loan offering gained prominence since its launch in October 2023. Total disbursement under these products amounted to Rs 340 million.

Reinforcing foundations for growth

- To upgrade service levels, several initiatives have been deployed to further improve the efficiency of internal processes. As a result, customer experience is being enhanced through simplified and less time-consuming processes as part of a roadmap to improve the customer journey.
- With a view to bolstering risk and compliance management, we undertook a comprehensive review of our end-to-end credit workflow, alongside efforts to enhance the review of the revolving facility process and develop an improved credit model tailored for Business Banking clients across micro, small and medium enterprises.

Corporate and Institutional Banking (CIB)

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

- Uphold our market leadership on the domestic front as the pro-choice financier accompanying local corporates in their sustainability transition and growth ambitions
- Deploy targeted commercial strategies towards accompanying clients doing business in the Group's presence countries in collaboration with our overseas banking subsidiaries and associates
- Bolster our expansion strategy by enhancing proximity with clients and their ecosystem and expand our network of intermediaries and partners in the Mauritius IFC and other key international financial hubs
- Position MCB as a prominent provider of financing solutions geared towards helping clients achieve their sustainability and transition ambitions
- 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;
- Leverage our strong Power and Infrastructure franchise and explore opportunities to build our Metals and Minerals franchise to finance activities which are core to a successful energy transition
- Reinforce our coverage efforts with financial institutions across Africa to consolidate our syndication capabilities and strengthen our network with correspondent banks
- Boost transactional banking through adapted solutions
- Bolster customer service experience by ensuring a client-centric approach in our service delivery and providing high-end solutions, including innovative digital offerings

Highlights

Contribution to the Bank's operating income

55%

Loans and advances[1] ***(y.o.y. growth)***

7%

Deposits[1] ***(y.o.y. growth)***

15%

[1] *Average balances*

Main initiatives and achievements during the year under review

The CIB SBU has been actively working on the development of its domestic and international client segments through new products and business strategies, with client centricity and people centricity at the core of its approach. The team has been supporting clients in their economic development, as well as in managing financial risks, including foreign exchange, credit, and interest rate risks, while also assisting them in their ecological transition. The SBU is also reinforcing internal capabilities, notably on the people front with the recruitment of key personnel including in our regional hubs to support business undertakings. Key initiatives taken across CIB SBU's four coverage teams and its product team are outlined below.

Mauritian & Regional Corporates (MRC)

- Deeply engaged with our local corporate community, the MRC team worked closely with its corporate clients to gain a better understanding of their unique business needs and how the prevailing market dynamics impact their operations. This approach has allowed the team to offer bespoke solutions, enabling clients to seize opportunities, meet their strategic objectives and address some of their challenges and market uncertainties. In line with our sustainability objectives, the unit actively introduced and deployed tailored solutions with preferential conditions to its clients committed to making a positive impact in the ESG landscape of Mauritius. These initiatives not only support clients in their transition towards more sustainable practices but also contribute to broader national efforts in promoting environmental stewardship, social responsibility, and strong governance frameworks. By offering attractive conditions, we incentivise businesses to adopt green technologies, improve energy efficiency, and implement socially responsible practices, reinforcing our shared vision of building a more sustainable future.
- The unit leveraged its long-standing and proven track record to foster and deepen relationships with clients conducting or seeking to conduct business in Madagascar, Maldives and Seychelles where MCB Group has a physical presence. Through the strategic support of our Overseas Banking Subsidiaries located in these regions, we not only strengthened our foothold in these markets but also reinforced our ability to facilitate cross-border transactions, support regional growth, and enhance our clients' access to key opportunities in these dynamic economies.

Acted as the Lead arranger for a local syndicated loan to UBP

- The transaction represents the first syndication in the domestic market, with six local banking institutions, including MCB, granting the loan.
- By facilitating this deal, MCB has not only demonstrated its capability in executing large-scale financial transactions but also reinforced its commitment to supporting the growth ambitions of its Mauritian corporate clients.

Financial Institutions and Syndication (FI&S)

- The unit reinforced its engagement and collaboration with Development Finance Institutions (DFIs), as part of its effort to accompany the Bank's sustainability agenda. The FI&S team further collaborated with Proparco on extending financing guarantees and credit lines to banks in developing regions, particularly in Africa, in a bid to boost intra-African trade and reinforce the Bank's commitment and contribution to sustainable development.
- The unit also expanded on MCB's Bank of Banks coverage through increased cross-selling efforts with African banks while at the same time strengthening our business relationship with correspondent banks.
- The FI&S team also actively participated in local and international events to enhance brand visibility, including the 2024 Bonds, Loans & Sukuk Middle East conferences in Dubai and Cape Town, and the "Women in Green Technologies" forum organised by the US Embassy in Mauritius.

USD 120 million unlocked for climate finance

- Proparco and DEG provided MCB with a loan of up to USD 120 million to support the Bank in its ambition to unlock further opportunities to finance climate mitigation, adaptation and climate resilient measures.
- This new investment continues the success of the AFD Group's SUNREF lending programme, which has been active in Mauritius since 2009. This transaction also marks the fourth joint operation between Proparco, DEG and MCB, which is testimony to the long-standing relationship between these institutions.

First USD 400 million sustainability-linked syndicated term loan

- The FI&S team also contributed to the Bank successfully signing its first sustainability-linked syndicated loan (SLSL), in the order of USD 400 million. The Bank's successful closing of this facility underscored its commitment to fostering sustainability, addressing climate change, and promoting gender equality. The facility attracted 24 banks and investors in Europe, Middle East and Asia.

Specialised Finance

- Building on our established track record, our team of experts within the Energy and Commodities segment further consolidated our Oil and Gas franchise while gradually shifting focus towards the growing gas market. We continued to develop and nurture a strong network of world-class oil and gas operators and traders present in Africa while promoting our unique value proposition and brand as a reliable and trusted solutions provider. The Energy and Commodities segment also remains committed to diversifying its portfolio with cleaner fossil fuels while strategically exploring opportunities in the metals and minerals industry, with a particular focus on base metals which are key for the global energy transition.
- With regard to the Power & Infrastructure segment, we continued to provide support to the best-in-class players for their infrastructure investments within key geographical markets and contributing to the transition towards cleaner energy and improving electrification rate on the continent. In addition, MCB participated in the 2024 Africa Energy Forum (AEF), held in Barcelona, which centered on the theme "Energy Systems of the Future – Balancing Africa's Needs with Global Goals" a critical discussion in the evolving energy landscape. The panel explored the significant impacts of high inflation and interest rates on power projects across Africa and the innovative structures stakeholders are adopting to mitigate these challenges.

Participated in Aéroport International Blaise Diagne (AIBD) senior secured syndicated facility

- MCB was one of the main lenders in the EUR 300 million Senior Secured Syndicated Facility raised by AIBD. The facility was structured into 2 tranches – A Euro Tranche (EUR 100 million) and a local currency tranche (EUR 200 million).
- These facilities will be used to continue developing the Blaise Diagne International Airport, which includes enhancing the annual passenger capacity by 40% to over 5 million by 2035, the construction of a cargo terminal, and to the renovation of various domestic airports.

Global and International Corporates (GIC)

- Notable inroads were made towards establishing MCB as the core banking partner for private equity and capital funds, strategically positioned multinational corporations, and large enterprises seeking to expand into African and Asian markets, while capitalising on business opportunities through the Mauritius IFC but also increasingly through other international financial hubs.
- The unit actively deepened and broadened its partnerships with fiduciaries and other intermediaries both in Mauritius and across different key African, European and Asian markets.
- The unit has also enhanced its ability to deliver a bespoke value proposition tailored to the complex needs of its diverse corporate client base, with robust support from the product houses of the organisation, including the Financial Markets SBU, as well as the Cash & Business Solutions and Trade Finance units within the CIB SBU.
- The GIC team actively advanced on its branding and visibility efforts by sponsoring pivotal events for its target clients such as the Africa Venture Capital Association (AVCA) Forum in Lagos, while also pursuing its own thought leadership efforts. Indeed, the MCB Business Series was introduced by the team, which aimed at rallying industry leaders and clients around critical business themes. The inaugural edition was held in Mauritius, in collaboration with the Financial Markets team, and was followed by a second edition in the 4th quarter of the financial year in the Dubai International Financial Centre (DIFC) where representatives from over 100 major corporations, legal firms, and fiduciaries collectively reflected on how to address challenges in doing business across African corridors.

Served as the sole financing provider for Adenia – one of the biggest private equity investors in Africa

- As part of our tailored financing solutions provided to Funds clients, MCB has extended a Subscription Finance Facility to Adenia Partners' fifth fund.
- The transaction was structured by leveraging the long-standing business relationship with the Bank, the Fund's impressive momentum and the quality of its responsible investors, while providing Adenia with the required bilateral support for the fund's forthcoming investments.

One of the Mandated Lead Arrangers on a listed UK-based telecom company

- MCB acted as one of the Mandated Lead Arrangers on a listed UK based tower telecommunications company, committing a ticket size of USD 110 million, with the purpose of re-financing existing indebtedness of the company and for general corporate facilities.
- The total syndication closed at USD 600 million. This was the first of a kind for MCB in this space on the international market.

Global Transaction Banking

- The unit actively promoted its Global Trade Portal by extending access to users across our presence countries Madagascar, Seychelles and Maldives. The Portal goes beyond information-sharing by providing a one-stop-shop platform for identifying best international trade opportunities and connecting more than 9,300 clients to over 1 million potential business partners worldwide, while better navigating the complexities of international trade regulations.
- Further reinforcing our proven commitment towards contributing to environmental protection and socioeconomic development, we actively promoted our Sustainable Supply Chain finance scheme, which allowed our customers to incorporate new eco-friendly practices in their way of doing trade. We have also more recently developed a Sustainable Trade Finance facility dedicated to the trade of sustainable equipment and successfully launched our first triangular supply chain finance offering. More specifically, leveraging synergy between MCB Ltd and MCB Madagascar and the core offerings of the MIFC to influence intra-Africa trade, MCB Ltd financed this deal which involved three parties, an end-buyer in Madagascar, a well-reputed firm in the Mauritian Global Business sector and a well-known company in the food and agribusiness from Indonesia as the end-supplier.
- The unit also hosted the second edition of our Trade Week series, entitled "Enabling African Trade Growth with a Sustainable Lens," which offered a deep dive into the complexities and potentials of the African trade landscape. The event featured a series of conferences, training sessions, and masterclasses dedicated to the subject of Global Trade, with the collaboration of Dr. Rebecca Harding, an expert in the field, sharing her valuable insights to the audience.
- Reaffirming our pledge to provide our corporate customers with the most innovative and customer-centric solutions to remain at the forefront of digital finance, we completed the successful migration to our new IBPro and increased our flexibility through new cut-off times for transfers in USD, EUR and GBP on Internet Banking. Furthermore, our digital platforms have been ring-fenced to create greater digital resilience but most of all to protect our customers' transactions.

Product houses

In the conduct of their business development initiatives, business lines have reinforced capabilities and continued to leverage synergies between their coverage teams and product houses, such as the Financial Markets and Payments SBUs, 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.

- Following on some of the strategic initiatives undertaken in the previous year, the Financial Markets SBU further ramped up its value proposition with the deployment of structured and be-spoke solutions aimed at helping clients hedge their positions across asset classes, namely interest rates, foreign exchange and commodities. Additionally, the SBU also helped clients achieve their ESG ambitions through the development of sustainability-linked financial instruments in line with the Bank's over-arching "Success Beyond Numbers" purpose. On the Trading front, the team has made great strides towards becoming a prominent player in G-10 currency trading in the region, leveraging technical, fundamental expertise and specialisation in currency trading. The team has also extended its trading capabilities to other asset classes prudently, whilst adhering to sound risk management principles. On the Coverage front, the team has optimised its structure and has significantly increased its presence on the ground through active recruitment, enabling more fruitful client engagement both locally and in foreign markets in collaboration with the different business lines across the organisation. The Securities Services segment of the Financial Markets SBU successfully collaborated with the coverage teams to explore new horizons and prospective new clients. The team further cemented its leadership position in Mauritius with over 55% of local custody assets and more than 85% of local custody trades. The SBU also made inroads in increasing its digitalisation means and reducing manual interventions.
- In line with the Bank's goal to transform Mauritius into a cash-lite society, the Payments SBU further encouraged the use of its secure and convenient digital channels, enabling clients to conduct transactions anytime, anywhere. The diverse enhancements brought to MCB Juice have contributed to boost the number of Juice subscribers and transactions. The unit has also actively supported the growth of SMEs by providing them with tailored digital payment solutions, fostering financial inclusion and business expansion. In FY 2023/24, more than 2,000 mPOS devices were deployed, and over 13,000 debit cards were issued to SME customers.

MCB Madagascar

Financial performance

Highlights

0.5% Contribution to MCB Group profit	**+16%** Operating income	**+15%** Operating expenses	**+153%** Impairment charges	**+1%** Gross loans to customers	**-7%** Total deposits

On the funding side, whereas a contraction was noted in the deposits book owing to competitive pressures and tightening of the monetary policy, borrowings expanded to support growth endeavours. Liquid asset to deposit ratio remained comfortable at around 60%. All in all, net interest income registered a strong expansion of 49%, contributing to a rise of 16% in operating income, after factoring in a decrease in forex income as well as in net fee and commission income following a fall in cards and trade finance related fees. As for operating costs, they grew by 15%, mainly driven by an increase in staff costs as well as in administrative expenses. Combined with the significant rise in impairment charges to MGA 15.3 billion (Rs 155 million) comprising mainly specific provisions, this contributed to a reduction in attributable profits which stood at MGA 8.1 billion (Rs 81 million). As a result, MCB Madagascar contributed Rs 73 million to MCB Group profits for the year (FY 2022/23: Rs 118 million).

Main initiatives and achievements

MCB Madagascar pursued its efforts to consolidate its positioning in established market segments alongside promoting market visibility through targeted marketing campaigns and participation in conferences. The bank capitalised on enhanced synergies with the Mauritian and Regional Corporates unit of MCB Ltd for co-financing initiatives for the benefit of corporate clients. In the retail segment, the bank's value proposition was enriched through the partnership with MVola which enabled bank-to-wallet integration that allows customers to conduct transactions from their mobile wallet securely while new features were added on MCB Juice mobile banking application such as account statements and card companion. These initiatives helped to increase the customer base of MCB Madagascar. To reinforce client access and support its business development objectives, the bank also expanded its footprint with the opening of a new branch in Sambava, taking the total network to 15 branches. To promote a sound execution of its business strategy, MCB Madagascar has bolstered its risk management framework by establishing dedicated units and implementing new processes to ensure alignment with Group standards. Compliance has also been strengthened through the implementation of new technological tools for AML monitoring and a comprehensive KYC update exercise.

MCB Maldives

Financial performance

Highlights

1.3% Contribution to MCB Group profit	**+33%** Operating income	**+1%** Operating expenses	**+21%** Impairment charges	**+22%** Gross loans to customers	**-22%** Total deposits

While gross loans and advances of MCB Maldives increased by 22% on the back of various lending initiatives, the deposits book, comprising mainly demand deposits from corporates, posted a decline following outflows by some big players mainly in USD terms to meet their transactional needs as well as reflecting heightened competition. However, the liquid asset to deposit ratio remained comfortable at some 90%. In line with an efficient management of excess liquidity, the unrestricted balances with Central Banks decreased markedly while investments in US government securities and top rated foreign corporate bonds registered a growth of 14%. These movements contributed to an expansion of 52% in net interest income, resulting in an increase of 33% in operating income. With operating expenses growing by only 1%, attributable profits for the year reached MVR 68 million despite higher specific provisions leading to impairment charges standing at MVR 20 million. The contribution of MCB Maldives to Group results therefore increased to Rs 203 million in FY 2023/24 (FY 2022/23: Rs 134 million).

Main initiatives and achievements

MCB Maldives sustained its support to corporates across economic sectors, helping them cope with the challenging operating context. The bank implemented a robust contact management strategy for corporate clients, ensuring optimal service levels to strengthen its competitive positioning. Similarly, a new business development manager was recruited and the bank also developed an in-house tool for forecasting client income and transaction volumes to help provide customised solutions. Brand visibility was promoted with MCB Maldives being an Associate Sponsor for the Maldives Finance Forum 2024. The event, which is the largest annual gathering of financial institutions, focused on pension sustainability and highlighted the bank's role in addressing key financial issues in the country. Additionally, in line with the roll-out of the Group's risk culture campaign, an IT security awareness campaign was run for all bank staff while enhanced synergies were leveraged to foster alignment on risk and compliance matters within the Group.

MCB Seychelles

Financial performance

Highlights

3.3%	**+6%**	**+14%**	**+72%**	**+3%**	**+9%**
Contribution to MCB Group profit	Operating income	Operating expenses	Impairment charges	Gross loans to customers	Total deposits

MCB Seychelles' gross loans to customers as well as deposits maintained their progression, posting growth rates of 3% and 9% respectively. Placements with banks increased and investments in foreign bonds posted a notable rise as the bank endeavoured to deploy its excess liquidity. As such, net interest income improved by 13%, contributing to a growth of 6% in operating income, with higher forex income resulting from an upsurge in turnover being offset by a decline in net fee and commission income mainly attributable to a fall in cards and related fees. The results were further eroded by a 14% rise in operating expenses, arising mainly from increased staff costs. After factoring in higher impairment charges which attained SCR 21 million, attributable profits for the year declined to SCR 161 million. However, excluding a one-off adjustment relating to retirement benefit obligations pertaining to previous years, results would have improved by 3%. Overall, the contribution of MCB Seychelles to Group profits stood at Rs 529 million (FY 2022/23: Rs 580 million).

Main initiatives and achievements

MCB Seychelles pursued its business growth, while enriching its value proposition. The number of subscribers to its MCB Juice platform rose to 18,000 by end of FY 2023/24 backed by an upgraded platform and new features added. The bank fostered greater brand visibility through the participation in and sponsorship of various events. It organised a first Trade fair in Seychelles and ran trade finance workshops with the collaboration of teams from MCB Ltd to strengthen client relationships and promote trade solutions. The bank also launched a VISA Olympic Promotion campaign, aimed at further boosting the usage of cards either online or on POS terminals and encouraging a shift from cash to card payments. On the operational front, an appointment system for onboarding customers was set up to reduce waiting times, while a new card tracking system was introduced to improve service delivery across branches. Capacity building was also fostered with the bank launching a dedicated training for all front liners as part of its commitment to equip them with the necessary skills. As part of the talent management program and succession planning for the bank, the 'Lead With Impact' Course was launched. A Group Career Architecture aligned with MCB Group standards was also introduced, providing employees with clearer career paths. Moreover, as from July 2024, a new Managing Director (MD) was appointed in MCB Seychelles in replacement of the former MD who has been called upon to take other responsibilities at the level of MCB Ltd.

Banque Française Commerciale Océan Indien (BFCOI)

With both loans and deposits of BFCOI registering a slight drop, operating income witnessed a contraction of 3% compared to the previous year, mostly driven by a fall in net interest income. On the cost side, operating expenses declined slightly, provision for loan losses increased significantly to EUR 9 million as compared to FY 2022/23 when notable recoveries led to releases in ECL. As such, profits attributable to shareholders dropped to EUR 12 million (Rs 613 million), with MCB Group's share of profits in BFCOI results amounting to Rs 306 million for the year (FY 2022/23: Rs 489 million). Of note, BFCOI remained well capitalised, with Tier 1 ratio and capital adequacy ratio of 13.4% and 15.6% respectively, which are above the minimum regulatory requirements of 9.5% for Tier 1 ratio and 11% for capital adequacy ratio.

Non-banking financial cluster

MCB Capital Markets Ltd and its subsidiaries (MCBCM)

In FY 2023/24, MCBCM's consolidated revenues amounted to Rs 626 million (FY 2022/23: Rs 566 million) while its contribution to Group profits stood at Rs 340 million compared to Rs 317 million for FY 2022/23. Results were driven primarily by an increase in the size and margins of its credit-linked notes portfolio, improved performance by its stockbroking activities and the strong assets under management.

Corporate Finance Advisory

The Corporate Finance Advisory business completed twelve debt capital market transactions for an aggregate value of approximately MUR 16.5 billion. The revenues generated for the year were lower than FY 2022/23, which included certain exceptional revenues.

During the financial year, we focused on developing and building our sustainable finance advisory business. In this respect, MCB Financial Advisors was the first Mauritian entity to become a full member of the International Capital Markets Association (ICMA) and 10 of our employees successfully completed the ICMA *Introduction to Sustainable Bonds* course, reflecting our commitment to staff training.

The team achieved a key milestone with the issuance of the first Green Project Bond: MCB Financial Advisors acted as arranger and sustainable finance advisor to EnVolt on its MUR 510 million inaugural bond issue as part of a MUR 2 billion Multi Currency Green Bond Programme. It is the first time in Mauritius that a renewable energy project is financed by a green bond under the standards of the ICMA. FSD Africa provided technical assistance while Morningstar Sustainalytics conducted an independent review of the instrument.

Another landmark during FY 2023/24 relates to a sell-side M&A transaction, where our team advised the shareholders of Somagaz, the largest importer and distributor of domestic LPG in Mayotte, on the disposal of their shares to Vivo.

Looking ahead, our advisory business will be oriented increasingly towards Africa related transactions, where we believe we can draw upon our experience in Mauritius to help develop the local currency debt capital markets in Africa while continuing to focus on service excellence and the development of the sustainable finance markets in Mauritius. The development of local currency debt capital markets is particularly important in the current context, where it has become relatively more expensive and challenging for African borrowers to access financing in hard currencies. In parallel, we will continue to advise existing and new clients on their financing strategy and on M&A transactions, both locally and across the continent. The team remains committed to delivering tailored financial solutions that meet evolving client needs in a dynamic market environment.

Investment Management

For 2023/24, fee income from investment management reached Rs 240 million compared to Rs 215 million in the preceding year. This growth is primarily attributable to favourable market conditions whereby foreign equities saw a notable increase of approximately 24% while the local market experienced a 13% rise. Fixed income market continued to feel the impact of "higher-for-longer" interest rates globally.

One of our main challenges during the year in review was linked to the relatively tight foreign exchange market and MUR came under pressure versus the USD and EUR. This affected our ability to execute non-domestic investment strategies efficiently by limiting our investment options and forcing us to adapt our strategies to available resources.

In April 2024, we successfully launched the MCB USD Short Duration Fund. This fund is designed to offer short-term USD liquidity management with a daily dealing facility, catering to clients with a minimum investment of USD 100,000. We also re-engineered our range of collective investment schemes in response to evolving investor needs and risk appetite given the volatile market conditions that prevailed for most of the year.

Looking ahead, financial inclusion and foreign expansion will be focal points. We plan to promote investment education among a relatively younger generation of investors while improving customer experience through enhanced technology, ensuring that our products are accessible to a broader range of investors. Whilst appetite for frontier investments remain timid but improving in the face of rate cuts globally, we will aim to improve distribution among USD based investors both on and offshore.

Stockbroking

Amidst a challenging environment, exacerbated by timid foreign participation in line with the general trend noticed in frontier markets and local investors reducing their allocation to MUR-denominated assets, MCB Stockbrokers had a buoyant year which saw revenues reaching new highs, with a surge of more than 20% after crossing the Rs 100 million mark for the first time in FY 2022/23. These results can be attributed to the company's ongoing strategy to build sustainable revenues from its different lines of business whilst reinforcing its position as the market leader. Income from its trading activity witnessed a solid growth of 31% over last year, in spite of trading volumes on the local stock exchange being under pressure for the second year in a row and witnessing a sharp 28% decline over the previous year (after adjusting for one-off large trades linked to corporate restructurings). The company won and successfully handled three sizeable IPO mandates (including one major equity capital raise) during the year. With a view to providing its clients with an enhanced user experience and facilitating access to investment products and services, the company embarked onto a major digitalisation of its processes and successfully launched a paperless subscription portal solution. Going forward, Management's efforts will be focused on growing revenues, redefining client experience to provide best-in-class solutions to investors and ensuring employees' wellness and engagement so as to increase shareholder's value.

Registry & Transfer Agent

MCB Registry & Securities delivered a solid financial performance with income rising by 13%, while profits demonstrated a notable growth of 11% to Rs 30.4 million. These results were driven by high volumes of corporate activity during the year. Recurring costs increased by some 10% primarily due to recruitment efforts and higher salary costs. Despite the prevailing shortages in the labour market, the company successfully attracted good talent and remains committed to further strengthening its human capital through training. Going forward, digitalisation will play a key role in ensuring operational efficiency and sustained growth.

Private Equity

MCB Equity Fund is the MCB Group's USD 100 million evergreen fund that provides expansion capital to established businesses in Africa. The core strategy of the fund is to co-invest in equity and quasi-equity alongside reputable partners, including development finance institutions, private equity firms, family offices and strategic investors. The fund is flexible in its evaluation of investment opportunities, specifically with regard to criteria such as target countries and sectors, ticket size and investment horizon.

FY 2023/24 has been marked by continued volatile macro-economic conditions, specifically rapid inflation and high interest rates triggered primarily by geo-political events. This has resulted in subdued appetite for frontier market investments and limited exit options for private equity. Against this background, the fund manager adopted a cautious approach and focused its efforts on realising existing investments and re-investing the proceeds wherever possible. Our team continues to monitor the key themes that have been shaping the private equity landscape on the continent and are actively evaluating new opportunities in the green/sustainable space. MCB Equity Fund generated a loss of Rs 130 million for FY 2023/24 (FY 2022/23: Profit of Rs 74 million) linked mainly to marked to market fair value losses resulting in a slight reduction in Net Asset Value to Rs 3.8 billion at year-end.

MCB Leasing Ltd

As part of MCB Leasing's digital transformation journey, the company has pursued initiatives to integrate technology into its business processes and create new opportunities for growth and efficiency. This led to the successful implementation of a new cutting-edge core leasing software. Amidst a year of transition and challenged by the emergence of new competitors, the lease portfolio of MCB Leasing grew slightly by 1%, across both the finance and operating leases portfolios, to reach Rs 4,423 million (FY 2022/23: Rs 4,392 million) whilst the deposit book expanded by 8% to Rs 4,251 million (FY 2022/23: Rs 3,952 million) amidst the excess liquidity in the market. Correspondingly, total operating income increased by 2% year-on-year. At the same time, operating expenses experienced an increase of 11% principally explained by further investments in human capital and additional depreciation charges on the back of the growth in the operating lease portfolio. Overall, with reversals of impairment losses of Rs 20 million, the company achieved a net profit after tax of Rs 62 million for the year ended 30 June 2024 (FY 2022/23: Rs 91 million).

MCB Factors Ltd

MCB Factors Ltd is positioned as a prominent player in the field of factoring in Mauritius. It provides funding to clients against assignment of trade receivables as well as full sales ledger administration of the debtors book. Both recourse and non-recourse factoring are offered, the latter implying protection against debtors' insolvency. The year under review has seen a growth of 12% in assignment of invoices to the company, while contribution to Group results grew by 11% to reach Rs 39 million. Pursuant to the volatile economic environment, notable emphasis has been placed on enhancing risk management by the continuous investment in specialised training and by leveraging the usage of data and tech in trend and predictive analysis.

MCB Microfinance Ltd

As part of MCB Group's pledge to fostering the financial inclusion and empowerment of small entrepreneurs, MCB Microfinance Ltd was launched in July 2016 as a wholly-owned subsidiary of MCB Group Ltd. Its aim is to facilitate access to business loans for micro-enterprises and self-employed individuals. Clients have access to three types of micro-loans: (i) working capital loans, which aim at meeting the working capital needs such as raw materials or stock; (ii) investment loans, which are targeted to meet the capital spending requirements of businesses; and (iii) since October 2020, start-up loans to help for the setting up of a micro-enterprise. The entity lays key emphasis on customer proximity, with its Relationship Officers dedicated to spending adequate time on the field to duly understand the characteristics and requirements of clients and offer them customised solutions that suit their repayment capacities. Since inception, MCB Microfinance has disbursed some 7,175 loans, corresponding to a gross amount of Rs 1,529 million, of which 52% relate to investment loans. Since the creation of its office in Rodrigues in March 2017, around 702 micro-loans have been disbursed, corresponding to a gross amount of Rs 112 million. As at 30 June 2024, MCB Microfinance's loans stood at around Rs 420 million, while a loss of Rs 14.1 million was recorded, which includes a one-off adjustment of Rs 12.0 million in relation to deferred tax asset (FY 2022/23: loss of Rs 0.9 million).

MCB Real Assets Ltd

MCB Real Assets Ltd owns 93.4% in Compagnie des Villages de Vacances de L'Isle de France Limitée (COVIFRA), owner of the Club Med hotel resort located at Pointe aux Canonniers, Mauritius. The resort, a 394-key property is located on one of the prime beach spots of Mauritius and is managed by Club Med under a long-term lease agreement. Total contribution of MCB Real Assets Ltd to Group results was Rs 209 million (FY 2022/23: Profit of Rs 213 million). The reduction in profit is attributable to higher EURIBOR rates which impacted the cost relating to debt servicing in FY 2023/24. Following the company's debt restructuring in April 2024 and an expected reduction in Eurozone interest rates, we anticipate that the company's interest expense will fall in the coming financial year.

Credit Guarantee Insurance Co. Ltd

This associate, in which MCB has a 40% stake, is a joint venture with La Prudence Holding and provides credit insurance services to its customers by ensuring protection in respect of their trade receivables. For the year ended 30 June 2024, the contribution to Group results stood at Rs 14 million.

Other investments cluster

The challenging operating environment impacted the performance of some entities in the cluster whilst the Group sustained its involvement in Corporate Social Responsibility and philanthropic activities. A summary of the performance of key entities is provided below.

Fincorp Investment Ltd

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

Fincorp recorded a consolidated profit after tax of Rs 299 million for the financial year ended June 2023 compared to Rs 360 million in the previous year, reflecting a drop in results of MCB Leasing Ltd and dampened performance at the level of PAD. The contribution of PAD to Fincorp's results decreased from Rs 300 million in FY 2022/23 to Rs 261 million this year. This is explained mainly by a reduced profitability of its subsidiary, Caudan Development Ltd (Caudan) whose results were impacted by higher repairs and maintenance costs and bad debt provisions as well as a slightly lower contribution from its associates.

MCB Consulting Services Ltd (MCBC) and MCB Institute of Finance Ltd (MCBIF)

In response to challenges arising from both internal and external factors, MCBC and MCBIF are currently undergoing a restructuring, while the team is focusing primarily on delivery, stakeholder engagement, and project management. During the year under review, the 2 companies recorded a loss of Rs 373 million.

MCB Forward Foundation (MCBFF)

MCBFF is the Group's dedicated vehicle responsible for fulfilling its engagement as a caring corporate citizen. Essentially, its vision is to be instrumental in the creation of sustainable value for the social, environmental and economic well-being through the provision of human, logistical and financial resources in support of specific corporate social responsibility initiatives. For FY 2023/24, an aggregate amount of around Rs 67.7 million was entrusted to MCBFF, of which Rs 57.4 million was spent on 22 projects, with 19 still ongoing. Approximately 87% of the funds were allocated to socioeconomic development, with the remaining portion attributed mainly to education, environment and sustainable development.

Jean Michel NG TSEUNG
Group Chief Executive

Group financial performance

Le Vélo Vert

Created 14 years ago, Le Vélo Vert advocates responsible agricultural practices and high-quality food consumption. MCB has aided Le Vélo Vert in its participation in the Expansion in Organic Market Gardening by establishing a Regional Expertise in the Indian Ocean (EMBEROI) programme aimed at developing a collective approach to the sustainable production and consumption of fruits and vegetables in the Indian Ocean region.

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Overview of results

The Group delivered a strong performance for 2023/24 with operating income increasing by 16.0% to Rs 36,893 million and profits attributable to ordinary shareholders increasing by 13.5% to Rs 16,045 million. Both domestic and international activities contributed to the growth in income, with the foreign-sourced business carried out from Mauritius in particular making a strong contribution to results.

Group financial highlights

Operating income was up by 16.0% driven by sustained balance sheet growth, improved margins on assets denominated in foreign currency and higher non-interest income.

Cost to income ratio rose to 36.5% mainly associated with ongoing capacity building initiatives to support business expansion.

Impairment charge was relatively stable, leading to a decline of some 7 basis points in cost of risk while the gross NPL ratio declined to 3.1%.

Share of profit of associates decreased by 32.9% to Rs 582 million due to lower profitability of BFCOI and Fincorp.

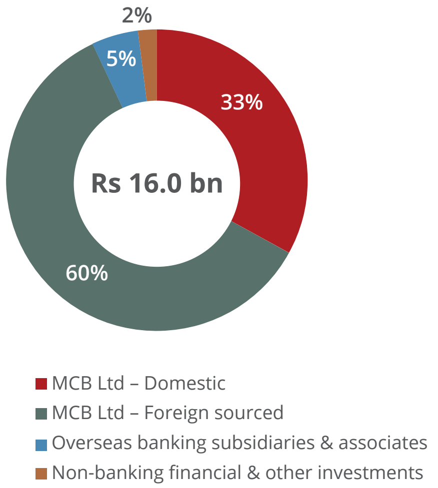
Healthy liquidity positions were upheld with a loans to deposits ratio of 61.1% and loans to funding base of 54.0%.

Comfortable capital positions were maintained with both the BIS and Tier 1 ratios well above regulatory requirements.

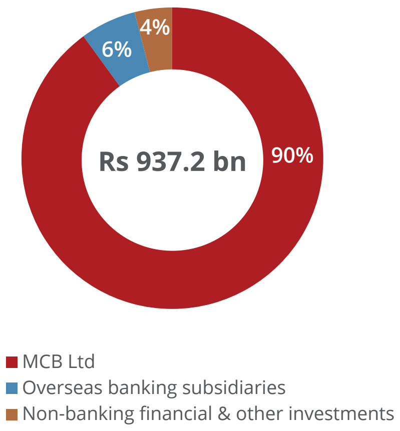
Key figures	
Rs 16,045 million *(Rs 14,133 million)*	**Profit attributable to ordinary shareholders**
Rs 36,893 million *(Rs 31,792 million)*	**Operating income**
Rs 20,321 million *(Rs 17,758 million)*	**Profit before tax**
Rs 3,684 million *(Rs 3,644 million)*	**Impairment charge**
36.5% *(35.4%)*	**Cost to income ratio**
16.6% *(16.9%)*	**ROE**
20.5% *(19.2%)*	**BIS ratio**

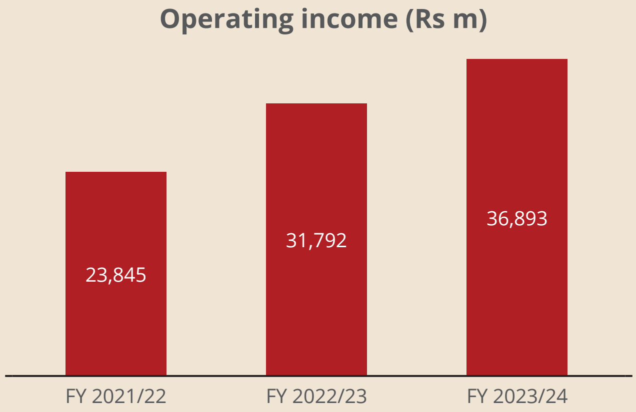
Note: Figures in brackets relate to FY 2022/23

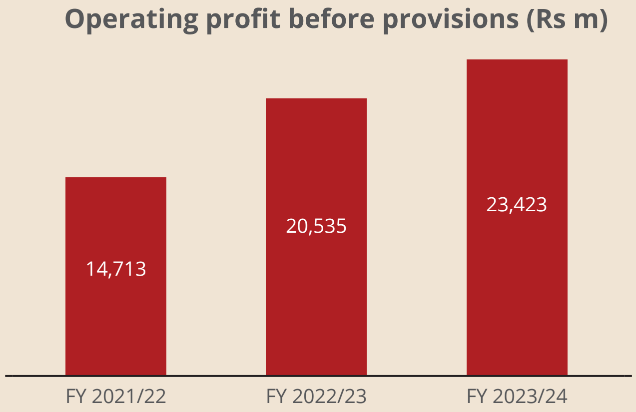
Contribution to Group profit (FY 2023/24)

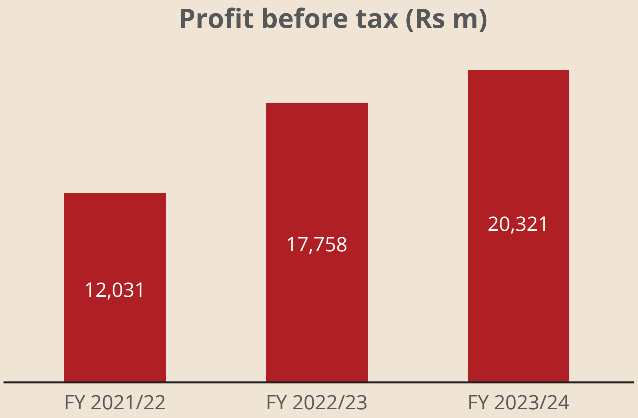


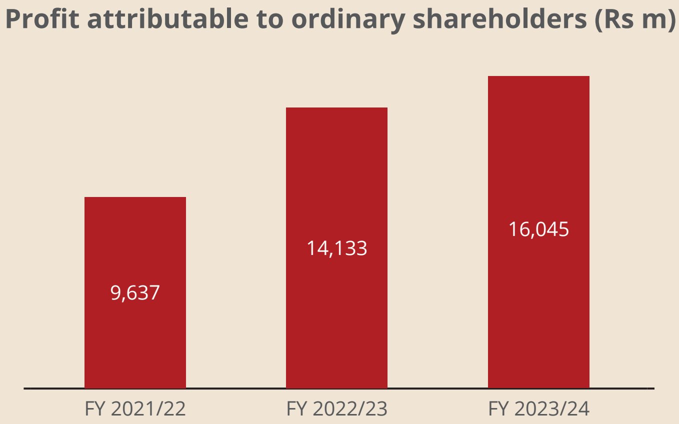
Asset breakdown by cluster as at June 2024

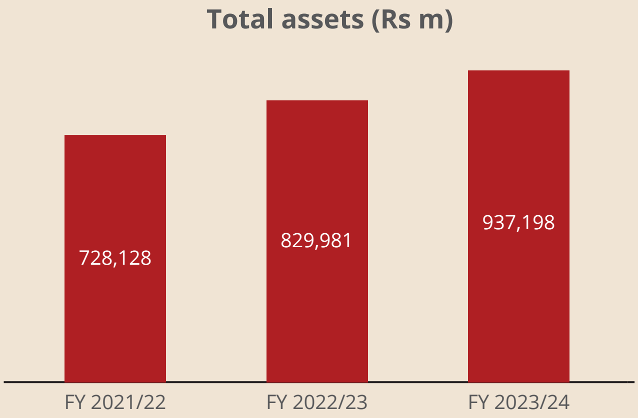


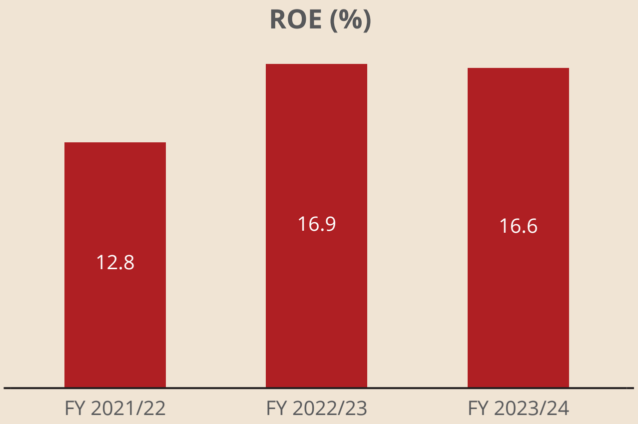

Operating income (Rs m)
23,845
31,792
36,893
FY 2021/22
FY 2022/23
FY 2023/24


Operating profit before provisions (Rs m)
14,713
20,535
23,423
FY 2021/22
FY 2022/23
FY 2023/24


Profit before tax (Rs m)
12,031
17,758
20,321
FY 2021/22
FY 2022/23
FY 2023/24


Profit attributable to ordinary shareholders (Rs m)
9,637
14,133
16,045
FY 2021/22
FY 2022/23
FY 2023/24


Total assets (Rs m)
728,128
829,981
937,198
FY 2021/22
FY 2022/23
FY 2023/24


ROE (%)
12.8
16.9
16.6
FY 2021/22
FY 2022/23
FY 2023/24

Income statement analysis

Net interest income	**As a % of average earning assets**	
Rs 24,239 million	**FY 2022/23**	**FY 2023/24**
(+4,449 million)	2.9%	3.0%

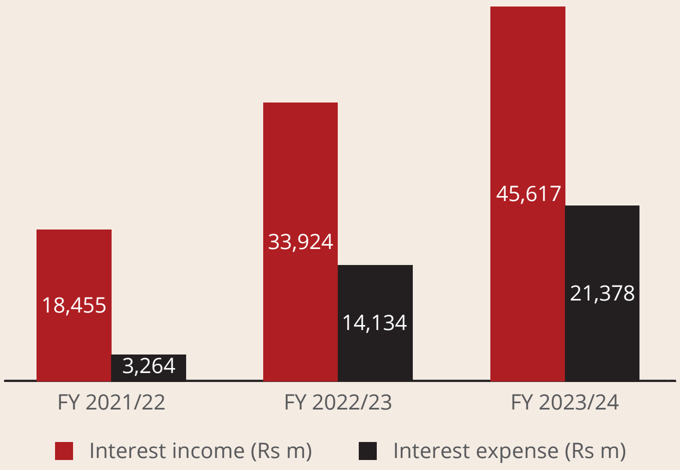
Net interest income increased by 22.5% as a result of the continued expansion of our interest-earning assets and improved foreign currency margins linked mainly to the high USD interest rate environment. Conversely, margins on Mauritian rupee denominated assets dropped slightly.

Non-interest income	**As a % of operating income**	
Rs 12,654 million	**FY 2022/23**	**FY 2023/24**
(+652 million)	37.8%	34.3%

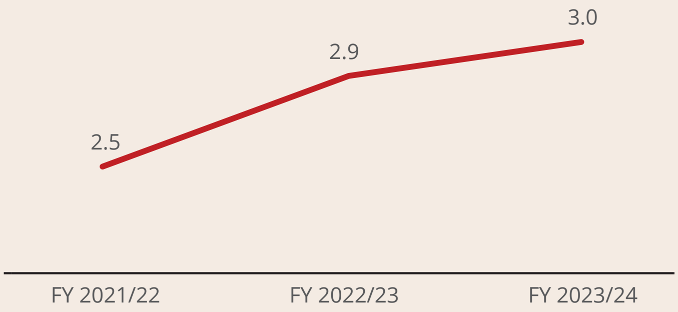
Non-interest income increased by 5.4% with the growth in net fee and commission income and trading income being partly offset by a dampened performance in other revenue captions as explained below:

- Net fee and commission income rose by 11.3% mainly due to higher fees linked to the trade finance and payment activities;
- Net trading income went up by 14.9% as a result of higher profits from dealing in foreign currencies on the back of increased business activities;
- The Group recorded lower net fair value gains of Rs 336 million on equity financial instruments as well as a one-off loss of Rs 241 million arising from the disposal of its stake in Société Générale Moçambique S.A. after exercising its tag along right to dispose of these shares. The share purchase agreement was signed in May 2024 and the transaction was concluded in August 2024.

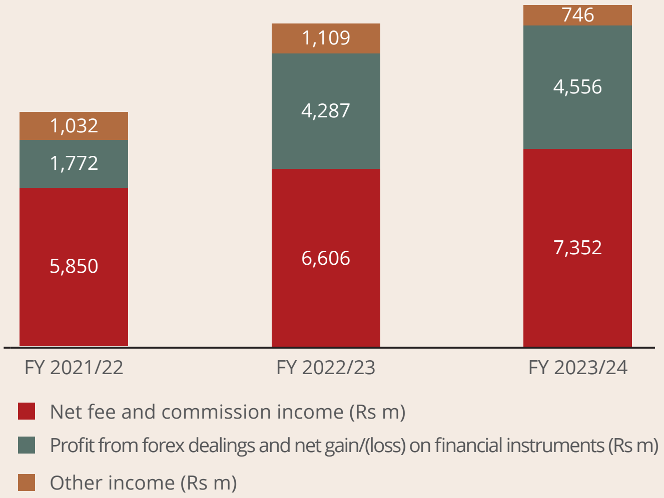
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 13,470 million	**FY 2022/23**	**FY 2023/24**
(+2,213 million)	35.4%	36.5%

Operating expenses increased by 19.7% on account of:

- A 24.5% increase in staff expenses resulting from increased headcount and adjustments made to salaries and benefits during the year;
- A 7.7% rise in amortisation cost associated with the Group's continued investment in technology;
- A 19.0% growth in 'other expenses' resulting from higher technology costs, impact of inflation, the effect of depreciation of the rupee on USD denominated expenses as well as higher operational risk losses. Of note, the introduction of the Deposit Insurance Scheme in Mauritius did not materialise as anticipated, with its application to be now effective in FY 2024/25.

As a result, the cost to income ratio increased by 1.1 percentage points to 36.5%.

Impairment charge	As a % of loans and advances	
Rs 3,684 million	**FY 2022/23**	**FY 2023/24**
(+40 million)	0.87%	0.80%

Despite an increase in specific provisions, net impairment charge increased only slightly, in line with significant recoveries and favourable ECL movements. The cost of risk in relation to loans and advances declined by 7 basis points to 0.80%.

Share of profit of associates	As a % of profit for the year	
Rs 582 million	**FY 2022/23**	**FY 2023/24**
(-285 million)	6.1%	3.6%

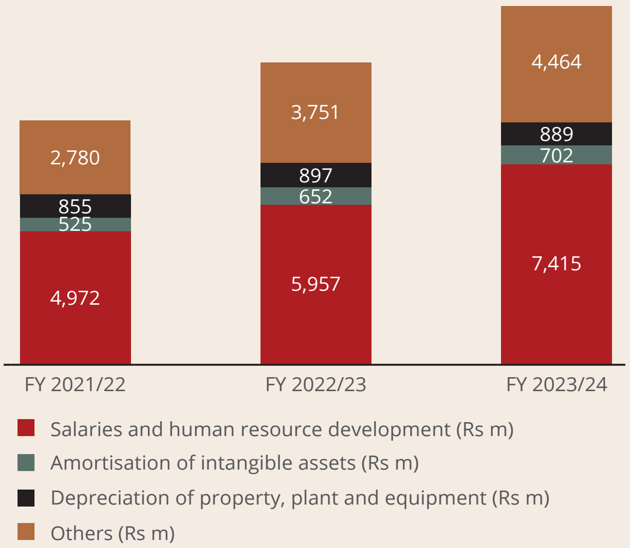
Share of profit of associates fell by 32.9% mainly reflecting the lower profitability of Fincorp and BFCOI. Of note, the results of BFCOI in FY 2022/23 were positively impacted by recoveries that led to provision releases.

Tax expenses	Effective tax rate*	
Rs 4,126 million	**FY 2022/23**	**FY 2023/24**
(+681 million)	21.2%	21.0%

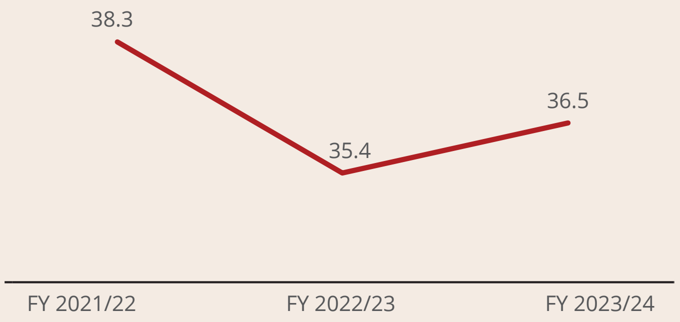
The tax charge for the year increased by 19.8% in line with the growth in profit before tax.

** Note: The effective tax rate is based on pre-tax profit adjusted for fair value gains on equity financial instruments and share of profit of associates*

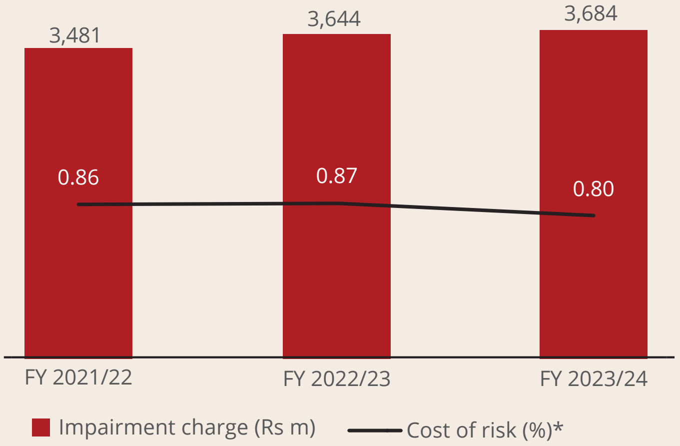
Breakdown of operating expenses



Cost to income ratio



Impairment charge



** relates to loans and advances (including corporate notes and bonds)*

Financial position statement analysis

Gross loans	**Gross NPL**	
	As at 30 Jun 23	**As at 30 Jun 24**
Rs 431.6 billion		
(+49.3 billion)	3.3%	3.1%

The Group reported an increase of 12.9% in gross loans during FY 2023/24, supported by a rise across most entities within the banking cluster. Specifically, a growth of 11.5% was recorded at the level of MCB Ltd over the period. This was principally linked to an expansion in its international loan book with the cross-border loan portfolio growing by 28.7%, underpinned by further expansion at the level of the 'Energy and Commodities' and 'Global and International Corporates' business lines. On the domestic front, although lending to individuals rose by 11.1% linked to the growth in mortgages and other retail loan portfolios, the overall domestic loan book decreased by 5.0% to Rs 151.6 billion on account of a drop in loans to the corporate segment. On the other hand, the Bank increased its investments in corporate notes, contributing to a further rise at the level of the Group.

As regards asset quality, the gross NPL and net NPL ratios improved to 3.1% and 0.9% respectively.

Funding base	**Loans to funding base ratio**	
	As at 30 Jun 23	**As at 30 Jun 24**
Rs 798.8 billion		
(+89.5 billion)	53.9%	54.0%

Total deposits of the Group increased by 18.3% to Rs 706.9 billion as at June 2024. In particular, MCB Ltd recorded a rise of 19.9% reflecting sustained efforts to mobilise foreign currency funding leading to a rise in FCY deposits of 25.5% to Rs 357.4 billion while rupee deposits grew at a lower rate of 14.2% to Rs 317.9 billion. Debt securities of the Group increased by 16.4% following the issuance of floating rate notes of a notional amount of Rs 2.5 billion under the Group's Multi-Currency Note Programme in August 2023. Although the Bank secured a USD 400 million sustainability-linked syndicated loan with a consortium of international banks, other borrowed funds declined by 24.0% due to the repayment of some facilities amidst the significant rise in deposits, reflecting our effective assets and liabilities management.

The Group's loans to funding base ratio increased marginally to 54.0% as at June 2024.

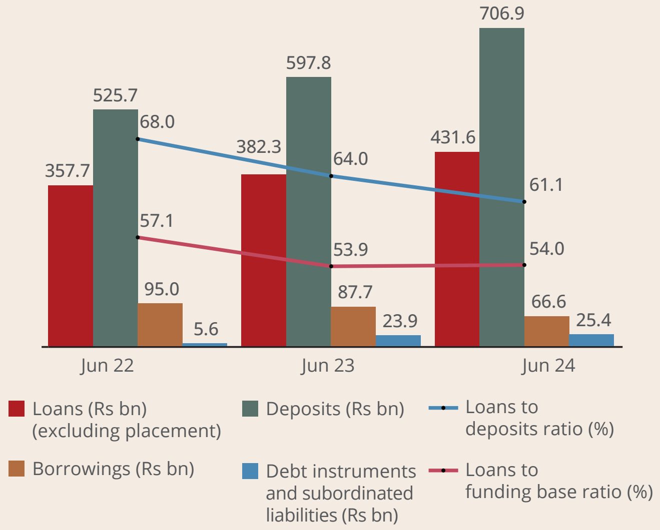
Loans and advances

June 2024	Gross loans	
	Rs m	Y.o.y. growth (%)
Loans to customers	**417,839**	**13.6**
Agriculture and fishing	6,393	(32.9)
Manufacturing	22,597	31.0
Tourism	27,281	(12.1)
Transport	10,344	16.7
Construction	18,815	17.6
Financial and business services	62,102	23.7
Traders	156,599	28.9
of which Petroleum and Energy products	*127,909*	*37.2*
Personal and professional	56,409	9.5
of which credit cards	*1,427*	*39.3*
of which housing	*42,986*	*9.2*
Global Business Licence holders	15,442	(35.3)
Others	41,857	10.0
of which Energy and Commodities Asset-Backed financing	*15,082*	*(11.9)*
Loans to banks	**13,756**	**(5.6)**
Total	**431,595**	**12.9**

June 2024	Gross loans and advances	
	Rs m	Y.o.y. growth (%)
Loans to customers	417,839	13.6
Loans to banks	13,756	(5.6)
Gross loans	431,595	12.9
Corporate notes/bonds	44,257	15.5
Total loans and advances	**475,852**	**13.1**

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

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 425.1 billion	As at 30 Jun 23	As at 30 Jun 24
(+50.5 billion)	45.1%	45.4%

With the funding base growing at a faster rate than loans and advances, total liquid assets increased by 13.5% to Rs 425.1 billion. Investment securities, excluding corporate notes and bonds, went up by 33.1% while cash and cash equivalents dropped particularly in rupee terms, reflecting effective deployment of excess liquidity. There was also a sizeable rise in short-term placements with foreign banks.

Overall, the liquid assets as a percentage of the Group's funding base stood at 53.2% as at June 2024 compared to 52.8% one year earlier. Banking subsidiaries generally maintained healthy liquidity positions, with MCB Ltd displaying comfortable liquidity ratios in both rupee terms and foreign currencies.

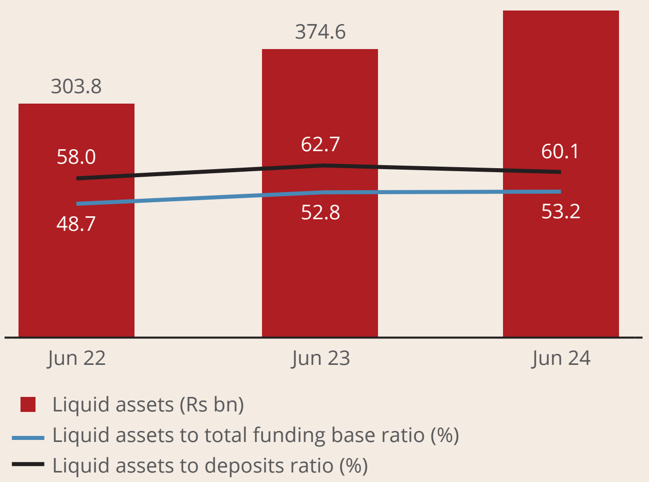
Shareholders' funds	Return on equity	
Rs 103.3 billion	As at 30 Jun 23	As at 30 Jun 24
(+13.5 billion)	16.9%	16.6%

Shareholders' funds increased by 15.0% to Rs 103.3 billion in line with a Rs 10.8 billion rise in retained earnings, the conversion of preference shares into ordinary shares, and the issue of scrip shares in lieu of cash dividend. Concurrently, with the effective management of the risk-weighted assets, the overall capital adequacy ratio and Tier 1 ratio improved to 20.5% and 18.0% respectively as at June 2024.

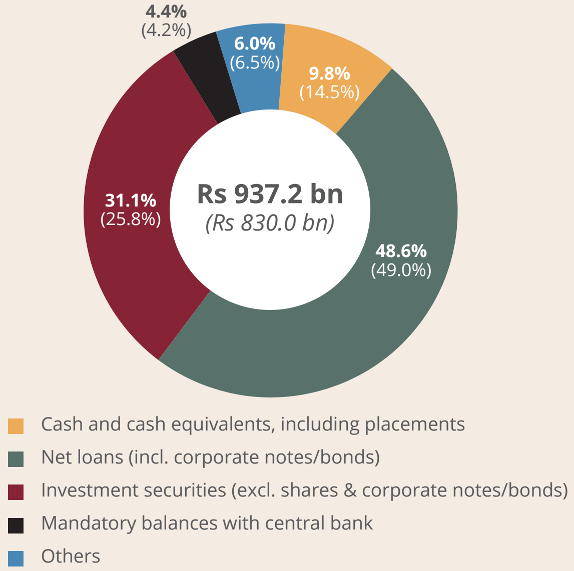
Dividend per share	Dividend payout	
Rs 23.00	As at 30 Jun 23	As at 30 Jun 24
(+2.75)	35.1%	36.1%

A final dividend of Rs 13.50 was declared in September payable in December 2024 after an interim dividend of Rs 9.50 was paid in July 2024, bringing the total dividend per share to Rs 23.00. The dividend payout ratio for the year worked out at 36.1%.

Liquidity position

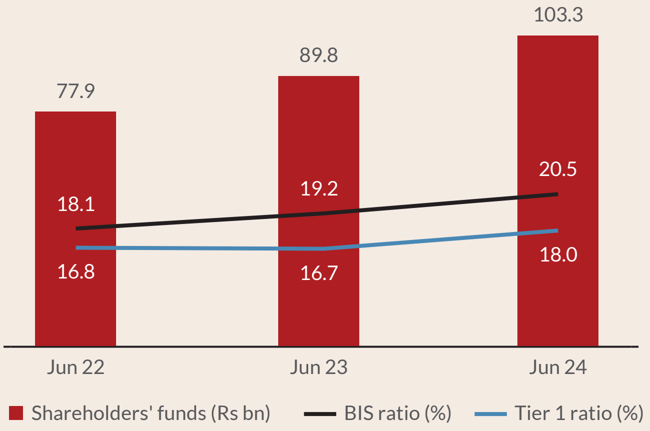


Asset mix as at 30 June 2024



Note: Figures in brackets relate to FY 2022/23

Shareholders' funds and capital adequacy



Note: Capital adequacy figures are based on Basel III

Outlook for FY 2024/25

Global growth is expected to remain steady, supported by lower inflation and gradual interest rate cuts from major central banks. However, geopolitical tensions could intensify, affecting the economic outlook across countries where we operate. In Mauritius, the economic momentum is set to be sustained, driven by strong construction activity and the solid performance of tourism and financial services, amongst others. As we continue to navigate a globally dynamic operating environment, the Group will remain focused on executing its strategy prudently, whilst continuing to invest in growth enablers and strengthening its risk management framework. We therefore remain cautiously confident about the Group's ability to maintain a resilient financial performance for the forthcoming year, barring unforeseen events.

Group financial summary

Key financial indicators

	Jun-24	Jun-23	Jun-22
Statement of profit or loss (Rs m)			
Operating income	36,893	31,792	23,845
Operating profit before impairment	23,423	20,535	14,713
Operating profit	19,739	16,891	11,232
Profit before tax	20,321	17,758	12,031
Profit attributable to ordinary equity holders of the parent	16,045	14,133	9,637
Statement of financial position (Rs m)			
Total assets	937,198	829,981	728,128
Total loans (gross)	431,595	382,333	357,686
Investment securities	345,677	267,472	239,684
Total deposits	706,859	597,766	525,656
Subordinated liabilities	7,057	8,172	1,793
Other borrowed funds	66,579	87,657	94,995
Debt securities	18,342	15,760	3,848
Shareholders’ funds	103,259	89,763	77,912
Performance ratios (%)			
Return on average total assets	1.8	1.8	1.4
Return on average equity	16.6	16.9	12.8
Loans to deposits ratio	61.1	64.0	68.0
Cost to income ratio	36.5	35.4	38.3
Capital adequacy ratios (%)			
BIS risk adjusted ratio	20.5	19.2	18.1
of which Tier 1	*18.0*	*16.7*	*16.8*
Asset quality			
Non-performing loans (Rs m)	14,436	13,636	14,331
Gross NPL ratio (%)	3.1	3.3	3.7
Cost of risk (%)	0.80	0.87	0.86

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

Rando Trail et Nature (RTN)

A longstanding partner of MCB, RTN promotes outdoor activities and nature conservation through trail running. Thousands participate in RTN trail events, promoting environmental awareness and fitness. We have been instrumental in setting up the 'Fam Ansam' initiative, which aims to help women gain confidence and assurance through trail running, hiking, and outdoor activities.

Corporate governance report

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

To the best of the Board's knowledge, the Group has adhered, during the year under review, to the requirements and provisions as specified in the National Code of Corporate Governance for Mauritius (2016) (the 'Code') and has explained how these have been applied.

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

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

Notes:

[1] *'Our corporate profile' can be found on pages 23 to 29*

[2] *'Risk and capital management report' can be found on pages 145 to 192*

[3] *'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 41 to 76*

[4] *'Group financial performance' provides an assessment of the Group's results and can be found on pages 79 to 86*

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

[6] *Our report on 'Materiality Analysis for MCB Ltd' provides an assessment of the material sustainability topics of the organisation*

Our philosophy

The Board of MCB Group Ltd is committed to applying high standards of corporate governance with a view to fostering the organisation's long-term business sustainability and creating value for all its stakeholders whilst acting for the good of society. The Board provides purpose-driven and ethical leadership by setting the tone from the top in the way that it conducts itself and oversees the management of the Company (refers to MCB Group Ltd on a standalone basis) and of its subsidiaries. It believes that good governance is essential in upholding the Group's values and culture through the promotion of accountability, transparency, effective risk and performance management, robust internal control, responsible stakeholder engagement and ethical behaviour by all employees across the organisation. In view of the fast-changing and increasingly challenging environment, the Board continuously monitors and adapts its governance practices and frameworks to incorporate the implications of major developments, pertaining to, *inter alia*, the geopolitical and macroeconomic conditions, heightened regulatory demands, climate, environmental and social considerations, cybersecurity and technological disruptions, workplace transformations and employee engagement as well as customer loyalty in a competitive market. MCB Group's strong performance in the 'Corporate Governance Scorecard Assessment' exercise of listed companies conducted by the National Committee on Corporate Governance (NCCG) in 2023 reflects its commitment to the application of the principles set out in the Code. The Group's Corporate Governance Framework is anchored on the four pillars highlighted hereunder.

Strong commitment to ethics and values

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

Strict compliance to rules and regulations

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

Robust risk governance and internal control

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

Continuous multi-stakeholder engagement

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

Governance structure

Governance framework

MCB Group Ltd is led by a committed and unitary Board, which has the collective responsibility for leadership, oversight and long-term success of the organisation. The Group operates within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility, while allowing the Board to retain effective control. The Board is supported by five committees, each mandated to provide counsel, recommendations and specific expert guidance on matters affecting the Group's activities. Acting on the direction set by the Board, Executive Directors and Management at large are entrusted with the operational management of the business, with their performance and actions 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.

Role of the Board

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

Board of Directors

Role of the Board committees

Board committees facilitate the discharge of the Board's responsibilities and provide in-depth focus in specific areas. In fulfilling their role of providing oversight and guidance, the Chairperson of each Board committee escalates all significant matters affecting the Group to the Board.

Audit Committee

Remuneration, Corporate Governance, Ethics & Sustainability Committee

Risk Monitoring Committee

Corporate Strategy Committee

Supervisory & Monitoring Committee

Role of Executive Management

Executive Directors and Management 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 on the operational and financial performance of the Group to the Board.

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 Group Chief Executive. There is a clear segregation of responsibilities with the Chairperson leading the Board and the Group Chief Executive managing the Group's business on a day-to-day basis. The Board ascertains that the external obligations of the non-executive directors do not hinder them in the discharge of their duties and responsibilities. In this respect, it is worth noting that the external professional commitments of the Chairperson did not change during the financial year. The main roles and responsibilities of the Chairperson, Group Chief Executive and directors are described in the following table.

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 Group's strategy
- Ensures that committees are properly structured with appropriate terms of reference
- 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
- Presides and conducts Board and shareholder meetings effectively
- Advises, supports and oversees the performance of the Group Chief Executive
- Oversees the succession planning process at Board and senior executive level
- Maintains sound relations with stakeholders and ensures effective disclosures and communication are maintained
- Oversees the Group's ethics performance

Group Chief Executive

- Manages the day-to-day operations
- Develops and executes the plans and strategy of the business, in line with the policies set by the Board
- Consults regularly the Chairperson and Board on matters which may have a material impact on the Group
- Acts as a liaison between Management and the Board
- Provides leadership and direction to Senior Management
- Builds, protects and enhances the Group's brand value
- Ensures that the Group's corporate culture and values are embraced throughout the organisation
- Ensures the Group has implemented the necessary frameworks and structures to identify, assess and mitigate risks
- Ensures that the information laid out before the Board is an accurate and true representation of his understanding of the Company's affairs

Directors

- Contribute to the development of the Group's strategy
- Analyse and monitor the performance of Executive Management against the set objectives
- Ensure that the Group has adequate and proper internal controls as well as a robust system of risk management
- Ensure that financial information released to markets and shareholders is accurate
- Participate actively in Board decision-making and constructively challenge, if necessary, proposals presented by Management
- Provide specialist knowledge and experience to the Board
- Remain permanently bound by fiduciary duties which include duties of loyalty, care and disclosure
- Maintain the skills required to discharge their obligations to the Group

Company Secretary

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

More information on the above key roles is available in the Board Charter on the website

Constitution of MCB Group Limited

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

The Board

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

Changes during the financial year under review

Joined the Board

- Maya MAKANJEE *(as from November 2023)*

Re-elected during the Annual Meeting of Shareholders held in November 2023

- Karuna BHOOJEDHUR-OBEEGADOO
- Jean-Philippe COULIER
- Stephen DAVIDSON
- Didier HAREL
- Michael LISING

Left the Board

- Gilbert GNANY
- Alain REY

Directors' profiles

The names of the directors who held office at the end of the financial year, together with details of their position, qualifications, experience, directorships in other listed companies in Mauritius (where applicable) and nationality are set out in the next section. Unless otherwise stated in their respective profile, directors reside in Mauritius.

KEY

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

Didier HAREL

Age 72

CSC	RCGESC	RMC	SMC
C	C	M	C

POSITION:
Chairperson, Independent Non-Executive Director

Non-Executive Director since November 2015 and Chairperson as from September 2016, Didier is the Chairperson of the Corporate Strategy Committee, the Remuneration, Corporate Governance, Ethics & Sustainability Committee, and the Supervisory & Monitoring Committee and is a member of the Risk Monitoring Committee. He is also a member of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology & Innovation Committee (a sub-committee of the Corporate Strategy Committee).

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

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

DIRECTORSHIP IN OTHER LISTED COMPANIES:
Terra Mauricia Ltd

NATIONALITY: Mauritian

Jean Michel NG TSEUNG

Age 56

CSC	RCGESC	RMC	SMC
M	M	M	M

POSITION:
Group Chief Executive and Executive Director

Executive Director as from September 2021 after having been a Non-Executive Director since November 2016, Jean Michel is a member of the Corporate Strategy Committee, the Remuneration, Corporate Governance, Ethics & Sustainability Committee, 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 the Remuneration, Corporate Governance, Ethics & Sustainability Committee) and Technology & Innovation Committee (a sub-committee of the Corporate Strategy Committee).

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

SKILLS AND EXPERIENCE:
Jean Michel joined MCB Ltd in January 2004 and was the Head of Corporate Banking of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and subsequently of Ernst & Young in Mauritius. He is currently a Board member of several companies within the Group namely MCB Investment Holding Ltd, Banque Française Commerciale Océan Indien, The Mauritius Commercial Bank Limited, MCB Seychelles Ltd, MCB Maldives Private Ltd, MCB Madagascar SA, MCB Capital Markets Ltd and MCB Equity Fund Ltd, amongst others. Moreover, he sits on the Risk Monitoring Committee of MCB Ltd. He is the Chief Executive of MCB Group Ltd since March 2023.

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

NATIONALITY: Mauritian

Karuna BHOOJEDHUR-OBEEGADOO

Age 63

AC	RCGESC
M	M

POSITION:
Independent Non-Executive Director

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

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

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

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

NATIONALITY: Mauritian

Constantine CHIKOSI

Age 69

RMC
M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2019, Constantine is a member of the Risk Monitoring Committee.

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

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

Constantine led the opening of the World Bank Office in Mauritius where he assisted the Government in developing policy responses to the 2008 global financial crisis and streamlining the country's business regulation to reduce the cost of regulatory compliance. Prior to joining the World Bank, Constantine worked as Business Development Executive for a global mining company and as Company Secretary for a conglomerate listed on the Johannesburg Stock Exchange. He currently sits on the Board of Old Mutual Zimbabwe Limited and also acts as Chairperson on its Risk and Compliance Committee. Moreover, he is the Chairperson of Africa Sun Ltd, a hospitality management company in Zimbabwe.

NATIONALITY: Zimbabwean, Non-Resident

Jean-Philippe COULIER
Age 75

RMC
C

POSITION:
Independent Non-Executive Director

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

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

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

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

NATIONALITY: Mauritian

Stephen DAVIDSON
Age 69

AC RCGESC
M M

POSITION:
Independent Non-Executive Director

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

QUALIFICATIONS:
MA in Mathematics and Statistics (Scotland)

SKILLS AND EXPERIENCE:
Stephen pursued an executive career in investment banking and in the technology, media and telecommunications (TMT) sector in the UK and in the USA. He held investment banking roles in Rothschild & Co, Chemical Bank (now JP Morgan) and WestLB Panmure, a British corporate and institutional investment bank. He was the Chief Financial Officer before being appointed as Chief Executive Officer of Telewest plc, a cable and broadband internet, telephone carrier and cable television provider, listed on the London Stock Exchange (LSE). He has had an extensive and rich non-executive career over the last 20 years, sitting on 23 Boards, of which 16 were listed companies, including 2 FTSE 100 listed companies and he held multiple chairmanships of nomination and remuneration, audit and corporate governance committees thereon. He is currently the Chairperson of Calnex Solutions plc, a UK-based company, which designs, produces and markets test and measurement instrumentation and solutions for the telecoms and cloud computing industries. He recently retired from PRS for Music Ltd and Datatec Ltd (listed on the Johannesburg Stock Exchange), which he chaired for over 9 and 15 years respectively.

NATIONALITY: British, Non-Resident

Cédric JEANNOT
Age 38

CSC
M

POSITION:
Independent Non-Executive Director

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

QUALIFICATIONS:
PhD in Computer Science (USA)

SKILLS AND EXPERIENCE:
Cédric is the co-founder and CEO of Be Mobile Africa, a neobank which focuses on the unbanked and underbanked in Africa. The company covers over 30 markets and 22 currencies. It is known for operating one of the largest blockchain-based payment systems as well as having one of the most competitive savings accounts. Be Mobile Africa became a Harvard Business School Case Study and its story is also taught to the MBA class at MIT Sloan School of Management. He is also the co-founder of Be Financial Group, a Hong Kong based investment holding firm focused on emerging markets, and was a 'Growth Coach' at one of Canada's largest tech incubators, Communitech, where he mentored start-up founders for several years.

Prior to founding Be Financial Group, he was the co-founder and CEO of APrivacy, an award-winning FinTech digital security company, which provided encryption and privacy software to the banking industry. The company's revolutionary technology enabled banks to use consumer apps like Dropbox, WhatsApp and WeChat for banking purposes, while having all the security and compliance required by the financial industry. He was named as one of 16 Most Promising Entrepreneurs in Asia-Pacific by Ernst and Young and served as a Canadian delegate to the G20 Young Entrepreneur Summit for several years. Cédric is a frequent speaker at digital conferences worldwide on the topics of FinTech, trade, digital security, crypto, impact investing and poverty alleviation and has been quoted in a number of global press publications

NATIONALITY: French, Non-Resident

Georges Michael David LISING
Age 52

CSC
M

POSITION:
Independent Non-Executive Director

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

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

SKILLS AND EXPERIENCE:
Michael has a long experience in the retail industry. He currently heads the Lising Group and occupies the position of Managing Director. Prior to joining the Lising Group, Michael has worked for Ernst & Young (UK) and De Chazal Du Mée & Co. (Mauritius) where he was responsible for various consultancy projects and conducted assignments for the World Bank in Rwanda, Tanzania, Madagascar and Burkina Faso. He previously sat on the Council of the University of Mauritius and was a member of the Executive Committee of Young Presidents Organisation. He is also a director of MCB Factors Ltd, a subsidiary of MCB Group Ltd.

NATIONALITY: Mauritian

Maya MAKANJEE
Age 62

CSC	RCGESC
M	M

POSITION:
Independent Non-Executive Director

Non-executive director since November 2023, Maya is a member of the Corporate Strategy Committee and Remuneration, Corporate Governance, Ethics & Sustainability Committee. Moreover, she is a member of the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics & Sustainability Committee).

QUALIFICATIONS:
MBL cum laude (South Africa), BCom (South Africa), BA Fine Arts (India) and IMD Program for Executive Development (Switzerland)

SKILLS AND EXPERIENCE:
Maya is a seasoned non-executive director, serving on the boards of public and private companies as well as non-profit organisations. She currently chairs the Board of Datatec Limited, and is a director on the Boards of Mpact Limited, Cell C Limited, the AIG South Africa Group and the Nelson Mandela Foundation. In her executive career, Maya has held leadership positions in the telecommunications, financial services, consulting, and fast-moving consumer goods industries. She has held directorships in companies engaged in the field of human resources, marketing communication, corporate affairs and reputation management, strategy, and business re-engineering and has extensive experience in Southern African Development Community (SADC) countries, as well as in some markets in Asia. She was previously an Executive Director of Vodacom (Pty) Ltd, Nestlé South Africa (Pty) Ltd and SABMiller (Africa and Asia), Chair of the Vodacom Foundation (South Africa) and a Board member of World Wide Fund for Nature.

NATIONALITY: South African, Non-Resident

Jayananda NIRSIMLOO
Age 68

CSC	RCGESC
M	M

POSITION:
Independent Non-Executive Director

Non-Executive Director since November 2022, Jay is a member of the Corporate Strategy Committee and Remuneration, Corporate Governance, Ethics & Sustainability Committee. He also chairs the Group's Corporate Sustainability Committee (a sub-committee of the Remuneration, Corporate Governance, Ethics & Sustainability Committee).

QUALIFICATIONS:
BSc (Honours) in Economics (UK), Fellow Chartered Accountant (UK), honorary 'Commissaire aux comptes' (France) and Wharton School Executive Development Program (USA)

SKILLS AND EXPERIENCE:
After qualifying as a Chartered Accountant in London, Jay joined KPMG France where he spent 38 years. He gained significant boardroom experience in his role as Client Partner of several international French companies and as Chief Executive Officer of KPMG France and Member of the KPMG Global Board. His responsibilities extended to French speaking sub-Saharan African countries, Maghreb countries and Mauritius. He founded the Deal Advisory and Consulting practices of KPMG France in 1995 and 2000 respectively. He also set up a Tax and Legal practice in 2020. His main area of expertise and of interest are Deal Advisory, Audit and ESG (Environmental, Social and Governance). As an independent advisor since 2021, Jay assists chief executives of selected companies in taking strategic decisions or in solving governance issues.

NATIONALITY: Mauritian, Non-Resident

San T SINGARAVELLOO
Age 51

AC
C

POSITION:
Independent Non-Executive Director

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

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

SKILLS AND EXPERIENCE:
San is a qualified actuary with over 25 years of experience across the sub-Saharan Africa region, the UK and the Netherlands. Her experience spans an array of disciplines in the insurance and pension fields with particular focus on the African markets. She has worked for various regional and international companies including Old Mutual (Cape Town), and PwC (London and Amsterdam). She currently heads the Global Benefits Solutions for AON in sub-Saharan Africa. She is a director on Happy World Property Ltd.

NATIONALITY: Mauritian

More information on MCB Group Corporate Services which serves as Company Secretary to the Group is available on the website

Mandate of the Board

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

Key facts (FY 2023/24)

11	91%	4.7	98%
Number of directors	**Independent directors**	**Average length of tenure (years)**	**Average meeting attendance**

Responsibilities

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

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

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

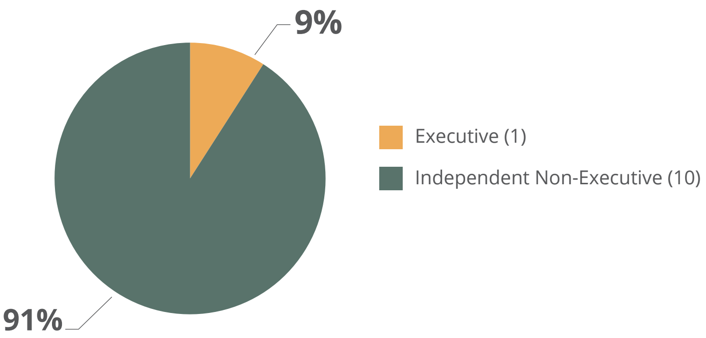
Composition and meetings

Composition

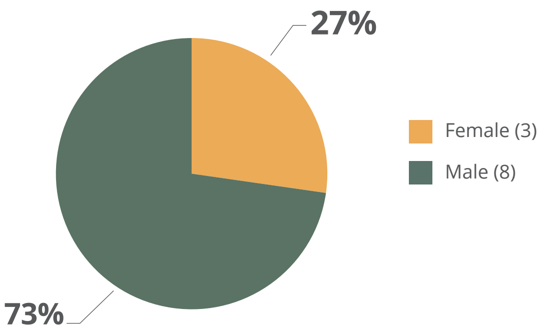
As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors, with at least two executive directors and two independent directors. The Chairperson of the Board may be independent. The Board, assisted by the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC), regularly reviews its size and composition, including the independence status of the non-executive directors, in line with applicable laws and regulations. At the last annual meeting, Maya Makanjee was appointed as Independent Director in replacement of Alain Rey. Moreover, Gilbert Gnany retired from his position as Executive Director in March 2024. By that time, the Group had already launched the recruitment process for a Group Chief Finance Officer. This led to the appointment of Dipak Chummun, who also joined the Board as Executive Director in September 2024.

As at 30 June 2024, the Board consisted of 11 members, with a diverse mix of skills, knowledge and experience. In addition, the Board also considers gender diversity, with female representation on the Board currently standing at 27% in line with the minimum prescribed by the Mauritius Companies Act 2001. The average age of Board members stood at around 61 years. The Board composition at financial year end is shown hereunder.

Composition

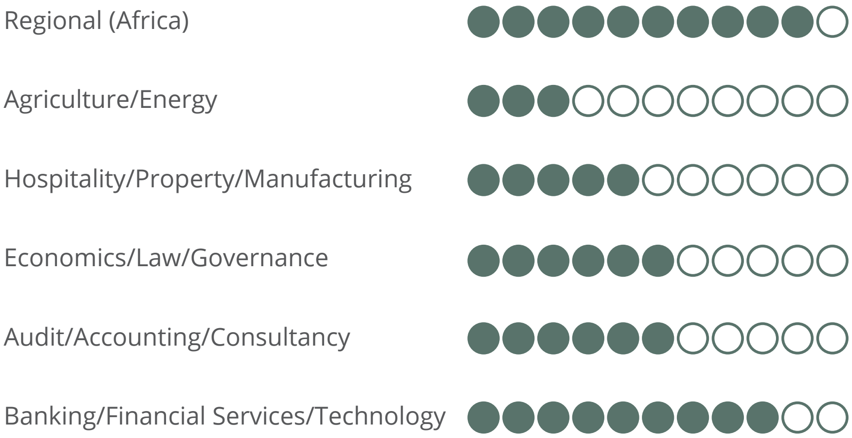


Gender



Length of tenure

Mix of skills and experience



Meetings

The Board determines the frequency of Board meetings to ensure that it can focus on and deal with important matters in a timely and efficient manner. The Board Charter requires that meetings be conducted at least on a quarterly basis. Although Board meetings follow a pre-set schedule with 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. Meetings are convened so that directors are able to attend and participate in person. If in-person attendance is not possible, directors can join the meetings by means of audio or audio-visual communication. To help directors prepare effectively for meetings, relevant documents are provided sufficiently in advance to ensure they have enough time to digest the information for productive discussions during meetings. All materials for Board meetings are uploaded onto a secure portal, which can be easily accessed by directors. Of note, members of the Management team and/or external advisors are regularly invited to attend meetings, present and 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. Non-executive directors also have the opportunity to meet the Chairperson without the presence of executive directors. 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 hereunder.

1

Preparation

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

2

Review

The Chairperson reviews the draft agenda with the Company Secretary

3

Discussion

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

4

Communication

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

5

Finalisation

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

Board focus areas

A summary of the main undertakings of the Board during FY 2023/24 is provided hereunder.

Strategy and Performance

- Discussed the developments in the international operating environment and assessed their impact on the Mauritian economy and on the Group's business activities
- Reviewed and endorsed the strategic plans and budgets of all banking and non-banking subsidiaries of the Group
- Examined the progress made on the strategic initiatives of the Group
- Reviewed the strategic orientations, key focus areas and the deployment of the overall sustainability strategy
- Monitored the progress made on the Digital and HR strategic initiatives including the elaboration and finalisation of the new 'Career architecture' and 'Rewards architecture'
- Updated on the main initiatives at the level of the Securities Services BU and Compliance SBU
- Discussed in-depth the results of the 'Great Place to Work – Trust Index Survey'

Financial

- Assessed and monitored the Group's financial performance against budget
- Discussed and approved the dividend payout, scrip shares and preference shares conversion
- Approved the listing of unsecured floating rate notes amounting to Rs 2.5 billion under the current Multi-Currency Note Programme on the Stock Exchange of Mauritius
- Approved the financial budget

Governance and Risk

- Reviewed and validated the structure, size and composition of the Board and Board committees
- Approved, upon the recommendation of the RCGESC, the appointment of Maya Makanjee as new Board member
- Reviewed the Board and Committee Charters and other constitutive documents
- Monitored the implementation of the 2022 Board evaluation action plan
- Reviewed the succession planning for Senior Management and Directors
- Discussed the results of the 2024 Board evaluation assessment and agreed on an ensuing action plan
- Validated the setting up of a 'Technology and Innovation' Committee
- Approved the performance-driven Executive compensation and the Group scorecard for Senior Management
- Reviewed the Risk Heat Map of the Group
- Discussed the results of the 2023 National Committee on Corporate Governance Scorecard assessment
- Approved the directors' development training programme
- Reviewed the cybersecurity framework and monitored ongoing initiatives aiming at progressively improving the maturity assessment of the Cybersecurity Function within the Group

Recurrent Agenda Items

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

Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2023/24 are provided in the table hereunder.

Members	Board member since	Board status as at 30 June 2024	Meeting attendance
Didier HAREL ***(Chairperson as from September 2016)***	**November 2015**	**Independent Non-Executive Director**	**12/12**
Karuna BHOOJEDHUR-OBEEGADOO	November 2015	Independent Non-Executive Director	12/12
Constantine CHIKOSI	November 2019	Independent Non-Executive Director	10/12
Jean-Philippe COULIER	December 2020	Independent Non-Executive Director	12/12
Stephen DAVIDSON	December 2020	Independent Non-Executive Director	12/12
Cédric JEANNOT	June 2023	Independent Non-Executive Director	12/12
Georges Michael David LISING	November 2018	Independent Non-Executive Director	11/12
Maya MAKANJEE	November 2023	Independent Non-Executive Director	5/5
Jayananda NIRSIMLOO	November 2022	Independent Non-Executive Director	12/12
Alain REY *(until November 2023)*	November 2015	Independent Non-Executive Director	7/7
San T SINGARAVELLOO	November 2018	Independent Non-Executive Director	12/12
Gilbert GNANY *(until March 2024)*	April 2014	Executive Director	10/10
Jean Michel NG TSEUNG	November 2016	Executive Director	12/12

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

Remuneration philosophy

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

Employees

Fair remuneration

The Group aims at promoting a fair and competitive remuneration that encourages performance and assists in attracting and retaining talent.

Our remuneration policy is based on meritocracy and ensures that:

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

Remuneration package

The remuneration package is anchored on a range of factors including qualifications, skills scarcity, past performance, individual potential, market practices, responsibilities shouldered and experience.

With a view to defining appropriate remuneration levels, the Group is also guided by the following considerations:

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

Employee benefits

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

- A pension contribution, representing 18.1% of their basic salaries, with the possibility for employees under the Defined Contribution Scheme to opt, depending on their age group, to receive part thereof, up to a threshold, by way of a cash supplement
- Banking facilities under preferential conditions
- A monthly travelling allowance, with the amount varying according to job grades
- Contributory medical and insurance coverage which also cover dependents
- Other incentives include, *inter alia*, extended maternity and paternity leaves, flexible working arrangements, support for degree programmes and certifications, and loyalty recognition

Group Employee Share Option Scheme

The Group Employee Share Option Scheme (GESOS) provides eligible employees with the opportunity to partake in the growth and prosperity of the Group through the acquisition of shares in MCB Group Ltd. This acts as an additional lever to promote a performance culture alongside upholding staff motivation and commitment across the organisation. Under the scheme, employees are granted non-transferable options to buy MCB Group Ltd shares with a maximum of 25% of their annual performance bonus. The options, which can be exercised over a period of one year through four specific windows, carry a retention period of three years. The option price is based on the average of the share price over the quarter prior to the date on which the options are granted, to which a discount of 10% is applied. Management is, however, not entitled to such discount. Once issued, the shares rank *pari passu* as to dividend, capital, voting rights and in all other respects with the existing shares of MCB Group Ltd. During the financial year, around 90% of the Group's employees were eligible for the GESOS. The following table gives details of the options granted to and exercised by employees of the Group in FY 2023/24.

	Management	**Other employees**	**Total**
Number of options granted in October 2023	**209,457**	**808,203**	**1,017,660**
Initial option price (Rs)	325.00	292.50	-
Number of options exercised to date	81,692	235,483	317,175
Value (Rs)*	26,549,900	68,878,778	95,428,678
Percentage exercised	39%	29%	31%
Number of employees	16	860	876
Available for the 4th window and expiring in mid-October 2024	**127,765**	**572,720**	**700,485**

**Based on initial option price*

Figures may not add up due to rounding

Directors

Executive directors

Executive directors' remuneration aligns with our overall policy for managers and employees, comprising a base salary and short-term benefits that reflect their specific responsibilities and level of experience. A significant portion of their remuneration is a variable element, structured as an annual bonus. This bonus is dual-faceted, with one component linked to the Group's financial performance and the other tied to the individual performance and strategic contributions of each executive director. This remuneration structure is designed to incentivise and retain top-tier talent in senior executive roles, ensuring alignment with both immediate and long-term strategic objectives. All elements of the remuneration are carefully benchmarked to local and regional levels to ensure competitiveness and fairness.

Non-executive directors

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

- There is a basic retainer fee for each individual non-executive director reflecting the workload, size and complexity (national/international) of the business as well as the responsibility involved;

- The basic retainer fee paid to the non-executive Chairperson commensurately reflects the fact that he has a wider scope of responsibilities and a heavier workload, compared to other non-executive directors;

- Board Committee basic retainer fees also apply to non-executive directors, with the fees differing in accordance with the time required for preparation, the frequency and the duration of committee meetings. Chairpersons of committees are paid a higher basic retainer fee than members, in line with the rationale outlined in the previous point;

- There is, in addition, an attendance fee for non-executive directors in respect of their presence at meetings of the Board, respective Board committees, as well as the Annual Meeting of Shareholders; and

- No share option or bonus is granted to non-executive directors.

The following table highlights the remuneration and benefits received by the directors during FY 2023/24.

Remuneration and benefits received (Rs '000)	**From the holding company**	**From subsidiaries**	**Total**
Didier HAREL	5,126	-	**5,126**
Karuna BHOOJEDHUR-OBEEGADOO	1,095	168	**1,263**
Constantine CHIKOSI	713	-	**713**
Jean-Philippe COULIER	1,018	611	**1,629**
Stephen DAVIDSON	1,237	-	**1,237**
Cédric JEANNOT	1,342	-	**1,342**
George Michael David LISING	728	152	**880**
Jayananda NIRSIMLOO	1,624	-	**1,624**
Alain REY *(until November 2023)*	385	137	**522**
San T SINGARAVELLOO	1,203	-	**1,203**
Maya MAKANJEE *(as from November 2023)*	637	-	**637**
Total Non-Executive	***15,108***	***1,067***	***16,175***
Jean Michel NG TSEUNG	47,760	-	**47,760**
Gilbert GNANY *(until March 2024)*	25,915	-	**25,915**
Total Executive	***73,675***	***-***	***73,675***
Total (Non-Executive and Executive)	**88,783**	**1,067**	**89,851**

Note: Figures may not add up due to rounding

Directors' interests and dealings in securities

The directors confirm that they have followed the absolute prohibition principles and notification requirements of the 'Model Code for Securities Transactions by Directors of Listed Companies' as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

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

The following tables itemise the interests of the directors in the Group's listed securities as at 30 June 2024 as well as related transactions effected by the directors during the last financial year. None of the directors had any interest in the securities of the subsidiaries of MCB Group Ltd.

Interests in MCB Group Ltd Ordinary shares as at 30 June 2024	Number of Ordinary shares	
	Direct	Indirect
Jean-Philippe COULIER	20,500	115,526
Georges Michael David LISING	11,722	62,223
Jean Michel NG TSEUNG	74,771	-
San T SINGARAVELLOO	-	5,000

Transactions during FY 2023/24	Number of Ordinary shares					
	Purchased		Sold		Others	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Jean-Philippe COULIER	-	-	-	-	-	6,058
Georges Michael David LISING	-	-	-	-	-	-
Jean Michel NG TSEUNG	14,693	-	-	-	4,206	-

Interests in Fincorp Investment Ltd as at 30 June 2024	Number of shares	
	Direct	Indirect
Jean-Philippe COULIER	-	972

Interests in MCB Group Ltd Unsecured Floating Rate Notes as at 30 June 2024	Number of Notes	
	Direct	Indirect
Georges Michael David LISING	-	3,000

Interests in MCB Group Ltd Preference shares as at 30 June 2024	Number of Preference shares	
	Direct	Indirect
Jean-Philippe COULIER	-	24,179

Directors’ service contracts

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

Related party transactions

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

- monitoring and reporting by Senior Management within the Company and its subsidiaries in respect of related party transactions;

- regular review of related party exposures, including those pertaining to Senior Management at the level of the Company and its subsidiaries; and

- formal review and ratification of the Conflicts of Interest and Related Party Transactions Policy as applicable.

Related party transactions of the Group were conducted in line with relevant internal policies and guidelines. Please refer to Note 37 of the Financial Statements for further details on related party transactions.

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

Board committees

The Board has delegated authority to various Board committees to provide specialist guidance and make recommendations, through established reporting mechanisms, on areas and matters entrusted to them. Each committee has its own charter, as approved by the Board and reviewed as required, which sets out, *inter alia*, its roles, responsibilities, composition and meeting requirements. The mandate, composition and focus areas covered during FY 2023/24 of the five Committees namely: (i) Audit Committee; (ii) Remuneration, Corporate Governance, Ethics and Sustainability Committee; (iii) Risk Monitoring Committee; (iv) Corporate Strategy Committee; and (v) Supervisory and Monitoring Committee, are set out in the next section.

A new joint Board Committee, the Cyber and Technology Risk Committee is being set up to assist the Board of Directors of MCB Group Ltd and MCB Ltd in defining risk strategies, assessing and monitoring the cybersecurity, information and technology risk management of MCB Group and its subsidiaries. The Committee will also advise the Boards of relevant subsidiaries on cyber, information and technology risk issues and shall monitor the associated risk levels and postures against the set risk appetites.

Audit Committee (AC)

Mandate

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

Key facts (FY 2023/24)

3	4.2	9	96%
Number of directors	**Average length of tenure (years)**	**Number of meetings**	**Average meeting attendance**

Composition and meetings

As per its Charter, the AC shall consist of a minimum of three non-executive members, with a majority of independent directors from whom the Chairperson shall be nominated. The Chairperson of the Board and the Group Chief Executive shall not be a member of the AC. The Committee meets at least four times a year corresponding to the Company's quarterly reporting cycle and on an ad hoc basis when required. A member of the Risk Monitoring Committee may be requested to attend the AC whenever deemed appropriate. The Committee also holds consultations with the Chairpersons of Audit Committees of subsidiaries as deemed appropriate. The directors who served on the AC and their attendance at committee meetings during FY 2023/24 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2024	Meeting attendance
San T SINGARAVELLOO *(Chairperson)*	**December 2018**	**Independent Non-Executive Director**	**9/9**
Karuna BHOOJEDHUR-OBEEGADOO	January 2021	Independent Non-Executive Director	8/9
Stephen DAVIDSON	January 2021	Independent Non-Executive Director	9/9

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

Focus areas in FY 2023/24

Key topics discussed

- Interim and audited consolidated Financial Statements published by the Group with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Internal and external audit reports of all subsidiaries
- Compliance plans and reports of all subsidiaries
- Internal control review
- AML/CFT review
- Operational risk review
- Cyber and Information Security review
- Risk Heat Map review
- Legal risk review
- Audit plans of internal and external auditors
- Review of relevant policies
- Implementation of Group Risk and Compliance functions
- Review of the Committee Charter

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

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

Mandate

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

Key facts (FY 2023/24)

6	3.9	6	100%
Number of directors	**Average length of tenure (years)**	**Number of meetings**	**Average Meeting attendance**

Composition and meetings

As per its Charter, the RCGESC shall consist of at least three members, the majority of whom shall be independent non-executive directors. The Chairperson shall be an independent non-executive director and shall usually be the Chairperson of the Board. The Group Chief Executive may be a member of the Committee. The Committee meets at least four times annually and on an ad hoc basis when required. The directors who served on the RCGESC and their attendance at committee meetings during FY 2023/24 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2024	Meeting attendance
Didier HAREL *(Chairperson)*	**September 2016**	**Independent Non-Executive Director**	**6/6**
Karuna BHOOJEDHUR-OBEEGADOO	February 2016	Independent Non-Executive Director	6/6
Stephen DAVIDSON	January 2021	Independent Non-Executive Director	6/6
Maya MAKANJEE	January 2024	Independent Non-Executive Director	2/2
Jayananda NIRSIMLOO	January 2023	Independent Non-Executive Director	6/6
Jean Michel NG TSEUNG	March 2023	Executive Director	6/6

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

Focus areas in FY 2023/24

Key topics discussed

- Election/re-election of directors as Board members
- Board and Board Committees composition
- Succession planning for both executive and non-executive directors
- Appointment of senior executives and Board members of the Group's subsidiaries
- Review of directors' fees for Board and Board Committees
- Review of directors' development training programme
- Recommendation to appoint EY as the external facilitator for the 2024 Board evaluation exercise
- Review of the 'Performance Driven Executive Compensation' proposal and the Group Scorecard (for Senior Management) and recommendation to the Board
- Results of the assessment of the National Committee on Corporate Governance (NCCG) Scorecard report
- Review of Board/Committee Charters and other constitutive documents
- Review of the Corporate Governance Report forming part of the Annual Report
- The review of the Committee Charter

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

Risk Monitoring Committee (RMC)

Mandate

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

Key facts (FY 2023/24)

4	**Number of directors**
3.6	**Average length of tenure (years)**
4	**Number of meetings**
89%	**Average meeting attendance**

Composition and meetings

As per its Charter, the RMC shall consist of at least three members, including the Group Chief Executive, with a majority of non-executive directors. The Chairperson of the Committee shall be a non-executive director and shall not be the Chairperson of the Board. The RMC meets at least quarterly and on an ad hoc basis when required. The directors who served on the RMC and their attendance at committee meetings during FY 2023/24 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2024	Meeting attendance
Jean-Philippe COULIER *(Chairperson)*	**January 2021**	**Independent Non-Executive Director**	**3/4**
Constantine CHIKOSI	January 2023	Independent Non-Executive Director	3/4
Didier HAREL	February 2016	Independent Non-Executive Director	4/4
Gilbert GNANY *(until March 2024)*	July 2014	Executive Director	3/3
Jean Michel NG TSEUNG	January 2019	Executive Director	4/4

Secretary: Frederic PAPOCCHIA (Group Chief Risk Officer)

Note: Dipak CHUMMUN, the newly appointed Group Chief Finance Officer, joined th RMC in September 2024

Focus areas in FY 2023/24

Key topics discussed

- Risk management framework, risk appetite, and risk policies of the Group and its subsidiaries
- Enterprise Risk Management framework and review of Risk Heat Maps (covering strategic, financial, operational and compliance risks) at Group level, with 19 key risks identified, of which 4 emerging risks, the top risks being broadly in line with developments in the operating context[1]
- Gap analysis of the risk function (governance, organisation, policies and procedures, existing practices and resourcing) conducted by the Group CRO for overseas banking and para-banking subsidiaries as well as MCB Capital Markets
- Assessment of risk prevailing at the level of MCB Capital Markets and a presentation of action points for the following risks:
    - o Governance and conflict of interest
    - o Mis-selling
    - o Underwriting risk
    - o Governance on investment decision-making
    - o Mandate compliance
    - o Operational risk
    - o Key person and succession planning risk
- Asset quality metrics and key risks of entities within the Group covering the principal risks (notably credit, country, market, liquidity) and actions taken to mitigate them
- Adequacy of capital, funding and liquidity requirements of the Group and of the banking subsidiaries, including stress testing of financial soundness under different scenarios
- Economic and operating environment locally and in presence countries
- Presentation of ICAAP stress testing results under different scenarios
- Detailed review of the top stage 1, 2 and 3 exposures of the various banking entities of the Group to forestall potential credit risks and of the level and adequacy of provisions
- Overview of write-offs
- Review of the risk appetite for activities in 'Metals and Minerals' approved by the Board of MCB Ltd
- The review of the Committee Charter

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

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[1] *Refer to material matters section on pages 36 to 39*

Corporate Strategy Committee (CSC)

Mandate

The CSC, formerly known as the Strategy Committee, assists the Board in overseeing the business strategy of MCB Group Ltd and its subsidiaries and measures their performance against set objectives whilst ensuring that capital allocation to subsidiaries is appropriate. In addition, it helps the Board in assessing major financial and investment plans and other material issues that affect the development of the Group. The Technology and Innovation Committee, a sub-committee of the CSC which also includes directors from MCB Ltd, assists the Board in the oversight on matters relating to technological innovation, projects and related costs.

Key facts (FY 2023/24)

6	2.6	4	100%
Number of directors	**Average length of tenure (years)**	**Number of meetings**	**Average Meeting attendance**

Composition and meetings

As per its Charter which was reviewed in July 2024, the CSC shall consist of at least eight members across both MCB Group and MCB Ltd, the majority of whom shall be MCB Group's representatives. The Chairpersons and Chief Executives of both entities shall be members of the Committee. The Chairperson of the Committee shall be a non-executive director and shall usually be the Chairperson of the Board of MCB Group. The Committee meets at least quarterly or more frequently as circumstances require.The directors who served on the CSC and their attendance at committee meetings during FY 2023/24 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2024	Meeting attendance
Didier HAREL *(Chairperson)*	**November 2016**	**Independent Non-Executive Director**	**4/4**
Cédric JEANNOT	July 2023	Independent Non-Executive Director	4/4
Georges Michael David LISING	January 2021	Independent Non-Executive Director	4/4
Maya MAKANJEE	January 2024	Independent Non-Executive Director	2/2
Jayananda NIRSIMLOO	January 2023	Independent Non-Executive Director	4/4
Alain REY *(until November 2023)*	January 2023	Independent Non-Executive Director	2/2
Gilbert GNANY *(acted as Secretary)(until March 2024)*	November 2016	Executive Director	3/3
Jean Michel NG TSEUNG *(acted as Secretary as from April 2024)*	March 2023	Executive Director	4/4

Note: Dipak CHUMMUN was appointed to the CSC in September 2024 and will also act as Secretary

Focus areas in FY 2023/24

Key topics discussed

- Developments in the operating environment both locally and abroad with potential implications on the Group's strategy
- Progress on key strategic initiatives across the Group
- Update on the Group's long-term strategy in relation to, amongst others:
    - Our operating model and market presence
    - ESG and transition considerations
    - Transaction and investment banking, technology and data, securities services and virtual assets
    - Leadership and talent development
- Capital adequacy considerations of the Group to support its growth ambition
- Dividend payout and related implications
- Sustainable finance strategy
- Review of investment and disinvestment opportunities for the Group
- Review of the Group's portfolio of IT and cybersecurity projects currently in progress
- Overview of HR strategy including career architecture, talent management, succession planning and employee engagement
- Review of the Committee Charter
- Review of MCB Capital Markets 5-year strategy

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

Supervisory and Monitoring Committee (SMC)

Mandate

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

Key facts (FY 2023/24)

2	7.0	13	97%
Number of directors	**Average length of tenure (years)**	**Number of meetings**	**Average meeting attendance**

Composition and meetings

As per its reviewed Charter, the SMC shall consist of a minimum of three members, including the Chairperson, the Group Chief Executive and any other Board member of the Company. Chief Executives of the subsidiaries of MCB Group Ltd may be invited to attend SMC meetings as required. The SMC shall meet regularly and on an ad hoc basis when required. The directors who served on the SMC and their attendance at committee meetings during FY 2023/24 are provided in the following table.

Members	Committee member since	Board status as at 30 June 2024	Meeting attendance
Didier HAREL *(Chairperson)*	**July 2017**	**Independent Non-Executive Director**	**13/13**
Gilbert GNANY *(also acts as Secretary)(until March 2024)*	March 2023	Executive Director	5/6
Jean Michel NG TSEUNG *(acted as Secretary as from April 2024)*	July 2017	Executive Director	13/13

Note: Dipak CHUMMUN was appointed to the SMC in September 2024 and will also act as Secretary

Focus areas in FY 2023/24

Key topics discussed

- Impact of developments in the operating environment on the strategy, financial performance, and operations of the Group
- Review of the general economic conditions and specific market trends locally and abroad as well as the evolution of key sectors amidst the challenging and volatile context
- Review of the implementation of approved strategies and major policies
- Progress made on major transformation projects
- Review of financial performance
- Dividend pay-out proposal of the Group for approval by the Board
- Major litigations and market movements that can have a material/significant impact on the Group
- Insurance coverage review for the Bank and the Group
- Legal, operational and compliance matters impacting MCB Group
- Investment and immovable property acquisition opportunities
- Follow-up on the recommendations of the various Board committees
- Review of Board and Committee composition
- HR matters, including the review of employee engagement survey results, recruitment of potential candidates in senior executive positions within the Group, resignations and movements of key senior personnel
- Impact of inflation on cost of living and implications in relation to salary review policy
- Updates in relation to succession planning for senior roles and leadership changes within the organisation
- Review of Executive Remuneration Strategy in line with the Group's Scorecard
- Corporate culture alignment
- Review of the Committee Charter

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

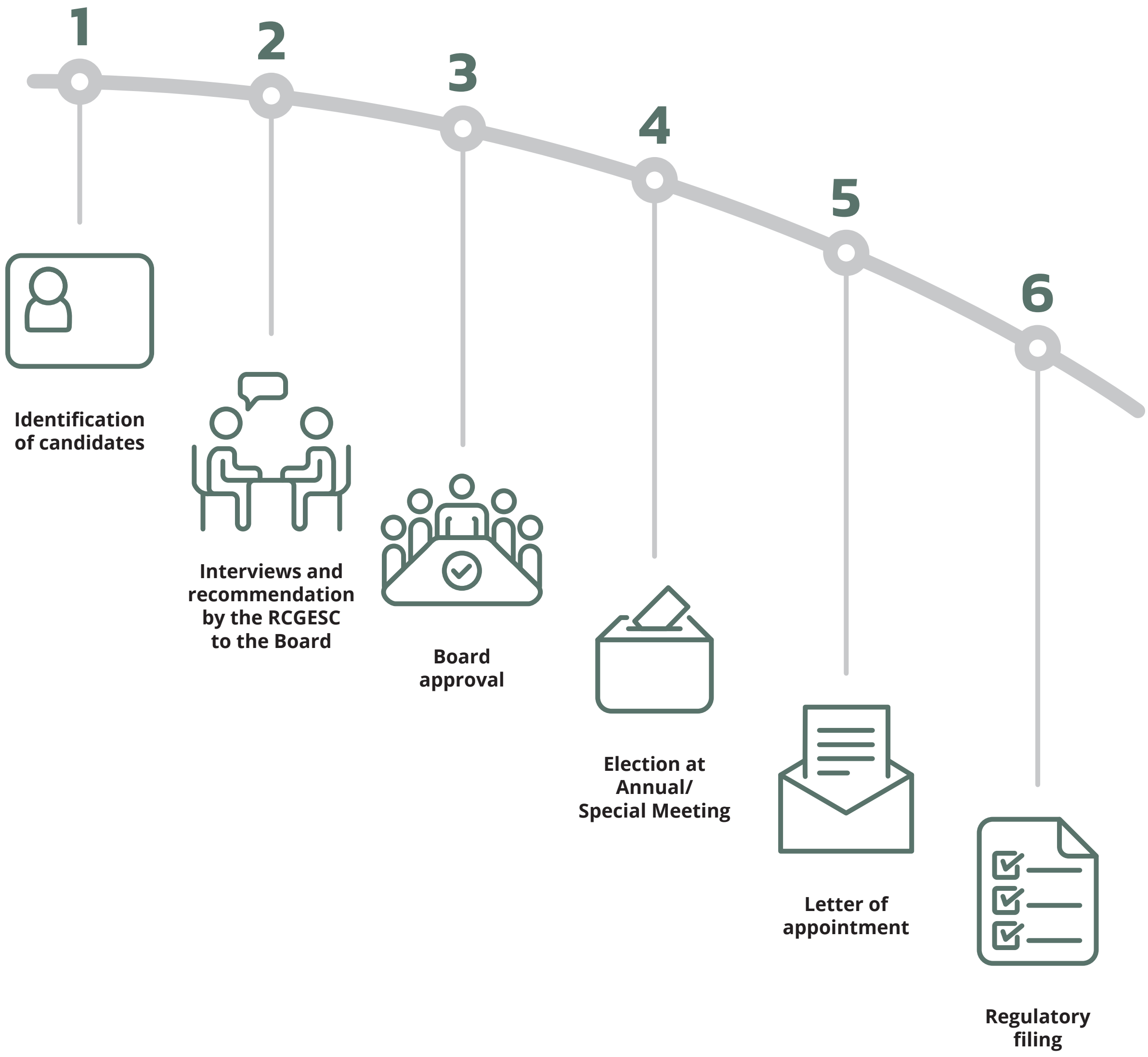
Board effectiveness

Nomination process

The Board has a formal and transparent process in place for the nomination and appointment of directors. In fulfilling this duty, the Board is supported by the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC), which is responsible for overseeing Board directorship's renewal and succession planning. The RCGESC reviews the size, structure and composition of the Board on an annual basis or when considering Board appointments. The Board places high emphasis on ensuring that membership therein reflects diversity to provide the range of perspectives and insights needed to support good decision-making in the execution of the Group's strategy. The RCGESC considers that the size of the Board contributes to its effectiveness.

The RCGESC is responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. Appointment of prospective candidates is based on merit and due consideration is given to, amongst others, specific skills, expertise, knowledge, experience and their background, including the value the individual can bring to the overall Board performance. In addition, the RCGESC considers gender diversity, independence and time commitment of prospective Board members. Prior to their appointment, non-executive directors are advised of expected 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.

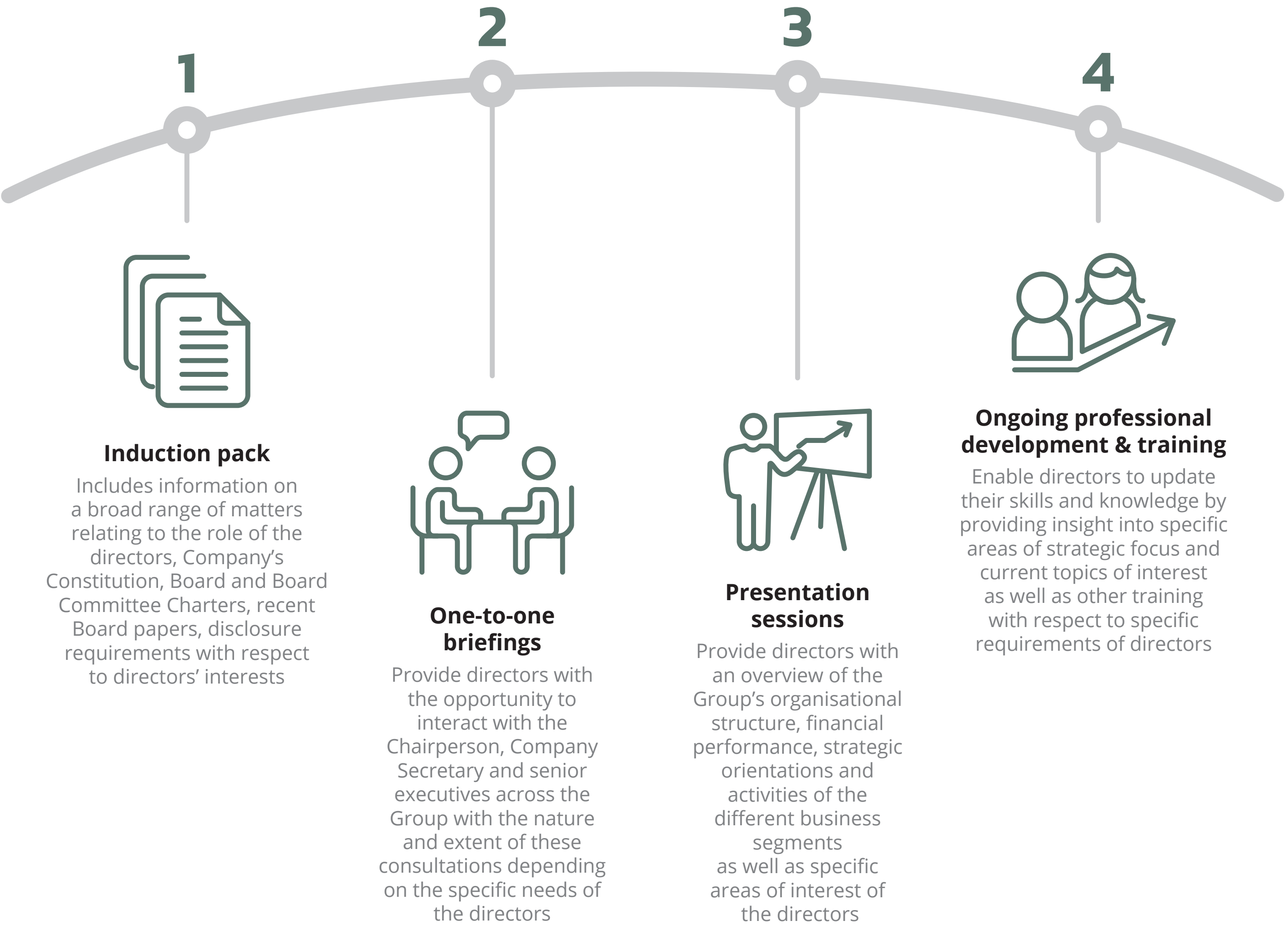
Board induction and training

All new directors, upon joining the Board, receive a comprehensive induction programme tailored to their specific requirements. The training seeks, *inter alia*, to make them aware of their legal duties and facilitate their understanding of the Group's structure and business operations, its strategic priorities and current challenges. The objective of the programme is to enable newly appointed directors to be well equipped from the outset to contribute effectively to strategic discussions and oversight of the Group.

Similarly, 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 to ensure that the development needs of the directors are identified and appropriate training is provided to enhance their skills and knowledge. Directors are also given the opportunity to request specific training, which they consider necessary to assist them in carrying out their duties effectively. The Company Secretary co-ordinates 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, the directors attended training on 'AI in the boardroom' delivered by an international expert. The course provided an overview of the developments in AI technologies as well as the opportunities and challenges they entail. The session also allowed the directors to deepen their understanding of the current technological trends, such as the Metaverse and Cryptocurrency, and how these technological advances are shaping the business landscape of financial institutions. In addition, the directors attended a workshop on Blockchain and Virtual Assets to strengthen the Board's understanding of these technologies and their impact on the traditional banking system. The directors were also provided with an outline of the legal framework regarding activities relating to Virtual Assets. Besides, they also completed an in-house e-learning course on general security awareness in relation to cyber-attacks and threats, including an online test to assess their understanding.

An outline of the induction and training programme is set out in the diagram hereunder.



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

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

Presentation sessions
Provide directors with an overview of the Group's organisational structure, financial performance, strategic orientations and 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.

Maya MAKANJEE
Independent Non-Executive Director

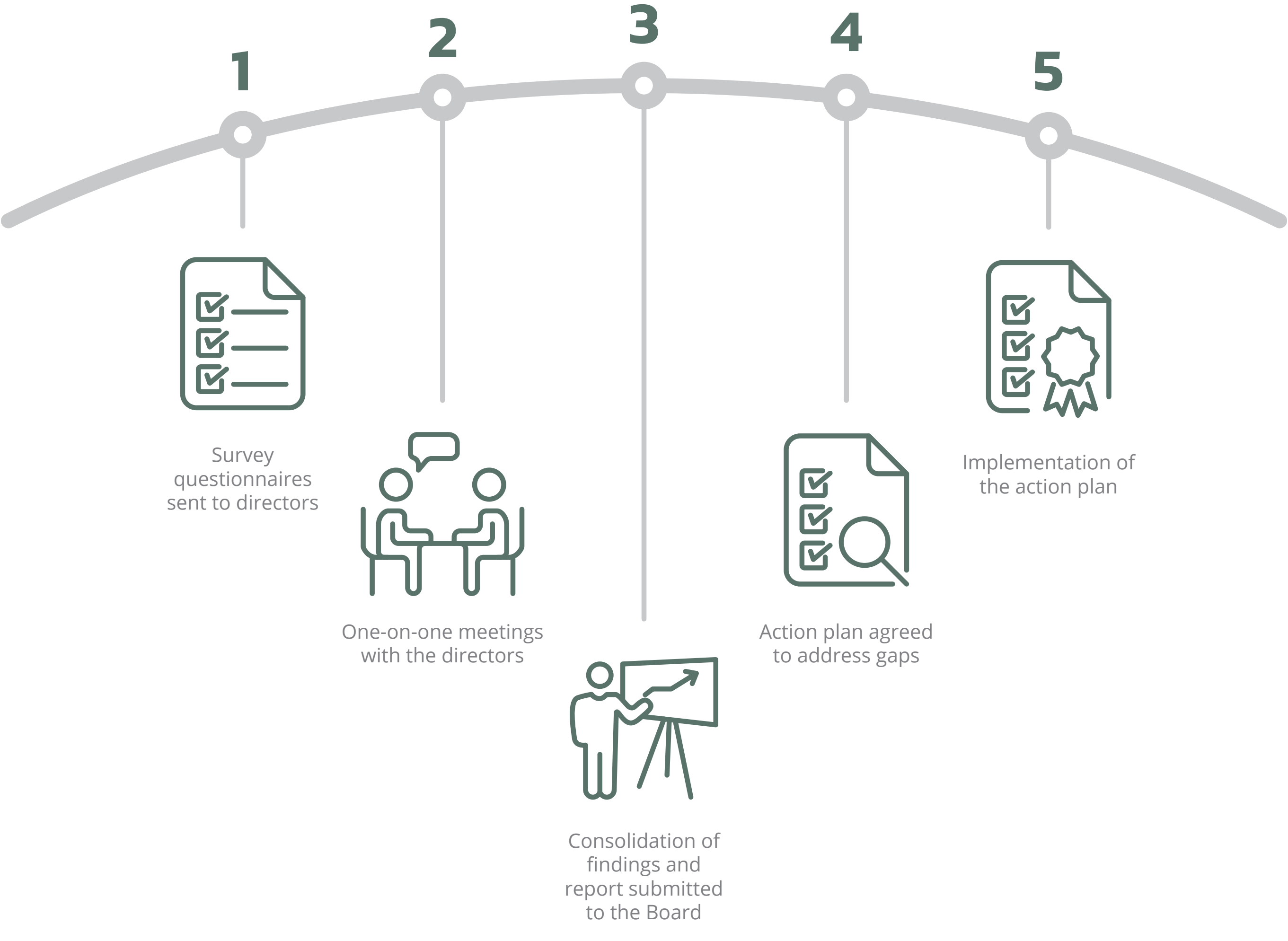
"The induction program prepared for me as a new director on the MCB Group Board was excellent. I have had the opportunity to meet key business leaders across the organisation, and found our discussions engaging and informative. The passion and commitment of the various leaders and teams I have met are clearly visible, giving me an insight into the culture and work ethic of the organisation. I'm delighted to serve on the Board of MCB Group, and look forward to achieving our long-term goals together, as we continue to grow the business and become a formidable player in our industry beyond the borders of Mauritius."

Board/Directors' performance

The Board recognises the need to undertake a regular review of its performance and effectiveness, as well as those of its committees and individual members. In this respect, the Board generally undergoes a yearly assessment either with the support of an independent external facilitator or internally, under the oversight of the Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC).

In FY 2023/24, the RCGESC decided to reappoint Ernst & Young (EY) as facilitator to perform the 2024 Board evaluation exercise. The evaluation was two-fold, consisting of the review of the implementation status of the recommendations they made in the 2022 Board evaluation exercise and a refreshed assessment of the Group's corporate governance practices against the principles outlined in the National Code of Corporate Governance (NCCG) for Mauritius (2016). The Board evaluation was conducted by way of a survey questionnaire followed by one-on-one interviews for a sample of directors.

The findings of the refreshed Board evaluation exercise concluded that the Board and its committees are complying with the requirements of NCCG and that directors continue to fulfil their roles as required. The report, which was presented to the Board, also identified a few areas of improvement, with an action plan subsequently agreed upon. The Chairperson of the Board, with the support of RCGESC, will oversee the implementation of the action plan to ensure that issues identified are given due consideration within a reasonable timeframe. An outline of the board evaluation methodology used in FY 2023/24 is provided in the diagram hereunder.



Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain an effective risk management and internal control system, which it regularly reviews to cater for the principal and emerging risks, including those that could threaten the Group's business model, performance, solvency, liquidity and reputation. Supported by the Risk Monitoring Committee 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 Group are integrated into the latter's overall risk management 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 while guaranteeing compliance with established internal policies and procedures and relevant laws and regulations. The Internal Audit, Compliance and Risk (for non-financial risk matters) functions regularly report to the Audit Committee. In addition to feedback from Audit Committees of subsidiaries, the Audit Committee receives feedback from the Company's internal and external auditors and engages with them in the absence of Management Executives to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management Executives and regular reporting from the Chairperson of the Audit Committee, the Board satisfies itself that the internal control systems are adequate and effective.

Information governance

The Group places significant emphasis on the confidentiality, integrity and availability of information. It ensures that a robust framework is maintained to protect its information asset and uphold the security and performance of information and Information Technology (IT) systems. The Board is responsible for setting up and regularly reviewing relevant policies and for ensuring that they are appropriately implemented through adequate structures and processes while adhering to relevant rules and regulations. In this respect, access to information is only available to authorised parties. Physical and logical access controls are in place at all times with staff being regularly made aware of relevant requirements. Adoption of best practices in terms of cybersecurity risk management is actively promoted through regular awareness exercises including training sessions and simulated phishing attacks. The Group continues to invest in technology to enhance its operational resilience with significant investments monitored by the Board. Internal Audit provides independent assurance on the suitability of the Group entities' information and IT policies while the Audit Committee evaluates the effectiveness of related internal control systems.

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

More information is available in the 'Risk and capital management report' on page 145 to 192

Internal audit

The internal audit function performed by Internal Audit SBU of MCB Ltd, defined in accordance with IIA (Institute of Internal Auditors) standards, is an independent and objective activity that gives the Group assurance on the level of control of its risks and operations, provides advice to improve them and helps create added value. Through the exercise of its mandate, Internal Audit helps the Group to achieve its objectives by evaluating, through a systematic approach, its risk management, controls, and corporate governance processes and by making proposals to strengthen their effectiveness. In the exercise of their function, the internal auditors have sufficient access to information, records, and employees of the organisation. Whilst the Internal Audit SBU of MCB Ltd provides independent assurance over the internal control systems at Bank level, its scope of activity also encompasses other Group entities in line with its Group wide mandate. In this respect, it reports to the Audit Committee and/or Board of each subsidiary as well as to the Audit Committee of the Group, which acts as the overarching authority.

More information is available in the 'Risk and capital management report' on page 145 to 192

External auditors

With a view to ensuring the overall adequacy of the Group's internal control framework, the Audit Committee evaluates the independence, effectiveness and eligibility of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. The appointment of Deloitte as external auditor was approved at the Annual Meeting of Shareholders of MCB Group Ltd, held in November 2023. As regards the timeframe, the total duration of the audit assignment is for a period of one year with the possibility of reappointing the selected firm annually, subject to regulatory provisions and approval at the Annual Meeting of Shareholders of MCB Group Ltd.

Non-audit services

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

Auditors' fees and fees for other services

	2024		2023	
	The Group	**The Company**	**The Group**	**The Company**
	Rs '000	**Rs '000**	**Rs '000**	**Rs '000**
Audit, Quarterly Review and Internal Control Review fees paid to:				
Deloitte Mauritius				
The Mauritius Commercial Bank Limited	22,016	-	20,967	-
MCB Leasing Limited	1,879	-	1,461	-
MCB Group Limited	1,234	1,234	1,175	1,175
MCB Investment Holding Ltd	123	-	118	-
Fincorp Investment Limited	334	-	318	-
The Mauritius Commercial Bank (Seychelles) Limited	3,616	- -	- -	- -
Mascareignes Properties Ltd	160	-	-	-
Deloitte Nigeria				
The Mauritius Commercial Bank Representative Office (Nigeria) Limited	645	-	-	-
BDO & Co				
MCB Capital Markets Ltd	3,107	-	2,798	-
MCB Equity Fund Ltd	910	-	827	-
MCB Consulting Services Ltd	563	-	519	-
MCB Factors Ltd	345	-	270	-
MCB Properties Ltd	108	-	101	-
MCB Microfinance Ltd	327	-	306	-
MCB Real Assets Ltd	645	-	575	-
MCB Group Corporate Services Ltd	99	-	90	-
MCB Forward Foundation	116	-	106	-
Blue Penny Museum	82	-	75	-
KPMG Maldives				
MCB (Maldives) Private Ltd	745	-	566	-
Crowe				
The Mauritius Commercial Bank Limited (DIFC Branch)	490	-	400	-
Volpe Sàrl				
MCB Trade Services S.A.	86	-	-	-
Sey Auditors & Associates *(formerly known as BDO & Associates)*				
The Mauritius Commercial Bank (Seychelles) Limited	-	-	1,360	-
Mascareignes Properties Ltd	-	-	135	-
MCB International Services Ltd	72	-	73	-
PwC Madagascar				
The Mauritius Commercial Bank Limited (Madagascar) S.A	1,002	-	822	-
CGA				
The Mauritius Commercial Bank Limited (Madagascar) S.A	303	-	327	-
Fees for other services paid to:				
Deloitte				
The Mauritius Commercial Bank Limited	1,944[2]	-	11,897[1]	-
MCB Leasing Limited	210	-	222	-
Sey Auditors and Associates *(formerly known as BDO & Associates)*				
The Mauritius Commercial Bank (Seychelles) Limited	-	-	466	-
KPMG Maldives				
MCB (Maldives) Private Limited	-	-	530	-

[1] *The fees for other services in 2023 relate mainly to comforts on dividend declaration, AML/CFT review, issuance of the GMTN Programme, senior bond issuance under the GMTN Programme and Tier 2 capital issuance. The bulk of the non-audit fees relates to the one-off fees for the issuance of MCB Ltd's GMTN Programme.*

[2] *Fees for other services in 2024 relate mainly to comforts on dividend declaration and AML/CFT review.*

Directors of MCB Group Ltd Subsidiaries

The Board composition of the subsidiaries is given below, with the corresponding Chairperson as well as Chief Executive or Managing Director (where applicable) sitting on the respective Boards being mentioned. Changes in the Board Composition during the FY 2023/24 and to date are also highlighted.

Subsidiary	Cluster	Directors
MCB Investment Holding Ltd	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Jean Michel NG TSEUNG *(Chief Executive)* Margaret WONG PING LUN
The Mauritius Commercial Bank Limited	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Uday Kumar GUJADHUR *(until December 2023)* Johanne HAGUE Thierry HEBRAUD *(Chief Executive Officer)* Philippe LEDESMA *(until December 2023)* Alain LAW MIN *(Chief Executive Officer) (until December 2023)* Craig McKENZIE *(as from December 2023)* Jean Michel NG TSEUNG Su Lin ONG Simon WALKER
The Mauritius Commercial Bank Limited Representative Office (Nigeria) Limited *(A subsidiary of MCB Ltd - Incorporated in January 2023)*	Banking	**Thierry HEBRAUD *(Chairperson)*** Abiodun Babatunde AZEEZ *(Chief Representative Officer)* Frédéric PAPOCCHIA Murray VAN ROSSOM
The Mauritius Commercial Bank Limited (Madagascar) S.A	Banking	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Paul CORSON *(as from March 2024)* Gilbert GNANY *(until March 2024)* Désiré LEO *(until July 2024)* Vikash NATHOO *(as from March 2024)* Jean Michel NG TSEUNG Pierre Guy NOEL *(until December 2023)* Rony RADAYLALL *(Managing Director)* Patrick RAZAFINDRAFITO Dominic PROVENÇAL *(as from July 2024)*
MCB (Maldives) Private Limited	Banking	**Jean Michel NG TSEUNG *(Chairperson as from December 2023)*** Paul CORSON *(as from June 2024)* Jean-François DESVAUX DE MARIGNY Gilbert GNANY *(until March 2024)* Hemraj HOSANEE *(Managing Director)* Désiré LEO *(from December 2023 to August 2024)* Marcello Chee Yan LEUNG HING WAH Laila MANIK Pierre Guy NOEL *(until December 2023)* Dominic PROVENÇAL *(as from August 2024)*
The Mauritius Commercial Bank (Seychelles) Limited	Banking	**Jean Michel NG TSEUNG *(Chairperson as from June 2024)*** Regis BISTOQUET *(Deputy Managing Director)* Paul CORSON *(as from April 2024)* Jean-François DESVAUX DE MARIGNY Gilbert GNANY *(until March 2024)* Bernard JACKSON *(Managing Director) (until June 2024)* Désiré LEO *(as from April 2024) (Managing Director as from July 2024)* Pierre Guy NOEL *(until December 2023)*

Subsidiary	Cluster	Directors
MCB Capital Markets Ltd *(MCBCM)*	Non-Banking Financial	**Jean Michel NG TSEUNG *(Chairperson) (as from September 2023)*** Couldip BASANTA LALA Gilbert GNANY *(until March 2024)* Rony LAM YAN FOON *(Chief Executive Officer)* Jeremy PAULSON-ELLIS Eric SIEW HEW SAM Catherine SWANEPOEL Gilles TRANCART
MCB Investment Services Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Rony LAM YAN FOON Akesh UMANEE
MCB Registry & Securities Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Rony LAM YAN FOON Vimal ORI Marivonne OXENHAM
MCB Stockbrokers Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Jeremy PAULSON-ELLIS *(Chairperson as from May 2024)* Rony LAM YAN FOON Shivraj RANGASAMI *(Managing Director)* Paul TSANG MIN CHING *(as from September 2024)*
MCB Capital Partners Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Catherine SWANEPOEL *(Chairperson as from June 2024)* Couldip BASANTA LALA Rony LAM YAN FOON
MCB Investment Management Co. Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Jeremy PAULSON-ELLIS *(Chairperson as from May 2024)* Couldip BASANTA LALA Ameenah IBRAHIM *(Managing Director)* Rony LAM YAN FOON Michael NAAMEH Catherine SWANEPOEL Gilles TRANCART
MCB Structured Solutions Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Krishen PATTEN *(as from May 2024) (Chairperson as from September 2024)* Feriel AUMEERALLY Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI
CM Diversified Credit Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY*(Chairperson) (until March 2024)*** Krishen PATTEN *(as from May 2024) (Chairperson as from September 2024)* Feriel AUMEERALLY Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI
CM Structured Finance Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Anish GOORAH Rony LAM YAN FOON Vimal ORI

Subsidiary	Cluster	Directors
CM Structured Products Ltd *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** **Krishen PATTEN *(as from May 2024) (Chairperson as from September 2024)*** Feriel AUMEERALLY Robert IP MIN WAN Rony LAM YAN FOON Vimal ORI
MCB Financial Advisers *(a subsidiary of MCBCM)*	Non-Banking Financial	**Gilbert GNANY *(Chairperson) (until March 2024)*** Rony LAM YAN FOON Nirmal SHIMADRY *(as from May 2024)* Paul TSANG *(as from September 2024)*
MCB Equity Fund Ltd	Non-Banking Financial	**Karuna BHOOJEDHUR-OBEEGADOO *(Chairperson)*** Jean Michel NG TSEUNG Eric SIEW HEW SAM
MCB Leasing Limited *(a subsidiary of Fincorp Investment Ltd)*	Non-Banking Financial	**Simon Pierre REY *(Chairperson)*** Raj GUNGAH *(Managing Director)* Johanne HAGUE Martine IP MIN WAN *(until October 2023)* Désiré LEO *(until June 2024)* Yan Chong NG CHENG HIN *(as from October 2023)* Dominic PROVENÇAL *(as from June 2024)* Anju UMROWSING-RAMTOHUL *(until July 2024)*
MCB Factors Ltd	Non-Banking Financial	**Jean-Philippe COULIER *(Chairperson)*** Jean-Mée ERNEST *(Managing Director)* Martine IP MIN WAN Désiré LEO *(until June 2024)* Michael LISING Dominic PROVENÇAL
MCB Microfinance Ltd	Non-Banking Financial	**Pierre Guy NOEL *(Chairperson) (until November 2023)*** **Alain REY *(Chairperson as from April 2024)*** Paul CORSON Jean-Philippe COULIER Gilbert GNANY *(until March 2024)* Aurélie LECLEZIO *(Chief Executive Officer)* Désiré LEO *(from November 2023 until June 2024)* Dominic PROVENÇAL *(as from June 2024)*
MCB Real Assets Ltd *(MCBRA)*	Non-Banking Financial	**Margaret WONG PING LUN *(Chairperson)*** Gilbert GNANY *(until March 2024)* Jean Michel NG TSEUNG Marivonne OXENHAM *(as from April 2024)*
MCB Trade Services S.A. *(incorporated in November 2023)*	Non-Banking Financial	**Hemandra Kumar HAZAREESING *(Chairperson)*** Mary-Hedwige EL-KHOURY Muhammed Cassim HOSSEN Arnaud Louis Dominique LEVASSEUR
Compagnie des Villages de Vacances de L'Isle de France Ltée *(a subsidiary of MCBRA)*	Other Investments	**Margaret WONG PING LUN *(Chairperson)*** Gilbert GNANY *(until March 2024)* Angelo LETIMIER Jean Michel NG TSEUNG Medina TORABALLY

Subsidiary	Cluster	Directors
Fincorp Investment Ltd	Other Investments	**Jean-Pierre MONTOCCHIO *(Chairperson)*** Jean-Philippe COULIER Navindranath HOOLOOMANN Marivonne OXENHAM Margaret WONG PING LUN
MCB Properties Ltd	Other Investments	**Gilbert GNANY *(Chairperson) (until March 2024)*** Bhavish NAECK *(as from November 2023)* Jean Michel NG TSEUNG *(until November 2023)* Marivonne OXENHAM *(as from March 2024)*
MCB Consulting Services Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson) (until December 2023)*** Nadine CORETTE *(as from May 2024)* Jean-Michel FELIX *(Chief Executive Officer)* Gilbert GNANY *(until March 2024)* Bhavish NAECK *(as from May 2024)* Mushtaq OOSMAN *(as from May 2024)*
MCB Institute of Finance Ltd	Other Investments	**Pierre Guy NOEL *(Chairperson) (until December 2023)*** Jean-Michel FELIX Gilbert GNANY *(until March 2024)* Dhiren PONNUSAMY
MCB Group Corporate Services Ltd	Other Investments	**Jean Michel NG TSEUNG *(until November 2023)*** Gilbert GNANY *(until March 2024)* Joel LAMBERT *(as from March 2024)* Marivonne OXENHAM *(Managing Director)*
Mascareignes Properties Ltd *(Incorporated in Seychelles)*	Other Investments	**Pierre Guy NOEL (*Chairperson) (until December 2023)*** Regis BISTOQUET Jean-François DESVAUX DE MARIGNY Gilbert GNANY *(until March 2024)* Bernard JACKSON *(until June 2024)* Désiré LEO *(as from June 2024)* Jean Michel NG TSEUNG *(until June 2024)* Dominic PROVENÇAL *(as from June 2024)*
MCB International Services Ltd *(Incorporated in Seychelles)*	Other Investments	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Regis BISTOQUET Gilbert GNANY *(until March 2024)* Bernard JACKSON *(until June 2024)* Désiré LEO *(as from June 2024)* Jean Michel NG TSEUNG *(until June 2024)*
MCB Forward Foundation	Other Investments	**Didier HAREL *(Chairperson)*** Jean-François DESVAUX DE MARIGNY Vanessa DOGER DE SPEVILLE *(as from November 2023)* Thierry HEBRAUD *(as from February 2024)* Gilbert GNANY *(until March 2024)* Alain LAW MIN *(until December 2023)* Madeleine DE MARASSE ENOUF Jean Michel NG TSEUNG *(until November 2023)*
Blue Penny Museum	Other Investments	**Jean-François DESVAUX DE MARIGNY *(Chairperson)*** Paul CORSON *(as from December 2023)* Vanessa DOGER DE SPEVILLE Damien MAMET *(until February 2024)* Jean Michel NG TSEUNG *(until December 2023)*

Directors of subsidiaries' remuneration

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

Remuneration and benefits received (Rs '000)	**2024**
Executive (Full-time)	216,511
Non-executive	16,891
Total	**233,402**

Group Executive Management

The conduct of the business is entrusted to Management which has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. To facilitate the smooth running of the business while delivering on key strategic priorities, the governance of the Group has been reinforced through the creation of dedicated executive committees and forums. The Group Executive Committee (GEC) has been set up to assist the Chief Executive of MCB Group Ltd in managing the activities, operations and affairs of the Group in line with the strategic objectives as set and validated by the Board. Among other things, the GEC drives organisational alignment, closely monitors developments in its operating environment and manages issues impacting the Group. Another key committee which has been established is the Group Executive Strategy Committee. Consistent with the direction given by the Board, the Committee leads the Group's strategy setting and execution, and measures performance against set objectives and targets. In addition to managing the Group Scorecard and deliberating on themes of strategic relevance to the organisation, the Committee guides the strategic planning and budgeting process on an annual basis and reflects on the longer term strategy. In addition, specific Group Management Forums have been set up to steer ahead the organisation's agenda on strategic themes namely HR, sustainability and customer experience.

Profiles of the Group Executive Committee members

The profiles of the Group Executive Committee members – excluding that of Jean Michel NG TSEUNG, which appears in the Directors' Profiles section – are given below.

***Thierry HEBRAUD* – Age 62**

Chief Executive Officer and Executive Director – MCB Ltd

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

SKILLS AND EXPERIENCE: Prior to being appointed Chief Executive Officer in January 2024, Thierry was the Head of Corporate and Institutional Banking, overseeing the coverage and product teams alongside other supporting units therein. He joined the Bank in 2019 after accumulating 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.

***Vincent CHATARD* – Age 60**

Group 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, he is also steering the Digital Transformation Programme initiated in 2018. 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 with 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.

***Dipak CHUMMUN* – Age 57**

Group Chief Finance Officer

QUALIFICATIONS: BSc (Honours) in Computer Science and Fellow Chartered Accountant (UK)

SKILLS AND EXPERIENCE: Dipak joined MCB as Group Chief Finance Officer in September 2024. He qualified as a Chartered Accountant with PwC in London and later moved to PwC Singapore to join its Banking Division. He then shifted to the banking industry and over nearly two decades, developed a career with Standard Chartered Bank, Barclays, Emirates NBD and Deutsche Bank, holding senior Group, Regional and Country roles in Corporate Banking, Global Markets, Strategy, M&A, Risk and Finance mainly in London, Dubai, Singapore and Frankfurt, largely focused on growing emerging markets businesses. He joined Ireland Blyth Limited in January 2015 as Executive Director and Group Chief Finance Officer and after the latter's amalgamation into IBL Ltd, was appointed Group Chief Finance Officer of IBL Ltd in July 2016. He is an experienced board member and has been the Chairman of several companies in the financial services sector, including the Stock Exchange of Mauritius, as well as in industry. He currently sits on the Council of ICAEW in London. Effective 27 September 2024, he has been appointed as Executive Director of MCB Group Ltd. He will sit on the Risk Monitoring Committee as well as the Corporate Strategy and Supervisory & Monitoring Committees, on which he will also act as Secretary.

***Vanessa DOGER DE SPEVILLE* – Age 45**

Group Head of Sustainability, Reputation and Engagement

QUALIFICATIONS: Maîtrise en Communication et Information (France) and Master's Degree in Professional Communication (Australia)

SKILLS AND EXPERIENCE: Vanessa has extensive experience in sustainability and corporate communications, with a proven track record in developing and executing strategic initiatives within MCB Group. She has been instrumental in establishing the Group's sustainability strategy, driving efforts to enhance corporate reputation and align with global sustainability standards. Her expertise in stakeholder engagement and partnership development supports the Group's long-term objectives and commitment to responsible business practices.

***Allan FREED* – Age 46**

Group Head of Human Resources

QUALIFICATIONS: B.A (Hons) in Political Science (UK)

SKILLS AND EXPERIENCE: Allan is a seasoned C-Suite HR Executive with a proven track record in designing and delivering strategic HR transformation projects for some of the world's most renowned organisations. His expertise lies in the intersection of business strategy execution and HR practices, fostering high-performance, results-oriented cultures, and positioning HR as a key driver of relevance with external stakeholders. He has contributed extensively to thought leadership in these areas, co-authoring and authoring numerous published works. He joined MCB in September 2022 as the Head of Culture and Leadership, where he led initiatives that empowered the Group to excel both in the marketplace and the workplace. In March 2024, he was appointed Group Head of Human Resources. In this role, his primary objective is to develop HR strategies that drive critical outcomes across the five pillars of the Group Scorecard. Before joining MCB, he spent 15 years at The RBL Group, gaining extensive experience in HR consultancy across various industries and geographies. During his tenure, he was instrumental in designing and delivering customised senior executive development programs and strategic HR transformation projects for some of the world's largest organisations.

***Frederic PAPOCCHIA* – Age 50**

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, Enterprise Risk, 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.

Profiles of the Group Executive Strategy Committee members

The profiles of the Group Executive Strategy Committee members – excluding that of Jean Michel NG TSEUNG, Thierry HEBRAUD, Frederic PAPOCCHIA, Allan FREED, Dipak CHUMMUN, Vanessa DOGER DE SPEVILLE and Vincent CHATARD which appear in the previous sections – are given below.

***Rony LAM* – Age 53**

Chief Executive Officer – MCB Capital Markets Ltd

QUALIFICATIONS: BA (Honours) and MA (Cantab) in Economics (UK), Chartered Accountant (UK) and Diploma in Mandarin Chinese (China)

SKILLS AND EXPERIENCE: Rony was appointed Chief Executive Officer of MCB Capital Markets in 2014. Prior to that, he worked in investment banking in London and Asia for over 15 years. He started his career with KPMG in Beijing and London, where he qualified as a Chartered Accountant. He then joined HSBC's M&A team covering financial institutions in Europe and North America followed by a stint at Barclays, where he worked on the expansion of the consumer finance division in Asia. From 2007 to 2012, he was a Partner at Fenchurch Advisory Partners, a leading investment banking firm focused on advising financial institutions on mergers and acquisitions and capital raising transactions. He has deep experience of advising global financial institutions and private equity firms on domestic and cross-border M&A transactions. Among others, his Banking clients have included HSBC, Barclays and Royal Bank of Scotland (UK) while in Insurance, he has advised Standard Life and Bupa (UK), Unum and MetLife (USA), Sun Life and Manulife (Canada), Groupama (France) and Aegon (Netherlands). He has also advised the Polish and Icelandic governments on the privatisation of domestic banks.

***Philippe TOUATI* – Age 58**

Head of Corporate and Institutional Banking - MCB Ltd

QUALIFICATIONS: MSc in Mathematics (France), MSc in Electrical Engineering (France and USA)

SKILLS AND EXPERIENCE: Philippe serves as the Head of Corporate and Institutional Banking (CIB) at MCB Ltd, where he is responsible for driving revenue growth and elevating customer experiences for both domestic and international corporates and financial institutions business. Since September 2023, as the Head of CIB, he is at the helm of the various teams and functions, including Mauritian & Regional Corporates, Global & International Corporates, Specialised Finance, and Financial Institutions & Syndication, as well as, the Middle-Office, Global Transactions Banking and Credit Analysis & Structuring teams. Prior to this role, Philippe was the Head of Institutional Banking at ANZ Bank and served as Managing Director and Co-Head of Wholesale Banking at Standard Chartered Bank Singapore, overseeing relationships with financial institutions and corporate commercial clients across the region. His deep expertise in financial services also includes leading Capital One Bank's European operations. Before joining MCB, Philippe was a partner at Belmond Capital Ltd, a Technology Investment firm focusing on innovative solutions in the financial services and communications sectors. He has also invested in early-stage tech companies and led transformation initiatives for corporates across Europe and Asia.

***Parikshat TULSIDAS* – Age 45**

Head of Financial Markets - MCB Ltd

QUALIFICATIONS: BA (Hons) Human Resource Management and 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. Since 2021, he heads the Financial Markets division at MCB Ltd, which comprises the Global Markets, Treasury Management and Securities Services businesses.

***Anju UMROWSING-RAMTOHUL* – Age 50**

Head of Domestic Banking - MCB Ltd

QUALIFICATIONS: MSc in Economics and Post Graduate Diploma in Banking and Finance (France)

SKILLS AND EXPERIENCE: Anju is an experienced professional with a diverse background in finance and banking. Her journey began at MCB in 2004 when she joined as a Special Asset Manager. Over the years, she has taken on various leadership roles within the organisation namely as Head of Credit Management, Head of Credit Origination and Structuring for corporates as well as international customers and Head of Banking Operations before transitioning to Head of Domestic Banking since July 2024. In her current role, she has the responsibility of shaping the strategic direction and driving the growth of the Retail Banking and Business Banking divisions of the Bank in Mauritius. Prior to joining MCB, she gained valuable experience in the Corporate Banking division of the State Bank of Mauritius and The Hongkong Shanghai Banking Corporation Ltd (Mauritius Branch).

Shareholder relations and communication

How we communicate:

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

Who we engage with:

- Retail shareholders
- Institutional investors
- Financial analysts

How we engage:

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

The Board is committed to promoting open and transparent communication in relation to its engagement with shareholders with a view to building trust and maintaining strong relationships with them. The Group upholds an ongoing dialogue with shareholders and provides them with accurate and relevant information to help them make informed decisions, while providing them with the opportunity to engage with Group Executives through various forums. Shareholders are kept abreast of all material business developments that influence the Group in a transparent and timely manner through various communication channels as highlighted above. The Group corporate website hosts a dedicated investor relations section, the 'Investor Centre', which enables shareholders to have access to a range of corporate documents and publications including quarterly financial and Group Management Statement as well as earnings calls and roadshows, amongst others. Complementing the information on the 'Investor Centre', a 'Sustainability' section is also available on the Group's corporate website, where shareholders are kept informed of initiatives undertaken in line with our purpose, Success Beyond Numbers.

Investor relations engagement programme

Given the Group's broad range of investors with different information needs, the investor relations engagement programme provides for dedicated teams to attend to the requests of individuals and institutional shareholders as well as bondholders of the Group.

Individual shareholders

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

Institutional investors

The Group's Investor Relations (IR) Unit acts as the point of contact for institutional investors and is responsible for managing and developing relationships with existing and potential investors, with a view to achieving a stable and diversified shareholder base while supporting high liquidity in and fair valuation of MCB Group shares. During FY 2023/24, the IR Unit has maintained a comprehensive Investor Relations engagement programme in order to provide investors with timely updates on the Group's strategy, financial performance, ESG matters as well as latest developments in the operating context. In addition to quarterly interactions with investors through, *inter alia*, results briefings, half-yearly analyst meetings and online earnings calls, the Group engaged with investors through conference calls and one-to-one meetings arranged outside the preset reporting cycle. The Group Executives and the Investor Relations Officer also participated in international roadshows, where institutional investors across different countries were present. The IR Unit keeps the Board up-to-date on key market trends as well as investors' views and sentiment. An outline of the Group's engagement programme during the year in review is set out in the following section.

Our engagement with investors during FY 2023/24

Investor Roadshow

- Participated in the Auerbach and Grayson Emerging & Frontier markets virtual investor conference in October 2023
- Attended the 2024 EFG Hermes Investor Conference (Dubai) in March 2024
- Interacted with some 20 international institutional investors and active fund managers

Quarterly Earnings Calls/ Analyst Meetings

- Organised earnings calls on a quarterly basis in October 2023, November 2023, February 2024 and May 2024 following the publication of financial results
- Analyst meetings held on a biannual basis in October 2023 and February 2024
- Some 50 participants on average interacted with Group Executives

Annual Meeting of Shareholders

- Annual Meeting of Shareholders held in November 2023 Shareholders who attended, were given the opportunity to express their views, ask questions and receive feedback directly from Board members

In FY 2023/24, the key topics discussed between Group Executives and investors revolved around, but were not limited to the following themes:

Operating Environment

- General economic conditions prevailing in the country and the region
- Expected local credit growth
- Local banking sector competitive environment
- Global minimum tax regime and implications for foreign - sourced income for banks in Mauritius
- Exchange rate and FX availability on the local market
- BoM Key Rate expectations

MCB Group

- Financial performance and outlook
- Interest margin expectations
- Evolution of the Group's cost base and related metrics
- Expected credit losses and cost of risk
- Dividend payout ratio
- Asset quality
- Progress on strategic initiatives
- Developments in the 'Energy & Commodities' and 'Global and International Corporate' business segments
- Evolution of the loan portfolio and diversification strategy
- Deposit Insurance Scheme in Mauritius and its impact on MCB Ltd
- The Group's tax charge amidst recent changes in tax laws

Shareholder information

Shareholding profile

Ordinary shareholders

The Group has a diversified ownership base of around 23,000 shareholders, with foreign shareholding accounting for around 9% of the total. As at 30 June 2024, outstanding ordinary issued capital of MCB Group Ltd amounted to Rs 6.9 billion, comprising 253.1 million ordinary shares. The following tables set out the 10 largest institutional shareholders and ownership of ordinary share capital by size and type as at 30 June 2024.

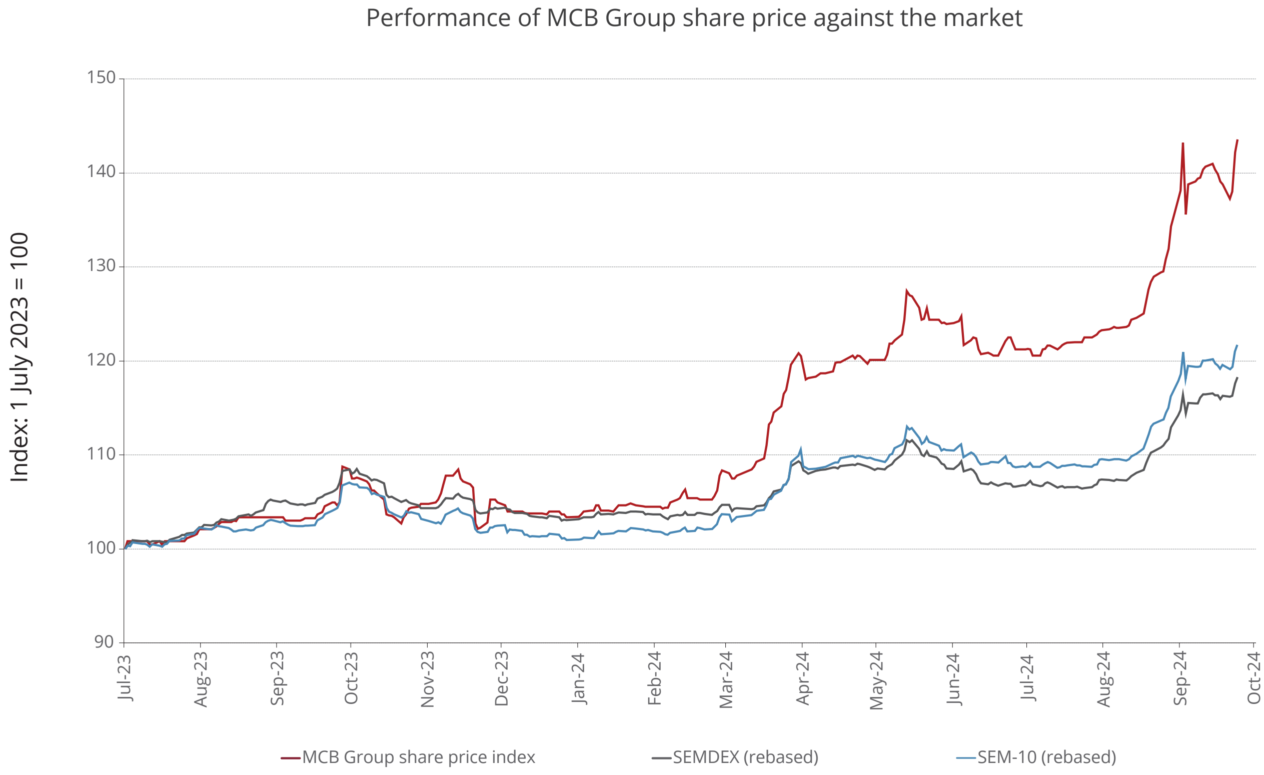
Largest institutional shareholders	Number of shares owned	% Holding
National Pensions Fund	17,615,285	7.0
State Insurance Company of Mauritius Ltd	10,927,241	4.3
Swan Life Ltd	9,307,494	3.7
Promotion and Development Limited	6,592,173	2.6
BNYM SA/NV A/C Eastspring Investments SICAV-FIS	3,683,036	1.5
The Mauritius Commercial Bank Ltd Superannuation Fund	3,360,317	1.3
National Savings Fund	2,480,313	1.0
MUA Life Ltd	2,313,185	0.9
SSL C/O SSB Boston A/C Russell Investment Company PLC FN: NAS5	2,179,464	0.9
Kasa Investments Ltd	1,996,004	0.8

Size of shareholding	Number of shareholders	% of shareholder base	Number of shares owned	% Holding
1-500 shares	14,667	64.5	1,586,562	0.6
501-1,000 shares	1,680	7.4	1,237,436	0.5
1,001-5,000 shares	3,124	13.7	7,525,139	3.0
5,001-10,000 shares	1,018	4.5	7,266,435	2.9
10,001-50,000 shares	1,518	6.7	34,472,282	13.6
50,001-100,000 shares	338	1.5	23,890,979	9.4
Above 100,000 shares	403	1.8	177,147,095	70.0
Total	**22,748**	**100.0**	**253,125,928**	**100.0**

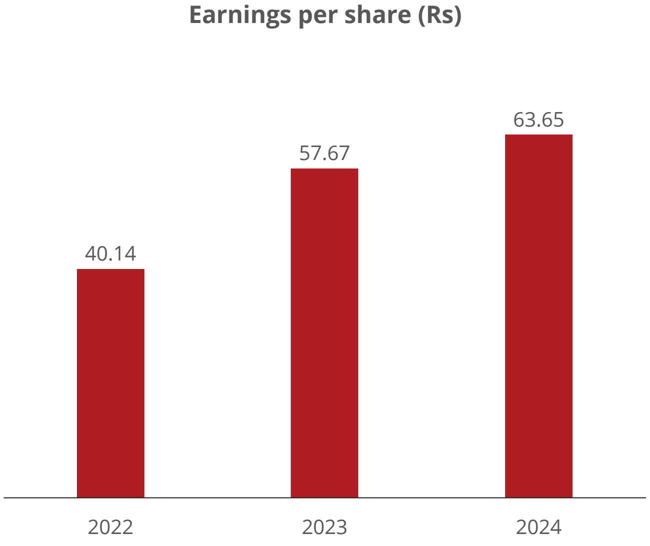
Category	Number of shareholders	% of shareholder base	Number of shares owned	% Holding
Individuals	21,555	94.8	115,919,773	45.8
Insurance and Assurance Companies	19	0.1	25,929,882	10.2
Investment and Trust Companies	126	0.6	28,504,067	11.3
Pension and Provident Funds	65	0.3	36,670,665	14.5
Other Corporate Bodies	983	4.3	46,101,541	18.2
Total	**22,748**	**100.0**	**253,125,928**	**100.0**

Figures may not add up due to rounding

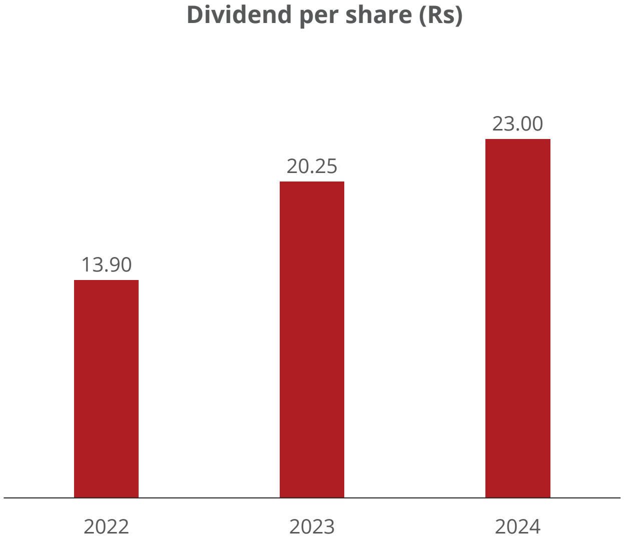
Performance of MCB Group



Performance of MCB Group share price against the market



Earnings per share (Rs)



Dividend per share (Rs)

Year ending June	**2022**	**2023**	**2024**
MCB Group			
Share price (Rs)			
High	339.00	326.00	399.50
Low	274.00	283.00	313.50
Average	311.62	310.54	342.07
Closing - Year end	307.50	313.25	380.00
Market capitalisation as at 30 June (Rs m)	73,975	77,214	96,187
Market capitalisation as % of SEMDEX[1]	27.2	31.3	36.1
Value of shares traded (Rs m)	4,770	4,651	3,988
MCB market share[2] (%)	45	45	45
Price/NAV ratio (times)	0.9	0.9	0.9
Price earnings ratio (times)	7.7	5.4	6.0
Earnings yield (%)	13.1	18.4	16.8

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

Preference shareholders

Since June 2022, holders of preference shares benefit from the option of converting their preference shares into ordinary shares. During the financial year 2023/24, an aggregate of 67,936,904 preference shares have been converted into 2,226,643 ordinary shares in the conversion windows corresponding to the payment of the June 2023 and December 2023 preference dividend. As at 30 June 2024, the Group had 162,036,388 preference shares in issue.

The latest conversion window corresponding to the payment of the June 2024 preference dividend resulted in the conversion of 13,554,638 preference shares into 367,266 ordinary shares, which were listed in July 2024.

The next conversion window for the outstanding preference shares will occur with the payment of the December 2024 preference dividend.

Scrip dividend scheme

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

In relation to the ordinary dividends declared during the course of FY 2023/24, the proportion of dividends payable converted into Scrip shares are as follows:

Dividend payment date	**Conversion rate (%)**	**Scrip share (Rs m)**
December 2023	25.9	760.4
July 2024	29.2	702.4

Dividend policy

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

Taking into account the Earnings per Share of Rs 63.65 for the financial year, the Board decided to apply part of the proceeds from the issue of Scrip shares amounting to Rs 1,462.7 million to declare a final dividend of Rs 13.50. This, together with the interim dividend per share of Rs 9.50 paid in July 2024, resulted in a total dividend pay-out of Rs 23.00 per share for FY 2023/24.

Shareholders agreements

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

Shareholders' diary

November 2024
Release of Q1 results to 30 September 2024

November 2024
Annual Meeting of Shareholders

December 2024
Payment of final dividend

February 2025
Release of half-year results

May 2025
Release of results for the 9 months to 31 March 2025

June 2025
Declaration of interim dividend

July 2025
Payment of interim dividend

September 2025
Release of full year results to 30 June 2025

September 2025
Declaration of final dividend

November 2025
Release of Q1 results to 30 September 2025

November 2025
Annual Meeting of Shareholders

December 2025
Payment of final dividend

Statement of Directors' responsibilities

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

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

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

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

The directors hereby report that:

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

On behalf of the Board

M G Didier HAREL
Chairperson

Jean Michel NG TSEUNG
Group Chief Executive

Statement of Compliance

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

Name of Public Interest Entity ('the PIE'): MCB Group Limited
Reporting Period: 1 July 2023 to 30 June 2024

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

M G Didier HAREL Chairperson	**Jean Michel NG TSEUNG** Group Chief Executive

27 September 2024

Company Secretary’s certificate

Name of Public Interest Entity (‘the PIE’): MCB Group Limited
Reporting Period: 1 July 2023 to 30 June 2024

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

27 September 2024

Risk and capital management report

The Good Shop

We sponsor The Good Shop, which sells second-hand products to support local artisans, sustainable products and ethical consumerism. They provide a platform for local artisans and eco-friendly products to foster community development and encourage environmentally responsible practices.

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FY 2023/24 highlights

The year in review from a risk perspective

Notwithstanding gradual improvements witnessed in some areas, the risk landscape remained volatile in FY 2023/24 on account of persistent challenges in our internal and external operating environments with the economic situation in key African markets, for instance, further retaining our attention. Nevertheless, our risk profile stayed within established limits of our risk appetite, thanks to the stringent policies, processes, and proactive risk management practices in place across the Group. We continued to actively identify and assess risks from both external and internal sources, enabling us to address potential threats and unlock opportunities. We accordingly reviewed our Enterprise Risk Heat Map to cater for the dynamic environment and focus on the risks that could have a significant impact on the Group's operations, financial performance, solvency, or strategic direction. We made further headway in embedding a strong risk culture across the organisation through the implementation of the Risk Culture Programme to guide the right behaviours in the conduct of our operations with key themes emphasised during the year being cyber and physical security amongst others. As a key move to strengthen the risk governance and oversight, the Risk and Compliance functions of MCB Ltd have been elevated at the Group level since August 2023. Subsequently, the latter functions initiated a gap assessment exercise across subsidiaries during the year with the objective of reinforcing and aligning risk management practices within the organisation.

During the year under review, the most prominent external influences impacting our risk landscape related to geopolitical and macroeconomic conditions, heightened regulatory demands, climate, environmental and social considerations, cybersecurity and technological disruptions, workplace transformations and employee engagement as well as customer loyalty in a competitive market. A description of these factors and our response thereto is given on pages 36 to 39. To ensure appropriate coverage, we have defined the following key risks that impact our business, with the list pertaining only to major risks and is thus not exhaustive.

Our key risks

Principal financial risks

- Credit risk
- Country risk
- Market risk
- Funding and liquidity risk
- Capital risk

Principal non-financial risks

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

Sustainability risks

- Climate risk
- Environmental and social risk

Our risk management approach remained effective, being anchored on: (i) an integrated governance structure promoting sound risk standards 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. 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 2023/24 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 developments that occurred in our operating environment on key risks during FY 2023/24 and our response thereto. We continued to invest in strengthening our risk framework, enhancing our systems and tools, and upskilling our people, with a view to addressing risks faced.

The symbol included for each key risk below indicates the perceived change in risk profile, in inherent risk terms, of the main risks faced during FY 2023/24 compared to FY 2022/23.

△ Increasing ▽ Decreasing ◁▷ Stable

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

Capital types

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

Principal financial 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

Operating context influences: Geopolitical and macroeconomic conditions

While the ongoing economic recovery has helped to stabilise or reduce risk of credit default in some segments, economic conditions remain volatile, with the high interest rate environment amidst the still elevated inflation and currency depreciations in some regional markets weighing on debt servicing costs.

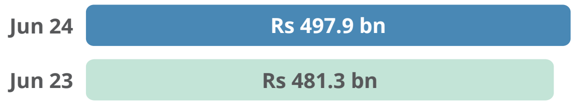
Our response

- 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 limited availability of hard currency in some regional countries and on the debt repayment capacity of borrowers
- Monitored the non-performing asset portfolio performance and the potential effect on credit provisions as a result of the economic challenges
- Conducted regular rapid risk review on sensitive and high risk sectors/regions to ensure early identification of potential issues with existing borrowers
- Ensured proactive credit management through regular monitoring on our performing portfolio to detect early warning signs
- Reviewed and updated the credit policies and credit practices of the overseas banking and para banking subsidiaries in order to ensure Group alignment with best practices

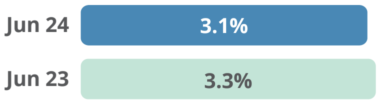
Our performance

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

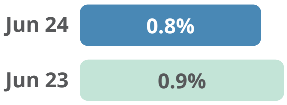
Credit risk-weighted assets



Gross non-performing loans ratio



Cost of risk[1]



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

Coverage ratios

[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

Operating context influences: Geopolitical and macroeconomic conditions

High fiscal and debt burdens have further affected sovereign ratings in certain markets where we are involved. Coupled with heightened political and social developments, these disruptions have increased country risk.

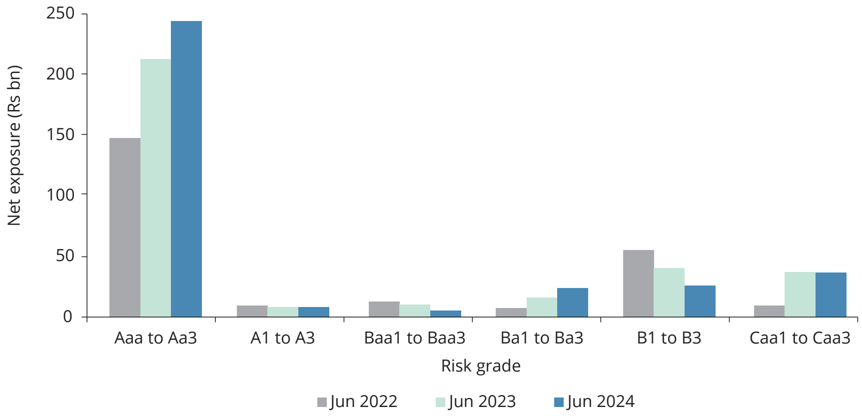
Our response

- Adapted our strategy to the evolving landscape namely regarding our financial commitments with sovereigns having 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 several factors in our risk appetite, including (i) the ability of the obligors to generate sufficient foreign currency to service their indebtedness despite the challenging circumstances; (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
- Pursued our market diversification endeavours, with emphasis on niche segments
- Exercised heightened vigilance in on-boarding country exposures in view of limited FX availability in specific markets

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.

Country risk exposures of MCB Ltd by rating



Notes:

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

(ii) For each country, the worst of the ratings assigned by Moody's Ratings, 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.

Operating context influences: Geopolitical and macroeconomic conditions | Heightened regulatory demands

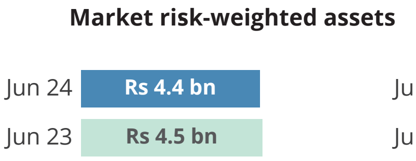
Although the heightened market fluctuations triggered by last year's liquidity crisis abroad have subsided, foreign exchange pressures and monetary developments continued to warrant attention in view of potential implications for various asset classes and our funding strategy.

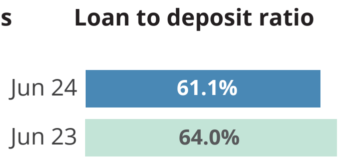
Our response

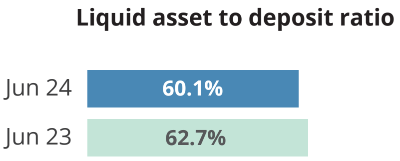
- Leveraged our strong risk management frameworks, policies and standards for proper risk management which was supported by daily limit monitoring for our market risks
- Monitored the performance of investments against set objectives and risk limits; Analysed the stickiness of our foreign currency deposits and kept the foreign currency loan to deposit ratio within set target; Conducted regular stress tests 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
- Developed and implemented a 'Value-at-Risk' (VaR) model, along with 'Stressed VaR' models to capture material market risks arising from trading portfolios
- Managed proactively the funding and capital structure in order to ensure that the organisation is well-positioned to support business growth while maintaining financial stability

Our performance

We continued to maintain comfortable buffers and sustain strong funding and liquidity positions in FY 2023/24, with MCB Ltd reporting a consolidated liquidity coverage ratio (LCR) of 437%.







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

Operating context influences: Geopolitical and macroeconomic conditions | Heightened regulatory demands

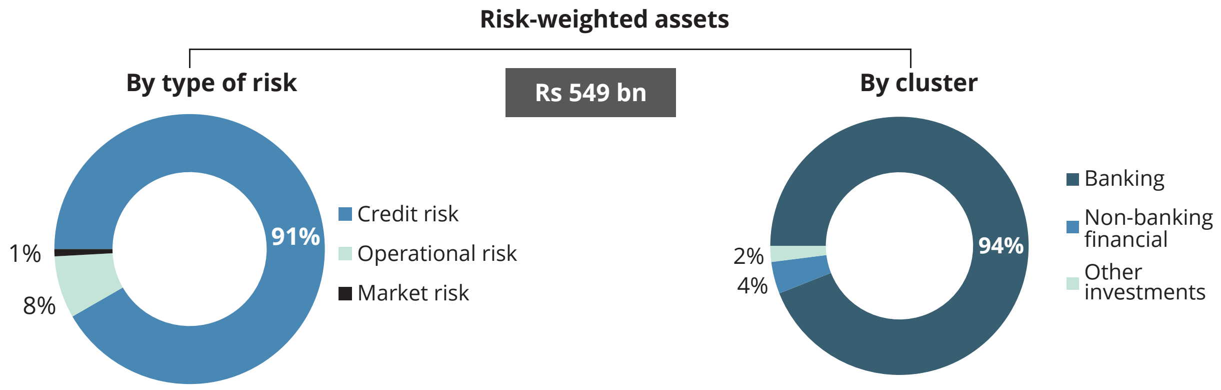
Notwithstanding the implications of sovereign rating downgrades in specific countries as well as stricter regulatory stipulations across markets where we are exposed, our ample capital buffers provide a robust safeguard against potential shocks.

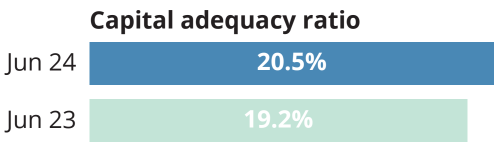
Our response

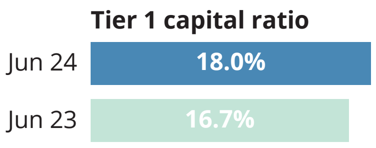
- Ensured there is sufficient capital to support our risks beyond minimum regulatory requirements alongside optimising risk weighted assets (RWAs) utilisation; At the level of MCB Ltd, set RWAs limits for our CIB SBU and FM SBU activities that are monitored quarterly
- Performed regular stress tests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

Our performance

Our capital position remained strong during the year, supported by our resilient financial performance. The main contribution emanated from the banking entities, for which maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. MCB Ltd's capital adequacy ratio and Tier 1 capital ratio stood at 19.8% and 17.3% respectively, well above its regulatory requirements of 15% and 13% respectively.







Principal non-financial 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.

Operating context influences: Geopolitical and macroeconomic conditions | Heightened regulatory demands | Cybersecurity and technological disruptions | Workplace transformations and employee engagement

Model risks continued to warrant attention, with the volatile environment potentially impacting the performance of certain models, prompting necessary adjustments. Additionally, the growing use of sophisticated machine learning techniques generated outputs that are increasingly complex to verify.

Our response

- Continuously improved the accuracy and robustness of our models, backed by enhanced capabilities
- Rolled out an enhanced version of the credit scoring model for small to medium-sized enterprises as well as a new credit-scoring model for credit cards which were built using machine learning algorithms at the level of MCB Ltd. This has contributed to a higher level of accuracy in gauging the riskiness of a given client, while reducing the time in granting a facility to the client through an efficient end-to-end process
- Included post model adjustments, management adjustments and model override in order to capture unexpected events
- Back-tested models so as to validate the performance and adequacy of our models

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.

Operating context influences: Cybersecurity and technological disruptions | Workplace transformations and employee engagement

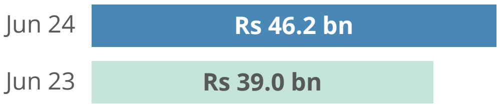
The Group continued to face potential operational disruptions linked to the heightened complexity of activities, rising prominence of cyber-attacks globally and an increasingly competitive labour market.

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 adequate and effective governance systems, processes and controls are in place to mitigate operational risks at large, particularly through the Permanent Supervision function
- Embedded a robust and sound risk culture in our day-to-day business activities, notably through the implementation of our Risk Culture Programme
- Performed an extensive review of the risk and control landscape across MCB Ltd through an update of the Operational Risk Cartography
- Continued to hold awareness sessions which were targeted to relevant audiences

Our performance

Operational risk-weighted assets



Business continuity risk

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

Capital impacted

Operating context influences: Cybersecurity and technological disruptions | Climate, environmental and social considerations | Workplace transformations and employee engagement

The Group remained confronted with potential adverse events that could arise from technological outages and more frequent disruptions in site availability, for instance, increasing climatic events.

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 unplanned DR exercises 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, and/or integrity of information or information systems.

Capital impacted

Operating context influences: Heightened regulatory demands | Cybersecurity and technological disruptions | Workplace transformations and employee engagement

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 shift in the mode of work of employees and the adoption of machine learning techniques as well as artificial intelligence in our processes.

Our response

- Enhanced our project governance framework to more fully incorporate security and privacy by design
- 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
- Improved controls around network access and log monitoring, and geared ourselves up towards a Zero-Trust approach, while continuing to upgrade and add security solutions to address evolving threats
- Continued to enhance the general and cybersecurity awareness of our staff notably through risk culture campaigns
- Further boosted the monitoring of cybersecurity events through various control systems, resulting in an improved Security Operations Centre management

- Continued to improve our cybersecurity maturity through the review of policies related to cyber and technology risk management while ensuring compliance with the relevant regulatory requirements such as the Bank of Mauritius Guideline on Cyber and Technology Risk Management
- Continued to enhance our cyber response capabilities and processes
- Performed social engineering attack simulations among our staffs to promote the adoption of best practices in terms of cybersecurity risk management
- Created a dedicated first level structure namely the Information Security BU, which is independent from the Technology team and reinforced its staffing in order to allow for more focused and effective security operations
- 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

Operating context influences: Heightened regulatory demands | Climate, environmental and social considerations | Cybersecurity and technological disruptions

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

Our response

- Strived to adhere to the regulatory compliance obligations by maintaining open and constructive dialogue with regulatory authorities and law enforcement agencies
- Sustained focus to remain resilient, sound and efficient for our stakeholders, while at the same time keeping pace with the fast-changing operating environment
- Continued to gear up our overall compliance framework and enhance our policies, procedures and controls to meet heightened regulatory requirements and underpin the deployment of our activities
- Ensured ongoing enhancement of the transactional and screening alert systems and framework to reinforce effectiveness, which also included the upgrade of the Financial Crime Risk Management (FCRM) platform for SWIFT screening to enable the filtering of MX Message Types (ISO 20022) for all banking subsidiaries
- Reviewed and enhanced our policies and procedures to meet regulatory requirements locally and overseas. This also ensured that we continue doing business in such a manner so as to reduce any risk of our product being used for money laundering, terrorism, proliferation financing, bribery or corruption
- 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
- Further integrated ESG considerations into our risk management framework in compliance with international and local regulations, thereby measuring and disclosing the Bank's sustainability and societal impact of its way of doing business
- 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, thereby ensuring transparency and coherence across the board, Some of the targeted trainings and awareness campaigns included 'Environmental and Social Risk Policy', 'AML/CFT/PF', 'Conflict of Interest and Related Party Transactions Policy' and 'Suspicious Transaction Reporting'
- Pursued human capacity building within the Compliance function, through recruitment of talented professionals, while simultaneously providing opportunities for specialised trainings 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 Group-specific factors such as poor choice of strategy and inflexible cost structures.

Capital impacted

Operating context influences: Geopolitical and macroeconomic conditions | Heightened regulatory demands | Climate, environmental and social considerations | Cybersecurity and technological disruptions | Workplace transformations and employee engagement | Customer loyalty in a competitive market

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 impacted our strategic and business risk.

Our response

- Continued to appraise the implications of changes in the operating environment on our strategy and ensure focused execution of our strategic priorities by capitalising on dedicated platforms in place
- Focused on consolidation of existing activities whilst exploring new avenues of growth opportunities
- 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
- Further 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 Group's image caused by negative media coverage, compliance failures, pending litigations or underperformance. Such damage may result in a breakdown of trust, confidence and business relationships, which may impair the Group's ability to retain and generate business.

Capital impacted

Operating context influences: Climate, environmental and social considerations | Cybersecurity and technological disruptions | Workplace transformations and employee engagement

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

Our response

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

- Conducted a risk assessment of MCB Capital Markets, following which the governance is being enhanced to further reduce the risk of potential conflict of interest and strengthen the delineation of activities between the buy-side and sell-side
- Initiated the implementation of a Group-wide distribution framework to ensure suitable distribution of financial products to non-professional clients

Sustainability risks

Climate risk

Capital impacted

The financial risks associated with the potential impacts of climate change, which can arise through physical and/or transition risk channels such as extreme weather conditions or changes in legislations.

Operating context influences: Heightened regulatory demands | Climate, environmental and social considerations

With the increased frequency and severity of extreme weather events, monitoring the potential impact on the organisation remains a priority, particularly in light of the growing regulatory pressures.

Our response

- Roll-out of training sessions on climate change and climate-related risks to MCB staff, delivered by Moody's and our Risk SBU
- Integrated climate risk considerations in the internal stress test and ICAAP on a qualitative basis
- Continued to work with our enlisted international service provider for the measurement and assessment 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 every 6 months

Environmental and social risk

The risks that environmental degradation and social issues result in disruptions in business activities as well as impact our customers and counterparties, while influencing our internal operations.

Operating context influences: Heightened regulatory demands | Climate, environmental and social considerations

With the rise in regulatory demands and growing emphasis on sustainability, environmental and social standards are becoming increasingly prominent in the organisation's activities, influencing both financing decisions and strategic initiatives.

Our response

- Updated the internal Environment and Social Risk Policy in May 2024, with the scope of application broadened to include in-depth due diligence on specific sectors and commodities, addressing emerging environmental and social (E&S) risks
- Implemented a comprehensive Environmental and Social Risk Management (ESRM) process integrated throughout the credit cycle, with risk categorisation based on International Finance Corporation (IFC) and Equator Principles criteria
- Strengthened E&S monitoring, with the ESRM team taking full responsibility for overseeing E&S covenant compliance, including site visits and client engagement. Quarterly reporting of MCB exposure has been introduced to maintain oversight on high E&S risk sectors and clients by relevant committees
- Conducted extensive capacity building and upskilling of the ESRM team and organised an ESG awareness campaign

Main priorities looking ahead

As we look ahead, our risk management strategy remains focused on enhancing capabilities, reinforcing Group-wide practices and supporting sustainable growth. Our key areas of focus include:

- Enhancing the risk culture across the Group with the continued deployment of the Risk Culture Programme
- Continuing to support our sustainability ambitions through the application of our Environmental and Social Risk Policy and framework
- Assessing the implications of material sustainability topics identified in the materiality assessment conducted
- Ensuring that our business development endeavours across geographies materialise in a disciplined manner on the back of effective risk oversight
- Continuing to proactively monitor country risk events as well as track the performance of our cross-border exposures towards refining our response strategies
- Reinforcing risk management at Group level by:
    - finalising the setting up of the Group Risk Oversight for the overseas and para banking subsidiaries as well as for MCB Capital Markets
    - aligning the subsidiaries to the Group standards and practices in terms of operational risk, permanent control, business continuity and resilience, cyber risk management as well as compliance
    - deploying consistent credit management practices and strengthening the recovery process across specific entities
- Pursuing our cybersecurity roadmap in line with the Federal Financial Institutions Examination Council (FFIEC) framework while continuing to improve our cybersecurity posture and hygiene across all Group entities
- Implementing end-to-end efficiency program on credit valuation chain to ensure enhanced credit management practices and processes
- Launching of a Risk Academy to equip staff with necessary skills and competence to enhance risk management
- Upholding 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; Maintaining close discussions and interactions with rating agencies to relay our efforts to uphold sound fundamentals

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

Our risk management strategy and framework

Our risk management philosophy

Our general approach

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

Key objectives

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

Our risk management set-up

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

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

Key directions formulated by the Group for its entities

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

Foundations and focus areas

General orientations

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

Governance framework

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

Other key foundations

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

Financial soundness

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

Key elements of our risk management set-up

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

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

Governance and oversight

To ensure that key risks faced by its entities are properly identified, measured and monitored, the Group adopts a robust governance framework, backed by the articulation of coherent responsibilities, reporting lines and oversight across the organisation. The risk management framework of the Group provides high-level direction for each entity on how to manage risks in a consistent and interactive manner. The allocation of responsibilities across the Group ensures that decisions are taken at the right levels, in alignment with the mandates of internal stakeholders and the strategic orientations pursued by the organisation. To reinforce the Group risk oversight, the Risk and Compliance functions of MCB Ltd have, during the year, been elevated at Group level, thus further helping to synchronise the risk management approach and methodology across entities. Each subsidiary, however, continues to take ownership of the risks of its operations and the management of its risk and compliance functions, underpinned by its own governance framework, in line with Group-level orientations, its inherent specificities and prevalent market realities.

At Group Level

The Board

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

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

Risk Monitoring Committee

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

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

Other committees

- The Audit Committee caters for the monitoring of internal control processes, while ensuring the preparation of accurate financial reporting and statements in compliance with applicable legal requirements and accounting standards. It also reviews operational and information risks and the actions taken to mitigate them.
- The Supervisory and Monitoring Committee continuously oversees the overall management of the Group and is also responsible for the ongoing monitoring of the Group's performance against set objectives in line with the strategic orientations of the Group.
- The Corporate Strategy Committee oversees the business strategy of the Group and its subsidiaries and measures the latter's performance against set objectives whilst ensuring that capital allocation is appropriate.
- A joint Cyber and Technology Risk Committee is being set up to assist the Board of Directors of MCB Group Ltd and MCB Ltd in defining risk strategies, assessing and monitoring the cybersecurity, information and technology risk.

Read more on the key mandates and focus areas of the Board committees of MCB Group Ltd in the 'Corporate Governance Report' on pages 89 to 141

At entity level

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

The Board

- Functioning in alignment with the Group's objectives and targets, the Board of each entity supervises its overall risk management, alongside overseeing the establishment of relevant policies, controls, standards, practices and processes, in alignment with the inherent realities of the business. It also acts as the focal point of contact for shaping the relationship with MCB Group Ltd.
- The Board is responsible for strategy formulation in respect of risk-taking, risk appetite and policy setting. It ensures that its business strategies are clearly linked to its risk appetite and tolerance level. The aim is to ensure that the organisation manages its capital resources at an optimal level in support of growth-related objectives.
- In discharging its duties, the Board demonstrates, to the satisfaction of regulatory authorities and other stakeholders, that a clear structure of policy and control systems is adopted to identify and manage the risk inherent in activities.

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

Intra-Group initiatives

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

The Group endeavoured to foster more focused and integrated stewardship regarding the overall operations and performance of the Group's overseas banking and para-banking subsidiaries. Beyond facilitating key projects across priority areas and business development activities, it leveraged synergies with specific SBUs of MCB Ltd for the smooth running of the subsidiaries alongside ensuring oversight on the levels of control and monitoring, including the implementation of internal and external audit recommendations. It collaborated with Risk SBU to support the conduct of financial risk management activities and assist in other risk matters in overseas banking subsidiaries with assistance provided in credit risk management. With the establishment of MCB Ltd's Risk and Compliance units as Group functions, their structures are being reinforced to enhance alignment with Group standards and practices alongside fostering more effective collaboration with Group entities.

<table>
<tr><th colspan="3">Key committees by entity</th></tr>
<tr><th colspan="2">Banking cluster</th><th>Non-banking financial cluster</th></tr>
<tr><th>MCB Ltd</th><th>Overseas Banking Subsidiaries</th><th>MCB Capital Markets (MCBCM) and its subsidiaries</th></tr>
<tr><th colspan="3">Board committees</th></tr>
<tr><td>Risk Monitoring Committee</td><td>Risk Monitoring Committee</td><td rowspan="2">Risk & Audit Committee (MCBCM)</td></tr>
<tr><td>Audit Committee</td><td>Audit Committee</td></tr>
<tr><td>Supervisory and Monitoring Committee</td><td></td><td rowspan="4">Financial Products Supervisory Committee (MCBCM)
• The committee comprising independent directors, with international expertise, of MCB Capital Markets Ltd, is responsible to oversee all new product launches within MCBCM with the exception of investments which fall within the ambit of the CIS Supervisory Committee</td></tr>
<tr><th colspan="2">Executive committees</th></tr>
<tr><th colspan="2">Financial risk: Credit risk</th></tr>
<tr><td>Executive Credit Committees (ECC)
• The ECC (A), sanctions/declines credit applications where customer group total commitment exceeds Rs 400 million
• The ECC (B) sanctions/declines credit applications with total client commitment of up to Rs 400 million</td><td rowspan="4">Subsidiary Credit Committee (SCC)
• The SCC sanctions/declines credit applications for customers with exposures of up to USD 150,000. Exposures from USD 150,000 to USD 1.5 million are approved by a joint MCB Ltd Committee and SCC. Facilities above this level are channelled to the Executive Credit Committee of MCB Ltd before a final decision is reached</td></tr>
<tr><td>Credit Committees (CC)
• The CC sanctions/declines credit applications where customer group total commitment is up to Rs 50 million for retail clients and Rs 100 million for corporate clients</td><td rowspan="8">MCB Investment Management (MCBIM)
Collective Investment Scheme (CIS) Supervisory Committee
• The committee is responsible for the review and assessment of all aspects relating to the CIS management activities of MCBIM, including set-up of new funds, material changes to existing funds and regulatory compliance
Investment Committee (IC)
• The committee, though not a sub-committee of the Board of MCBIM, serves an important purpose in respect of the investment management activities of MCBIM. The IC meets on a quarterly basis and reviews all material aspects of MCBIM's portfolio management process, including strategic and tactical asset allocation, portfolio performance/risk and mandate compliance
MCB Financial Advisers (MCBFA)
On-boarding Committee (OBC)
• The OBC, though an internal committee, plays an important role in the governance framework of MCBFA by screening and (if deemed relevant) approving all new corporate finance advisory mandates being contemplated by the company's executives</td></tr>
<tr><td>Country Risk Committee (CoRC)
• The CoRC is responsible for setting individual country limits within the validated risk parameters on selected countries</td></tr>
<tr><td>Conduct Review Management Committee (CRMC)
• The CRMC ratifies credit exposures and other transactions with related parties where the aggregate of credit exposures/any other transactions to any single related party and/or its group of connected counterparties do not exceed 2% of the Bank's Tier 1 capital or Rs 500 million, whichever is lower</td></tr>
<tr><th colspan="2">Financial risk: Market, funding and liquidity risk</th></tr>
<tr><td>Asset and Liability Committee</td><td>Asset and Liability Committee</td></tr>
<tr><th colspan="2">Non-financial risks</th></tr>
<tr><td>Information and Operational Risk Committee</td><td rowspan="2">Overseas Banking Subsidiaries Cybersecurity Committee</td></tr>
<tr><td>Compliance, Anti-Money Laundering and Legal Committee</td></tr>
<tr><th colspan="3">'Non-banking financial' and 'Other investments' clusters: Other entities</th></tr>
<tr><td colspan="3">In line with principles determined at Group level, risk management policies and structures have been designed in order to ensure that business activities are carried out in a sound manner, depending on the types of market undertakings being engaged into as well as the range and depth of risks faced. The Board of each entity has the ultimate responsibility to ensure that risks are properly identified and managed, with relevant functions being mandated to provide clear and coherent assistance to help it in the fulfillment of its duties.</td></tr>
</table>

Adherence to the three lines of defence approach

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

1st

line of defence

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

Risk ownership

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

2nd

line of defence

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

Risk control and compliance

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

3rd

line of defence

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

Risk assurance

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

Key tenets of our risk management strategy

Risk capacity

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

Risk appetite

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

Risk tolerance

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

Risk profile

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

Risk control

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

Risk culture

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

Our risk appetite framework

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

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

Framework

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

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

Key underpinnings

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

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

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

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

Limit structure of MCB Ltd

Regulatory

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

Internal limits and desired risk profile

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

Rating tools

Internally-developed models

Country

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

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

Banks

Bank rating model

The 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 Ratings, Fitch Ratings, Standard & Poor's and others as deemed appropriate

Corporate clients

International rating agencies including CARE Ratings (Africa) Private Limited (CRAF) and Global Credit Rating Co Ltd (GCR Ratings)

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

Management of key risks

Our risk management cycle

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

1 Identification

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

2 Measurement

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

3 Monitoring

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

4 Mitigation

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

5 Management and reporting

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

Our processes, methodologies and positioning by risk type

Credit risk

General approach and objectives

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

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

Measurement and monitoring

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

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

Risk-weighted assets for credit risk

Risk-weighted on-balance sheet assets	Jun 24			Jun 23
	Amount	Weight	Weighted Assets	Weighted Assets
	Rs m	%	Rs m	Rs m
Cash items	4,016	0 - 20	78	80
Claims on sovereigns	281,297	0 - 100	5,908	10,040
Claims on central banks	74,918	0 - 100	14,286	12,265
Claims on banks	90,267	20 - 100	29,072	32,104
Claims on non-central government public sector entities	2,223	0 - 100	413	412
Claims on corporates	341,365	20 - 150	296,621	285,764
Claims on retail segment	18,886	75	13,168	11,363
Claims secured by residential property	44,495	35 - 125	18,394	16,733
Claims secured by commercial real estate	15,748	100 - 125	18,084	21,004
Fixed assets/other assets	47,535	100 - 250	51,401	48,981
Past due claims	5,082	50 - 150	6,460	7,268
Total			**453,885**	**446,016**

Non-market related off-balance sheet risk-weighted assets	Jun 24					Jun 23
	Nominal Amount	Credit Conversion Factor	Credit Equivalent Amount	Weight	Weighted Amount	Weighted Amount
	Rs m	%	Rs m	%	Rs m	Rs m
Direct credit substitutes	2,538	100	2,537	0 - 100	2,485	3,076
Transaction-related contingent items	36,781	50	17,166	0 - 100	16,037	14,118
Trade related contingencies	109,989	20 - 100	18,829	0 - 100	16,714	10,468
Outstanding loans commitment	10,585	20 - 50	4,623	0 - 100	4,635	6,798
Total					**39,871**	**34,460**

Market-related off-balance sheet risk-weighted assets	Jun 24						Jun 23
	Nominal Amount	Credit Conversion Factor	Potential Future Exposure	Current Exposure	Credit Equivalent Amount	Weighted Assets	Weighted Assets
	Rs m	%	Rs m	Rs m	Rs m	Rs m	Rs m
Interest rate contracts	49,491	0 - 1.5	312	524	837	589	243
Foreign exchange contracts	41,686	1 - 7.5	427	548	975	477	286
Other commodity contracts (other than precious metals)	31,235	10 - 15	3,473	992	4,465	3,061	296
Total						**4,128**	**825**

	Jun 24	Jun 23
	Rs m	Rs m
Total credit risk-weighted assets	**497,884**	**481,301**

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

Mitigation and management

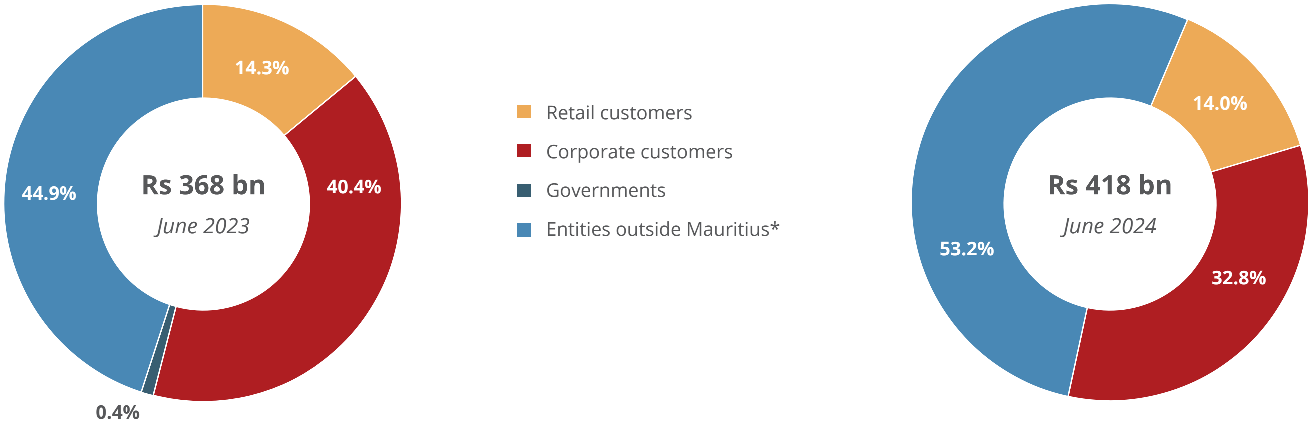
The credit risk management framework enables Group entities to manage credit risk within the limits of their defined risk appetite, to develop risk-response strategies and to optimise risk-taking by anticipating and acting on potential opportunities or threats. This framework encompasses the following: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

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

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

In FY 2023/24, we continued to diversify our market footprint across segments and geographies, which helped us remain well positioned in terms of credit concentration and within regulatory limits. Our largest credit concentration pertains to oil and gas with a major part of these exposures being of a short-term and self-liquidating nature, hence carrying a lower risk profile.

Loans to customers by segment



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

Loans to customers by sector

Concentration of exposures at MCB Ltd

Bank of Mauritius Guideline on Credit concentration Risk

Credit concentration limits (% of Bank's Tier 1 capital)	Regulatory requirements	MCB Ltd 30 June 2024
Aggregate credit exposure to any single customer	Not exceed 25%	20.9%
Aggregate credit exposure to any group of connected counterparties	Not exceed 40%	30.1%
Aggregate large credit exposures* to all customers and groups of connected counterparties	Not exceed 800%	380.6%

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

Gross exposure as at 30 June 2024	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	112.3	10.7	16.9
Total large credit exposures	301.0	16.4	26.0

Restructuring of facilities

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

Determination and review of impairment and provisioning

With regard to the determination and review of impairment and provisioning levels, Group entities undertake their respective exercises on a regular basis. The entities adhere to relevant regulatory stipulations, alongside aligning themselves to other advocated standards. At the level of MCB Ltd, this exercise is undertaken on a quarterly basis and involves the collaboration of several stakeholders across the organisation. After being reviewed and agreed upon by the RMC as well as validated by the Board, the figures are submitted to the Bank of Mauritius (BoM). The BoM Guideline on Credit Impairment Measurement and Income Recognition aims at aligning regulatory prudential rules as regards asset classification and provisioning requirements with international accounting norms (i.e. IFRS 9). The objective is to ensure that financial institutions have adequate processes for determining allowance for credit losses in a timely manner and the carrying amounts of credit portfolio recoverable values. While ensuring adherence to prudential norms, which define credit as impaired if it is past due for more than 90 days, the Bank also assesses facilities granted to clients as being impaired on a case-by-case basis above a certain materiality threshold. Furthermore, loans are written off by the Bank when the prospect of recovery is poor and the loss can be reasonably determined, with MCB complying with the BoM Guideline for the write-off of non-performing assets. Of note, effective 30th September 2024, the BoM Guideline on Classification, Provisioning and Write-off of Credit Exposures will supersede the Guideline for the write-off of non-performing assets and the Guideline on Credit Impairment Measurement and Income Recognition. The guideline is intended to set the foundations for a consistent and timely classification of credit exposures and complementing the existing accounting standards requirements by providing a prudential backstop for credit classification and provisioning and ensuring write-off of non-performing exposures in a timely manner.

Adherence to IFRS 9 requirements

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

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

Our staged approach

Assets move between stages based on risk characteristics

	STAGE 1	STAGE 2	STAGE 3
	Performing	**Under performing**	**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. Within the Group, quantitative and qualitative information are taken into account, based on historical customer experience and credit risk assessment. A financial asset is credit impaired and is in Stage 3 when (i) contractual payments or accounts in excess are past due by more than 90 days; and/or (ii) other quantitative and qualitative factors indicate that the obligor is unlikely to honour its credit obligations.

Relevant entities of the Group calculate ECL parameters for the retail segment on a portfolio basis, i.e. facilities having homogeneous characteristics are assumed to have similar risk behaviours and can reasonably be assigned same parameter values. As for wholesale portfolios pertaining to corporate, financial institutions and sovereign amongst others, they use a combination of internal models and external benchmarking for the calculation of PDs, LGDs and EADs.

Formulation of Expected Credit Losses for FY 2023/24

Reflecting the proactive and prudent approach being endorsed by the Group to hold adequate provisioning levels in view of the still unsteady operating environment, we maintained comfortable levels of ECL during FY 2023/24, underpinned by informed analyses, conservative assumptions and modelling exercises.

In addition to the recalibration of models and review of forward-looking indicators, the entities applied additional overlays when the calculated ECLs were deemed insufficient. For instance, MCB Ltd applied an additional overlay on its retail portfolio for each quarter whilst conducting an in-depth individual analysis of clients with an exposure amount of Rs 100 million or more for its wholesale portfolio, which resulted in rating overlays or staging overlays where necessary.

As at 30 June 2024, ECL amounted to Rs 7.0 billion, of which Rs 6.5 billion pertained to stage 1 and stage 2 loans and advances, with the corresponding ECL coverage ratio standing at 1.4%.

MCB Ltd: Provisions as at 30 June 2024

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	62,506	226,133	94,557	3,420	336,381	256,090
Expected Credit Losses	837	2,224	356	57	138	796
Coverage ratio (%)	1.3	1.0	0.4	1.7	0.0	0.3
Stage 2						
Exposures	170	6,285	0	0	0	3,078
Expected Credit Losses	23	1,624	0	0	0	549
Coverage ratio (%)	13.4	25.8	0.0	0.0	0.0	17.8
Stage 3						
Exposures	1,137	9,025	0	24	296	1,755
Specific provisions	431	6,757	0	12	30	1,755
Coverage ratio (%)	37.9	74.9	0.0	48.5	10.0	100.0

MCB Ltd: Provisions as at 30 June 2023

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institutions	Project finance	Sovereign	Energy & Commodities
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m
Stage 1						
Exposures	56,177	202,806	85,668	5,618	288,634	179,799
Expected Credit Losses	174	2,390	847	93	110	532
Coverage ratio (%)	0.3	1.2	1.0	1.7	0.0	0.3
Stage 2						
Exposures	807	13,546	0	70	0	4,848
Expected Credit Losses	609	2,343	0	35	0	911
Coverage ratio (%)	75.5	17.3	0.0	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

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

Overseas banking subsidiaries: Provisions as at 30 June 2023

Overseas banking subsidiaries	Retail	Corporate	Financial institutions	Sovereign
	Rs m	Rs m	Rs m	Rs m
Stage 1				
Exposures	3,419	20,176	7,256	20,152
Expected Credit Losses	30	160	6	44
Coverage ratio (%)	0.9	0.8	0.1	0.2
Stage 2				
Exposures	50	498	0	0
Expected Credit Losses	5	37	0	0
Coverage ratio (%)	9.8	7.4	-	-
Stage 3				
Exposures	350	1,741	0	3
Specific provisions	292	988	0	3
Coverage ratio (%)	83.3	56.8	-	100.0

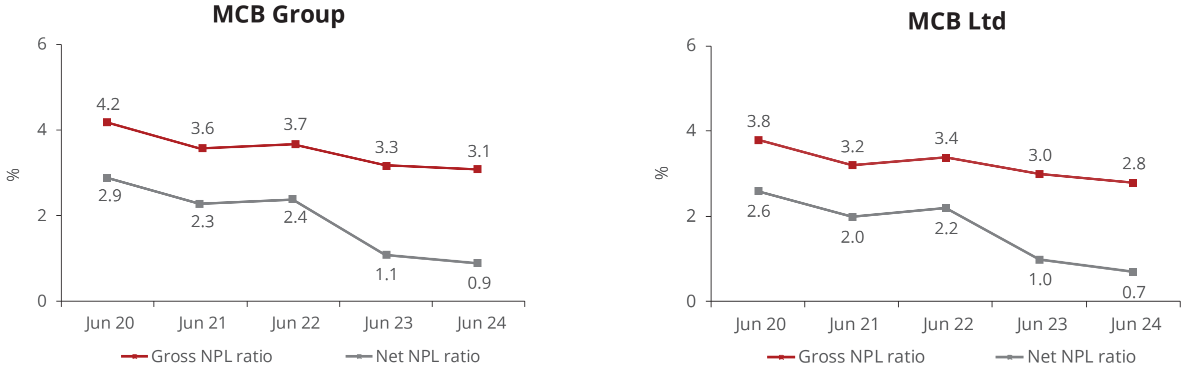
Overseas banking subsidiaries: Provisions as at 30 June 2024

Overseas banking subsidiaries	Retail	Corporate	Financial institutions	Sovereign
	Rs m	Rs m	Rs m	Rs m
Stage 1				
Exposures	3,281	17,270	7,649	20,820
Expected Credit Losses	18	112	18	53
Coverage ratio (%)	0.5	0.7	0.2	0.3
Stage 2				
Exposures	16	806	0	0
Expected Credit Losses	1	50	0	0
Coverage ratio (%)	8.4	6.2	-	-
Stage 3				
Exposures	341	1,375	0	3
Specific provisions	256	724	0	3
Coverage ratio (%)	75.2	52.7	-	100.0

Asset quality

We improved the general quality of our exposures on the back of careful market endeavours and dedicated measures taken while having also recorded a significant recovery of bad debts during the year notably at the level of MCB Ltd. Our gross and net NPL ratios stood at 3.1% and 0.9% respectively as at June 2024, down from 3.3% and 1.1% in June 2023. Our specific coverage ratio increased from 66.5% to 72.6%, with the remaining portion being adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time.

Quality of exposures



June 2024	**Non-performing loans (NPLs)**		**Specific provisions**	
MCB Group	**Rs m**	***% of exposures***	**Rs m**	***% of NPLs***
Loans to customers				
Agriculture and fishing	417	*6.6*	256	*50.4*
Manufacturing	312	*1.4*	313	*70.2*
Tourism	3,599	*13.4*	2,689	*63.7*
Transport	302	*3.0*	465	*91.5*
Construction *(including property development)*	399	*2.1*	248	*48.7*
Financial and business services	333	*0.5*	316	*72.0*
Traders	2,951	*1.9*	2,974	*83.4*
of which petroleum and energy products	*1,755*	*1.4*	*1,755*	*100.0*
Personal and professional	983	*1.7*	510	*38.1*
of which credit cards	*43*	*3.0*	*38*	*88.4*
of which housing	*468*	*1.1*	*188*	*35.0*
Global Business Licence holders	4,134	*29.2*	4,914	*88.1*
Others	642	*1.6*	319	*32.1*
of which Energy and Commodities asset-backed financing	*0*	*0.0*	*0*	*0.0*
Corporate notes/bonds	**364**	***0.8***	**376**	***99.7***
Total	**14,436**	***3.1***	**13,380**	***72.6***

Notes:
(i) For the computation of asset quality ratios, total exposures also include loans to banks and exclude interest in suspense on loans
(ii) Figures may not add up to totals due to rounding

Country risk management at MCB Ltd

General approach and objectives

MCB applies a coherent and comprehensive approach and framework as well as adequate control processes to formulate its country risk tolerance and determine exposure limits assigned to markets, alongside adhering to the BoM Guidelines on Country Risk Management and Cross-Border Exposure. The RMC is entrusted with the task of setting and reviewing the country risk framework and country risk appetite parameters. The RMC meets at least quarterly to monitor the performance of the Bank's cross-border exposures, including compliance with the risk appetite, risk limits and overall requirements set out in the framework on cross-border exposure.

Measurement and monitoring

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

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

Mitigation and management

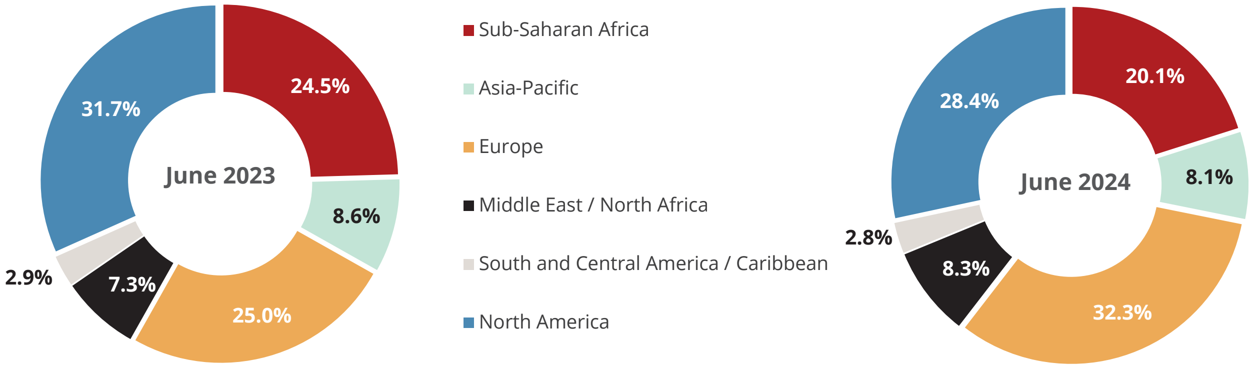
With a view to fostering sound country risk management, we lay emphasis on (i) thoughtful and regular determination and review of our risk appetite, after making allowance for the evolving operating environment and our strategic ambitions; (ii) diversified exposures across countries and sectors; (iii)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

Diversification of exposures

Distribution of customer loan portfolio

Exposures by region

(Excluding Mauritius)



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

Financial risks at MCB Capital Markets (MCBCM)

By virtue of their activities, MCBCM and its subsidiaries are exposed to financial risks. Through its brokerage business, MCB Stockbrokers, MCBCM acts as market-maker and liquidity provider in respect of certain securities listed on the Stock Exchange of Mauritius. Appropriate safeguards have been implemented to ensure that any risks arising from this activity are properly mitigated. MCB Stockbrokers also offers underwriting services to corporate clients and is thus subject to financial risks. Such risks are managed by a formal process that involves: (i) a technical assessment of all requests for underwriting by a group comprising MCBCM's Chief Financial Officer, Head of Risk and Compliance, Head of Legal and the Managing Director of MCB Stockbrokers; and (ii) a two-tiered approval process, with the first level approval being provided by the Chief Executive Officer of MCBCM and the second level approval provided by MCB Group Executives.

Moreover, MCBCM is involved in the structuring, issuance and management of Credit Linked Notes. The underlying instruments are medium and long dated debt securities but have been structured so as to provide targeted investors with regular exit windows, hence improving the liquidity profile of these financial products. Associated financial risks being borne by MCBCM also require some degree of active funding and liquidity management, mainly through adequate levels of capitalisation and access to appropriate funding lines.

Via its investment vehicles, MCB Equity Fund and MCB Real Assets, MCB Group is exposed to financial risks and, as such, ensures that it has the appropriate framework in place to manage and mitigate those risks.

Market risk

General approach and objectives

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

At the level of MCB Ltd, the market risk management approach and framework is aligned with applicable Bank of Mauritius Guidelines, namely the Guideline on Measurement and Management of Market Risk and the Guideline on Liquidity Risk Management, as well as internationally recommended practices. The Bank clearly defines its appetite in respect of market risk and manages its exposure through risk limits, both at a dealer level on individual trading activities and overall entity level, and risk targets in the case of structural market risks. In line with relevant guidelines, the Market Risk Policy, which covers both the trading and banking books, ensures that market risk origination, settlement and control are appropriately segregated. The Market Risk and Product Control BU (MRPC BU) undertakes the monitoring and management of market risks, while providing financial position and risk analysis information to the ALCO and RMC. The RMC reviews market risk and liquidity risk exposures and metrics, while also assessing regulatory and other developments.

Our overseas banking subsidiaries operate within the precinct of their Market Risk Policies, which put forward the relevant processes and controls to mitigate interest rate, foreign exchange as well as funding and liquidity risks faced. Market risk sanctioning mandates are delegated to Management for the conduct and monitoring of relevant day-to-day operations and activities. They are assisted by MCB Ltd's Financial Markets SBU in the deployment of their undertakings. The latter function services both their foreign exchange and money market requirements by delivering advisory services through direct access to its traders, who share their views about market trends and provide notifications on relevant updates.

Measurement and management

Interest rate risk

In the banking book, the Group is mainly exposed to repricing risk on account of the reset date of its on- and off-balance sheet assets not coinciding exactly with that of its on- and off-balance sheet liabilities. The resulting mismatch is monitored through the conduct of interest rate risk gap analysis on both an earnings and economic value impact basis. The Group limits this source of risk through the application, in most cases, of floating interest rates that are linked to benchmark rates.

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

To further improve its monitoring of trading risk, the MRPC BU, through its Product Control function, monitors the daily Profit or Loss changes arising on both realised and open positions with the ultimate objective of limiting downside exposure.

Foreign exchange risk

The Group is subject to foreign exchange (FX) risk from an on-balance sheet perspective, i.e. as a result of imbalances witnessed between the foreign currency composition of our assets and liabilities. The risk to which we are exposed can also be viewed from an off-balance sheet angle through our outstanding positions, mainly in respect of foreign exchange forwards. Exposure to FX risk is monitored against both regulatory stipulations and internal targets, which are, especially, applied to metrics such as the net foreign risk exposure in any single currency and the aggregation of the net foreign exchange risk exposure. In addition, we determine prudential trading, transactional and daily stop-loss limits as applicable.

Funding and liquidity risk

General approach and objectives

The Group is committed to maintaining robust funding and liquidity positions that support its business development ambitions. While it accesses wholesale markets as and when required, the Group prioritises sources of funding that are cost-efficient, diversified, and stable, with a primary focus on customer deposits. Furthermore, an appropriate level of liquid assets is kept to ensure that obligations can be met within a reasonable time-frame.

The ALCO of the banking subsidiaries oversee the management of liquidity and funding risk in line with regulatory requirements and internationally recommended practices. The ALCO has set robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons. The RMC also reviews a summary of liquidity risk exposures and metrics, while assessing regulatory and other developments affecting the entities in this respect. The Market Risk Policy ensures that liquidity risk oversight is conducted independently of the risk-taking units, reinforcing the Group's commitment to sound risk management practices.

Measurement and monitoring

Funding and liquidity risk is measured and monitored separately for each material currency and on a consolidated level. The Group assesses funding and liquidity positions with respect to obligations under both Business As Usual (BAU) and stressed conditions. At the level of MCB Ltd, it sets internal targets on key regulatory measures such as the liquidity coverage ratio (LCR) at currency level, whilst monitoring other ratios and Early Warning Indicators to assess its liquidity situation. The key actions undertaken to ensure that funding and liquidity risk is effectively measured and monitored at the Bank include the following:

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

Mitigation and management

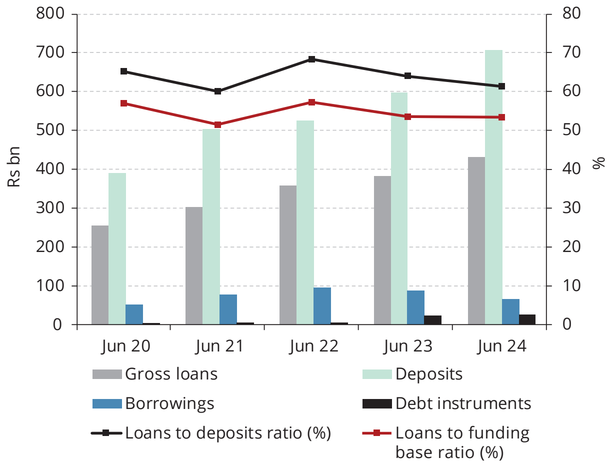
The Group diligently manages and diversifies the funding and maturity profile of the balance sheet in order to ensure that we can successfully deploy its strategic endeavours over the short and longer runs.

To achieve this, banking entities of the Group employ a methodical approach that involves creating a time ladder of continuous assets and liabilities cash flows. This approach minimises the risk of undue accumulation of cash flows in any single time segment, especially those falling due in the near future, thereby maintaining a balanced and resilient liquidity profile. They use cash and liquidity gap profiles for both local and significant foreign currencies to analyse and monitor the impact of projected disbursements by lines of business. They also undertake the behavioural analysis of their non-maturity current and savings account balances to assign an actuarial maturity profile that accurately reflects the stickiness and stability of these balances.

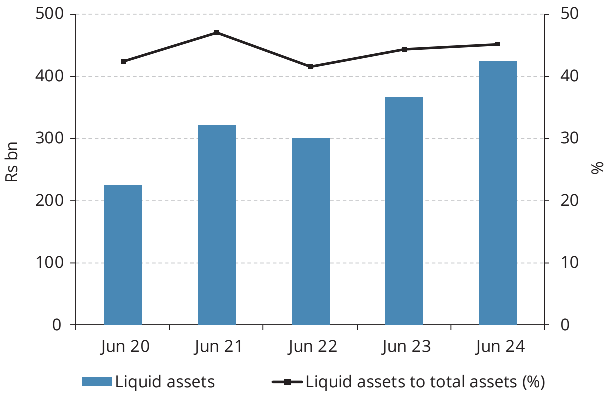
The stock of liquid assets is proactively managed to cover day-to-day cash management needs as well as to provide for an adequate coverage of the risk-weighted cash outflows associated with the standardised crisis scenario under the Basel III framework for liquidity coverage ratio. The components of the liquid assets buffer is also managed taking into account market risk volatility, the credit risk weighting and the low returns typically associated with holding such highly liquid assets. This prudent management ensures that the banking entities remain well-prepared to address potential liquidity challenges without compromising their financial stability.

During the year under review, we took proactive measures to maintain substantial buffers in light of the prevailing economic environment, with the Group continuing to display strong funding and liquidity positions in FY 2023/24. We have been active across multiple markets to secure sufficient funding resources to support our growth ambitions. In this respect, we leveraged placements from banks and repurchasing agreements. It can be recalled that, in FY 2022/23, MCB Ltd successfully launched and priced its inaugural USD 300 million 5-year senior unsecured notes issuance under its USD 3 billion Global Medium Term Note Programme. Additionally, it secured a three-year USD 500 million syndicated loan and closed its first Basel III compliant Tier 2 bond issuance of USD 147 million, privately placed with the African Development Bank. Building on this momentum, in FY 2023/24, the Bank successfully secured a USD 400 million sustainability linked loan as well as a loan of USD 120 million from Proparco and DEG to support the Bank's climate mitigation, adaptation and climate resilient measures. These strategic moves have strengthened the Bank's overall financial position and underscore its commitment to maintaining a robust and diversified funding base.

Loan and funding base

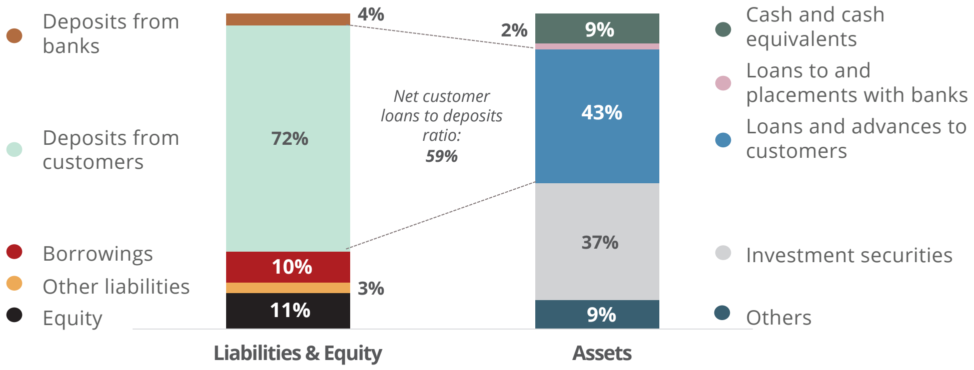


Liquid assets



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

Asset funding structure as at June 2024



MCB Ltd: Key liquidity ratios

Liquidity coverage ratio (LCR)

In alignment with Basel III rules, the objective of the LCR is to promote the short-term resilience of a bank to liquidity shocks. The LCR ensures that the Bank maintains an adequate reserve of unencumbered high-quality liquid assets (HQLA), which can quickly be converted to cash to cover cash outflows 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 2024, MCB operated comfortably above the stipulated LCR requirements. It reported a consolidated LCR of 437%, which is equivalent to a surplus of some Rs 205 billion over stressed total net cash outflows. At currency level, we also exceeded the mandatory LCR limits relating to rupee and significant foreign currencies, with the Bank's LCR in dollar terms standing at 294% as at 30 June 2024. 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 value and stability.

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.

In June 2024, the Bank of Mauritius issued a guideline mandating that banks maintain an NSFR of at least 70% for all material currencies and on a consolidated basis. This minimum requirement will increase to 100% by December 2024. Although this regulation has only recently been introduced, MCB Ltd has, since long, been monitoring its NSFR performance to ensure stable funding structure. As at 30 June 2024, MCB Ltd reported an NSFR of 147%, well above both the current and forthcoming regulatory requirements. This accomplishment underscores the Bank's proactive approach in ensuring a robust and balanced funding structure, contributing to its long-term stability and resilience.

Model risk

General approach and objectives

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

Mitigation and management

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

Policies and procedures are in place to ensure the effective development, deployment and validation of models and adequate performance monitoring thereof. Model development data, which are guided by principles of transparency, explainability and auditability, are thoroughly assessed before use. 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.

Operational risk

General approach and objectives

The Group aims to identify, mitigate and manage operational risks across activities, processes and systems in line with the defined risk tolerance. The objective is to underpin the continuity of our operations and anchor a solid platform to provide customers with seamless services. Towards determining the operational risk tolerance levels, we set risk acceptance and mitigation limits in respect of the principal categories of operational risk as appropriate. Operational risk sanctioning mandates and day-to-day oversight responsibilities are entrusted to the Management of Group entities. The latter are responsible for the application and effectiveness of their respective Operational Risk Policy as approved by the Audit Committee. The operational risk policies formulate the principles and methodologies for the management of operational risk. They set out a framework which is aligned with best practices and standards, advocated rules and norms on the local and international fronts, while setting out the relevant roles and responsibilities within the entity. As part of their responsibility to implement the operational risk management framework, Management has to (i) ensure compliance with underlying objectives set in terms of the management of such types of risk; and (ii) foster the development, implementation and documentation of internal controls and processes.

Measurement and monitoring

The determination of the risk exposures is anchored on the regular review of operational risks inherent in internal processes and client solutions, with monitoring thereof performed against acceptable tolerance limits. MCB Ltd applies the Alternative Standardised Approach for calculating and reporting its operational risk capital charge whilst the other entities apply the Basic Indicator Approach. Information on operational risk events is recorded in centralised databases, which enables systematic root cause and trend analysis for necessary corrective actions

Mitigation and management

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

Primary lines of control

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

Whilst the Operational Risk BU is responsible for the identification, assessment and management of related risks, operational risk management forms part of the day-to-day responsibilities of Management and employees. The Operational Risk Cartographies of the various SBUs are regularly updated and leveraged for the assessment of operational risks and the implementation of relevant controls.

The management of operational risks by the overseas banking entities is also underpinned by recourse to specific tools and systems that are adopted by MCB Ltd, notably the incident reporting system, as tailored to the subsidiaries' business realities. In addition, staff are offered training courses from MCB Ltd to ensure that they are well prepared to deal with specific risk management needs.

At MCB Capital Markets, the initial stage for the management of operational risks includes formal reviews of procedures and processes, analysis of complaints, incident reports and IT change requests as well as review of new products and services. The output is then used to update MCBCM's risk maps (where applicable), which address all material risks faced by the business and their pre-control ratings. These risks are eventually re-assessed taking into account existing and additional controls that are required to arrive at a post-control rating. Any residual post-control risks deemed material will lead to a re-design of the relevant controls until such risks are adequately addressed, mitigated or eliminated.

Health and safety

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

Business continuity risk

General approach and objectives

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

Mitigation and management

The Business Continuity Management framework of the Group is encapsulated in the entities' respective BCM policies. The latter outline the applicable governance structure as well as the roles and responsibilities of each actor involved in the BCM programme. As an integral part of the Operational Risk Management framework in place, the BCM framework is centrally coordinated and controlled by the entities' risk functions, in collaboration with relevant support functions. A dedicated Crisis Management Team consisting of key members of Management shoulders central command during a crisis. Specific business segments, through designated business continuity champions, are the BCM process owners and are responsible for designing, reviewing and maintaining up-to-date recovery plans at their respective levels, in alignment with entities' specificities.

Furthermore, contingency strategies have been refreshed to respond to an evolving landscape encompassing potential disruptions due to cyber threats, climate risks and third-party or supplier dependencies together with the more traditional business continuity risks such as technological outages and site unavailability disruptions. In this respect, banking entities in particular conduct regular Disaster Recovery (DR) simulation exercises to test the operability of critical systems hosted on servers that are located at dedicated sites. During the year, MCB Ltd carried out its planned annual concurrent DR simulation to confirm the operability of its DR site in the event of a major technological outage and has again successfully executed unplanned DR exercises to test the actual readiness of its technical teams.

Cyber and information security risk

General approach and objectives

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

Mitigation and management

Risk management implies the regular conduct of information risk assessments so as to identify issues that can potentially harm the organisation's information assets and recommend adequate mitigating controls. At MCB Ltd, the Cyber & Information Security Risk (CIS) BU is responsible for, *inter alia*, developing and maintaining cyber, technology and information risk policies, in line with the evolving operating and threat landscapes, as well as requirements set by the regulator and other major 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. The risk mitigation strategy encompasses regular threat and vulnerability assessments and the implementation of appropriate controls. The organization has established comprehensive processes to manage access to logical information, ensuring that access is restricted to individuals with a justified business requirement, and is subject to continuous monitoring and control. We have cyber incident response plans (CIRP), disaster recovery plans, business continuity plans and crisis management plans that are regularly reviewed, simulated and tested. Moreover, our proactive promotion of a cyber risk culture has resulted in enhanced security awareness amongst our staff. These measures form a cohesive framework designed to protect the Bank's assets and maintain operational resilience. The Bank's cybersecurity risk management is structured across multiple levels, each with distinct responsibilities. At the operational level, the Information Security BU manages day-to-day security operations, incident response, threat intelligence, and disaster recovery. The CIS BU provides strategic oversight, focusing on risk identification, management, policy formulation, and governance. This unit ensures compliance with security practices across all domains of cyber, information, data, and technology. Our Internal Audit function offers an independent assessment of the effectiveness of our cybersecurity measures, providing an additional layer of assurance. To maintain the efficacy of our security posture, MCB Ltd conducts annual audits of its information security policies and systems. The CIS BU regularly reports its findings, recommendations, and assessments to executive committees and the Audit Committee, ensuring that cybersecurity, technology risks and data protection remain at the forefront of our risk management agenda.

From a broader perspective, the Group's entities are guided by roadmaps that have been developed in order to ensure that policies and processes are continuously geared up to effectively cope with growing challenges posed by cyber threats. As such, several initiatives have been deployed to strengthen and ensure the robustness of the entities' information security including regular independent Penetration Testing and Vulnerability Assessments by leveraging external expertise. Further details on moves undertaken by MCB Ltd are provided below::

Recent initiatives at MCB Ltd

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

- The Bank has continuously tested its external-facing and internal environments and proactively detected and remediated any vulnerabilities discovered
- Any gaps in relation to the BoM Guideline on Cyber and Technology Risk Management have been addressed
- The cyber incident response processes have been enhanced, with regularly testing of our response plans to ensure that we remain resilient in the wake of a cyber incident
- Our third-party risk management framework has been strengthened to better identify, assess and mitigate related risks
- Proactive steps have been taken to improve our cyber security risk culture through various bank-wide initiatives
- 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
- Various actions, including security awareness sessions, have been continuously taken to enhance our employees' alertness to cybersecurity, with a focus on social engineering
- The Bank continues to monitor and respond to cyber threats through the use of Counter Threat Intelligence
- The Bank's security posture has improved further through the ongoing activities of a dedicated Red Team
- The security events monitoring capability of our Security Operations Centre (SOC) is continuously being refined and augmented with new use cases and increased scope

Compliance risk

General approach

Forming part of the Group's second line of defence for managing risks, the Group Compliance Function is duty-bound to provide assistance to the Boards and Management of the Group entities in order to ensure that business activities are conducted in strict abidance by applicable laws, rules, regulations, industry codes of conduct, policies, standards, and good governance practices. The main objectives include complying with all relevant stipulations to safeguard the organisation's assets and shield it from legal and regulatory sanctions and financial/reputation losses, while at the same time ensuring a sustainable growth both for its stakeholders and the society.

We also continually strive to ensure consistency between the conduct of business operations and the observance of relevant laws, regulations 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. As a socially responsible organisation, the Group is committed to upholding ethical conduct and adherence to legal standards which, in turn, reinforces the trust and confidence of our stakeholders, including investors, customers and the communities in which the Group operates. It fosters a compliance-oriented culture, supporting business lines in delivering fair outcomes for customers and preserving the Group's reputation, all while helping to achieve sustainable business development objectives.

The Group Compliance Function also helps to protect the Group's goodwill and to minimise the risk of investigation, prosecution, regulatory sanctions and penalties.

The year in review from a Compliance Risk perspective

With a view to enhancing our approach to compliance across all our subsidiaries, the Head of Compliance function of MCB Ltd has been elevated at Group level. The Group Compliance Function oversees the compliance aspects of the banking and non-banking entities of the Group, both locally and internationally where the Group has a presence. While the oversight will be carried out by the Group Head of Compliance and her respective teams, each subsidiary of the Group will continue to take ownership of the risks of its operations and the management of its compliance functions.

Group Code of Ethics

During the year under review, the Code of Ethics has been revamped so that the Code adequately sets out the commitment of the organisation, *inter alia*, to ethical behaviour, integrity and accountability in all aspects of our business operations. It aims at providing the necessary guidance to the employees in understanding their ethical responsibilities towards their peers, clients, stakeholders and the communities in which they operate.

Whistleblowing Policy

The Whistleblowing Policy has also been reviewed, 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 staff and external stakeholders reporting a concern are reassured that same shall remain confidential and impartial judgement will be applied in all cases.

Group Compliance AML/CFT initiatives

As part of its Anti-Money Laundering/Combating the Financing of Terrorism and Proliferation (AML/CFT) obligations, the Group has remained resilient in its approach towards maintaining the adequate framework in the fight against financial crimes. Indeed, our continued efforts to combat Money Laundering/Terrorist & Proliferation Financing (ML/TF/PF) has enabled us to reduce the impact of such risks on our customers, investors, societies in which we operate, to name a few. As a way to proactively address and effectively mitigate such risks, entities within the Group have put in place the relevant controls, policies and procedures which include, *inter alia*, staff training and awareness as well as monitoring activities to ensure adherence to legal and regulatory obligations.

Group Compliance main objectives

One of the main objectives of the Group Compliance Function is to foster collaboration across, create synergy and the necessary harmonisation among the organisation in compliance and regulatory matters. This operationalisation of the Compliance Group Function is achieved through the following key Group initiatives:

1. Centralised oversight – by identifying trends, gaps and best practices, while simultaneously reducing duplication of efforts;

2. Economies of scale – in terms of cost efficiency for resources and compliance-related technology;

3. Standardisation of Policies and Procedures – to the extent possible so as to establish a consistent approach for managing compliance risks

4. Enhancing overall compliance effectiveness – by conducting regular risk assessments, audits and reviews across the Group entities

5. Capacity building – sharing and transfer of knowledge among the entities of the Group, upskilling the staff class, thereby also creating a blend of specialist competencies

Group Compliance main priorities

- Implementing Group compliance controls, policies and procedures
- Ensuring adherence to Group's Code of Ethics, Anti-Bribery Policy, Whistleblowing Policy and Fraud Policy to uphold good conduct, good order, and the values of honesty and integrity
- Promoting strong ethical behaviour amongst employees of the Group as well as to prevent and manage any potential conflicts of interests
- Conducting compliance risk assessments, compliance audits and reviews
- Providing proactive compliance advice and support
- Conducting regular awareness and training programmes aiming to promote compliance culture, transparency and coherence across the Group
- Revamping and upholding the Group's whistleblowing system
- Ensuring ongoing enhancement of the transactional monitoring and screening alert systems, parameters and framework to reinforce effectiveness

- Implementing state-of-the-art compliance technologies
- Conducting Enterprise Risk Heat Map and the Enterprise Wide Risk Assessment (EWRA) from an AML/CFT perspective, including the identification of new/emerging risks and ensuring corrective measures are taken and monitored to minimise the likelihood of the risks materialising
- Paying continuous attention to the fast-changing legal and regulatory framework and undertaking regular reviews of ongoing developments with respect to laws, regulations, guidelines and standards of good practice
- Fostering trusted relationships with regulatory and supervisory bodies by sustaining productive and value-adding dialogue with them to uphold effective two-way communication
- Increasing synergies and close collaboration amongst risk functions and with other areas of the Group

Zoom on our Permanent Supervision framework

The Group has adopted the Permanent Supervision methodology across banking entities so as to reinforce independent controls within its second line of defence. The permanent control approach is governed by several rules and standards prevailing locally, notably (i) regulatory requirements and guidelines; (ii) relevant Basel requirements; and (iii) guidance provided and principles formulated by the Committee of Sponsoring Organizations of the Treadway Commission, which is a joint initiative to combat corporate fraud and was established in the US by private sector organisations. The banking entities adhere to dedicated internal control policies, which formulate the key principles and underlying governance framework underpinning the efficient development, deployment and monitoring of control activities undertaken by different sections of the organisation. The applicable framework sets out the relevant roles, responsibilities and reporting mechanisms to assist in fostering sound and stable operations within the entity.

The Group applies a series of operational controls with respect to internal processes and client solutions. Such controls are regularly reviewed and actively monitored in order to gauge the applicability and effectiveness of actions taken. Internal control forms part of the day-to-day responsibilities of Management and all employees. Specifically at MCB Ltd, while the former is responsible to implement the internal control framework, the Permanent Supervision BU, through Risk & Control Executives, is responsible for ensuring the proper functioning of the internal control system in all the major activities of the Bank. 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 Information and Operational Risk Committee and the Audit Committee as appropriate. 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.

Climate risk at MCB Ltd

General approach and objectives

Climate risk may directly or indirectly affect banks through exposures to customers, resulting in both financial and non-financial impacts. At MCB, we assess the impact of climate change on financial risks through physical and transition risk factors.

Physical risk

This refers to potential losses and economic costs which may arise due to increased severity of extreme weather events such as cyclones and floods (acute risks) and longer term shifts in climate patterns such as sustained higher temperatures and rising sea levels (chronic risks).

Transition risk

This refers to potential losses and economic costs which may arise due to significant and rapid policy changes, disruptive technology development or market sentiment shifts as part of the transition towards a lower carbon economy.

In line with the requirements of the Bank of Mauritius Guideline on Climate-related and Environmental Financial Risk Management, we have defined a roadmap for the integration of climate-related financial risk into the Bank's risk management framework. A climate risk working group has been created as part of the Transition Taskforce to drive the climate risk initiative, submit progress reports on the roadmap to the Bank of Mauritius and coordinate with the enlisted international service provider.

The Bank is implementing an adapted governance framework to cater for climate-related risk management and sustainability considerations. The Chief Risk Officer is responsible for the oversight and alignment of policies, including consideration for climate and environmental risks and associated financial and reputational risks. The Head of Financial Risk oversees progress against the climate risk roadmap and the integration of climate-related risks into the risk management framework.

Measurement, monitoring and management

MCB has enlisted a service provider to assist in the measurement of climate-related physical and transition risks within our portfolios. Our initial assessment, undertaken during FY 2023/24, covered a sample of corporate clients across key portfolios and sectors. The physical risk assessment exercise sets out to assess the potential impact of climate-related physical risk hazards under various scenarios based on the Intergovernmental Panel on Climate Change (IPCC) pathways. Temperature extremes, tropical cyclones, droughts, and coastal flooding hazards are identified as being more relevant to our portfolios given that our exposure is largely related to assets based in Mauritius and Africa. The transition risk assessment focused on modelling the impact of potential carbon taxes on our clients. Whilst the Oil & Gas sector is perceived as a carbon-intensive industry, our exposure therein is mostly on a short-term basis and self-liquidating in nature, hence lowering the transition risk profile. However, modelling these risks is inherently challenging due to data limitations, making the quantification of climate-related risk difficult.

MCB intends to leverage climate scenario analysis to assess climate-related risks and opportunities, as well as determine the potential implications of climate change for our strategy and business model. In this respect, climate considerations have been incorporated on a qualitative basis in the stress testing exercise conducted by the Bank during FY 2023/24. Given the importance of understanding climate-related events, we are dedicated to continuously upskill our employees at all levels on this topic, through regular awareness sessions.

Environmental and Social risk at MCB Ltd

General approach and objectives

MCB Ltd is committed to contributing to the sustainable development of countries where we operate. We have integrated environmental and social (E&S) risk management into our credit value chain to promote positive impacts and mitigate potential negative effects on people, communities, and the environment. Our approach is guided by our internal Environmental and Social Risk (ESR) Policy, which outlines MCB's commitment to identifying and managing E&S risks in our financing activities.

Our dedicated Environmental and Social Risk Management function (ESRM) sits within the Risk SBU and is responsible for the identification of E&S risks in financing activities and for the provision of recommendations on E&S matters, with the Head of Credit Management integrating E&S risk policy objectives into relevant credit committees and processes. E&S risks identified are reported to the Risk Monitoring Committee on a quarterly basis.

Measurement, monitoring and management

MCB Ltd has developed a systematic ESRM methodology to identify, assess, manage, and monitor E&S risks in our lending activities in line with our ESR Policy which defines transactions eligible for E&S Risk Assessment, covering all sectors within our risk appetite. We are dedicated to also addressing emerging E&S risks such as biodiversity loss, gender issues, and working conditions across various sectors. Our ESRM process begins with a preliminary E&S screening to ensure compliance with our Exclusion List for new clients or projects. This exclusion list, approved by the Board, relates to activities with damaging impacts on the environment and human rights. Eligible transactions then undergo risk identification and are categorised as per the magnitude of their potential impact based on criteria defined by the International Finance Corporation and the Equator Principles.

We conduct E&S due diligence for all projects, with the depth of assessment varying based on the project's risk category. This process evaluates compliance with applicable laws, regulatory frameworks, and international standards, including the UN Guiding Principles on Human Rights and IFC Performance Standards. When necessary, we develop Environmental and Social Action Plans to bring projects into compliance with applicable standards and Bank requirements.

E&S risk recommendations are escalated to relevant credit committees, and E&S conditions and covenants are included in contractual agreements with clients. Post-disbursement, we continue to monitor relevant E&S covenants, engage with clients, and conduct site visits. Any breaches are promptly escalated to credit committees, ensuring ongoing management of E&S risks throughout the credit lifecycle. By integrating E&S risk management into every stage of our credit process, from initiation to monitoring, MCB Ltd demonstrates its commitment to responsible banking practices and sustainable development in the regions we serve.

Read more on our ESRM Policy on our website

Risk assurance: Internal audit

General approach

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

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

Based on its assessments, the Internal Audit function is presently not aware of any significant area of the Group where there are inadequate internal controls. The function does not believe that there are deficiencies in internal controls that could give rise to risks which could eventually jeopardise the operations of the Group. The third line of defence executes its duties freely and objectively in accordance with the IIA Code of Ethics and International Standards on independence and objectivity.

Capital management

The framework

In line with regulatory rules, Basel requirements and industry best practices, the capital management objective of the Group is to ensure that adequate capital resources are available to operate effectively, foster sustained business growth, either maintain or enhance credit ratings and cope with adverse situations. Capital management policies and practices of the Group entities aim to maintain a strong capital position that is consistent with stakeholder expectations and requirements.

Capital management at the Group is underpinned by a forward-looking approach and coupled with a comprehensive governance framework. The entities determine the level and composition of capital after making allowance for multiple factors. They include the legal and regulatory landscape across countries, the business environments, conditions prevailing across economies and financial markets, the Group's strategic orientations, etc. Through this holistic assessment, we fine-tune our capital strategy to align with our broader goals, thereby ensuring our sustained resilience and capacity for strategic advancement.

Our process

Commensurate with the strategic orientations, risk appetite and risk management framework approved by the Board of MCB Group Ltd, the entities, particularly those within the banking cluster, abide by their internal policies and practices for undertaking their capital management initiatives. These include (i) capital planning and allocation across business segments and geographies wherever applicable; (ii) capital reporting, budgeting and analysis; and (iii) management of capital consumption against budgets. For instance, MCB Ltd and MCB Seychelles are guided by their Internal Capital Adequacy Assessment Process (ICAAP) in determining the capital planning exercise and formulating the risk appetite. This provides the framework to ensure that adequate capital is kept beyond core minimum requirements to support business activities.

Internal Capital Adequacy Assessment Process of MCB Ltd

Framework	MCB is guided by its Internal Capital Adequacy Assessment Process (ICAAP) when determining its capital planning and formulating its risk appetite process. The ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius (BOM) Guideline on Supervisory Review Process in April 2010. The ICAAP document, which is reviewed periodically, delineates the process through which the Bank assesses the required minimum capital to support its activities. It seeks to ensure that MCB remains well capitalised after considering material risks.
Objectives	To provide an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks; and to make sure that adequate capital resources are kept to support risks faced beyond core minimum requirements.
Assessment and planning	Through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise, while financial year risk appetite limits are set by the Board. As for the Bank's exposures, they are monitored on a quarterly basis against those limits, with related insights being reported to the RMC. The capital plan includes a crisis management plan. The latter makes allowance for various measures that should help to rapidly mobilise additional capital if the need arises, with discussions thereon being held at Board level.

Stress testing at MCB Ltd

Stress testing is a key risk management tool used by the Bank and is an integral part of its ICAAP. The aim of the Bank's stress testing framework is to identity, quantify, evaluate and make sense of the potential impact of specific changes in risk factors on the business development and financial strength of the Bank. MCB applies the stress testing principles set out under the new BoM Guideline on Stress Testing issued in June 2022. Forecasts are made over a 3-year horizon, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational and market risks) and Pillar II risk types (i.e. concentration, liquidity, interest rate, strategic risks, etc.). These assessments are undertaken to understand the sensitivity of the key assumptions of the capital plan with regard to the realisation of plausible stress scenarios. This helps MCB evaluate how it can maintain adequate capital under such scenarios.

Risk identification	• To detect and address existing or potential vulnerabilities such as unidentified and Bank-wide risk concentrations or interactions among various types of risk, many of which may be overlooked when relying purely on statistical risk management tools based on historical data
Risk assessment	• To promote a deep understanding of organisational vulnerabilities on the back of forward-looking risk assessments; this helps to make risk more transparent via an estimation of scenario-based losses and to prevent the development of any false sense of security about the Bank's resilience • To evaluate the significance of risk faced during different phases, notably during periods of: (i) favourable economic and financial conditions given the subsequent lack of visibility over potentially negative future developments; and (ii) business expansion when innovation leads to new products and services for which no historical data is available for forecasting future trends
Risk mitigation	• To facilitate development of risk mitigation or contingency plans across stressed conditions • To stimulate debates and raise awareness on the various risk aspects of our client portfolios among Management, helped by (i) a well organised surveying of the operating context; (ii) an identification of the most important risk factors; and (iii) a scanning of the horizon for potential stressful events

Stress testing results

In FY 2023/24, 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 2023/24, i.e. at the beginning of January 2024, and we then measured the relevant impacts accordingly. The scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Bank's risk profile, activities as well as prevailing and forecasted economic conditions. We measured potential impacts on the following metrics: (i) Solvency: Capital adequacy ratio and Tier 1 ratio; (ii) Profitability: Net profit after tax; (iii) Asset quality: NPL ratio and cost of risk; and (iv) Liquidity: LCR, NSFR, Net Present Value (NPV) of Trading and Fair Value Through Other Comprehensive Income (FVTOCI) portfolio. The stress test results are reported and discussed at the RMC and the Board prior to being submitted to the BoM. Barring extreme cases, our recent analyses revealed that the Bank's capital adequacy ratio does not fall below the regulatory requirements in any of the 4 scenarios described hereunder.

High interest rate environment *(Medium scenario)*	Further deterioration of the war in Israel and Gaza in FY 2024, which leads to a hike in inflation globally. The war disrupts oil production facilities and supply routes in the Middle East, leading to a sudden surge in oil prices. As a result, transportation and production costs increase, causing a ripple effect throughout the global financial system. The US Federal Reserve decides to tighten its monetary policy by further raising interest rates. Meanwhile, to combat the rising inflationary pressure in Mauritius, BoM decides to raise the Key Rate to curb imported inflation. In this scenario, the Mauritian Rupee depreciates sharply against major international currencies.
High interest rate environment *(Severe scenario)*	In addition to the events unfolding in the previous scenario, Mauritius faces catastrophic climatic events where two category 5 cyclones hit the island in quick succession, resulting in widespread devastation. The cyclones cause extensive damage to infrastructure, including power outages, widespread flooding and the contamination of water supply across several parts of the island. Tourists become reluctant to visit Mauritius causing hotels, resorts and restaurants to suffer significant losses, and investors begin to shift their investments to safer economies. Given the deteriorating economic situation, international rating agencies further downgrade Mauritius sovereign country rating.
Low interest rate environment *(Medium scenario)*	Inflation remains under control in US and Europe resulting in the Fed and the ECB reducing their rates to alleviate pressures on their economies. As rates fall, investors seek higher returns elsewhere, resulting in a depreciation of the USD and EUR against other currencies including the Mauritian Rupee. Additionally, the depreciation of the EUR makes Mauritius a less attractive destination for European tourists. This in turn causes a decline in the number of tourist arrivals affecting directly the hospitality services sector with a ripple effect on other sectors.
Low interest rate environment *(Severe scenario)*	In addition to the events described in the above scenario, the situation further deteriorates with a banking crisis resulting from the collapse of a major international bank arising from a cyberattack in FY 2025. There is a loss of confidence in the banking sector, causing panic among depositors and investors. Investors and depositors, fearful of the potential insolvency risk in the banking sector, turn to safe-haven assets such as gold. The crisis causes an increasing economic hardship for the population and combined with the loss of jobs, a civil unrest emerges in Mauritius.

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

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

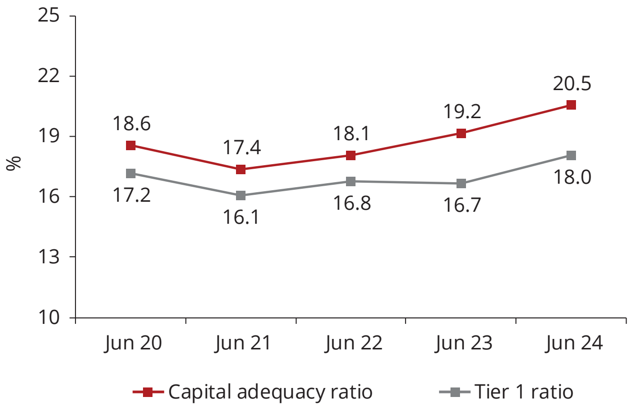
Stress testing results

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

Capital position for FY 2023/24

The Group continued to be well capitalised backed by higher retained earnings, the conversion of preference shares into ordinary shares and the issue of scrip shares in lieu of dividend. The Group's capital base was further strengthened by the issuance by MCB Ltd of a Tier 2 debt instrument for a notional amount of USD 147 million. The capital adequacy and Tier 1 capital ratios stood at 20.5% and 18.0% respectively as at 30 June 2024. The predominant contribution thereto has emanated from the banking entities of the Group, for which maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. Risk-weighted assets of the Group stood at Rs 549 billion as at 30 June 2024, out of which 94% was accounted for by the banking cluster with MCB Ltd representing 84% of the overall risk-weighted assets.

Capital adequacy and Tier 1 ratios



Zoom on the banking cluster

Regulatory requirements

The Group's banking entities foster strict compliance with mandatory stipulations set by the regulators in their respective jurisdictions. In respect of MCB Ltd, it uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Alternative Standardised Approach used for operational risk. The determination of its capital resources is conducted in line with the BoM Guideline on Scope of Application of Basel III and Eligible Capital. It also complies with the Guideline for dealing with Domestic-Systemically Important Banks (D-SIB). Under the guideline, banks are required to hold a capital surcharge, also known as D-SIB buffer, ranging from 1.0% to 2.5% of their risk- weighted assets depending on their systemic importance. The assessment for determining D-SIB is carried out on a yearly basis by the Central Bank using end-June figures. According to the assessment carried out by the BoM, MCB Ltd features among the four banks that have been identified as systemically important in our jurisdiction. This assessment is based on five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability.

The minimum regulatory Tier 1 and capital adequacy ratios currently applicable to MCB Ltd stand at 13.0% and 15.0% respectively. As for the overseas banking entities, they are guided by the minimum regulatory ratios set out in the table below.

Minimum regulatory ratios

	MCB Ltd	MCB Seychelles	MCB Maldives	MCB Madagascar
As at 30 June 2024	**%**	**%**	**%**	**%**
Capital adequacy ratio	15.0	12.0	12.0	10.5
Tier 1 ratio	13.0	6.0	6.0	8.5

Performance for FY 2023/24

The capital adequacy ratio of the banking cluster – as measured at the level of MCB Investment Holding Ltd on a consolidated basis – stood at 18.8% as at 30 June 2024. The capital base was primarily made up of core capital, with the Tier 1 ratio standing at 16.4%. The following tables depict the capital adequacy ratios posted by the banking cluster.

Banking cluster: Capital adequacy ratios

Capital adequacy	**MCB Group**		**Banking cluster**	
	Jun 23	**Jun 24**	**Jun 23**	**Jun 24**
Capital base	**Rs m**	**Rs m**	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	4,907	6,975	8,880	8,880
Retained earnings	75,747	89,913	61,396	72,069
Accumulated other comprehensive income and other disclosed reserves	10,357	7,264	10,478	10,924
Common Equity Tier 1 capital before regulatory adjustments	**91,011**	**104,153**	**80,753**	**91,873**
Regulatory adjustments				
Goodwill and other intangible assets	(2,867)	(3,211)	(2,398)	(2,719)
Deferred tax assets	(2,217)	(3,168)	(3,107)	(4,118)
Defined benefit pension fund assets	(456)	(754)	(456)	(754)
Common Equity Tier 1 capital (CET1)	**85,471**	**97,020**	**74,793**	**84,283**
Additional Tier 1 capital (AT1)	2,300	1,621	-	-
Tier 1 capital (T1 = CET1 + AT1)	**87,771**	**98,640**	**74,793**	**84,283**
Capital instruments	6,840	7,057	6,840	7,057
Provisions or loan-loss reserves	6,016	6,224	5,701	5,858
45% of surplus arising from revaluation of land and buildings	938	1,288	-	-
Tier 2 capital before regulatory adjustments	**13,794**	**14,568**	**12,541**	**12,915**
Regulatory adjustments	(546)	(559)	(544)	(557)
Tier 2 capital (T2)	**13,248**	**14,009**	**11,997**	**12,358**
Total capital (T1 + T2)	**101,019**	**112,649**	**86,790**	**96,641**
Risk-weighted assets	**Rs m**	**Rs m**	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	446,016	453,885	420,896	424,784
Weighted amount of off-balance sheet exposures	35,285	43,999	35,185	43,875
Weighted risk assets for operational risk	39,017	46,229	36,976	44,258
Aggregate net open foreign exchange position	4,508	4,446	653	1,148
Total risk-weighted assets	**524,826**	**548,558**	**493,710**	**514,065**
Capital adequacy ratios (%)	**Jun 23**	**Jun 24**	**Jun 23**	**Jun 24**
Total capital adequacy ratio	**19.2**	**20.5**	**17.6**	**18.8**
of which Tier 1	***16.7***	***18.0***	***15.1***	***16.4***

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

	MCB Ltd	MCB Seychelles	MCB Maldives	MCB Madagascar
	%	%	%	%
Capital adequacy ratio				
As at 30 June 2023	18.3	20.3	60.2	12.6
As at 30 June 2024	19.8	20.2	66.5	11.2
Tier 1 ratio				
As at 30 June 2023	15.8	16.9	49.3	10.2
As at 30 June 2024	17.3	17.4	57.4	9.3

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

Jean-Philippe COULIER
Director
Chairperson Risk Monitoring Committee

Jean Michel NG TSEUNG
Group Chief Executive

Adventist Development and Relief Agency (ADRA)

We back ADRA, a strong stakeholder supporting socio-economic development and poverty relief efforts in Madagascar. ADRA’s areas of intervention are education, health services, and economic development. They also respond to emergencies and promote the self-reliance of communities. They have supported over 50,000 people through health and education programmes and provided emergency relief during natural disasters such as cyclones and droughts.

Independent auditor's report to the Shareholders of MCB Group Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **MCB Group Limited** (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 6 to 87, which comprise the consolidated and separate statements of financial position as at 30 June 2024, and the consolidated and separate statements of profit or loss, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2024, and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those Standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters described below relate to the consolidated financial statements and no key audit matter was identified on the separate financial statements.

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 *Financial Instruments* ("IFRS 9") requires the Group to recognise expected credit losses ("ECL") on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the application of IFRS 9 are: • **Model estimations** - The Group 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 Board and its subcommittees to ensure that there are governance controls in place in relation to assessment of the ECL; • Using specialist team in performing certain procedures; - Evaluating the appropriateness of the impairment methodologies applied by the Group against the requirements of IFRS 9; - Assessing the appropriateness of macro-economic forecasts used; and - Independently assessing assumptions underlying the PD, LGD and EAD.

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

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired (Cont'd)	
• **Significant Increase in Credit Risk (‘SICR’)** – Determining the criteria for SICR and identifying SICR– This 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 are the credit index, the real gross domestic product and the consumer price index. Management has also used different forward-looking scenarios which were probability-weighted to determine the ECL. • **Qualitative adjustments** – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain which involve significant management judgement. Due to the significance of the judgements and estimates involved in the overall determination of the allowances for ECL, this item is considered as a key audit matter. The details of the policies and processes for the determination of the allowances for ECL are disclosed in Notes 1(j) and 3(b) to the consolidated and separate financial statements.	• Reviewing a sample of the rating reports derived from the internal rating system; • Reviewing the criteria for staging of credit exposures and ensuring these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.
Provision for expected credit losses – Loans and advances to customers which are credit impaired	
Provision for expected credit losses on credit-impaired loans and advances to customers involve the use of assumptions which are subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of the provision for expected credit losses on credit-impaired loans and advances to customers. For impaired credits, the most significant judgements are whether impairment events have occurred and the valuation of any underlying collaterals, along with the determination of the corresponding PD and LGD. The details of the provisions for expected credit losses on credit-impaired loans and advances to customers are disclosed in Note 6(b)(iv) to the consolidated and separate financial statements.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for identification of impairment events for impaired assets and impairment assessment; • Inspecting the minutes of the Board and its subcommittees to ensure that there are governance controls in place in relation to assessment of allowances for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions;

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

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Loans and advances to customers which are credit impaired (Cont'd)	
Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	• Independently recalculating the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where 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 Group at a glance;
- Financial highlights;
- Non-financial highlights;
- Reflections from the Chairperson;
- Board of Directors and Committees of the Board;
- About this report;
- Our corporate profile;
- Value creation for our stakeholders;
- Delivering on our strategic objectives;
- Group financial performance;
- Corporate governance report, including the statement of directors' responsibilities and statement of compliance;
- Company Secretary's certificate;
- Risk and capital management report;
- Administrative information;
- Sustainability report; and
- Materiality Analysis for MCB Ltd.

The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of material accounting policy information used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Financial Reporting Act 2004

Corporate Governance Report

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

Use of this report

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte
Chartered Accountants
27 September 2024

Agrawal.

Vishal Agrawal, FCA
Licensed by FRC

Consolidated and Separate Statements of financial position

as at 30 June 2024

		GROUP		COMPANY	
		2024	2023	2024	2023
	Notes	RS'M	RS'M	RS'M	RS'M
ASSETS					
Cash and cash equivalents	4	**89,098**	120,570	**1,862**	1,593
Derivative financial instruments	5	**2,077**	1,283	**-**	-
Loans to and placements with banks	6(a)	**16,603**	13,780	**1,233**	-
Loans and advances to customers	6(b)	**399,161**	349,285	**-**	-
Investment securities	7	**345,677**	267,472	**615**	608
Investments in associates and joint venture	8	**13,102**	13,169	**154**	154
Investments in subsidiaries	9	**-**	-	**13,378**	13,426
Investment properties	10	**5,305**	5,139	**-**	-
Goodwill and other intangible assets	11	**3,144**	2,799	**-**	-
Property, plant and equipment	12	**7,611**	7,534	**229**	232
Deferred tax assets	13	**4,118**	3,124	**-**	-
Post employment benefit asset	20	**754**	455	**-**	-
Other assets	14	**50,548**	45,371	**2,842**	2,433
Total assets		**937,198**	829,981	**20,313**	18,446
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	15(a)	**34,395**	10,352	**-**	-
Deposits from customers	15(b)	**672,464**	587,414	**-**	-
Derivative financial instruments	5	**1,996**	1,285	**-**	-
Other borrowed funds	16	**66,579**	87,657	**-**	1,616
Debt securities	17	**18,342**	15,760	**4,485**	2,001
Subordinated liabilities	18	**7,057**	8,172	**-**	1,113
Preference shares	19	**1,621**	2,300	**1,621**	2,300
Current tax liabilities		**2,864**	3,135	**3**	1
Deferred tax liabilities	13	**548**	478	**-**	-
Other liabilities	21	**24,317**	20,333	**3,355**	2,632
Total liabilities		**830,183**	736,886	**9,464**	9,663
Shareholders' equity					
Stated capital	22	**6,975**	4,907	**6,975**	4,907
Retained earnings		**82,170**	71,323	**3,913**	3,891
Other components of equity		**14,114**	13,533	**(39)**	(15)
Equity attributable to the equity holders of the parent		**103,259**	89,763	**10,849**	8,783
Non-controlling interests		**3,756**	3,332	**-**	-
Total equity		**107,015**	93,095	**10,849**	8,783
Total equity and liabilities		**937,198**	829,981	**20,313**	18,446
CONTINGENT LIABILITIES (NET)	23	**190,152**	125,670		

These financial statements were approved by the Board of Directors and authorised for issue on 27 September 2024.

Jean Michel NG TSEUNG
Director
Group Chief Executive

Didier HAREL
Director
Chairperson-Board of Directors

San T SINGARAVELLOO
Director
Chairperson-Audit Committee

The notes on pages 212 to 310 form part of these financial statements.
Auditor's report on pages 196 to 200.

Consolidated and Separate Statements of profit or loss

for the year ended 30 June 2024

		GROUP		COMPANY	
		2024	2023	2024	2023
	Notes	RS'M	RS'M	RS'M	RS'M
Interest income using the effective interest method	24	45,617	33,924	76	17
Interest expense	25	(21,378)	(14,134)	(332)	(339)
Net interest income		24,239	19,790	(256)	(322)
Fee and commission income	26	11,019	9,673	-	-
Fee and commission expense	27	(3,667)	(3,067)	-	-
Net fee and commission income		7,352	6,606	-	-
Net trading income	28	4,220	3,673	60	70
Net gain from equity financial instruments carried at fair value through profit or loss		336	614	-	-
Dividend income	29	136	182	6,032	4,756
Other operating income		851	927	-	-
Loss on disposal of associate		(241)	-	-	-
		5,302	5,396	6,092	4,826
Operating income		36,893	31,792	5,836	4,504
Non-interest expense					
Salaries and human resource costs	30(a)	(7,415)	(5,957)	(142)	(144)
Depreciation of property, plant and equipment	12	(889)	(897)	(3)	(2)
Amortisation of intangible assets	11	(702)	(652)	-	-
Other	30(b)	(4,464)	(3,751)	(89)	(60)
		(13,470)	(11,257)	(234)	(206)
Operating profit before impairment		23,423	20,535	5,602	4,298
Impairment charge	31	(3,684)	(3,644)	(239)	-
Operating profit		19,739	16,891	5,363	4,298
Share of profit of associates	8(e)	582	867	-	-
Profit before tax		20,321	17,758	5,363	4,298
Income tax expense	32	(4,126)	(3,445)	(2)	(1)
Profit for the year		16,195	14,313	5,361	4,297
Profit for the year attributable to:					
Ordinary equity holders of the parent		16,045	14,133	5,361	4,297
Non-controlling interests		150	180	-	-
		16,195	14,313	5,361	4,297
Earnings per share:					
Basic (Rs)	34(a)	63.69	57.67		
Diluted (Rs)	34(b)	63.65	57.66		

The notes on pages 212 to 310 form part of these financial statements.
Auditor’s report on pages 196 to 200.

Consolidated and Separate Statements of comprehensive income

for the year ended 30 June 2024

		GROUP		COMPANY	
		2024	2023	2024	2023
	Note	RS'M	RS'M	RS'M	RS'M
Profit for the year		**16,195**	14,313	**5,361**	4,297
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Net fair value gain/(loss) on equity instruments		**75**	108	**(30)**	(57)
Remeasurement of defined benefit pension plan, net of deferred tax	32(b)	**117**	(224)	**-**	-
Share of other comprehensive income of associates		**341**	84	**-**	-
		533	(32)	**(30)**	(57)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**357**	365	**-**	-
Reclassification adjustment on disposal of associate		**192**	-	**-**	-
Net fair value (loss)/gain on debt instruments		**(43)**	(73)	**6**	6
		506	292	**6**	6
Other comprehensive income for the year		**1,039**	260	**(24)**	(51)
Total comprehensive income for the year		**17,234**	14,573	**5,337**	4,246
Total comprehensive income attributable to:					
Ordinary equity holders of the parent		**16,767**	14,331	**5,337**	4,246
Non-controlling interests		**467**	242	**-**	-
		17,234	14,573	**5,337**	4,246

The notes on pages 212 to 310 form part of these financial statements.
Auditor's report on pages 196 to 200.

Consolidated Statement of changes in equity

for the year ended 30 June 2024

		Attributable to equity holders of the parent							
		Stated Capital	Retained Earnings	Capital Reserve	Translation Reserve	Statutory Reserve	Total	Non-Controlling Interests	Total Equity
	Notes	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
GROUP									
At 1 July 2022		**3,109**	**61,612**	**2,684**	**1,550**	**8,957**	**77,912**	**3,130**	**81,042**
Profit for the year		-	14,133	-	-	-	14,133	180	14,313
Other comprehensive income for the year		-	(168)	3	363	-	198	62	260
Total comprehensive income for the year		-	13,965	3	363	-	14,331	242	14,573
Dividends to ordinary shareholders	33	-	(4,278)	-	-	-	(4,278)	(40)	(4,318)
Issue of shares following conversion of preference shares into ordinary shares	22	1,096	-	-	-	-	1,096	-	1,096
Shares issued under the Scrip Dividend Scheme	22	634	-	-	-	-	634	-	634
Issue of shares following the exercise of Group Employee Share Options Scheme	22	68	-	-	-	-	68	-	68
Transactions with owners		1,798	(4,278)	-	-	-	(2,480)	(40)	(2,520)
Share of other movements in reserves of associate		-	32	(32)	-	-	-	-	-
Transfer to statutory reserve		-	(8)	-	-	8	-	-	-
At 30 June 2023		**4,907**	**71,323**	**2,655**	**1,913**	**8,965**	**89,763**	**3,332**	**93,095**
Profit for the year		**-**	**16,045**	**-**	**-**	**-**	**16,045**	**150**	**16,195**
Other comprehensive income for the year		**-**	**131**	**51**	**540**	**-**	**722**	**317**	**1,039**
Total comprehensive income for the year		**-**	**16,176**	**51**	**540**	**-**	**16,767**	**467**	**17,234**
Dividends to ordinary shareholders	33	**-**	**(5,339)**	**-**	**-**	**-**	**(5,339)**	**(43)**	**(5,382)**
Issue of shares following conversion of preference shares into ordinary shares	22	**679**	**-**	**-**	**-**	**-**	**679**	**-**	**679**
Shares issued under the Scrip Dividend Scheme	22	**1,275**	**-**	**-**	**-**	**-**	**1,275**	**-**	**1,275**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**114**	**-**	**-**	**-**	**-**	**114**	**-**	**114**
Transactions with owners		**2,068**	**(5,339)**	**-**	**-**	**-**	**(3,271)**	**(43)**	**(3,314)**
Share of other movements in reserves of associate		**-**	**39**	**(39)**	**-**	**-**	**-**	**-**	**-**
Transfers		**-**	**(29)**	**-**	**24**	**5**	**-**	**-**	**-**
At 30 June 2024		**6,975**	**82,170**	**2,667**	**2,477**	**8,970**	**103,259**	**3,756**	**107,015**

The notes on pages 212 to 310 form part of these financial statements.
Auditor's report on pages 196 to 200.

Separate Statement of changes in equity

for the year ended 30 June 2024

COMPANY	Notes	Stated Capital RS'M	Retained Earnings RS'M	Capital Reserve RS'M	Total Equity RS'M
At 1 July 2022		**3,109**	**3,872**	**36**	**7,017**
Profit for the year		-	4,297	-	4,297
Other comprehensive income for the year		-	-	(51)	(51)
Total comprehensive income for the year		-	4,297	(51)	4,246
Dividends to ordinary shareholders	33	-	(4,278)	-	(4,278)
Issue of shares following conversion of preference shares into ordinary shares	22	1,096	-	-	1,096
Shares issued under the Scrip Dividend Scheme	22	634	-	-	634
Issue of shares following the exercise of Group Employee Share Options Scheme	22	68	-	-	68
Transactions with owners		1,798	(4,278)	-	(2,480)
At 30 June 2023		**4,907**	**3,891**	**(15)**	**8,783**
Profit for the year		**-**	**5,361**	**-**	**5,361**
Other comprehensive income for the year		**-**	**-**	**(24)**	**(24)**
Total comprehensive income for the year		**-**	**5,361**	**(24)**	**5,337**
Dividends to ordinary shareholders	33	**-**	**(5,339)**	**-**	**(5,339)**
Issue of shares following conversion of preference shares into ordinary shares	22	**679**	**-**	**-**	**679**
Shares issued under the Scrip Dividend Scheme	22	**1,275**	**-**	**-**	**1,275**
Issue of shares following the exercise of Group Employee Share Options Scheme	22	**114**	**-**	**-**	**114**
Transactions with owners		**2,068**	**(5,339)**	**-**	**(3,271)**
At 30 June 2024		**6,975**	**3,913**	**(39)**	**10,849**

Consolidated and Separate Statements of cash flows

for the year ended 30 June 2024

		GROUP		COMPANY	
		2024	2023	2024	2023
	Notes	RS'M	RS'M	RS'M	RS'M
Cash flow from operating activities					
Operating profit		19,739	16,891	5,363	4,298
Adjustments for:					
Depreciation of property, plant and equipment		889	897	3	2
Amortisation of intangible assets		702	652	-	-
Loss on disposal of property, plant and equipment		143	75	-	-
Loss on scrapped intangible assets		11	-	-	-
Loss on disposal of associate		241	-	-	-
Exchange loss/(profit)		611	(238)	-	-
Release of provision for employee benefits		(113)	(104)	-	-
(Release)/provision for residual retirement gratuities		(45)	48	-	-
Bargain purchase on business combinations		-	(38)	-	-
(Release)/charge for credit impairment:					
Cash and cash equivalents		(22)	4	-	-
Loans and advances		4,341	4,101	-	-
Investment securities at amortised cost		458	66	-	-
Investment securities at fair value through other comprehensive income		1	(2)	-	-
Other assets - receivables		92	-	101	-
Off-balance sheet exposures		(171)	(32)	-	-
Impairment of investment in subsidiaries		-	-	138	-
		26,877	22,320	5,605	4,300
Changes in:					
Other assets		(8,086)	(9,630)	(523)	(669)
Other liabilities		7,004	4,579	405	83
Derivative financial instruments		(83)	(57)	-	-
Investment securities at fair value through profit or loss		(2,246)	(1,426)	-	-
Deposits		108,323	72,687	-	-
Loans and advances		(54,880)	(18,725)	-	-
		50,032	47,428	(118)	(586)
Purchase of investments at fair value through other comprehensive income		(778)	(441)	(19)	(218)
Proceeds from sale of investments at fair value through other comprehensive income		561	1,811	-	-
Dividends received from associates	33	501	500	-	-
Dividends paid to ordinary shareholders		(3,754)	(2,734)	(3,754)	(2,734)
Dividends paid to non-controlling interests in subsidiaries		(43)	(40)	-	-
Income tax paid		(5,342)	(2,408)	-	-
		(8,855)	(3,312)	(3,773)	(2,952)
Net cash flows from operating activities		68,054	66,436	1,714	762
Investing activities					
Placement with bank		-	-	(1,233)	-
Purchase of property, plant and equipment		(910)	(1,134)	-	(9)
Purchase of intangible assets		(1,052)	(957)	-	-
Proceeds from sale of property, plant and equipment		14	46	-	-
Investment in subsidiary		-	-	(2)	-
Net subordinated loan granted to subsidiaries		-	-	(88)	(25)
Investment in associate and joint venture		-	(11)	-	(7)
Increase in investment securities at amortised cost		(75,898)	(27,798)	-	-
Net cash flows from investing activities		(77,846)	(29,854)	(1,323)	(41)
Financing activities					
Employee share options exercised	22	114	68	114	68
Issue of debt securities		2,484	13,506	2,484	-
(Decrease)/Increase in other borrowed funds		(22,987)	(4,822)	(1,616)	1,616
Refund of floating rate notes		-	(2,000)	-	(2,000)
Repayment of lease liabilities		(84)	(126)	-	-
Net (refund)/issue of subordinated liabilities		(1,375)	6,285	(1,104)	-
Net cash flows from financing activities		(21,848)	12,911	(122)	(316)
(Decrease)/increase in cash and cash equivalents		(31,640)	49,493	269	405
Net cash and cash equivalents at beginning of the year		120,409	70,774	1,593	1,188
Effect of foreign exchange rate changes		198	142	-	-
Net cash and cash equivalents at 30 June	4	88,967	120,409	1,862	1,593

The notes on pages 212 to 310 form part of these financial statements.
Auditor’s report on pages 196 to 200.

General information

MCB Group Limited ("the Company") was incorporated as a public company limited by shares on 5 August 2013. Its registered office is situated at 9-15, Sir William Newton Street, Port-Louis, Mauritius.

The Company is listed on the Official Market of the Stock Exchange of Mauritius.

The main activities of the Company and those of its subsidiaries ("the Group") consist in providing a whole range of banking and financial services in the Indian Ocean region and beyond.

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for the year ended 30 June 2024

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1. Material accounting policy information

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

(a) Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The Group at the time of approving the financial statements is not aware of any uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The Directors further have a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future.

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

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

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

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

New and amended standards adopted by the Group

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 July 2023, and have not been applied in preparing these financial statements. None of these is expected to have a significant and material effect on the financial statements of the Group in the current reporting period. For this financial year, the following has been adopted:

Amendments to IAS 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 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.

1. Material accounting policy information (Cont'd)

(a) Basis of preparation (Cont'd)

Amendments to IAS 12 International Tax Reform - Pillar Two model

These amendments give entities temporary relief from accounting for deferred taxes arising from the international tax reform.The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

New and revised standards in issue but not yet effective

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.

Amendments to IAS 1 - Non-current liabilities with convenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. The amendments are effective for reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7 and IFRS 7 - Supplier finance

These amendments require disclosures to enhance the transparency of supplier finance arragements and their effects on an entity's liabilities, cash flows and exposure to liquity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.The amendments are effective for reporting periods beginning on or after 1 January 2024.

Amendments to IAS 21 - Lack of exchangeability

These amendments will apply when an entity has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are effective for reporting periods beginning on or after 1 January 2025.

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

(b) Basis of consolidation and equity accounting

(1) Subsidiaries

(i) Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree’s net assets.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

(b) Basis of consolidation and equity accounting (Cont'd)

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the net of the acquisition-date amounts of identifiable assets acquired and the liabilities and contingent liabilities assumed measured in accordance with IFRS 3 is recorded as goodwill. In the case of a bargain purchase (excess of (b) over (a)), the resulting gain is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Separate financial statements of the Company

In the separate financial statements of the Company, investments in subsidiary companies are carried at cost. In subsequent years, the carrying amount is reduced to recognise any impairment in the value of individual investments.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests without loss of control are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Associates and joint venture

An associate is an entity over which the Group has significant influence but no control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates or joint venture are accounted for using the equity method except when classified as held-for-sale. Investments in associates or joint venture are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate or joint venture less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the associate's or joint venture's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's or joint venture's profit or loss.

When the Group's share of losses exceeds its interest in an associate or joint venture, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate or joint venture.

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

1. Material accounting policy information (Cont'd)

(b) Basis of consolidation and equity accounting (Cont’d)

(2) Associates and joint venture (Cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates or joint venture to bring the accounting policies used in line with those adopted by the Group. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates or joint venture are recognised in profit or loss.

In the separate financial statements of the Company, the investments in associates or joint venture are carried at cost (which includes transaction costs). In subsequent years, the carrying amount is reduced to recognise any impairment in the value of the individual companies.

(c) Foreign currency translation

The foreign subsidiaries' statement of financial position are translated to Mauritian Rupees at the closing rate at the end of the reporting period. Their statements of profit or loss, comprehensive income and cash flows are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. Any resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign entity, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the operates ("functional currency"). The consolidated and separate financial statements are presented in Mauritian Rupees ("Rs"), which is the Company's functional currency. All amounts are in million except as otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are remeasured.

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

(c) Foreign currency translation (Cont'd)

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not subsequently retranslated.

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

(d) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates, commodities or other indices. Derivatives are recognised initially at fair value and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Interest income

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for :

- Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

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

(g) Fees, commissions and other income

Fees and commission

Fees and commission income and expense include fees that are not integral part of the Effective Interest Rate.

The Group recognises fee and commission income charged for services provided by the Group as and when performance obligations are satisfied, for example, on completion of the underlying transaction. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

A contract with a customer that results in a recognised financial instrument in the Group’s financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measures the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fees and commission arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognised on completion of the underlying transaction.

1. Material accounting policy information (Cont'd)

(g) Fees, commissions and other income (Cont'd)

Other income

Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

(h) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the repos agreements using the effective interest method.

(i) Investments, other financial assets and financial liabilities

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. An expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and in debt instruments measured at fair value through other comprehensive income (FVOCI) which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the differences as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Classification and subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows, that is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

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

Debt instruments (Cont'd)

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

For assets measured at fair value, all gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.
The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

The Group classifies its financial assets in the following measurement categories:
- those to be measured at amortised cost and
- those to be measured subsequently at fair value (either through OCI or through profit or loss).

Amortised cost and effective interest rate

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition- the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in net trading income. Impairment losses are presented as separate line item in the statement of profit or loss.

Loans originated by the Group by providing money directly to the borrower (at draw-down) are categorized as loans by the Group and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the fair value are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net trading income. 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 net trading income and impairment expenses are presented as separate line item in the statement of profit or loss.

1. Material accounting policy information (Cont'd)

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

Debt instruments (Cont'd)

FVPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognized in profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented in net trading income 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.

For assets measured at fair value, all gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group’s management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through comprehensive income. The Group’s policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Group’s right to receive payments is established.

Gains or losses on equity investments at FVPL are included in the ‘Net gain/(loss) from equity financial instruments carried at fair value through profit or loss’ line in the statement of profit or loss.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different from the original terms. The Group does this by considering, among others, the following factors:

(i) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amount 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.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

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

Modification of loans (Cont'd)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss in impairment charge.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-months ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Where modification does not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment, the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-months ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership nor the Group has retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

1. Material accounting policy information (Cont'd)

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

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

(i) Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial instruments, financial liabilities held-for-trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit and loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially in statement of profit or loss (the remaining amount of change in the fair value of the liability). This is applicable unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in statement of profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instruments.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

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

Financial guarantee contracts and loan commitments (Cont'd)

For loan commitments and financial guarantee contracts, the ECL is computed as follows:

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down.
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(j) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Definition of Default

The definition of default is critical to the determination of the ECL. It is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-months or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Group; or
- The borrower is unlikely to pay its credit obligations in full to the Group

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or accounts are overdrawn for more than 90 days. When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as breach of covenants and financial performance. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources such as regulatory guidelines.

Credit impaired

A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occured. It is credit impaired and is in Stage 3 when contractual payments or accounts in excess are past due by more than 90 days and/or other quantitative 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 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.

1. Material accounting policy information (Cont'd)

(j) Impairment of financial assets (Cont'd)

Credit impaired (Cont'd)

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding .

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-months ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

(j) Impairment of financial assets (Cont'd)

Measurement of ECL (Cont'd)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Write off Policy

Financial Assets are written off either partially or in its entirety when the Group has no reasonable expectations of recovering them. This occurs when the Group determines that the customer does not have the capacity to repay the amount due or the collateral given by the customer is not sufficient to cover the exposure. The write off does not mean that the Group has forfeited its legal right to claim the sums due. The Group retains the right to proceed with enforcement actions under the Group's recovery procedure and any recovery will be recognised in the statement of profit or loss under 'Impairment charge' as recoveries of advances written off.

(k) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Investment properties comprise hotel property that is occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

For the purpose of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- In the case of investment property held under a lease, increased by the carrying amount of any liability to the head lessor that has been recognised in the statement of financial position as a finance lease obligation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(l) Goodwill

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity over the fair value of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill on acquisition of associates is included in investments in associates. According to IAS 36, goodwill is tested for impairment on an annual basis, or more frequently when there are indications that an impairment may have occurred. Impairment is tested by comparing the carrying amount of the cash-generating unit (CGU), including the goodwill, with the recoverable amount of the CGU. If the recoverable amount of the CGU exceeds its carrying amount, the CGU and the goodwill allocated to that CGU is not impaired. If the carrying amount of the CGU exceeds the recoverable amount of the CGU, the Group recognises an impairment loss. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

1. Material accounting policy information (Cont'd)

(m) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated to write down the cost of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and other equipment	5-10 years
Furniture, fittings and vehicles	5-15 years

Land and work in progress are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

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

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

(n) Intangible Assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- The management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of ten years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Customer relationship

Customer relationship paid by the Group and having finite useful life is initially recorded at cost. It is subsequently measured at cost less accumulated amortisation and impairment losses. Customer relationship is amortised using the straight-line method over its estimated useful life of 5 years. Amortisation method and useful life are reviewed at each reporting date and adjusted if appropriate.

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 2024

1. Material accounting policy information (Cont'd)

(o) Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included as part of Property, plant and equipment in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’.

1. Material accounting policy information (Cont'd)

(o) Leases (Cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other non-interest expense” in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(p) Accounting for leases - where the subsidiary is the lessor

Finance leases

The Group's subsidiary is engaged in the provision of leases to both individuals and corporates. The portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Group, the risks associated with the lease portfolio was monitored through rigorous credit assessment, determining the financed amount as part of the cost of the asset based on the customers’ credit risk profile, setting up buy back agreements with suppliers for assets with high residual values, amongst others.

(i) Recognition and initial measurement

When assets are leased out under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Group, and thus the lease payment receivable is treated by the Group as repayment of principal and interest income to reimburse and reward the lessor for its investment and services.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

(ii) Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease. The Group aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group’s finance lease receivable.

Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Estimated unguaranteed residual values used in computing the Group’s gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised and any reduction in respect of amounts accrued is recognised immediately.

Operating leases

Assets leased out under operating leases are included in plant and equipment in the statement of financial position. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets classified as operating leases are depreciated over their useful lives on a basis consistent with similar fixed assets.

(q) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise unrestricted cash and balances with Central Bank, treasury bills and amounts due to and from other banks which are short term, highly liquid with original maturities of 90 days or less, and borrowings of original maturities of 90 days or less that can fluctuate in value changing from an asset to a liability and vice versa across periods.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(s) Deposits from banks and customers

Deposits from banks and customers are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

(t) Employee benefits

The Group operates a number of defined benefit and defined contribution plans and provides for the requirements under the Workers' Rights Act (WRA) 2019. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commercial Bank Limited Superannuation Fund.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the notes.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

As from 1 July 2015, the Group has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees.

With the introduction of DCCB, new employees automatically join the DCCB scheme, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

Option A: To stay in the Defined Benefit (DB) scheme for all service.

Option B: To keep the accrued past pension benefits until 30 June 2015 in the DB scheme and join the DCCB scheme as from 1 July 2015.

Option C: To join the DCCB scheme as from 1 July 2015 and transfer the total accrued benefits as at 30 June 2015 from the DB scheme into the DCCB scheme.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 20 to the financial statements.

1. Material accounting policy information (Cont'd)

(t) Employee benefits (Cont'd)

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

(iii) Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers' Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

(iv) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Vacation leaves

The vacation leaves as per Section 47 of the Workers' Rights Act benefit qualifies as "other long-term benefit" as per IAS 19 and has to be accounted for by the companies in respect of all employees who will be eligible for this upon completion of the 5-year period. An estimate of the value of the benefit is made and accounted for at the reporting date irrespective of whether the Company settles the vacation pay in cash or grants leave to its employees.

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy via The Mauritius Commercial Bank Limited. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority.The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Notes to the financial statements

for the year ended 30 June 2024

1. Material accounting policy information (Cont'd)

(u) Current and deferred income tax (Cont'd)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(v) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(w) Dividend declared and unpaid

Dividend declared and unpaid to the Company's shareholders at reporting date is recognised as a liability in the period in which dividend is declared.

(x) Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Supervisory and Monitoring Committee to make decisions about resources to be allocated to segments and assess their performance, and for which discrete financial information are available.

Detailed analysis of segment reporting is shown in note 36 to the financial statements.

1. Material accounting policy information (Cont'd)

(z) Stated capital

(i) Ordinary shares are classified as equity.

(ii) Share issue costs are incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

(ab) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(ac) Share-based payments

Share-based compensation benefits are provided to all employees via the Group Employee Share Option Scheme (GESOS). Information relating to this scheme is set out in note 30 (c).

The fair value of options granted under the GESOS is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

(ad) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the reporting year.

Notes to the financial statements

for the year ended 30 June 2024

2. Critical accounting estimates and judgements

As part of the process of preparing the financial statement of the Group, management is called upon to make judgement, estimates and assumptions. This affect the reported amount of revenues, expenses, assets, liabilities and the disclosures. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) Significant increase in credit risk

As explained in Risk and capital management report, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(c) Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(d) Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available. Only where these are unavailable that the Group employs less observable inputs. Unobservable input are used where observable or less observable input are unavailable.

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(e) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

2. Critical accounting estimates and judgements (Cont’d)

(e) Asset lives and residual values (Cont'd)

The management therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(f) Deferred Tax

Deferred tax is recognised to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Recognition of deferred tax assets depends on management’s intention of the Group to generate future taxable profits which will be used against temporary differences and to obtain tax benefit thereon. The outcome of their actual utilisation may be different.

(g) Provision and Contingencies

Provision is recognised in the financial statements when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. A reliable estimate is required to be made. Management makes various assumptions in order to determine whether to recognise a provision and its amount thereafter. For potential litigation and claims, management relies on the advise of the Group’s Legal Strategic Business Unit (SBU) 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 Group in above areas is set out in the Risk and Capital Management report.

(i) Significant influence in Banque Française Commerciale Ocean Indien

The Group holds 49.99% of Banque Française Commerciale Ocean Indien (BFCOI) and it is considered as an associate. The Directors consider that the Group only has significant influence over BFCOI since it does not have the practical ability to control the relevant activities of BFCOI.

(j) Leases

The adoption of IFRS 16 requires significant judgement and estimate. Critical judgement like the determination of whether an extension or termination option will be exercised. Other key assumption and estimate are:

- Determination of the appropriate rate to discount the lease payments
- Estimating the lease term
- Assessing whether the right of use is impaired

Notes to the financial statements

for the year ended 30 June 2024

2. Critical accounting estimates and judgements (Cont'd)

(k) Property valuation

In arriving at the fair value of the properties, which was determined on an income approach basis, the Directors in consultation with the independent valuers had to make assumptions and estimates that were mainly based on market conditions existing at 30 June 2024. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

(l) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in used of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value of the recoverable amount.

3. Financial risk management

(a) Financial risk management

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

The Group has exposure to the following risks from financial instruments:
(i) Credit Risk
(iI) Liquidity Risk
(iii) Market risk (including interest rate and foreign currency risk)

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

More information on the credit risk profile and policies of the Group is provided in the Risk and capital management report.

Given that The Mauritius Commercial Bank Limited (the Bank) comprises a significant portion of the Group, some details provided below relate mainly to the Bank, unless otherwise stated.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfil their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit related commitments (Cont'd)

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.

The following tables set out indicative information about the Group credit quality of financial assets. Unless otherwise stated, the amount in the table represent the gross carrying amount. More information on the credit risk profile and policies of the Group is provided in the Risk and capital management report.

At 30 June 2024

	GROUP			
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total
	RS'M	RS'M	RS'M	RS'M
At 30 June 2024				
Loans to and placements with banks				
Performing	**16,937**	**-**	**-**	**16,937**
	16,937	**-**	**-**	**16,937**
Loans and advances to customers				
Performing	**390,613**	**-**	**-**	**390,613**
Under performing	**-**	**10,134**	**-**	**10,134**
Non-performing	**-**	**-**	**17,092**	**17,092**
	390,613	**10,134**	**17,092**	**417,839**
At 30 June 2023				
Loans to and placements with banks				
Performing	14,568	-	-	14,568
	14,568	**-**	**-**	**14,568**
Loans and advances to customers				
Performing	331,418	-	-	331,418
Under performing	-	19,675	-	19,675
Non-performing	-	-	16,672	16,672
	331,418	**19,675**	**16,672**	**367,765**

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality

The following tables set out the credit quality of exposures by different segments.

At 30 June 2024

	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	62,506	837	61,669	170	23	147	1,137	431	124	706
Wholesale	916,582	3,572	913,010	9,363	2,172	7,191	11,100	8,554	1,885	2,546
Total	979,088	4,409	974,679	9,533	2,195	7,338	12,237	8,985	2,009	3,252
Retail										
Housing loans	40,740	498	40,242	84	7	77	441	158	23	283
Small and medium enterprise	10,127	136	9,991	31	3	28	284	134	24	150
Unsecured and revolving	7,189	144	7,045	42	12	30	149	102	14	47
Other secured loans	4,450	59	4,391	13	1	12	263	37	63	226
Total retail	62,506	837	61,669	170	23	147	1,137	431	124	706
Wholesale										
Sovereign	336,382	139	336,243	-	-	-	296	30	60	266
Financial institutions	94,559	356	94,203	-	-	-	-	-	-	-
Project finance	3,420	57	3,363	-	-	-	24	12	-	12
Energy & Commodities	256,090	796	255,294	3,078	549	2,529	1,755	1,755	-	-
Corporate	226,131	2,224	223,907	6,285	1,623	4,662	9,025	6,757	1,825	2,268
Total wholesale	916,582	3,572	913,010	9,363	2,172	7,191	11,100	8,554	1,885	2,546

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

The following table presents the Bank's internal rating scale and the corresponding scale of Moody's Investors Service.

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

3. Financial risk management (Cont’d)

(b) Credit risk (Cont’d)

Credit quality (Cont’d)

An analysis of credit exposures using the Bank’s grading system is given below:

At 30 June 2024

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M
Internal Rating									
Total Wholesale									
2	74,034	-	-	3	-	-	74,031	-	-
3	1,101	-	-	-	-	-	1,101	-	-
4	9,902	-	-	1	-	-	9,901	-	-
5	20,022	-	-	5	-	-	20,017	-	-
6	6,392	-	-	1	-	-	6,391	-	-
7	19,894	-	-	5	-	-	19,889	-	-
8	13,799	-	-	2	-	-	13,797	-	-
9	478	-	-	-	-	-	478	-	-
10	272,808	16	-	84	3	-	272,724	13	-
11	37,111	-	-	120	-	-	36,991	-	-
12	90,515	105	-	287	22	-	90,228	83	-
13	105,580	375	-	476	87	-	105,104	288	-
14	157,040	2,504	-	825	513	-	156,215	1,991	-
15	38,449	2,267	-	395	557	-	38,054	1,710	-
16	51,910	1,841	-	395	183	-	51,515	1,658	-
17	15,455	1,203	-	725	440	-	14,730	763	-
18	283	449	-	14	247	-	269	202	-
19	1,809	603	-	234	120	-	1,575	483	-
20	-	-	11,100	-	-	8,554	-	-	2,546
Total	916,582	9,363	11,100	3,572	2,172	8,554	913,010	7,191	2,546
Sovereign									
2	74,034	-	-	3	-	-	74,031	-	-
4	8,003	-	-	1	-	-	8,002	-	-
10	253,474	-	-	84	-	-	253,390	-	-
13	204	-	-	-	-	-	204	-	-
19	667	-	-	51	-	-	616	-	-
20	-	-	296	-	-	30	-	-	266
Total	336,382	-	296	139	-	30	336,243	-	266

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2024

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Financial Institutions									
3	1,101	-	-	-	-	-	1,101	-	-
4	1,899	-	-	-	-	-	1,899	-	-
5	20,022	-	-	5	-	-	20,017	-	-
6	6,392	-	-	1	-	-	6,391	-	-
7	19,423	-	-	5	-	-	19,418	-	-
8	13,799	-	-	2	-	-	13,797	-	-
9	478	-	-	-	-	-	478	-	-
10	15,956	-	-	-	-	-	15,956	-	-
11	2,214	-	-	1	-	-	2,213	-	-
12	262	-	-	1	-	-	261	-	-
13	953	-	-	2	-	-	951	-	-
14	3,430	-	-	11	-	-	3,419	-	-
15	356	-	-	3	-	-	353	-	-
16	1,805	-	-	60	-	-	1,745	-	-
17	6,461	-	-	264	-	-	6,197	-	-
19	8	-	-	1	-	-	7	-	-
Total	94,559	-	-	356	-	-	94,203	-	-

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2024

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Project Finance									
13	2,264	-	-	8	-	-	2,256	-	-
14	55	-	-	1	-	-	54	-	-
15	498	-	-	8	-	-	490	-	-
16	115	-	-	3	-	-	112	-	-
17	306	-	-	26	-	-	280	-	-
18	182	-	-	11	-	-	171	-	-
20	-	-	24	-	-	12	-	-	12
Total	3,420	-	24	57	-	12	3,363	-	12

	Gross exposure			Expected credit loss			Net exposure		
Energy & Commodities									
11	1,257	-	-	2	-	-	1,255	-	-
12	30,837	-	-	66	-	-	30,771	-	-
13	43,059	-	-	81	-	-	42,978	-	-
14	105,577	-	-	290	-	-	105,287	-	-
15	24,750	1,340	-	73	287	-	24,677	1,053	-
16	47,312	1,289	-	251	15	-	47,061	1,274	-
17	3,197	-	-	30	-	-	3,167	-	-
18	101	449	-	3	247	-	98	202	-
20	-	-	1,755	-	-	1,755	-	-	-
Total	256,090	3,078	1,755	796	549	1,755	255,294	2,529	-

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2024

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Corporate									
7	471	-	-	-	-	-	471	-	-
10	3,378	16	-	-	3	-	3,378	13	-
11	33,640	-	-	117	-	-	33,523	-	-
12	59,416	105	-	220	22	-	59,196	83	-
13	59,100	375	-	385	87	-	58,715	288	-
14	47,978	2,504	-	523	513	-	47,455	1,991	-
15	12,845	927	-	312	270	-	12,533	657	-
16	2,678	552	-	81	168	-	2,597	384	-
17	5,491	1,203	-	405	440	-	5,086	763	-
19	1,134	603	-	181	120	-	953	483	-
20	-	-	9,025	-	-	6,757	-	-	2,268
Total	226,131	6,285	9,025	2,224	1,623	6,757	223,907	4,662	2,268

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 by different segments.

At 30 June 2023

	Performing			Under performing			Non-performing			
	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Expected credit loss	Net exposure	Gross exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net exposure
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Portfolio										
Retail	56,177	174	56,003	807	609	198	1,027	308	120	719
Wholesale	762,525	3,972	758,553	18,464	3,289	15,175	10,767	7,517	1,995	3,250
Total	**818,702**	**4,146**	**814,556**	**19,271**	**3,898**	**15,373**	**11,794**	**7,825**	**2,115**	**3,969**
Retail										
Housing loans	36,852	48	36,804	437	314	123	511	153	26	358
Small and medium enterprise	9,445	33	9,412	118	84	34	200	55	25	145
Unsecured and revolving	5,557	88	5,469	126	121	5	98	74	12	24
Other secured loans	4,323	5	4,318	126	90	36	218	26	57	192
Total retail	**56,177**	**174**	**56,003**	**807**	**609**	**198**	**1,027**	**308**	**120**	**719**
Wholesale										
Sovereign	288,634	110	288,524	-	-	-	285	28	26	257
Financial institutions	85,668	847	84,821	-	-	-	-	-	-	-
Project finance	5,618	93	5,525	70	35	35	410	408	17	2
Energy & Commodities	179,799	532	179,267	4,848	911	3,937	890	733	13	157
Corporate	202,806	2,390	200,416	13,546	2,343	11,203	9,182	6,348	1,939	2,834
Total wholesale	**762,525**	**3,972**	**758,553**	**18,464**	**3,289**	**15,175**	**10,767**	**7,517**	**1,995**	**3,250**

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system is given below:

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Total Wholesale									
2	73,352	-	-	1	-	-	73,351	-	-
3	1,505	-	-	-	-	-	1,505	-	-
4	19,540	-	-	1	-	-	19,539	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	3,978	-	-	1	-	-	3,977	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	202,687	-	-	28	-	-	202,659	-	-
9	35	-	-	-	-	-	35	-	-
10	6,470	-	-	-	-	-	6,470	-	-
11	29,548	121	-	63	-	-	29,485	121	-
12	58,873	564	-	231	88	-	58,642	476	-
13	118,331	1,780	-	611	88	-	117,720	1,692	-
14	58,986	3,074	-	578	278	-	58,408	2,796	-
15	114,788	2,935	-	1,259	368	-	113,529	2,567	-
16	12,594	4,562	-	430	1,117	-	12,164	3,445	-
17	7,589	3,505	-	475	744	-	7,114	2,761	-
18	2,042	1,386	-	102	513	-	1,940	873	-
19	2,068	537	-	177	93	-	1,891	444	-
20	-	-	10,767	-	-	7,517	-	-	3,250
Total	**762,525**	**18,464**	**10,767**	**3,972**	**3,289**	**7,517**	**758,553**	**15,175**	**3,250**
Sovereign									
2	73,352	-	-	1	-	-	73,351	-	-
4	15,546	-	-	1	-	-	15,545	-	-
8	198,648	-	-	28	-	-	198,620	-	-
13	213	-	-	-	-	-	213	-	-
19	875	-	-	80	-	-	795	-	-
20	-	-	285	-	-	28	-	-	257
Total	**288,634**	**-**	**285**	**110**	**-**	**28**	**288,524**	**-**	**257**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
Financial Institutions									
3	1,505	-	-	-	-	-	1,505	-	-
4	105	-	-	-	-	-	105	-	-
5	32,164	-	-	7	-	-	32,157	-	-
6	2,044	-	-	1	-	-	2,043	-	-
7	17,975	-	-	8	-	-	17,967	-	-
8	4,039	-	-	-	-	-	4,039	-	-
9	35	-	-	-	-	-	35	-	-
10	6,344	-	-	-	-	-	6,344	-	-
11	2,391	-	-	7	-	-	2,384	-	-
12	262	-	-	1	-	-	261	-	-
13	1,419	-	-	10	-	-	1,409	-	-
15	3,708	-	-	36	-	-	3,672	-	-
16	4,675	-	-	244	-	-	4,431	-	-
17	7,143	-	-	440	-	-	6,703	-	-
18	1,859	-	-	93	-	-	1,766	-	-
Total	**85,668**	**-**	**-**	**847**	**-**	**-**	**84,821**	**-**	**-**

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont’d)

(b) Credit risk (Cont’d)

Credit quality (Cont’d)

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M
Internal Rating									
Project Finance									
13	4,193	-	-	34	-	-	4,159	-	-
14	113	-	-	1	-	-	112	-	-
15	507	70	-	11	35	-	496	35	-
16	236	-	-	6	-	-	230	-	-
17	386	-	-	32	-	-	354	-	-
18	183	-	-	9	-	-	174	-	-
20	-	-	410	-	-	408	-	-	2
Total	**5,618**	**70**	**410**	**93**	**35**	**408**	**5,525**	**35**	**2**
Energy & Commodities									
4	3,889	-	-	-	-	-	3,889	-	-
6	1,934	-	-	-	-	-	1,934	-	-
11	3,383	-	-	2	-	-	3,381	-	-
12	10,009	-	-	10	-	-	9,999	-	-
13	44,741	1,367	-	81	68	-	44,660	1,299	-
14	29,564	-	-	60	-	-	29,504	-	-
15	81,885	888	-	291	99	-	81,594	789	-
16	4,394	-	-	88	-	-	4,306	-	-
17	-	1,569	-	-	358	-	-	1,211	-
18	-	1,024	-	-	386	-	-	638	-
20	-	-	890	-	-	733	-	-	157
Total	**179,799**	**4,848**	**890**	**532**	**911**	**733**	**179,267**	**3,937**	**157**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

At 30 June 2023

	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months	Lifetime not credit impaired	Lifetime credit impaired
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Internal Rating									
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**

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

The Bank defines "rescheduling" as any amendment to restructuring or rescheduling of any exposure and includes concession, relaxation, forgiveness or postponement of any material term or condition of the original sanction. The underlying allowance for credit loss is realised wherever there is a material economic loss.

The following table provides information on financial assets which were restructured while they had a loss allowance measured at an amount equal to lifetime ECL.

	2024	2023
	RS'M	RS'M
Amortised cost before restructure	**95**	12
Net modification gain or loss	**2**	8
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	**1**	4

Assets obtained by taking possession of collateral

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

	2024	2023
	RS'M	RS'M
Property	**105**	104

Maximum exposure to credit risk - Financial instruments measured at fair value through profit or loss:

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. fair value through profit or loss).

	GROUP	
	2024	2023
	RS'M	RS'M
Derivative financial instruments	**2,077**	1,283
Investment securities	**4,361**	2,420

Credit risk for the Company is negligible and managed through the Group's policies and processes.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

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

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

In the event of default, the Group has the ability to call on the different types of collaterals which in turn are driven by portfolio, product or counterparty type. The Group considers that it is sufficiently collaterised against its impaired book.

Fixed and floating charges on properties and other assets constitute the bulk of our collateral while cash and marketable securities are immaterial.

Long-term finance and lending to corporate entities are generally secured whilst revolving individual credit facilities are generally unsecured. When the borrower's credit worthiness is not sufficient to justify an extension of credit, corporate guarantees are required.

In extending credit facilities to small and medium sized enterprises, the Group often resorts to personal guarantees from the principal directors to ensure their commitment to repayment. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities.

For derivatives, repurchase agreements with financial market counterparties, collateral arrangements are covered under market-standard documentation such as International Swaps and Derivatives Association Agreements (ISDA) and Master Repurchase Agreements.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral. There was no change in the Group's collateral policy during the year.

As part of IFRS 9, the Group needs to convert the Through The Circle (TTC) PDs to Point In Time (PIT) PDs.

This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

Macroeconomic variables used for the Forward-Looking PDs (Probability of Default)

Wholesale Portfolio

The variables used for the inclusion of forward-looking aspects to our PDs i.e. for the conversion of TTC PDs to PIT PDs are as follows:

- Credit index (-2)*
- Credit index (-1)*
- GDP growth
- ln (lending rate)

Notes to the financial statements
for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Retail Portfolio

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

(a) *SME*	Ln (GDP at basic prices) Average Lending rate
(b) *Housing*	Ln (GDP at basic prices) Unemployment rate for the year
(c) *Secured*	Ln (GDP at market prices) Average lending rate
(d) *Unsecured*	Ln (GDP at basic prices) Average CPI Average lending rate

Credit concentration of risk by industry sectors

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

	GROUP	
	2024	2023
	RS'M	RS'M
Agriculture and fishing	**364**	532
Manufacturing	**751**	541
Tourism	**3,743**	4,342
Transport	**1,855**	2,527
Construction	**8,181**	7,112
Financial and business services	**15,155**	13,725
Traders	**173,154**	161,134
of which Petroleum and Energy products	***161,244***	*141,050*
Global Business Licence holders	**435**	405
Others	**9,876**	8,226
	213,514	198,544

Refer to the risk and capital management report for further details on concentration risk management.

3. Financial risk management (Cont'd)

(c) Market risk

Market risk refers to the potential of market price fluctuations, such as those in interest rates, equity prices, foreign exchange rates, and market credit spreads, impacting a Group's income or the valuation of its financial instrument holdings. The primary objective of market risk management is to proficiently handle and regulate these exposures within acceptable benchmarks, all while optimizing returns from risk-associated endeavors.

The formulation of market risk management policies within the Group lies under the jurisdiction of the Board Risk Monitoring Committee. The execution of these policies and the oversight of this risk category are entrusted to both the Risk Business Unit (BU) and the Asset and Liability Committee (ALCO). Central to the supervision and control of market risk activities are the Market Risk Business Unit (MRBU) and the Assets and Liabilities Management Unit (ALM Unit). These units play a pivotal role in the ongoing monitoring and regulation of market risk activities.

The MRBU is devoted to ensuring the effective adherence to market risk policies and guidelines, as well as maintaining a vigilant watch over predetermined limits. Similarly, the ALM Unit concentrates on monitoring the interest rate risk in the banking book. Their collective efforts contribute to a comprehensive approach to risk management within the Group.

(i) Investment price risk

Investment price risk pertains to the vulnerability of an investment's value to shifts in market prices. This risk emanates from a multitude of factors, including the interplay of supply and demand, prevailing economic conditions, geopolitical occurrences, and prevailing market sentiment. The Group designates a portion of its investments under the categories of Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL).

The table below summarises the impact of increases/decreases in fair value of the investments on the Group's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	GROUP	
	2024	2023
	RS'M	RS'M
Financial assets at fair value through other comprehensive income	**186**	178
Financial assets at fair value through profit or loss	**561**	451
	747	629

(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Group's foreign currency positions. Exposure resulting from trading activities is monitored through the use of limits. Limits are given to the individual trader and monitored by the Head of Financial Markets. Such limits include daily stop-loss and position limits. Overall exposure to foreign exchange including those resulting from non-trading activities is monitored against both the regulatory guideline and an internal target validated by ALCO.

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

GROUP **At 30 June 2024**	**EURO**	**USD**	**GBP**	**MUR**	**OTHER**	**TOTAL**
	RS'M	**RS'M**	**RS'M**	**RS'M**	**RS'M**	**RS'M**
Financial assets						
Cash and cash equivalents	7,851	43,301	7,841	20,452	9,691	89,136
Derivative financial instruments	258	1,490	-	329	-	2,077
Loans to and placements with banks	3,643	12,862	63	(12)	381	16,937
Loans and advances to customers	41,715	225,860	388	132,668	17,208	417,839
Investment securities	10,085	85,645	9	240,204	10,659	346,602
Other financial assets	3,617	5,995	492	24,953	6,565	41,622
	67,169	375,153	8,793	418,594	44,504	914,213
Less allowances for credit impairment						(20,092)
						894,121
Financial liabilities						
Deposits from banks	-	33,400	6	946	43	34,395
Deposits from customers	60,258	252,680	7,356	319,995	32,175	672,464
Derivative financial instruments	(85)	1,835	-	246	-	1,996
Other borrowed funds	4,296	59,205	808	(226)	2,496	66,579
Debt securities	-	14,393	-	3,949	-	18,342
Subordinated liabilities	-	7,057	-	-	-	7,057
Preference shares	-	-	-	1,621	-	1,621
Other financial liabilities	1,035	913	39	2,195	3,760	7,942
	65,504	369,483	8,209	328,726	38,474	810,396
Net on-balance sheet position	1,665	5,670	584	89,868	6,030	103,817
Less allowances for credit impairment						(20,092)
						83,725
Off balance sheet net notional position	16,959	55,876	982	-	5,456	79,273
Credit commitments	4,923	197,280	165	20,545	3,720	226,633

3. Financial risk management (Cont’d)

(c) Market risk (Cont’d)

(ii) Currency risk (Cont’d)

Concentration of assets, liabilities and off-balance sheet items (Cont'd)

COMPANY
At 30 June 2024

	EURO	USD	MUR	TOTAL
	RS'M	RS'M	RS'M	RS'M
Financial assets				
Cash and cash equivalents	788	580	494	1,862
Placements with banks	760	473	-	1,233
Investment securities	18	395	202	615
Other financial assets	19	18	2,906	2,943
	1,585	1,466	3,602	6,653
Less allowances for credit impairment				(101)
				6,552
Financial liabilities				
Debt securities	-	-	4,485	4,485
Preference shares	-	-	1,621	1,621
Other financial liabilities	-	-	3,355	3,355
	-	-	9,461	9,461
Net on-balance sheet position	1,585	1,466	(5,859)	(2,808)
Less allowances for credit impairment				(101)
				(2,909)

The following table demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Group’s profit and Equity.

Impact on the Group’s profit and equity

	EURO	USD	GBP	MUR	OTHER
	RS'M	RS'M	RS'M	RS'M	RS'M
2024					
+5%	**(83)**	**(284)**	**(29)**	**(4,493)**	**(302)**
-5%	**83**	**284**	**29**	**4,493**	**302**
2023					
+5%	(93)	(273)	(190)	(3,570)	(285)
-5%	93	273	190	3,570	285

Notes to the financial statements
for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items (Cont'd)

GROUP

At 30 June 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	11,614	40,502	6,079	54,157	8,278	120,630
Derivative financial instruments	446	311	-	526	-	1,283
Loans to and placements with banks	310	14,284	-	2	(28)	14,568
Loans and advances to customers	31,616	190,633	379	129,224	15,913	367,765
Investment securities	12,801	85,582	4,247	156,912	8,384	267,926
Other financial assets	3,630	6,572	510	24,702	5,688	41,102
	60,417	337,884	11,215	365,523	38,235	813,274
Less allowances for credit impairment						(19,804)
						793,470
Financial liabilities						
Deposits from banks	34	9,515	8	784	11	10,352
Deposits from customers	52,615	219,454	7,065	280,664	27,616	587,414
Derivative financial instruments	456	310	-	519	-	1,285
Other borrowed funds	4,333	81,341	294	83	1,606	87,657
Debt securities	-	13,759	-	2,001	-	15,760
Subordinated liabilities	-	7,113	-	1,059	-	8,172
Preference shares	-	-	-	2,300	-	2,300
Other financial liabilities	1,112	939	55	6,713	3,304	12,123
	58,550	332,431	7,422	294,123	32,537	**725,063**
Net on-balance sheet position	1,867	5,453	3,793	71,400	5,698	88,211
Less allowances for credit impairment						(19,804)
						68,407
Off balance sheet net notional position	9,549	19,206	5,167	-	2,164	36,086
Credit commitments	4,655	108,353	153	20,370	1,542	135,073

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items (Cont'd)

COMPANY

At 30 June 2023

	EURO	USD	MUR	TOTAL
	RS'M	RS'M	RS'M	RS'M
Financial assets				
Cash and cash equivalents	1,064	479	50	1,593
Investment securities	14	388	206	608
Other financial assets	7	6	2,420	2,433
	1,085	873	2,676	**4,634**
Financial liabilities				
Other borrowed funds	-	-	1,616	1,616
Debt securities	-	-	2,001	2,001
Subordinated liabilities	-	-	1,113	1,113
Preference shares	-	-	2,300	2,300
Other financial liabilities	-	-	2,632	2,632
	-	-	9,662	**9,662**
Net on-balance sheet position	1,085	873	(6,986)	(5,028)
				(5,028)

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk in the banking book encompasses the potential adverse effects on earnings resulting from fluctuations in market interest rates. This risk primarily affects non-traded assets and liabilities, specifically encompassing loans, deposits, and financial instruments held without the intent of trading. To effectively manage this risk, the Asset and Liability Management Business Unit, situated within the Finance Strategic Business Unit employs a variety of strategies.

Net interest income (NII) sensitivity stands as a key metric, evaluating the anticipated changes in net interest income across diverse interest rate scenarios, while holding all other economic factors constant. ALCO oversees the fluctuations in net interest income sensitivity.

The calculations of NII sensitivity assume uniform interest rate movements across all maturities within the 'up-shock' scenario. In contrast, the 'down-shock' scenario assumes a floor at zero for rates, except when market rates are already negative, as seen in the Euro case.

The below table delineates the carrying amount of the Group's financial instruments, categorized by the earlier of contractual repricing or maturity dates.

Interest Rate Risk Earnings Impact Analysis

The Group is exposed to Interest Rate Risk (IRR), primarily manifested as repricing risk. To effectively measure and oversee this particular risk, the Group employs an interest rate risk gap analysis, illustrated below. One of the methodologies utilized involves the Bank of Mauritius (BOM) framework, which incorporates a 200 basis point parallel shift in interest rates. This framework provides insights into estimating the potential one-year earnings impact based on a static balance sheet scenario.

	GROUP	
	2024	2023
	RS'M	RS'M
Impact on Earnings	**1,101**	1,813

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis

GROUP

At 30 June 2024

	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	84,506	1,353	-	-	-	-	3,277	89,136
Derivative financial instruments	89	-	-	-	-	-	1,988	2,077
Loans to and placements with banks	3,824	6,724	2,354	3,083	828	-	124	16,937
Loans and advances to customers	225,074	82,748	48,154	20,392	10,631	17,900	12,940	417,839
Investment securities	25,033	35,682	28,381	53,177	115,447	74,155	14,727	346,602
Other financial assets	-	-	-	-	-	-	41,622	41,622
	338,526	126,507	78,889	76,652	126,906	92,055	74,678	914,213
Less allowances for credit impairment								(20,092)
								894,121
Financial liabilities								
Deposits from banks	31,165	573	2,304	78	-	-	275	34,395
Deposits from customers	359,436	27,244	13,668	22,468	10,115	4,346	235,187	672,464
Derivative financial instruments	-	-	-	153	(151)	-	1,994	1,996
Other borrowed funds	1,034	44,329	5,789	5,012	9,720	542	153	66,579
Debt securities	-	1,128	2,256	-	-	14,833	125	18,342
Subordinated liabilities	6,953	-	-	-	-	-	104	7,057
Preference shares	-	-	-	-	-	-	1,621	1,621
Other financial liabilities	-	-	-	-	-	-	7,942	7,942
	398,588	73,274	24,017	27,711	19,684	19,721	247,401	810,396
On balance sheet interest sensitivity gap	(60,062)	53,233	54,872	48,941	107,222	72,334	(172,723)	103,817
Less allowances for credit impairment								(20,092)
								83,725

COMPANY

At 30 June 2024

	Up to 1 month	1-3 months	Over 3 years	Non-interest bearing *	Total
	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets					
Cash and cash equivalents	1,862	-	-	-	1,862
Placements with bank	-	1,233	-	-	1,233
Investment securities	-	-	200	415	615
Other financial assets	-	-	-	2,943	2,943
	1,862	1,233	200	3,358	6,653
Less allowance for credit impairment					(101)
					6,552
Financial liabilities					
Debt securities	-	-	4,485	-	4,485
Preference shares	-	-	-	1,621	1,621
Other financial liabilities	-	-	-	3,355	3,355
	-	-	4,485	4,976	9,461
On balance sheet interest sensitivity gap	1,862	1,233	(4,285)	(1,618)	(2,808)
Less allowances for credit impairment					(101)
					(2,909)

* Includes interest receivable

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (Cont'd)

GROUP

At 30 June 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	110,593	3,663	-	-	-	-	6,374	120,630
Derivative financial instruments	6	-	-	-	-	-	1,277	1,283
Loans to and placements with banks	1,249	9,892	3,015	-	101	311	-	14,568
Loans and advances to customers	219,569	49,464	35,732	15,824	22,514	10,623	14,039	367,765
Investment securities	30,533	15,455	24,009	39,217	73,609	73,117	11,986	267,926
Other financial assets	-	-	-	-	-	-	41,102	41,102
	361,950	78,474	62,756	55,041	96,224	84,051	74,778	813,274
Less allowances for credit impairment								(19,804)
Total								**793,470**
Financial liabilities								
Deposits from banks	4,243	1,065	3,938	1,104	-	-	2	10,352
Deposits from customers	299,221	12,932	10,832	18,204	9,611	3,974	232,640	587,414
Derivative financial instruments	-	-	-	-	2	-	1,283	1,285
Other borrowed funds	3,151	49,199	19,535	2,003	12,979	269	521	87,657
Debt securities	-	-	-	-	-	15,567	193	15,760
Subordinated liabilities	6,696	1,386	-	-	-	-	90	8,172
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	12,123	12,123
	313,311	64,582	34,305	21,311	22,592	19,810	249,152	**725,063**
On balance sheet interest sensitivity gap	48,639	13,892	28,451	33,730	73,632	64,241	(174,374)	88,211
Less allowances for credit impairment								(19,804)
								68,407

COMPANY

At 30 June 2023

	Up to 1 month	1-3 years	Over 3 years	Non-interest bearing *	Total
	RS'M	RS'M	RS'M	RS'M	RS'M
Financial assets					
Cash and cash equivalents	643	950	-	-	1,593
Investment securities	-	-	186	422	608
Other financial assets	2,430	-	-	3	2,433
	3,073	950	186	425	**4,634**
Financial liabilities					
Other borrowed funds	-	1,616	-	-	1,616
Debt securities	-	-	2,001	-	2,001
Subordinated liabilities	-	1,113	-	-	1,113
Preference shares	-	-	-	2,300	2,300
Other financial liabilities	2,632	-	-	-	2,632
	2,632	2,729	2,001	2,300	**9,662**
On balance sheet interest sensitivity gap	441	(1,779)	(1,815)	(1,875)	(5,028)
					(5,028)

* Includes interest receivable

3. Financial risk management (Cont’d)

(c) Market risk (Cont’d)

(iv) Liquidity risk

Liquidity risk entails the risk of being unable to procure readily available funds to satisfy immediate or near-term obligations in a cost-efficient manner. The Group recognizes the indispensable nature of skillfully managing liquidity, not only to foster market confidence but also to ensure the enduring viability of its operations.

In order to effectively navigate liquidity and funding risk, the Group has established a robust internal framework that synergizes Risk, Finance, and Treasury Management functions, all of which operate under the vigilant oversight of the Asset and Liability Committee (ALCO). The Group has implemented a series of key strategies to proficiently manage liquidity risk:

- Proactively forecast future cash flows and devise plans to address both routine operational necessities as well as diverse potential scenarios and contingencies.
- Oversee day-to-day liquidity by closely monitoring intra-day liquidity dynamics and projecting future cash flows, thereby guaranteeing the capability to meet all outgoing fund requirements.
- Uphold a reserve of liquid assets that can be promptly mobilized in situations of unanticipated cash outflows.
- Foster a diversified and stable funding foundation to fortify the Group's financial resilience.
- Rigorously monitor a set of early warning indicators that signal potential liquidity stress.
- Maintain a comprehensive Contingency Funding Plan to address liquidity emergencies.

The 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 Group also holds financial assets and financial liabilities for which the expected cash flows are significantly different from the contractual cash flows. The most common examples of such instruments are the current deposits from customers which are largely repayable on demand are not expected to be withdrawn immediately but to remain stable or increase. Similarly, retail mortgage loans might have a longer average contractual maturity but the average expected maturity could be lower since customers may take advantage of early repayment options.

The amounts disclosed in the following table are undiscounted.

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

GROUP **At 30 June 2024**	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	86,072	487	-	-	-	-	311	86,870
Derivative financial instruments	-	-	-	-	6	-	921	927
Loans to and placements with banks	8,987	177	1,585	6,922	479	-	-	18,150
Loans and advances to customers	94,685	55,964	26,857	29,256	104,925	153,546	18,929	484,162
Investment securities	12,610	37,299	29,246	51,281	126,370	108,148	13,340	378,294
Other financial assets	-	-	-	-	-	-	43,973	43,973
	202,354	93,927	57,688	87,459	231,780	261,694	77,474	1,012,376
Less allowances for credit impairment								(20,092)
								992,284
Financial liabilities								
Deposits from banks	31,310	600	2,498	162	-	-	-	34,570
Deposits from customers	562,319	30,390	16,174	27,192	19,128	10,862	-	666,065
Derivative financial instruments	-	1	1	2	10	-	397	411
Other borrowed funds	1,084	2,251	939	2,847	45,259	6,079	(287)	58,172
Debt securities	4,516	195	792	679	2,711	15,092	125	24,110
Subordinated liabilities	-	-	-	6,953	-	-	104	7,057
Preference shares	-	-	-	-	-	-	1,621	1,621
Other financial liabilities	-	7	7	27	92	890	8,289	9,312
Lease liabilities	*-*	*7*	*7*	*27*	*92*	*890*	*-*	*1,023*
	599,229	33,444	20,411	37,862	67,200	32,923	10,249	801,318
Net liquidity gap	(396,875)	60,483	37,277	49,597	164,580	228,771	67,225	211,058
Less allowances for credit impairment								(20,092)
								190,966
Off balance sheet net notional position	19,052	23,268	5,631	45,847	84,874	9,620	-	188,292
Credit commitments	12,638	19,803	4,436	2,429	5,433	432,755	-	477,494
COMPANY								
At 30 June 2024								
Financial assets								
Cash and cash equivalents	1,862	-	-	-	-	-	-	1,862
Placements with banks	5	9	1,240	-	-	-	-	1,254
Investment securities	201	2	4	7	30	13	415	672
Other financial assets	-	-	-	-	-	-	2,842	2,842
	2,068	11	1,244	7	30	13	3,257	6,630
Less allowances for credit impairment								(101)
								6,529
Financial liabilities								
Debt securities	4,516	58	39	115	461	252	-	5,441
Preference shares	-	-	-	-	-	-	1,621	1,621
Other financial liabilities	-	-	-	-	-	-	3,339	3,339
	4,516	58	39	115	461	252	4,960	10,401
Net liquidity gap	(2,448)	(47)	1,205	(108)	(431)	(239)	(1,703)	(3,771)
Less allowances for credit impairment								(101)
								(3,872)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities (Cont'd)

GROUP **At 30 June 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	115,405	-	-	-	-	-	5,593	120,998
Derivative financial instruments	-	-	65	-	-	-	1,205	1,270
Loans to and placements with banks	1,232	6,906	2,043	87	4,125	311	-	14,704
Loans and advances to customers	106,671	31,905	31,300	23,544	90,172	140,941	14,561	439,094
Investment securities	30,594	15,447	21,189	37,388	82,861	92,979	9,977	290,435
Other financial assets	-	-	-	-	-	-	38,834	38,834
	253,902	54,258	54,597	61,019	177,158	234,231	70,170	905,335
Less allowances for credit impairment								(19,804)
								885,531
Financial liabilities								
Deposits from banks	4,500	808	3,949	1,159	45	-	2	10,463
Deposits from customers	516,153	14,534	13,273	22,140	17,813	4,322	21	588,256
Derivative financial instruments	-	1	66	2	5	-	1,207	1,281
Other borrowed funds	4,166	25,231	11,188	4,969	44,299	4,868	63	94,784
Debt securities	2,010	27	561	596	2,390	16,049	193	21,826
Subordinated liabilities	2,238	298	-	6,696	-	-	(63)	9,169
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	7	7	70	52	510	9,915	10,561
Lease liabilities	*-*	*7*	*7*	*70*	*52*	*510*	*-*	*646*
	529,067	40,906	29,044	35,632	64,656	25,749	13,638	**738,692**
Net liquidity gap	(275,165)	13,352	25,553	25,387	112,502	208,482	56,532	166,643
Less allowances for credit impairment								(19,804)
								146,839
Off balance sheet net notional position	7,323	3,878	5,423	30,159	49,015	10,790	-	106,588
Credit commitments	5,993	10,808	6,359	1,678	2,808	373,356	-	401,002
COMPANY **At 30 June 2023**								
Financial assets								
Cash and cash equivalents	1,593	-	-	-	-	-	-	1,593
Investment securities	187	2	4	7	29	27	421	677
Other financial assets	-	-	-	-	-	-	2,433	2,433
	1,780	2	4	7	29	27	2,854	**4,703**
Financial liabilities								
Other borrowed funds	1,624	6	-	-	-	-	-	1,630
Debt securities	2,010	27	18	53	214	214	-	2,536
Subordinated liabilities	1,119	1	-	-	-	-	-	1,120
Preference shares	-	-	-	-	-	-	2,300	2,300
Other financial liabilities	-	-	-	-	-	-	2,632	2,632
	4,753	34	18	53	214	214	4,932	**10,218**
Net liquidity gap	(2,973)	(32)	(14)	(46)	(185)	(187)	(2,078)	(5,515)

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont'd)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

(e) Capital risk management

Disclosures relating to capital and management are available in the Risk and Capital Management Report.

3. Financial risk management (Cont’d)

(f) Financial instruments by category:

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M
GROUP						
At 30 June 2024						
Financial assets						
Cash and cash equivalents	89,098	-	-	-	-	89,098
Derivative financial instruments	-	-	2,077	-	-	2,077
Loans to and placements with banks	16,603	-	-	-	-	16,603
Loans and advances to customers	399,161	-	-	-	-	399,161
Investment securities	330,744	11,212	-	952	2,769	345,677
Other financial assets	41,622	-	-	-	-	41,622
Total	877,228	11,212	2,077	952	2,769	894,238
Financial liabilities						
Deposits from banks	34,395	-	-	-	-	34,395
Deposits from customers	672,464	-	-	-	-	672,464
Derivative financial instruments	-	-	1,996	-	-	1,996
Other borrowed funds	66,579	-	-	-	-	66,579
Debt securities	18,342	-	-	-	-	18,342
Subordinated liabilities	7,057	-	-	-	-	7,057
Preference shares	1,621	-	-	-	-	1,621
Other financial liabilities	7,942	-	-	-	-	7,942
Total	808,400	-	1,996	-	-	810,396
Net on-balance sheet position	68,828	11,212	81	952	2,769	83,842

	Amortised cost	Fair value through other comprehensive income		Total
		Debt instrument	Equity instrument	
	RS’M	RS’M	RS’M	RS’M
COMPANY				
At 30 June 2024				
Financial assets				
Cash and cash equivalents	1,862	-	-	1,862
Placement with bank	1,233	-	-	1,233
Investment securities	-	200	415	615
Other financial assets	2,842	-	-	2,842
Total	5,937	200	415	6,552
Financial liabilities				
Debt securities	4,485	-	-	4,485
Preference shares	1,621	-	-	1,621
Other financial liabilities	3,355	-	-	3,355
Total	9,461	-	-	9,461
Net on-balance sheet position	(3,524)	200	415	(2,909)

Notes to the financial statements

for the year ended 30 June 2024

3. Financial risk management (Cont’d)

(f) Financial instruments by category (Cont'd):

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
		Designated	Mandatory	Debt instrument	Equity instrument	
	RS’M	RS’M	RS’M	RS’M	RS’M	RS’M
GROUP						
At 30 June 2023						
Financial assets						
Cash and cash equivalents	120,570	-	-	-	-	120,570
Derivative financial instruments	-	-	1,283	-	-	1,283
Loans to and placements with banks	13,780	-	-	-	-	13,780
Loans and advances to customers	349,285	-	-	-	-	349,285
Investment securities	254,896	9,013	-	910	2,653	267,472
Other financial assets	41,102	-	-	-	-	41,102
Total	**779,633**	**9,013**	**1,283**	**910**	**2,653**	**793,492**
Financial liabilities						
Deposits from banks	10,352	-	-	-	-	10,352
Deposits from customers	587,414	-	-	-	-	587,414
Derivative financial instruments	-	-	1,285	-	-	1,285
Other borrowed funds	87,657	-	-	-	-	87,657
Debt securities	15,760	-	-	-	-	15,760
Subordinated liabilities	8,172	-	-	-	-	8,172
Preference shares	2,300	-	-	-	-	2,300
Other financial liabilities	12,123	-	-	-	-	12,123
Total	**723,778**	**-**	**1,285**	**-**	**-**	**725,063**
Net on-balance sheet position	**55,855**	**9,013**	**(2)**	**910**	**2,653**	**68,429**

	Amortised cost	Fair value through other comprehensive income		Total
		Debt instrument	Equity instrument	
	RS’M	RS’M	RS’M	RS’M
COMPANY				
At 30 June 2023				
Financial assets				
Cash and cash equivalents	1,593	-	-	1,593
Investment securities	-	186	422	608
Other financial assets	2,433	-	-	2,433
Total	**4,026**	**186**	**422**	**4,634**
Financial liabilities				
Other borrowed funds	1,616	-	-	1,616
Debt securities	2,001	-	-	2,001
Subordinated liabilities	1,113	-	-	1,113
Preference shares	2,300	-	-	2,300
Other financial liabilities	2,632	-	-	2,632
Total	**9,662**	**-**	**-**	**9,662**
Net on-balance sheet position	**(5,636)**	**186**	**422**	**(5,028)**

3. Financial risk management (Cont'd)

(g) Fair values of financial assets and liabilities

The fair values of those financial assets and liabilities not presented on the Group's and the Company's statements of financial position at fair values are not materially different from their carrying amounts.

(i) Loans and advances to banks and to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Deposits at amortised cost

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and debt securities issued and not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iii) Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, the carrying amount approximates their fair value.

(iv) Subordinated liabilities

Fair values for loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

Notes to the financial statements

for the year ended 30 June 2024

4. Cash and cash equivalents

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Cash in hand	**2,060**	3,342	**1,862**	1,593
Foreign currency notes and coins	**300**	245	**-**	-
Unrestricted balances with Central Banks*	**2,824**	5,401	**-**	-
Balances due in clearing	**396**	408	**-**	-
Treasury bills	**2,541**	46,402	**-**	-
Money market placements with banks	**52,014**	13,538	**-**	-
Balances with banks abroad	**29,001**	51,294	**-**	-
	89,136	120,630	**1,862**	1,593
Allowances for credit impairment (12 months expected credit loss)	**(38)**	(60)	**-**	-
	89,098	120,570	**1,862**	1,593

* Unrestricted balances with Central Banks represent amounts above the minimum cash reserve requirements.

Money market placements and balances with banks abroad represent loans to and placements with banks with original maturity less than three months.

The elements within cash and cash equivalents are classified as current assets.

(i) Allowances for credit impairment

	GROUP
	12 months expected credit loss
	RS'M
At 1 July 2023	**60**
Provision for credit impairment for the year	**16**
Provision released during the year	**(29)**
Financial assets that have been derecognised	**(9)**
At 30 June 2024	**38**
At 1 July 2022	56
Provision for credit impairment for the year	84
Provision released during the year	(28)
Changes in models/risk parameters	(52)
At 30 June 2023	60

(ii) Cash and cash equivalents as shown in the statements of cash flows:

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Cash and cash equivalents as per above	**89,136**	120,630	**1,862**	1,593
Other borrowed funds (note 16)	**(169)**	(221)	**-**	-
Net cash and cash equivalents	**88,967**	120,409	**1,862**	1,593
Change in year	**(31,442)**	49,635	**269**	405
Effect of foreign exchange rate changes	**(198)**	(142)	**-**	-
(Decrease)/increase in cash and cash equivalents as per the statements of cash flows	**(31,640)**	49,493	**269**	405

5. Derivative financial instruments

The Group utilises the following derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk:

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
- Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Warrant is a derivative financial instrument which gives the right, but not the obligation to buy or to sell a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period or on a specified date.

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

The fair values of derivative financial instruments held are set out below:

	GROUP		
	Contractual/ Nominal Amount	Fair value assets	Fair value liabilities
	RS'M	RS'M	RS'M
Fair value through profit or loss - Level 2*			
Derivative Instruments			
At 30 June 2024			
Currency forwards	**28,624**	**125**	**106**
Interest rate swaps	**36,309**	**531**	**680**
Currency swaps	**25,244**	**176**	**123**
Warrants	**160**	**6**	**6**
Commodities	**60,875**	**993**	**993**
Others	**16,160**	**246**	**88**
	167,372	**2,077**	**1,996**
At 30 June 2023			
Currency forwards	21,263	470	473
Interest rate swaps	4,792	266	627
Currency swaps	14,994	43	47
Warrants	493	69	69
Commodities	4,643	63	63
Others	13,225	372	6
	59,410	1,283	1,285

*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 2024

6. Loans

(a) Loans to and placements with banks

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
(i) Loans to and placements with banks				
in Mauritius	**26,596**	178	**1,233**	-
outside Mauritius	**71,356**	79,222	**-**	-
	97,952	79,400	**1,233**	-
Less: Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(81,015)**	(64,832)	**-**	-
	16,937	14,568	**1,233**	-
Less: Allowances for credit impairment	**(334)**	(788)	**-**	-
	16,603	13,780	**1,233**	-
(ii) Remaining term to maturity				
Up to 3 months	**6,532**	8,096	**-**	-
Over 3 months and up to 6 months	**2,720**	2,139	**1,233**	-
Over 6 months and up to 1 year	**7,004**	-	**-**	-
Over 1 year and up to 5 years	**673**	4,333	**-**	-
Over 5 years	**8**	-	**-**	-
	16,937	14,568	**1,233**	-

(iii) Reconciliation of gross carrying amount

	GROUP
	12 months expected credit loss
	RS'M
At 1 July 2023	**14,568**
New loans and placements with banks, originated or purchased	**16,831**
Loans and placements with banks derecognised or repaid	**(14,462)**
At 30 June 2024	**16,937**
At 1 July 2022	23,848
New loans and placements with banks, originated or purchased	12,496
Loans and placements with banks derecognised or repaid	(21,776)
At 30 June 2023	14,568

(iv) Allowances for credit impairment

At 1 July 2023	**788**
Provision for credit impairment for the year	**328**
Provision released during the year	**(105)**
Financial assets that have been derecognised	**(678)**
Changes in models/risk parameters	**1**
Provision at 30 June 2024	**334**
At 1 July 2022	473
Provision for credit impairment for the year	657
Provision released during the year	(76)
Financial assets that have been derecognised	(257)
Changes in models/risk parameters	(9)
Provision at 30 June 2023	788

There were no non performing loans (NPL) under Loans to and placements with banks in 2024 and 2023.

6. Loans (Cont'd)

(b) Loans and advances to customers

	GROUP	
	2024	2023
	RS'M	RS'M
(i) Loans and advances to customers		
Retail customers:		
Credit cards	**2,838**	1,045
Mortgages	**41,514**	39,355
Other retail loans	**14,124**	12,338
Corporate customers	**137,028**	148,739
Governments	**-**	1,306
Entities outside Mauritius	**222,335**	164,982
	417,839	367,765
Less:		
Allowances for credit impairment	**(18,678)**	(18,480)
	399,161	349,285

Finance lease receivable included in Group loans amounts to Rs 3,256M (2023:Rs 3,127M) net of unearned future finance income on finance leases of Rs 503M (2023:Rs 456M).

(ii) Remaining term to maturity

	2024	2023
Up to 3 months	**159,368**	135,685
Over 3 months and up to 6 months	**13,860**	21,161
Over 6 months and up to 1 year	**13,643**	13,900
Over 1 year and up to 5 years	**116,420**	92,724
Over 5 years	**114,548**	104,295
	417,839	367,765

(iii) Reconciliation of gross carrying amount

	GROUP			
	Gross carrying amount subject to:			
	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 2023	**331,418**	**19,675**	**16,672**	**367,765**
Exchange adjustment	**410**	**20**	**93**	**523**
Transfer to 12 months ECL	**4,098**	**(3,776)**	**(322)**	**-**
Transfer to lifetime ECL not credit impaired	**(1,683)**	**1,799**	**(116)**	**-**
Transfer to lifetime ECL credit impaired	**(996)**	**(2,185)**	**3,181**	**-**
New loans and advances to customers, originated or purchased	**245,584**	**3,098**	**5,254**	**253,936**
Loans and advances to customers derecognised or repaid (excluding write off)	**(188,218)**	**(8,497)**	**(1,415)**	**(198,130)**
Write offs	**-**	**-**	**(6,255)**	**(6,255)**
At 30 June 2024	**390,613**	**10,134**	**17,092**	**417,839**
At 1 July 2022	305,292	17,759	16,513	339,564
Exchange adjustment	(530)	(29)	70	(489)
Transfer to 12 months ECL	2,580	(2,089)	(491)	-
Transfer to lifetime ECL not credit impaired	(4,015)	5,026	(1,011)	-
Transfer to lifetime ECL credit impaired	(2,079)	(634)	2,713	-
New loans and advances to customers, originated or purchased	198,761	6,619	1,216	206,596
Loans and advances to customers derecognised or repaid (excluding write off)	(168,591)	(6,977)	(2,047)	(177,615)
Write offs	-	-	(291)	(291)
At 30 June 2023	331,418	19,675	16,672	367,765

Notes to the financial statements

for the year ended 30 June 2024

6. Loans (Cont'd)

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

(iv) Allowances for credit impairment

	GROUP			
	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 2023	**2,650**	**3,892**	**8,902**	**15,444**
Exchange adjustment	**5**	**-**	**213**	**218**
Transfer to 12 months ECL	**416**	**(325)**	**(91)**	**-**
Transfer to lifetime ECL not credit impaired	**(20)**	**56**	**(36)**	**-**
Transfer to lifetime ECL credit impaired	**(13)**	**(436)**	**449**	**-**
Provision for credit impairment for the year	**2,521**	**1,468**	**6,469**	**10,458**
Provision released during the year	**(1,095)**	**(1,014)**	**(527)**	**(2,636)**
Financial assets that have been derecognised	**(860)**	**(1,378)**	**(596)**	**(2,834)**
Write offs	**-**	**-**	**(4,799)**	**(4,799)**
Changes in models/risk parameters	**(178)**	**(15)**	**-**	**(193)**
At 30 June 2024	**3,426**	**2,248**	**9,984**	**15,658**
Interest in suspense	**-**	**-**	**3,020**	**3,020**
Provision and interest in suspense at 30 June 2024	**3,426**	**2,248**	**13,004**	**18,678**
At 1 July 2022	3,461	3,091	5,217	11,769
Exchange adjustment	(5)	(2)	79	72
Transfer to 12 months ECL	403	(273)	(130)	-
Transfer to lifetime ECL not credit impaired	(70)	746	(676)	-
Transfer to lifetime ECL credit impaired	(40)	(110)	150	-
Provision for credit impairment for the year	1,605	2,208	4,932	8,745
Provision released during the year	(2,132)	(1,470)	(305)	(3,907)
Financial assets that have been derecognised	(572)	(298)	(182)	(1,052)
Write offs	-	-	(183)	(183)
At 30 June 2023	2,650	3,892	8,902	15,444
Interest in suspense	-	-	3,036	3,036
Provision and interest in suspense at 30 June 2023	2,650	3,892	11,938	18,480

6. Loans (Cont'd)

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

(v) Allowances for credit impairment by industry sectors

	GROUP					
	2024					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	6,393	417	48	16	256	320
Manufacturing	22,597	312	188	261	313	762
Tourism	27,281	3,599	134	540	2,689	3,363
Transport	10,344	302	85	31	465	581
Construction	18,815	399	111	220	248	579
Financial and business services	62,102	333	529	224	316	1,069
Traders	156,599	2,951	706	803	2,974	4,483
of which Petroleum and Energy products	*127,909*	*1,755*	*553*	*694*	*1,755*	*3,002*
Personal	56,409	970	151	24	505	680
of which credit cards	*1,427*	*43*	*11*	*1*	*38*	*50*
of which housing	*41,514*	*468*	*67*	*9*	*188*	*264*
Professional	760	13	4	-	5	9
Global Business Licence holders	15,442	4,134	83	121	4,914	5,118
Others	41,097	642	1,387	8	319	1,714
of which Energy and Commodities Asset Backed financing	*15,082*	*-*	*30*	*-*	*-*	*30*
	417,839	14,072	3,426	2,248	13,004	18,678

	GROUP					
	2023					
	Gross amount of loans	*Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	Total provision
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Agriculture and fishing	9,525	926	97	170	1,068	1,335
Manufacturing	17,253	213	159	187	193	539
Tourism	31,035	795	380	1,396	712	2,488
Transport	8,866	269	105	15	399	519
Construction	16,001	276	126	112	177	415
Financial and business services	50,205	325	450	225	253	928
Traders	121,468	1,070	576	883	1,096	2,555
of which Petroleum and Energy products	*93,224*	*-*	*322*	*823*	*-*	*1,145*
Personal	51,138	947	130	66	464	660
of which credit cards	*1,025*	*33*	*9*	*3*	*29*	*41*
of which housing	*39,355*	*537*	*48*	*22*	*185*	*255*
Professional	375	15	4	1	6	11
Global Business Licence holders	23,849	7,285	44	63	6,595	6,702
Others	38,050	1,515	579	774	975	2,328
of which Energy and Commodities Asset Backed financing	*17,126*	*890*	*74*	*89*	*746*	*909*
	367,765	13,636	2,650	3,892	11,938	18,480

*Non performing loans excludes interest in suspense.

Notes to the financial statements
for the year ended 30 June 2024

7. Investment securities

(a) Investment securities

	GROUP	
	2024	2023
	RS'M	RS'M
Investment in debt securities at amortised cost	**331,669**	255,350
Less:		
Allowances for credit impairment on investment in debt securities at amortised cost	**(925)**	(454)
	330,744	254,896
Investment in debt and equity securities measured at fair value through other comprehensive income	**3,721**	3,563
Investment in debt and equity securities measured at fair value through profit or loss	**11,212**	9,013
	345,677	267,472

As at 30 June 2024 credit impaired investments fair valued through other comprehensive income amounts to Rs 1M (2023: Rs NIL).

Investment securities can be classified as:		
Current	**128,422**	96,884
Non-current	**218,180**	171,042

(b) Investment in debt securities at amortised cost

	GROUP	
	2024	2023
	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	**134,020**	107,008
Treasury bills	**70,424**	38,975
Foreign bonds	**88,735**	77,907
Notes	**38,092**	31,066
Index linked note	**398**	394
	331,669	255,350

(i) Remaining term to maturity

	2024					
	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	**5,383**	**4,847**	**13,171**	**74,779**	**35,840**	**134,020**
Treasury bills	**39,558**	**11,412**	**18,037**	**1,417**	**-**	**70,424**
Foreign bonds	**1,200**	**10,265**	**17,627**	**49,224**	**10,419**	**88,735**
Notes	**511**	**2,412**	**514**	**17,490**	**17,165**	**38,092**
Index linked note	**-**	**-**	**-**	**228**	**170**	**398**
	46,652	**28,936**	**49,349**	**143,138**	**63,594**	**331,669**

	2023					
	Up to 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Government of Mauritius and Bank of Mauritius bonds	7,980	5,530	13,324	56,582	23,592	107,008
Treasury bills	26,928	9,757	1,236	1,054	-	38,975
Foreign bonds	3,270	2,956	18,596	41,561	11,524	77,907
Notes	1,818	2,421	1,683	11,340	13,804	31,066
Index linked note	-	-	-	226	168	394
	39,996	20,664	34,839	110,763	49,088	255,350

7. Investment securities (Cont'd)

(b) Investment in debt securities at amortised cost (Cont'd)

(ii) Reconciliation of gross carrying amount

	GROUP			
	Gross carrying amount subject to:			
	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 2023	**254,921**	**429**	**-**	**255,350**
Transfer to lifetime ECL not credit impaired	**-**	**(167)**	**167**	**-**
Investments originated or purchase	**168,862**	**-**	**273**	**169,135**
Investments derecognised or repaid (excluding write off)	**(92,813)**	**(262)**	**(64)**	**(93,139)**
Exchange adjustment	**323**	**-**	**-**	**323**
At 30 June 2024	**331,293**	**-**	**376**	**331,669**
At 1 July 2022	227,629	1	-	227,630
Transfer to lifetime ECL not credit impaired	(422)	422	-	-
Investments originated or purchase	79,232	15	-	79,247
Investments derecognised or repaid (excluding write off)	(51,502)	(9)	-	(51,511)
Exchange adjustment	(16)	-	-	(16)
At 30 June 2023	254,921	429	-	255,350

(iii) Allowances for credit impairment

	GROUP			
	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 2023	**389**	**65**	**-**	**454**
Transfer to lifetime ECL not credit impaired	**-**	**(64)**	**64**	**-**
Provision for credit impairment for the year	**343**	**-**	**298**	**641**
Provision released during the year	**(105)**	**-**	**-**	**(105)**
Financial assets that have been derecognised	**(66)**	**(1)**	**-**	**(67)**
Changes in models/risk parameters	**(11)**	**-**	**-**	**(11)**
At 30 June 2024	**550**	**-**	**362**	**912**
Interest in suspense	**-**	**-**	**13**	**13**
Provision and interest in suspense at 30 June 2024	**550**	**-**	**375**	**925**
At 1 July 2022	388	1	-	389
Exchange adjustment	(1)	-	-	(1)
Transfer to lifetime ECL not credit impaired	(5)	5	-	-
Provision for credit impairment for the year	320	62	-	382
Provision released during the year	(122)	(3)	-	(125)
Financial assets that have been derecognised	(31)	-	-	(31)
Changes in models/risk parameters	(160)	-	-	(160)
At 30 June 2023	389	65	-	454

Notes to the financial statements

for the year ended 30 June 2024

7. Investment securities (Cont'd)

(c) Investment in debt and equity securities measured at fair value through other comprehensive income

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Quoted - Level 1				
Official list: shares (equity instrument)	**1,141**	1,213	**-**	-
Bonds (debt instrument)	**74**	311	**200**	186
Foreign shares	**579**	553	**-**	-
	1,794	2,077	**200**	186
Unquoted - Level 2				
Notes	**48**	-	**-**	-
Investment fund (debt instrument)	**830**	599	**193**	202
Shares (equity instrument)	**176**	150	**-**	-
	1,054	749	**193**	202
Unquoted - Level 3				
Preference shares (equity instrument)	**-**	-	**200**	200
Shares (equity instrument)	**873**	737	**22**	20
	873	737	**222**	220
	3,721	3,563	**615**	608

Reconciliation of level 3 fair value measurements

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
At 1 July	**737**	589	**220**	200
Additions	**-**	7	**2**	20
Movement in fair value	**117**	137	**-**	-
Exchange adjustments	**19**	4	**-**	-
At 30 June	**873**	737	**222**	220

(d) Investment in debt and equity securities measured at fair value through profit or loss

	GROUP	
	2024	2023
	RS'M	RS'M
Quoted - Level 1		
Local bonds	**50**	6
Local shares	**851**	987
Foreign bonds	**-**	136
Foreign shares	**3,429**	2,975
	4,330	4,104
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	**1**	1,021
Treasury bills	**3,484**	364
Investment funds	**282**	681
	3,767	2,066
Unquoted - Level 3		
Local shares	**1,899**	2,097
Foreign shares	**672**	534
Debt	**544**	212
	3,115	2,843
	11,212	9,013

7. Investment securities (Cont'd)

(d) Investment in debt and equity securities measured at fair value through profit or loss (Cont'd)

	GROUP	
	2024	2023
	RS'M	RS'M
Reconciliation of level 3 fair value measurement		
At 1 July	**2,843**	2,390
Additions	**421**	567
Disposals	**(115)**	(384)
Movement in fair value	**(34)**	270
At 30 June	**3,115**	2,843

Fair value hierarchy

The Group uses a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable.

Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1 : Quoted prices (unadjusted) for identical assets. This level includes listed equity securities.

Level 2 : Inputs other than quoted prices that are observable for the assets.

Level 3 : Inputs for the assets that are not based on observable market data.

Unquoted shares - Level 3 investments

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

Valuation techniques used to estimate the fair values of unquoted equity securities include models based on earnings/dividend growth, discounted cash flows and net asset values, whichever is considered to be appropriate. The Group has made certain assumptions for inputs in the models, including earnings before interest, depreciation, tax and amortisation (EBIDTA), risk free rate, risk premium, dividend growth rate, weighted average cost of capital, appropriate discounts for lack of liquidity and expected cash flows which may be different from actual. As such, fair value estimates may differ given the subjectivity of underlying assumptions used as model inputs. Inputs were based on information available at the reporting date.

Notes to the financial statements
for the year ended 30 June 2024

8. Investments in associates and joint venture

(a) The Group's interests in its associates and joint venture are as follows:

	Nature of business	Principal place of business	Country of incorporation	Holding %	
				Direct	Indirect
2024					
Banque Française Commerciale Ocean Indien	**Banking & financial services**	**Réunion**	**Réunion**	**-**	**49.99**
Promotion and Development Limited	**Investment and property development**	**Mauritius**	**Republic of Mauritius**	**0.13**	**46.34**
Caudan Development Limited	**Property development, investment and provision of security services**	**Mauritius**	**Republic of Mauritius**	**6.79**	**38.06**
Credit Guarantee Insurance Co Ltd	**Insurance services**	**Mauritius**	**Republic of Mauritius**	**40.00**	**-**
Kudos Pensions Ltd (Joint Venture)	**Pension administration**	**Mauritius**	**Republic of Mauritius**	**-**	**50.00**
2023					
Banque Française Commerciale Ocean Indien	Banking & financial services	Réunion	Réunion	-	49.99
Société Générale Moçambique, S.A	Banking & financial services	Mozambique	Mozambique	-	35.00
Promotion and Development Limited	Investment and property development	Mauritius	Republic of Mauritius	0.13	46.34
Caudan Development Limited	Property development, investment and provision of security services	Mauritius	Republic of Mauritius	6.79	38.06
Credit Guarantee Insurance Co Ltd	Insurance services	Mauritius	Republic of Mauritius	40.00	-
Kudos Pensions Ltd (Joint Venture)	Pension administration	Mauritius	Republic of Mauritius	-	50.00

(i) The above associates and joint venture are accounted for using the equity method.

(ii) Except for Credit Guarantee Insurance Co Ltd, the other above associates and joint venture are held mainly through subsidiaries.

(iii) Banque Française Commerciale Ocean Indien, Kudos Pensions Ltd and Credit Guarantee Co Ltd are unquoted.
The other associates are quoted and the Group's interest in the quoted associates based on SEM bid price as at 30 June are as follows:
Promotion and Development Limited : Rs 1,746M(2023: Rs 1,761M)
Caudan Development Limited : Rs 297M (2023: Rs 411M)

(iv) During the financial year 2024, the Group disposed of the 35% in Société Générale Moçambique, S.A for Rs 413m which has been received in July 2024.
The loss on disposal amounted to Rs 241m.

	GROUP	
	2024	2023
	RS'M	RS'M
Group's share of net assets	**12,477**	12,558
Goodwill	**68**	68
Subordinated loans to associate	**557**	543
	13,102	13,169

The Directors are satisfied that there are no indications requiring an impairment of the Group's investments in associates and joint venture.

(b) Summarised financial information in respect of material entities, included for Group reporting Banque Française Commerciale Ocean Indien

(i) Summarised statement of financial position:

Current assets	**17,207**	13,424
Non current assets	**90,446**	93,890
Current liabilities	**26,239**	23,905
Non current liabilities	**71,670**	73,715
Equity attributable to owners	**9,744**	9,694

(ii) Summarised statement of profit or loss and other comprehensive income:

Revenue	**6,091**	5,125
Profit	**614**	978
Other comprehensive income	**25**	109
Total comprehensive income	**639**	1,087

(iii) Dividend received during the year	**420**	410

8. Investments in associates and joint venture (Cont’d)

(b) Summarised financial information in respect of material entities, included for Group reporting (Cont’d)

Promotion and Development Limited

(i) Summarised statement of financial position:

	GROUP	
	2024	2023
	RS’M	RS'M
Current assets	363	372
Non current assets	18,079	17,346
Current liabilities	605	906
Non current liabilities	1,458	1,532
Non-controlling interest	1,316	1,303

(ii) Summarised statement of profit or loss and other comprehensive income:

Revenue	817	728
Profit	560	633
Other comprehensive income	699	63
Total comprehensive income	1,259	696

(iii) Dividend received during the year	81	90

(c) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets	Profit	Other comprehensive income	Other movements in reserves	Dividend	Closing net assets	Ownership interest	Interest in associates	Goodwill	Subordinated loan	Carrying value
	RS'M	RS'M	RS'M	RS’M	RS'M	RS'M	%	RS'M	RS'M	RS'M	RS'M
2024											
Banque Française Commerciale Ocean Indien	9,694	614	25	251	(840)	9,744	49.99%	4,871	68	557	5,496
Promotion and Development Limited	13,977	560	699	2	(175)	15,063	46.47%	7,000	-	-	7,000
2023											
Banque Française Commerciale Ocean Indien	8,874	978	109	553	(820)	9,694	49.99%	4,846	68	543	5,457
Promotion and Development Limited	13,456	633	63	20	(195)	13,977	46.47%	6,495	-	-	6,495

Figures may differ from the financial statements of the associates due to consolidation adjustments.

Notes to the financial statements

for the year ended 30 June 2024

8. Investments in associates and joint venture (Cont'd)

(d) Aggregate information of associates and joint venture that are not individually material

	GROUP	
	2024	2023
	RS'M	RS'M
Carrying amount of interests	**606**	1,217
Share of profit	**15**	84
Share of other comprehensive income	**(16)**	1

AT COST

	COMPANY	
	2024	2023
	RS'M	RS'M
At 1 July	**154**	147
Additions	**-**	7
At 30 June	**154**	154

(e) Movement in investment in associates and joint venture

	GROUP	
	2024	2023
	RS'M	RS'M
At 1 July	**13,169**	12,356
Share of profits	**582**	867
Share of other comprehensive income	**491**	85
Dividends	**(501)**	(500)
(Disposal)/Addition	**(654)**	11
Exchange and other movements	**15**	350
At 30 June	**13,102**	13,169

Investments in associates and joint venture are classified as non-current asset.

9. Investments in subsidiaries

(a) The Group has the following subsidiaries:

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding	Proportion of ownership interests held by non-controlling interests	Effective Holding	Proportion of ownership interests held by non-controlling interests	Cost of Investment COMPANY	
					2024 %	2024 %	2023 %	2023 %	2024 RS'M	2023 RS'M
BANKING										
Direct										
MCB Investment Holding Ltd	Republic of Mauritius	Activities of holding companies, without managing	**RS'M**	**8,880**	**100.00**	**-**	100.00	-	**8,880**	8,880
Indirect										
The Mauritius Commercial Bank Limited	Republic of Mauritius	Banking & Financial services	**RS'M**	**8,880**	**100.00**	**-**	100.00	-	**-**	-
The Mauritius Commercial Bank (Seychelles) Limited	Seychelles	Banking & Financial services	**SRS'M**	**20**	**100.00**	**-**	100.00	-	**-**	-
The Mauritius Commercial Bank Limited (Madagascar) S.A	Madagascar	Banking & Financial services	**MGA'BN**	**14**	**90.00**	**10.00**	90.00	10.00	**-**	-
MCB (Maldives) Private Ltd	Republic of Maldives	Banking & Financial services	**MVR'M**	**150**	**100.00**	**-**	100.00	-	**-**	-
The Mauritius Commercial Bank Representative Office (Nigeria) Limited	Republic of Nigeria	Financial services	**NGN'M**	**100**	**100.00**	**-**	-	-	**-**	-
NON-BANKING FINANCIAL										
Direct										
MCB Equity Fund Ltd	Republic of Mauritius	Private Equity Fund	**RS'M**	**2,084**	**100.00**	**-**	100.00	-	**2,084**	2,084
MCB Capital Markets Ltd	Republic of Mauritius	Investment Holding Company	**RS'M**	**73**	**100.00**	**-**	100.00	-	**73**	73
MCB Factors Ltd	Republic of Mauritius	Factoring	**RS'M**	**50**	**100.00**	**-**	100.00	-	**50**	50
MCB Microfinance Ltd	Republic of Mauritius	Credit Finance	**RS'M**	**125**	**100.00**	**-**	100.00	-	**125**	125
MCB Real Assets Ltd*	Republic of Mauritius	Investment Holding Company	**RS'M**	**-**	**100.00**	**-**	100.00	-	**-**	-
MCB Trade Services S.A	Luxembourg	Commercial advisory & collection services	**USD'M**	**-**	**100.00**	**-**	-	-	**2**	-
Indirect										
MCB Financial Advisers	Republic of Mauritius	Investment Advisory	**Rs'M**	**2**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Registry and Securities Ltd	Republic of Mauritius	Share and Unit Registrar services	**Rs'M**	**12**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Investment Management Co. Ltd	Republic of Mauritius	Investment Advisory and CIS Manager	**Rs'M**	**5**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Capital Partners Ltd	Republic of Mauritius	Asset Management	**Rs'M**	**1**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Stockbrokers Ltd	Republic of Mauritius	Investment Dealer	**Rs'M**	**1**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Investment Services Ltd	Republic of Mauritius	Shared Services	**Rs'M**	**20**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Investment Services (Rwanda) Ltd	Rwanda	Investment Advisory	**RWF**	**5**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Structured Solutions Ltd*	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**-**	**100.00**	**-**	100.00	**-**	**-**	**-**
CM Structured Products (1) Ltd*	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**-**	**100.00**	**-**	100.00	**-**	**-**	**-**
CM Structured Products (2) Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**24**	**100.00**	**-**	100.00	**-**	**-**	**-**
CM Structured Finance (1) Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**69**	**100.00**	**-**	100.00	**-**	**-**	**-**
CM Structured Finance (2) Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**14**	**100.00**	**-**	100.00	**-**	**-**	**-**
CM Diversified Credit Ltd	Republic of Mauritius	Investment Product Structuring	**Rs'M**	**173**	**100.00**	**-**	100.00	**-**	**-**	**-**
MCB Leasing Limited	Republic of Mauritius	Leasing	**Rs'M**	**200**	**57.73**	**42.27**	57.73	42.27	**-**	**-**

Notes to the financial statements

for the year ended 30 June 2024

9. Investments in subsidiaries (Cont'd)

(a) The Group has the following subsidiaries (Cont'd):

	Country of incorporation/ operation	Principal activities	Stated capital		Effective Holding	Proportion of ownership interests held by non-controlling interests	Effective Holding	Proportion of ownership interests held by non-controlling interests	Cost of Investment COMPANY	
					2024	2024	2023	2023	2024	2023
					%	%	%	%	RS'M	RS'M
OTHER INVESTMENTS										
Direct										
Fincorp Investment Limited	Republic of Mauritius	Investment Company	RS'M	103	57.73	42.27	57.73	42.27	29	29
MCB Properties Ltd	Republic of Mauritius	Property ownership & development	RS'M	15	100.00	-	100.00	-	15	15
Blue Penny Museum	Republic of Mauritius	Philatelic museum	RS'M	14	99.63	0.37	99.63	0.37	13	13
MCB Group Corporate Services Ltd	Republic of Mauritius	Company secretarial services	RS'M	2	100.00	-	100.00	-	2	2
MCB Consulting Services Ltd	Republic of Mauritius	Consulting, advisory, support and maintenance services	USD'M	2	100.00	-	100.00	-	50	50
MCB Institute of Finance	Republic of Mauritius	To develop the financial know-how of professionals and students	RS'M	20	80.00	20.00	80.00	20.00	16	16
Mascareignes Properties Ltd*	Seychelles	Property rental	SRS'M	-	100.00	-	100.00	-	-	-
MCB International Services Ltd*	Seychelles	Financial services	SRS'M	-	100.00	-	100.00	-	-	-
Indirect										
Compagnie des Villages de Vacances de l'Isle de France ("COVIFRA")	Republic of Mauritius	Real Estate Activities	Rs'M	825	93.39	6.61	93.39	6.61	-	-
EF Property Ltd*	Republic of Mauritius	Real Estate Activities	Rs'M	-	100.00	-	100.00	-	-	-
									11,339	11,337
Subordinated loans to subsidiaries									**2,177**	2,089
Impairment charge									**(138)**	-
									13,378	13,426

Except for Fincorp Investment Limited and COVIFRA which are quoted, the other above companies are unquoted.
The cost of investment in MCB Real Assets Ltd, Mascareignes Properties Ltd and MCB International Services Ltd are less than Rs 1M.

*The stated capital is less than Rs 1M.

9. Investments in subsidiaries (Cont'd)

(b) Details of Fincorp Investment Limited which has non-controlling interests that are material to the Company

	Profit attributable to non-controlling interests	Net assets attributable to non-controlling interests
GROUP		
2024	**126**	**3,411**
2023	152	3,179

(c) Summarised financial information of Fincorp Investment Limited

	GROUP	
	2024	2023
	RS'M	RS'M
(i) Summarised statement of financial position:		
Total assets	**13,029**	12,288
Total liabilities	**4,960**	4,767
Total equity	**8,069**	7,521
(ii) Summarised statement of profit or loss and statement of comprehensive income:		
Profit	**299**	360
Other comprehensive income	**326**	144
Total comprehensive income	**625**	504
(iii) Summarised statement of cash flows:		
Net cash flows from operating activities	**245**	574
Investing activities	**(80)**	(491)
Financing activities	**(159)**	(5)
Taxation	**1**	(7)
Net increase in cash and cash equivalents	**7**	71

The summarised financial information above is the amount before intra-group eliminations.

Investments in subsidiaries are classified as non-current assets.

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for the year ended 30 June 2024

10. Investment properties

	GROUP	
	2024	2023
	RS'M	RS'M
At 1 July	**5,139**	4,799
Exchange adjustment	**166**	335
Modification of lease	**-**	5
Fair value of land and buildings at 30 June	**5,305**	5,139
Rental income	**410**	381

The investment properties are held through the Compagnie des Villages de Vacances de l'Isle de France Limitée (COVIFRA), a subsidiary of MCB Real Assets Ltd.

The right-of-use of the land and the buildings have been treated as investment property under IAS 40 and are stated at fair value.

Valuation Process

The Company's policy is to fair value its investment property every year with a qualified independent valuer appointed every three years.

Each year, management assesses whether there is a significant change in current market conditions which could cause the fair value of the investment property to differ materially from the carrying amount.
Every three years and upon observance of significant change in market conditions, management recommends the appointment of an independent external valuer, who is responsible for the external valuations of the Company's investment properties for the annual financial statements. Selection criteria for an independent valuer include market knowledge, reputation, independence, objectivity and whether professional standards are maintained.

No independent valuer was appointed for the current year.

An independent valuation exercise of the investment property was carried out in 2022 by Jones Lang LaSalle (Pty) Ltd ("JLL"), a professional service company specialising in real estate and offering a range of services such as hotel advisory, valuation services, property and project management. Based on the income approach using the discounted cash flow method and a number of assumptions including a discount rate of 9.40%, JLL determined that the fair value of the investment property at 30 June 2022 was EUR 103,770,000.

Discounted cash flow technique is a method of discounting the rental income based on expected net cash flows of the underlying hotel.

The Directors have reassessed the fair value of the investment property as at 30 June 2024 based on the following criteria:

- Consideration of current market conditions;
- Rolling forward the discounted cash flows used by the independent valuer JLL.

Based on the above considerations, the Directors are of the opinion that the fair value of the investment property is reasonably stated.

The land is leased from the Government of the Republic of Mauritius for a term expiring on 30 September 2069.

Direct operating expenses from the investment property that generated rental income during the year amounted to EUR 354,557 (2023: EUR 381,922). The expenses are reimbursable as they are recharged by the Company to Holiday Villages Management Services (Mauritius) Ltd (HVMS). The investment property has been classified within level 3 of the fair value hierarchy based on the following information:

			Sensitivity	
	Valuation Technique	Significant Unobservable Inputs	2024	2023
Hotel located in Pointe aux Canonniers	- Income Approach - Discounted Cash Flow	- Rent growth p.a. - Discount Rate - Terminal Yield	1.5% - 1.7% 9.71% 8.31%	1.4% - 1.9% 9.57% 7.92%

Significant increases/(decreases) in estimated rent growth per annum in isolation would result in a significantly higher/(lower) fair value of the property.

Significant increases/(decreases) in the discount rate and terminal yield would result in a significantly lower/(higher) fair value.

11. Goodwill and other intangible assets

(a) Goodwill

	GROUP	
	2024	2023
	RS'M	RS'M
At 1 July	**403**	392
Adjustment	**-**	11
At 30 June	**403**	403

The significant portion of goodwill pertains to MCB Real Assets Ltd, details of which are provided below. The remaining amount relates to other subsidiaries.

Goodwill is attributable to the following cash generating units:

	2024	2023
	RS'M	RS'M
Investment properties		
At 30 June	**386**	386

Goodwill previously arose on the acquisition of the 93.4% stake in Compagnie des Villages de Vacances de L'isle de France Limitée ("COVIFRA") by the Group. The goodwill amount was the difference between the price paid and the net asset value of the corresponding stake in COVIFRA. Goodwill acquired through business combinations have indefinite lives and have been allocated to the main income generating asset of COVIFRA, i.e. its investment property (see Note 10). The Group assesses goodwill annually for impairment or more frequently if there are indication that goodwill might be impaired.

The management have reviewed the carrying values of goodwill at 30 June 2024 and are of the opinion that no impairment losses need to be recognised.

The recoverable amount of the above cash-generating unit (CGU) has been determined based on fair value less cost to sell, on the basis of a reassessment of the independent valuation performed by Jones Lang LaSalle (Pty) Ltd in June 2022 as detailed in Note 10, and its value in use calculations.

The key assumptions for the value in use calculations are as follows:

(i) Cash flows are based on financial forecast approved by management covering a period of at least 5 years.

(ii) The discount rates used are based on the Group's weighted average cost of capital, adjusted to reflect a risk premium specific to each business. The pre-tax discount rates applied are 9.13% (2023: 9.01%); and

(iii) The nominal long-term growth rates, which are based on historical growth rates and the growth prospects for businesses, do not exceed 5%.

The Directors are satisfied that there are no indications requiring an impairment of goodwill.

Notes to the financial statements

for the year ended 30 June 2024

11. Goodwill and other intangible assets (Cont'd)

(b) Other intangible assets

	GROUP			
	Computer software	Customer Relationship	Work in progress	Total
	RS'M	RS'M	RS'M	RS'M
Cost				
At 1 July 2022	**3,553**	**-**	**525**	**4,078**
Additions	45	-	912	957
Scrap/Impairment	(1)	-	-	(1)
Transfer	1,178	-	(1,178)	-
Adjustment	675	-	-	675
Exchange adjustment	(67)	-	(9)	(76)
At 30 June 2023	**5,383**	**-**	**250**	**5,633**
Additions	**1,032**	**8**	**12**	**1,052**
Scrap/Impairment	**(13)**	**-**	**-**	**(13)**
Transfer	**8**	**-**	**(8)**	**-**
Exchange adjustment	**(16)**	**-**	**1**	**(15)**
At 30 June 2024	**6,394**	**8**	**255**	**6,657**
Accumulated amortisation				
At 1 July 2022	**1,982**	**-**	**-**	**1,982**
Scrap/Impairment	(1)	-	-	(1)
Charge for the year	652	-	-	652
Adjustment	675	-	-	675
Exchange adjustment	(71)	-	-	(71)
At 30 June 2023	**3,237**	**-**	**-**	**3,237**
Scrap/Impairment	**(2)**	**-**	**-**	**(2)**
Charge for the year	**700**	**2**	**-**	**702**
Exchange adjustment	**(21)**	**-**	**-**	**(21)**
At 30 June 2024	**3,914**	**2**	**-**	**3,916**
Net book value				
At 30 June 2024	**2,480**	**6**	**255**	**2,741**
At 30 June 2023	2,146	-	250	2,396
Total				
At 30 June 2024				**3,144**
At 30 June 2023				2,799

Intangible assets are classified as non-current assets.

12. Property, plant and equipment

	GROUP					
	Land and buildings	Computer and other equipment	Furniture, fittings and vehicles*	Work in progress	Right-of-use assets (Land and buildings)	Total
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
Cost						
At 1 July 2022	**5,638**	**3,966**	**2,837**	**222**	**885**	**13,548**
Additions	21	310	619	184	182	1,316
Scrap/Disposals	-	(110)	(199)	(31)	(31)	(371)
Adjustment on remeasurement	(32)	37	-	-	(58)	(53)
Adjustment	-	105	-	-	-	105
Transfer	42	76	49	(167)	-	-
Exchange adjustment	76	(8)	(18)	4	(131)	(77)
At 30 June 2023	**5,745**	**4,376**	**3,288**	**212**	**847**	**14,468**
Additions	**7**	**247**	**413**	**243**	**164**	**1,074**
Scrap/Disposals	**-**	**(162)**	**(418)**	**-**	**(12)**	**(592)**
Adjustment on remeasurement	**-**	**(1)**	**-**	**-**	**15**	**14**
Transfer	**44**	**84**	**43**	**(171)**	**-**	**-**
Exchange adjustment	**12**	**8**	**7**	**10**	**18**	**55**
At 30 June 2024	**5,808**	**4,552**	**3,333**	**294**	**1,032**	**15,019**
Accumulated depreciation						
At 1 July 2022	**1,271**	**3,179**	**1,378**	**-**	**391**	**6,219**
Charge for the year	98	370	313	-	116	897
Scrap/Disposal adjustment	-	(107)	(120)	-	(23)	(250)
Adjustment	-	105	-	-	-	105
Transfer	3	-	-	-	(3)	-
Exchange adjustment	33	(7)	(9)	-	(54)	(37)
At 30 June 2023	**1,405**	**3,540**	**1,562**	**-**	**427**	**6,934**
Charge for the year	**104**	**328**	**330**	**-**	**127**	**889**
Scrap/Disposal adjustment	**(155)**	**(21)**	**(247)**	**-**	**(12)**	**(435)**
Exchange adjustment	**1**	**5**	**5**	**-**	**9**	**20**
At 30 June 2024	**1,355**	**3,852**	**1,650**	**-**	**551**	**7,408**
Net book value						
At 30 June 2024	**4,453**	**700**	**1,683**	**294**	**481**	**7,611**
At 30 June 2023	4,340	836	1,726	212	420	7,534

*Includes assets under operating lease with NBV of Rs 1,167M (2023: Rs 1,168M).

Notes to the financial statements

for the year ended 30 June 2024

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

	COMPANY		
	Land and buildings	Furniture, fittings and vehicles	Total
	RS'M	RS'M	RS'M
Cost			
At 1 July 2022	**222**	**17**	**239**
Addition	**-**	**9**	**9**
At 30 June 2023 and 2024	**222**	**26**	**248**
Accumulated depreciation			
At 1 July 2022	-	14	14
Charge for the year	-	2	2
At 30 June 2023	**-**	**16**	**16**
Charge for the year	**-**	**3**	**3**
At 30 June 2024	**-**	**19**	**19**
Net book value			
At 30 June 2024	**222**	**7**	**229**
At 30 June 2023	222	10	232

Property, plant and equipment are classified as non-current asset.
Following the adoption of IFRS 16, the Group has presented right-of-use assets within 'property, plant and equipment'.
The leases under Right-of-use assets consist mainly of rental of space for ATMs and the lease terms are in the range of 1 to 5 years.
Moreover, the Group does not have the possibility of acquiring the asset at the end of the lease.

13. Deferred tax assets/(liabilities)

	GROUP					
	Balance as at 1 July	Effect of change in tax rate	Exchange adjustments	Recognised in Statements of profit or loss	Recognised in Statements of comprehensive income	Balance as at 30 June
	RS'M	RS'M	RS'M	RS'M	RS'M	RS'M
At 30 June 2024						
Deferred tax assets:						
Provisions and post retirement benefits	**428**	**57**	**-**	**(63)**	**(24)**	**398**
Provisions for credit impairment	**3,055**	**360**	**(2)**	**775**	**-**	**4,188**
Tax losses carried forward	**7**	**-**	**4**	**-**	**-**	**11**
Leases	**9**	**-**	**1**	**-**	**-**	**10**
Accelerated tax depreciation	**(375)**	**(52)**	**(2)**	**(60)**	**-**	**(489)**
	3,124	**365**	**1**	**652**	**(24)**	**4,118**
Deferred tax liabilities:						
Accelerated tax depreciation	**(712)**	**-**	**(19)**	**(26)**	**-**	**(757)**
Provisions for credit impairment	**13**	**-**	**-**	**(4)**	**-**	**9**
Tax losses carried forward	**190**	**-**	**5**	**(26)**	**-**	**169**
Leases	**31**	**-**	**1**	**(1)**	**-**	**31**
	(478)	**-**	**(13)**	**(57)**	**-**	**(548)**
At 30 June 2023						
Deferred tax assets:						
Provisions and post retirement benefits	195	28	-	166	39	428
Provisions for credit impairment	2,197	291	17	550	-	3,055
Tax losses carried forward	7	-	4	(4)	-	7
Leases	1	-	-	8	-	9
Accelerated tax depreciation	(219)	(43)	(14)	(99)	-	(375)
	2,181	276	7	621	39	3,124
Deferred tax liabilities:						
Accelerated tax depreciation	(636)	-	(41)	(35)	-	(712)
Provisions for credit impairment	20	-	-	(7)	-	13
Tax losses carried forward	199	-	11	(20)	-	190
Leases	31	-	1	(1)	-	31
	(386)	-	(29)	(63)	-	(478)

Deferred tax assets are classified as non-current assets.

Notes to the financial statements
for the year ended 30 June 2024

14. Other assets

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Mandatory balances with Central Banks	**41,295**	34,984	**-**	-
Prepayments and other receivables	**2,930**	2,704	**2,943**	2,433
Credit Card Clearing	**632**	979	**-**	-
Non-banking assets acquired in satisfaction of debts*	**105**	104	**-**	-
Impersonal and other accounts	**5,703**	6,622	**-**	-
	50,665	45,393	**2,943**	2,433
Less allowances for credit impairment	**(117)**	(22)	**(101)**	-
	50,548	45,371	**2,842**	2,433

* The Group's policy is to dispose of such assets as soon as the market permits.

All elements under other assets are classified as current assets except 'Non-banking assets acquired in satisfaction of debts' and 'Impersonal and other accounts'.

Allowances for credit impairment

	GROUP			
	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 2023	**4**	**11**	**7**	**22**
Exchange adjustment	**-**	**3**	**-**	**3**
Provision for credit impairment for the year	**-**	**93**	**-**	**93**
Provision released during the year	**-**	**(1)**	**-**	**(1)**
At 30 June 2024	**4**	**106**	**7**	**117**
At 1 July 2022	10	6	8	24
Transfer to lifetime ECL not credit impaired	(5)	5	-	-
Provision for credit impairment for the year	1	1	1	3
Provision released during the year	(2)	(1)	-	(3)
Write off	-	-	(2)	(2)
At 30 June 2023	4	11	7	22

At Company level, impairment of Rs 101m pertains to receivable from subsidiary

15. Deposits

	GROUP	
	2024	2023
	RS'M	RS'M
(a) Deposits from banks		
Demand deposits	**11,061**	3,781
Money market deposits with remaining term to maturity:		
Up to 3 months	**20,762**	1,484
Over 3 months and up to 6 months	**2,418**	3,893
Over 6 months and up to 1 year	**154**	1,150
Over 1 year and up to 5 years	**-**	44
	23,334	6,571
	34,395	10,352
Deposits from banks can be classified as:		
Current	**34,395**	10,308
Non-current	**-**	44

Notes to the financial statements

for the year ended 30 June 2024

15. Deposits (Cont'd)

	GROUP	
	2024	2023
	RS'M	RS'M
(b) Deposits from customers		
(i) Retail customers		
Demand deposits	**58,619**	53,150
Savings deposits	**232,834**	205,569
Time deposits with remaining term to maturity:		
Up to 3 months	**15,088**	7,072
Over 3 months and up to 6 months	**6,173**	4,042
Over 6 months and up to 1 year	**9,690**	7,173
Over 1 year and up to 5 years	**15,934**	14,747
Over 5 years	**7**	30
	46,892	33,064
	338,345	291,783
(ii) Corporate customers		
Demand deposits	**218,700**	222,213
Savings deposits	**6,573**	7,108
Time deposits with remaining term to maturity:		
Up to 3 months	**73,097**	36,222
Over 3 months and up to 6 months	**7,886**	8,105
Over 6 months and up to 1 year	**16,292**	13,595
Over 1 year and up to 5 years	**10,198**	7,417
Over 5 years	**1**	-
	107,474	65,339
	332,747	294,660
(iii) Government		
Demand deposits	**849**	766
Savings deposits	**-**	56
Time deposits with remaining term to maturity:		
Up to 3 months	**397**	8
Over 3 months and up to 6 months	**126**	105
Over 1 year and up to 5 years	**-**	36
	523	149
	1,372	971
	672,464	587,414
Deposits from customers can be classified as:		
Current	**646,324**	565,184
Non-current	**26,140**	22,230

The carrying amounts of deposits are not materially different from their fair values.

16. Other borrowed funds

Other borrowed funds comprise the following:

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Borrowings from banks:				
in Mauritius	**6,703**	20,266	**-**	1,616
abroad	**59,876**	67,391	**-**	-
	66,579	87,657	**-**	1,616
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**169**	221	-	-

Remaining term to maturity:

	GROUP 2024 RS'M	GROUP 2023 RS'M	COMPANY 2024 RS'M	COMPANY 2023 RS'M
On demand or within a period not exceeding 1 year	**6,509**	40,181	**-**	1,616
Within a period of more than 1 year but not exceeding 2 years	**53,540**	42,268	**-**	-
Within a period of more than 2 years but not exceeding 3 years	**-**	20	**-**	-
Within a period of more than 3 years	**6,530**	5,188	**-**	-
	66,579	87,657	**-**	1,616
Other borrowed funds can be classified as:				
Current	**6,509**	40,181	**-**	1,616
Non-current	**60,070**	47,476	**-**	-

During the year, the Mauritius Commercial Bank Limited drew down a three-year USD 500 million syndicated loan facility, secured in June 2023, and an additional USD 400 million sustainability-linked loan, accessed in March 2024. The proceeds from these facilities were deployed to repay existing obligations, either upon maturity or through early repayment.

17. Debt securities

Floating rate senior unsecured notes (Level 1)

		GROUP		COMPANY	
		2024	2023	2024	2023
		RS'M	RS'M	RS'M	RS'M
Rs 2.0 billion notes maturing in June 2028 at an average rate of 5.35% (2023; 4.59%)	(i)	**2,000**	2,001	**2,000**	2,001
Rs 0.8 billion notes maturing in August 2026 at an average rate of 4.85%	(i)	**769**	-	**769**	-
Rs 1.7 billion notes maturing in August 2028 at an average rate of 5.00%*	(i)	**1,259**	-	**1,716**	-
5-year senior unsecured notes maturing in 2028 at a fixed coupon rate of 7.95%	(ii)	**13,759**	13,506	**-**	-
Exchange adjustments and others		**555**	253	**-**	-
		18,342	15,760	**4,485**	2,001

(i) These notes are quoted on the Official Market of the Stock Exchange of Mauritius Ltd.

(ii) During the year 2023, The Mauritius Commercial Bank Limited launched a Global Medium Term Note Programme, which enables the Bank to tap into the international bond market for up to USD 3 billion. This programme has earned a Baa3 rating from Moody's and was registered on the International Securities Market of the London Stock Exchange in October 2022. It aims at diversifying the funding sources of the Bank and support its overall growth strategy.

Under this programme, the Bank issued its first bond for a notional value of USD 300 million on 26 April 2023.

* Net of adjustment at Group level.

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for the year ended 30 June 2024

18. Subordinated liabilities

		GROUP		COMPANY	
		2024	2023	2024	2023
		RS'M	RS'M	RS'M	RS'M
USD 147M floating rate unsecured Tier 2 notes maturing on 30 March 2033 at an average interest rate of 5.4%	(i)	**6,788**	6,689	**-**	-
Floating rate subordinated notes matured at an average interest rate of 5.09 % (matured in August 2023)		**-**	1,113	**-**	1,113
USD 30M subordinated debt matured August 2023 at an average interest rate of 6.1% (fully repaid in August 2023)		**-**	684	**-**	-
Repayment of USD 9M		**-**	(404)	**-**	-
Exchange adjustments and others		**269**	90	**-**	-
		7,057	8,172	**-**	1,113
Subordinated liabilities can be classified as:					
Current		**-**	1,113	**-**	1,113
Non-current		**7,057**	7,059	**-**	-

(i) On 31 March 2023, The Mauritius Commercial Bank Limited successfully concluded its inaugural Basel III compliant Tier 2 bond issuance, amounting to USD 147 million. This bond was issued under the umbrella of a private placement agreement with the African Development Bank. With an original maturity span of 10 years, it features semi-annual amortization, which comes into play starting from the sixth year. This bond helps consolidate the capital of the Bank and provides the necessary buffer to support its growth strategy.

19. Preference shares

	Number of shares	RS'M
At 1 July 2022	**339,622,500**	**3,396**
Conversion of preference shares	(109,649,208)	(1,096)
At 30 June 2023	**229,973,292**	**2,300**
Conversion of preference shares	**(67,936,804)**	**(679)**
At 30 June 2024	**162,036,488**	**1,621**

During the year ended 30 June 2020, 339,622,500 convertible redeemable non-voting preference shares of no par value were issued at an issue price of Rs 10. each. Subject to a non-conversion period of two years, starting on the issue date and upon receipt of a conversion notice, the eligible preference shareholders have the option of converting some or all of their preference shares into ordinary shares of the company based on the conversion price at the specified conversion date. The preference shares rank junior to all secured and unsecured creditors of the Group but ahead of the ordinary shares. Redemption is at the option of the Company after the tenth anniversary of the Issue Date. Subject to the number of preference shares in issue being less than fifty million, and all applicable laws, the Company may, by serving a Redemption Notice, redeem on a Redemption Date, all (but not part of) the preference shares.

Preference dividend

Subject to dividends being declared by the Board and to the applicable laws, the preference shareholders, at the close of the preference dividend record date, are entitled to a fixed annual non-cumulative dividend of MUR 0.47 per share. During the non-conversion period, dividends to preference shareholders have been recognised in the statement of changes in equity. Since 1 July 2022, dividend is recognised as interest expense.

Conversion of preference shares into ordinary shares

In July 2024, MCB Group Limited has received requests from holders of Preference Shares to convert an aggregate of 13,554,638 Preference Shares into Ordinary Shares. In this context, the Board has approved the issue of 367,266 Ordinary Shares of the Company for a total consideration of Rs 136M.

20. Post employment benefit (asset)/liability

	GROUP	
	2024	2023
	RS’M	RS'M
Post employment benefits (asset)/liability:		
(a) Staff superannuation fund (defined benefit section)	**(1,001)**	(689)
(b) Residual retirement gratuities	**247**	234
	(754)	(455)
(a) Staff superannuation fund (defined benefit section)		
Reconciliation of net defined benefit (asset)/liability		
Opening balance	**(689)**	278
Amount recognised in statements of profit or loss (Note 30(a))	**201**	230
Amount recognised in statements of comprehensive income	**(199)**	234
Less employer contributions	**(314)**	(1,431)
Closing balance	**(1,001)**	(689)
Reconciliation of fair value of plan assets		
Opening balance	**10,229**	8,765
Interest income	**580**	492
Employer contributions	**314**	1,431
Benefits paid	**(425)**	(376)
Return on plan assets above/(below) interest income	**526**	(83)
Closing balance	**11,224**	10,229
Reconciliation of present value of defined benefit obligation		
Opening balance	**9,540**	9,043
Current service cost	**249**	253
Interest expense	**532**	469
Benefits paid	**(425)**	(376)
Liability loss due to change in financial assumptions	**327**	151
Closing balance	**10,223**	9,540
Components of amount recognised in statements of profit or loss		
Current service cost	**249**	253
Net interest on net defined benefit asset	**(48)**	(23)
Total	**201**	230
Components of amount recognised in statements of comprehensive income		
Return on plan assets (above)/below interest income	**(526)**	83
Liability loss due to change in financial assumptions	**327**	151
Total	**(199)**	234

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20. Post employment benefit (asset)/liability (Cont'd)

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

	GROUP	
	2024	2023
Allocation of plan assets at end of year	%	%
Equity - Local quoted	30	30
Equity - Local unquoted	1	1
Debt - Overseas quoted	1	1
Debt - Local quoted	19	13
Debt - Local unquoted	6	8
Property - Overseas	5	-
Property - Local	1	5
Investment funds	33	31
Cash and other	4	11
Total	100	100
Allocation of plan assets at end of year	%	%
Reporting entity's own transferable financial instruments	11	9
Property occupied by reporting entity	5	5
Other assets used by reporting entity	-	2
Principal assumptions used at end of year		
Discount rate	5.5%	5.7%
Rate of salary increases	4.2%	4.2%
Rate of pension increases	2.7%	2.7%
Average retirement age (ARA)	63	63
Average life expectancy for:		
Male at ARA	17.3 years	17.3 years
Female at ARA	21.7 years	21.7 years

	2024	2023
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	1,882	1,718
Decrease due to 1% increase in discount rate	1,462	1,345
Increase due to 1% increase in salary increase rate	808	745
Decrease due to 1 % decrease in salary increase rate	696	630
Increase due to 1% increase in pension increase rate	988	897
Decrease due to 1 % decrease in pension increase rate	828	773

20. Post Employment Benefit (Asset)/Liability (Cont'd)

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

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

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

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

The Group sponsors a defined benefit pension plan for some of its employees which is self-administered and funded separately from the Group. The Group has recognised a total net defined benefit asset of Rs 1,001M as at 30 June 2024 for the defined benefit pension plan (2023: Rs 689M).

The liability loss due to change in financial assumptions amounting to Rs 327M 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 1.5% p.a. in 2023 to 1.3% p.a. in 2024 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.0% p.a. in 2023 to 2.8% p.a. in 2024.

The Group operates a final salary defined benefit pension or retirement plan for some of its employees which is self-administered and funded separately from the Group.

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Group had a residual obligation imposed by Workers' Rights Act (WRA) 2019 on top of its Defined Contribution (DC) plan. It is therefore particularly exposed to investment under-performance of the DC plan.

There has been no plan amendment, curtailment or settlement during the year.

Future cash flows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries:
Expected employer contribution for the next year: **Rs 327 M**
Weighted average duration of the defined benefit obligation: **16 years**

Defined Contribution Cash Balance (DCCB)

As from 1 July 2015, The Group has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.

Consequently, all employees joining the Group as from that date are automatically enrolled in the new scheme. Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

Notes to the financial statements

for the year ended 30 June 2024

20. Post employment benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	GROUP	
	2024	2023
	RS'M	RS'M
Reconciliation of net defined benefit liability		
Opening balance	234	182
Amount recognised in statements of profit or loss (Note 30(a))	12	48
Amount recognised in statements of comprehensive income	58	29
Employer contribution	(57)	(25)
Closing balance	247	234
Reconciliation of present value of defined benefit obligation		
Opening balance	234	182
Current service cost	15	27
Interest expense	11	21
Past service cost	(14)	-
Other benefits paid	(57)	(25)
Liability experience loss	45	19
Liability loss due to change in financial assumptions	13	10
Closing balance	247	234
Components of amount recognised in statements of profit or loss		
Current service cost	15	27
Past service cost	(14)	-
Net interest on net defined benefit liability	11	21
Total	12	48
Components of amount recognised in statements of comprehensive income		
Liability experience loss	45	19
Liability loss due to change in financial assumptions	13	10
Total	58	29
Principal assumptions used at end of year		
Discount rate	5.5%	5.7%
Rate of salary increases	4.2%	4.2%
Rate of pension increases	2.7%	2.7%
Average retirement age(ARA)	63	63

	2024	2023
	RS'M	RS'M
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	86	52
Decrease due to 1% increase in discount rate	78	42
Increase due to 1% increase in salary increase rate	68	47
Decrease due to 1% decrease in salary increase rate	52	38
Increase due to 1% increase in pension increase rate	10	5
Decrease due to 1% decrease in pension increase rate	11	5

The Group has also recognised a net defined benefit liability of Rs 247M as at 30 June 2024 (2023: Rs 234M) 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 45M disclosed in the IAS 19 schedule 'Residual Retirement Gratuity' is due to the retirement gratuities paid to employees who retired during the year being higher than their past service reserve.

20. Post employment benefit (asset)/liability (Cont'd)

(b) Residual retirement gratuities (Cont'd)

The liability loss due to change in financial assumptions amounting to Rs 13M 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 1.5% p.a. in 2023 to 1.3 % p.a. in 2024 and in the net post-retirement discount rate (the difference between the nominal discount rate and the pension increase rate) from 3.0% p.a. in 2023 to 2.8% p.a. in 2024.

Future cash flows

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contribution for the next year: **Nil**
Weighted average duration of the defined benefit obligation: **23 years**

Note: The most recent actuarial valuation of planned assets and present value of post employment benefit obligation were carried out as at the reporting date by Aon Hewitt Ltd., Actuaries and Consultants.

Post employee benefit asset is classified as non-current asset.

21. Other liabilities

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Impersonal, other accounts and deferred income	**15,121**	12,879	**950**	537
Structured products notes*	**5,411**	4,187	**-**	-
Proposed dividend (note 33)	**2,405**	2,095	**2,405**	2,095
Lease liabilities	**1,023**	646	**-**	-
Allowances for credit impairment on off-balance sheet exposures	**319**	490	**-**	-
Others	**38**	36	**-**	-
	24,317	20,333	**3,355**	2,632

*These structured products notes were issued at the level of our subsidiaries.

All elements under other liabilities are classified as current liabilities except 'Impersonal, other accounts and deferred income' and 'lease liabilities' (amounts over 1 year).

(i) The Lease liabilities can be analysed as follows:

	GROUP	
	2024	2023
	RS'M	RS'M
Up to 3 months	**7**	7
Over 3 months and up to 6 months	**7**	7
Over 6 months and up to 1 year	**27**	70
Over 1 year and up to 5 years	**229**	139
Over 5 years	**753**	423
	1,023	646

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21. Other liabilities (Cont'd)

(ii) Allowances for credit impairment on off-balance sheet exposures

	GROUP Allowances for credit impairment		
	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Total
	RS'M	RS'M	RS'M
At 1 July 2023	**490**	**-**	**490**
Provision for credit impairment for the year	**222**	**-**	**222**
Provision released during the year	**(393)**	**-**	**(393)**
At 30 June 2024	**319**	**-**	**319**
At 1 July 2022	521	2	523
Exchange adjustment	(1)	-	(1)
Transfer to 12 months ECL	2	(2)	-
Provision for credit impairment for the year	396	-	396
Provision released during the year	(369)	-	(369)
Changes in models/risk parameters	(59)	-	(59)
At 30 June 2023	490	-	490

22. Stated capital and reserves

(a) Stated capital

	Number of shares	RS'M
At 1 July 2022	240,568,313	3,109
Issue of shares following the exercise of Group Employee Share Options Scheme (Note 30 c)	218,828	68
Conversion of preference shares	3,604,072	1,096
Issue of shares following the Scrip Dividend Scheme (Non-cash)	2,102,617	634
At 30 June 2023	**246,493,830**	**4,907**
Issue of shares following the exercise of Group Employee Share Options Scheme (Note 30 c)	**344,348**	**114**
Conversion of preference shares	**2,226,643**	**679**
Issue of shares following the Scrip Dividend Scheme (Non-cash)	**4,061,107**	**1,275**
At 30 June 2024	**253,125,928**	**6,975**

Fully paid ordinary shares carry one vote per share and the right to dividend.
The shares have no par value and rank 'pari passu' in all respects with the existing ordinary shares of the Company.

Scrip Dividend Scheme

The Board has approved a Scrip Dividend Scheme whereby Ordinary Shareholders have the option of receiving dividends, or part thereof, by way of Ordinary Shares of the Company.

The Scrip Price of a Scrip Share is calculated as the five-day volume-weighted average of the traded price of the Company's ordinary share on the market, beginning with the first ex-dividend date, less a discount of 3%, as described in the terms governing the Scrip Dividend Scheme.

(b) Reserves

(i) Capital reserve

The capital reserve represents the cumulative net change in:
(a) the fair value of investment securities until the securities are derecognised or impaired.
(b) revaluation surplus on land and buildings where applicable, until it is derecognised.

(ii) Translation reserve

The translation reserve represents all foreign currency differences arising from the translation of the results and financial position of foreign operations.

(iii) Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

23. Contingent liabilities

		GROUP	
		2024	2023
		RS'M	RS'M
(a)	**Instruments**		
	Acceptances on account of customers	197	287
	Guarantees on account of customers	58,199	53,013
	Letters of credit and other obligations on account of customers (net)	120,831	57,561
	Other contingent items (net)	42	1,473
		179,269	112,334
(b)	**Commitments**		
	Loans and other facilities, including undrawn credit facilities	10,883	13,307
(c)	**Tax assessments**	-	29
		190,152	125,670

24. Interest income using the effective interest method

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Loans to and placements with banks	5,201	3,631	-	-
Loans and advances to customers	29,497	22,514	14	7
Investments at amortised cost	10,879	7,688	-	3
Investments at fair value through other comprehensive income	14	53	-	-
Other	26	38	62	7
	45,617	33,924	76	17

25. Interest expense

Deposits from banks	1,000	196	-	-
Deposits from customers	13,819	8,594	-	-
Other borrowed funds	4,494	4,615	28	38
Debt securities	1,290	320	215	128
Subordinated liabilities	636	233	7	56
Preference shares	82	117	82	117
Lease liabilities	57	59	-	-
	21,378	14,134	332	339

26. Fee and commission income

Cards and other related fees	4,692	4,109	-	-
Trade finance fees	1,967	1,460	-	-
Transaction fees	1,573	1,403	-	-
Guarantee fees	1,361	1,344	-	-
Loan related fees	562	548	-	-
Private banking and wealth management fees	410	409	-	-
Others	454	400	-	-
	11,019	9,673	-	-

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for the year ended 30 June 2024

26. Fee and commission income (Cont'd)

Revenue contract from customers

MCB Factors Ltd

Performance obligations and timing of revenue recognition

The majority of the revenue is derived from providing factoring services with revenue recognised at a point in time when control has been transferred to the customer. This is generally when the services are rendered to the customer.

Determining the transaction price

Revenue is mainly derived from interest income that are based on financing of factored debts recognised on an accrual basis using the effective yield method and factoring income based on consideration of factoring and recovery services provided.

Allocating amounts to performance obligations

For most contracts, the Company receives a factoring commission fee under a factoring contract for managing the clients' receivables. Therefore, there is no judgement involved in allocating the contract price to each performance obligation. Where a customer requests more than one product line, the Company is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Costs of obtaining long-term contracts and costs of fulfilling contracts

The costs of fulfilling contracts do not result in the recognition of a separate asset because for service contracts, revenue is recognised over time by reference to the satisfied performance obligation, meaning that control of the asset is transferred to the customer on a continuous basis as work is carried out. Consequently, no asset for work in progress is recognised.
These reserves are not distributable.

MCB Consulting Services Ltd

Performance obligations and timing of revenue recognition

The majority of the revenue is the provision of system implementation services with revenue recognised at a point in time when control is transferred to the customer. This is generally when the services are delivered to the customer.

The Company's activities consist of System implementation, IT upgrades and developments, strategic advisory services for clients, with revenue recognized typically on an over time basis. This is because these services have no alternative use for the Company and the contracts would require payment to be received for the time and effort spent by the Company on progressing the contracts in the event of the customer cancelling the contract prior to completion for any reason other than the Company's failure to perform its obligations under the contract. The Company recognizes revenue based on stage of milestones achieved for the project which is monitored on a project management tools.

The Company is also engaged in the provision of training to its clients. For these services the revenue is recognized at a point in time.

Determining the transaction price

Most of the revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For all contracts, there is a defined price for each milestone and stage of work completed. Each contract has defined milestone, stages and set of tasks agreed on signature of the contract. Therefore, there is no judgement involved in allocating the contract price to each completed milestone, stage of work or task completed in accordance with the contract.

Costs of obtaining long-term contracts and costs of fulfilling contracts

The costs of fulfilling contracts do not result in the recognition of a separate asset because:

- Such costs are included in the carrying amount of inventory for contracts involving the sale of goods; and
- For service contracts, revenue is recognized over time by reference to the stage of completion meaning that control of the asset (the design service) is transferred to the customer on a continuous basis as work is carried out. Consequently, no assets for the work in progress is recognized.

26. Fee and commission income (Cont'd)

Revenue contract from customers (Cont'd)

	GROUP	
	2024	2023
	RS'M	RS'M
Disaggregated revenue information		
MCB Factors Ltd		
Factor Fee	58	53
Other fees(including signing, closure, maintenance fees)	3	3
	61	56
MCB Consulting Services Ltd		
Support and Maintenance	61	59
IT Development	14	41
Temenos Software	9	141
Advisory	5	9
Other software implementation	9	14
	98	264
MCB Capital Market Ltd		
Mandates fees	270	235
Success fees	102	131
CIS fees	54	54
Brokerage fees	60	40
Distribution fees	36	35
Retainer fees	4	2
Fixed fees	4	8
	530	505

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M

27. Fee and commission expense

	GROUP 2024 RS'M	GROUP 2023 RS'M	COMPANY 2024 RS'M	COMPANY 2023 RS'M
Cards and other related fees	3,129	2,581	-	-
Loan related and trade finance fees	443	398	-	-
Transaction fees	67	58	-	-
Others	28	30	-	-
	3,667	3,067	-	-

28. Net trading income

	GROUP 2024 RS'M	GROUP 2023 RS'M	COMPANY 2024 RS'M	COMPANY 2023 RS'M
Profit arising from dealing in foreign currencies	3,721	3,383	60	70
Net gain from derivative financial instruments fair valued through profit or loss	179	55	-	-
Net gain from investment securities fair valued through profit or loss	320	219	-	-
Net gain from other investment securities	-	16	-	-
	4,220	3,673	60	70

29. Dividend income

	GROUP 2024 RS'M	GROUP 2023 RS'M	COMPANY 2024 RS'M	COMPANY 2023 RS'M
Quoted investments FVOCI	74	59	17	19
Quoted investments FVPL	26	48	-	-
Unquoted investments FVOCI	28	49	-	-
Unquoted investments FVPL	8	26	-	-
Subsidiaries	-	-	6,015	4,737
	136	182	6,032	4,756

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30. Non-interest expense

(a) Salaries and human resource costs

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Wages and salaries	**5,088**	4,104	**138**	142
Defined benefit plan	**201**	230	**-**	-
Residual retirement gratuities	**12**	48	**-**	-
Defined contribution plan	**225**	241	**-**	-
Compulsory social security obligations	**212**	147	**-**	-
Equity settled share-based payments	**7**	4	**-**	-
Other personnel expenses	**1,670**	1,183	**4**	2
	7,415	5,957	**142**	144

(b) Other non-interest expense

	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Legal and professional fees	**904**	768	**52**	25
Rent, repairs, maintenance and security costs	**484**	455	**1**	1
Software licensing and other information technology costs	**1,165**	1,090	**-**	-
Electricity, water and telephone charges	**459**	400	**-**	-
Advertising, marketing costs and sponsoring	**353**	249	**1**	1
Postage, courier and stationery costs	**265**	213	**-**	3
Insurance costs	**192**	199	**-**	-
Others	**642**	377	**35**	30
of which short term leases	***7***	*21*	**-**	-
	4,464	3,751	**89**	60

(c) Share-based payments

During FY 2014, the Group proposed a Group Employee Share Option Scheme (GESOS) to all employees.

The Board of Directors has the authority to issue up to 5 million shares to the employees. In November 2023, a further offer of 1,017,660 options was made on similar terms.

	GROUP			
	2024		2023	
	Weighted avg exercise price RS	Number of options	Weighted avg exercise price RS	Number of options
Outstanding and exercisable at 1 July	**286.19**	**605,396**	192.56	510,038
Expired during the year	**283.30**	**(484,034)**	273.02	(426,046)
Granted during the year	**299.00**	**1,017,660**	285.70	740,232
Exercised during the year	**297.82**	**(344,348)**	282.48	(218,828)
Outstanding and exercisable at 30 June		**794,674**		605,396

The options outstanding at 30 June 2024 under GESOS have an exercise price in the range of Rs 297.75 to Rs 333.50 and a weighted average contractual life of 3½ months.
The weighted average share price at the date the share options were exercised under GESOS during FY 23/24 was Rs 329.43 (2023:Rs 312.24).

The fair value of services in return for share options granted is based on the fair value of the share options granted measured by the average market price of the share of the last three months, as may be adjusted by the Board of Directors of MCB Group Limited. The fair value at measurement date is Rs 325.00 (2023:Rs 310.50).

31. Impairment charge

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Net allowance for credit impairment:				
Cash and cash equivalents	**(22)**	4	**-**	-
Loan and advances				
Loans to and placements with banks	**(454)**	315	**-**	-
Loans and advances to customers	**4,795**	3,786	**-**	-
Investment securities:				
Amortised cost	**458**	66	**-**	-
Fair value through other comprehensive income	**1**	(2)	**-**	-
Other assets - receivables	**92**	-	**101**	-
Off-balance sheet exposures	**(171)**	(32)	**-**	-
	4,699	4,137	**101**	-
Recoveries of advances previously written off	**(1,015)**	(493)	**-**	-
	3,684	3,644	**101**	-
Other impairment:				
Investment in subsidiary	**-**	-	**138**	-
	3,684	3,644	**239**	-

Notes to the financial statements

for the year ended 30 June 2024

32. Income tax expense

(a) The tax charge related to statements of profit or loss is as follows:

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Income tax based on the adjusted profit	**3,344**	3,290	**2**	1
Deferred tax	**(595)**	(558)	**-**	-
Levy	**1,260**	645	**-**	-
Corporate Social Responsibility contribution	**166**	115	**-**	-
Tax credit	**(76)**	(53)	**-**	-
Under provision in previous years	**15**	6	**-**	-
Foreign tax	**12**	-	**-**	-
Charge for the year	**4,126**	3,445	**2**	1

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Profit before tax	**20,321**	17,758	**5,363**	4,298
Less share of profit of associates	**(582)**	(867)	**-**	-
	19,739	16,891	**5,363**	4,298
Tax calculated at applicable rates (5%-33%)	**3,127**	2,604	**802**	645
Effect of change in tax rate	**(365)**	287	**-**	-
Impact of:				
Income not subject to tax	**(2,280)**	(1,350)	**(924)**	(725)
Expenses not deductible for tax purposes	**2,267**	1,191	**124**	81
Levy	**1,260**	645	**-**	-
Corporate Social Responsibility contribution	**166**	115	**-**	-
Tax credits	**(76)**	(53)	**-**	-
Under provision in previous years	**15**	6	**-**	-
Foreign tax	**12**	-	**-**	-
Tax charge	**4,126**	3,445	**2**	1

Corporate Social Responsibility (CSR) tax
Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Group is entitled, via its local subsidiaries, to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National Social Inclusion Foundation (formerly known as National CSR Foundation) and the remaining to the Mauritius Revenue Authority.

Applicable Tax Rates
The applicable tax rate for the Mauritius Commercial Bank Limited is as follows:
- First Rs 1.5 billion of chargeable income at 5%
- Remainder at 15%

(b) The tax (charge)/credit related to statements of comprehensive income is as follows:

	GROUP	
	2024	2023
	RS'M	RS'M
Remeasurement of defined benefit pension plan and retirement residual gratuities	**141**	(263)
Deferred tax (charge)/credit	**(24)**	39
Remeasurement of defined benefit pension plan and retirement residual gratuities, net of deferred tax	**117**	(224)

33. Dividends

	GROUP & COMPANY	
	2024 RS'M	2023 RS'M
Ordinary shares		
Opening dividends payable	**2,095**	1,185
Declared during the year	**5,339**	4,278
Paid during the year	**(3,754)**	(2,734)
Scrip dividend	**(1,275)**	(634)
Closing dividend payable	**2,405**	2,095

34. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	GROUP	
	2024	2023
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**16,045,000**	14,133,000
Weighted average number of ordinary shares (thousands)	**251,911**	245,074
Basic earnings per share (Rs)	**63.69**	57.67

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares which is share options.

For share options, the proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period is treated as an issue of ordinary shares for no consideration.

	GROUP	
	2024	2023
Profit attributable to the ordinary equity holders of the parent (Rs' 000)	**16,045,000**	14,133,000
Weighted average number of ordinary shares - basic (thousands)	**251,911**	245,074
Effect of share options in issue (thousands)	**169**	52
Weighted average number of ordinary shares - diluted (thousands) at year end	**252,080**	245,126
Diluted earnings per share (Rs)	**63.65**	57.66

Notes to the financial statements

for the year ended 30 June 2024

35. Commitments

(a) Capital commitments

	GROUP	
	2024	2023
	RS'M	RS'M
Expenditure contracted for but not incurred	**199**	219
Expenditure approved by the Board but not contracted for	**123**	92

(b) Securities pledged

The Group has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius and for repurchase agreement with other financial institutions.

	GROUP	
	2024	2023
	RS'M	RS'M
Government of Mauritius & Bank of Mauritius bonds with Bank of Mauritius	**-**	7,631
Government of Mauritius & Bank of Mauritius bonds with other financial institutions	**15,191**	37,647
	15,191	45,278

(c) The Company has pledged to invest EUR 5M in a carbon-impact fund.

36. Operating segments

Operating segments are reported in accordance with the internal reporting provided to the Supervisory and Monitoring Committee, whose responsibility is to allocate capital and resources to the reportable segments and assessing their performance.

All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group's income, expenses, assets and liabilities are derived mainly through its Mauritian operations.

Year ended 30 June 2024

	GROUP	Banking	Non-Banking Financial	Other Investments	Eliminations
	RS'M	RS'M	RS'M	RS'M	RS'M
Income:					
External gross income	**61,938**	61,376	1,817	142	(1,397)
Expenses	**(38,515)**	(37,955)	(1,219)	(411)	1,070
Operating profit before impairment	**23,423**	23,421	598	(269)	(327)
Impairment charge	**(3,684)**	(3,612)	19	(91)	-
Operating profit	**19,739**	19,809	617	(360)	(327)
Share of profit of associates	**582**	306	14	262	-
Profit before tax	**20,321**	20,115	631	(98)	(327)
Income tax expense	**(4,126)**				
Profit for the year	**16,195**				
Other segment items:					
Segment assets	**916,834**	918,621	23,304	1,877	(26,968)
Investments in associates	**13,102**	5,496	66	7,543	(3)
Goodwill and other intangible assets	**3,144**				
Deferred tax assets	**4,118**				
Total assets	**937,198**				
Segment liabilities	**797,346**	798,806	13,870	1,654	(16,984)
Unallocated liabilities	**32,837**				
Total liabilities	**830,183**				

Notes to the financial statements

for the year ended 30 June 2024

36. Operating segments (Cont'd)

Year ended 30 June 2023

	GROUP	Banking	Non-Banking Financial	Other Investments	Eliminations
	RS'M	RS'M	RS'M	RS'M	RS'M
Income:					
External gross income	**48,993**	47,969	1,861	191	(1,028)
Expenses	**(28,458)**	(27,896)	(1,042)	(298)	778
Operating profit before impairment	**20,535**	20,073	819	(107)	(250)
Impairment charge	**(3,644)**	(3,671)	33	(6)	-
Operating profit	**16,891**	16,402	852	(113)	(250)
Share of profit of associates	**867**	544	15	308	-
Profit before tax	**17,758**	16,946	867	195	(250)
Income tax expense	**(3,445)**				
Profit for the year	**14,313**				
Other segment items:					
Segment assets	**810,889**	812,290	21,694	1,873	(24,968)
Investments in associates	**13,169**	6,085	53	7,033	(2)
Goodwill and other intangible assets	**2,799**				
Deferred tax assets	**3,124**				
Total assets	**829,981**				
Segment liabilities	**704,946**	706,432	12,597	1,381	(15,464)
Unallocated liabilities	**31,940**				
Total liabilities	**736,886**				

36. Operating segments (Cont'd)

Year ended 30 June 2024

	GROUP	Net interest income/ (expense)	Net fee and commission income	Dividend income	Forex profit and others
	RS'M	RS'M	RS'M	RS'M	RS'M
Operating income:					
Banking	**36,524**	24,084	7,081	843	4,516
Non-Banking Financial	**1,445**	162	605	33	645
Other Investments	**132**	(7)	21	21	97
Eliminations	**(1,208)**	-	(355)	(761)	(92)
	36,893	24,239	7,352	136	5,166
Segment assets	**847,036**	837,416	-	9,620	-
Investments in associates	**13,102**				
Goodwill and other intangible assets	**3,144**				
Deferred tax assets	**4,118**				
Post employment benefit asset	**754**				
Unallocated assets	**69,044**				
Total assets	**937,198**				

Year ended 30 June 2023

	GROUP	Net interest income	Net fee and commission income	Dividend income	Forex profit and others
	RS'M	RS'M	RS'M	RS'M	RS'M
Operating income:					
Banking	**31,160**	19,797	6,331	755	4,277
Non-Banking Financial	**1,433**	(3)	550	52	834
Other Investments	**185**	(4)	16	40	133
Eliminations	**(986)**	-	(291)	(665)	(30)
	31,792	19,790	6,606	182	5,214
Segment assets	**696,592**	687,346	-	9,246	-
Investments in associates	**13,169**				
Goodwill and other intangible assets	**2,799**				
Deferred tax assets	**3,124**				
Post employment benefit asset	**455**				
Unallocated assets	**113,842**				
Total assets	**829,981**				

Notes to the financial statements

for the year ended 30 June 2024

37. Related party transactions

(a) The Group

	Associated companies	Directors and Key Management Personnel	Enterprises in which Directors and Key Management Personnel have significant interest	Defined benefit plan
	RS'M	RS'M	RS'M	RS'M
Cash equivalents, Loans and Advances				
Balance at year end:				
30 June 24	**2,226**	**148**	**159**	**-**
30 June 23	2,478	182	22	-
Deposits				
Balance at year end:				
30 June 24	**117**	**436**	**429**	**490**
30 June 23	67	415	261	621
Amounts due from/(to)				
Balance at year end:				
30 June 24	**(923)**	**-**	**-**	**-**
30 June 23	(986)	-	-	-
Off Balance sheet items				
Balance at year end:				
30 June 24	**3**	**-**	**29**	**-**
30 June 23	3	-	237	-
Interest income				
For the year ended:				
30 June 24	**138**	**5**	**13**	**-**
30 June 23	128	5	1	-
Interest expense				
For the year ended:				
30 June 24	**1**	**16**	**1**	**6**
30 June 23	1	8	-	7
Fees and commissions and Other income				
For the year ended:				
30 June 24	**3**	**2**	**2**	**4**
30 June 23	5	3	1	4

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flows.

37. Related party transactions (Cont'd)

(a) The Group (Cont'd)

The FY 2023/2024 figure for "Fees and commissions and Other income" from Associated Companies includes an annual amount in respect of management fees charged to Banque Francaise Commerciale Ocean Indien ('BFCOI').

During the year, 108,186 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 34M (FY 2022/2023: 50,114 share options for Rs 20M).

(b) The Company

In addition to the amounts disclosed in (a) above, the following information relate to subsidiaries and associates of the Company:

(i) Balances as at 30 June:

	Amount owed by	Amount owed to
	RS'M	RS'M
Subsidiaries		
2024	**6,324**	**789**
2023	4,409	389

(ii) Income and expenses for the year ended 30 June:

	Dividend income	Interest income	Other expense
	RS'M	RS'M	RS'M
Subsidiaries			
2024	**6,015**	**76**	**56**
2023	4,737	17	22

(c) Key Management Personnel compensation

	GROUP		COMPANY	
	2024	2023	2024	2023
	RS'M	RS'M	RS'M	RS'M
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows :				
Salaries and short term employee benefits	**346**	284	**126**	106
Post employment benefits	**24**	24	**8**	6
	370	308	**134**	112

Notes to the financial statements

for the year ended 30 June 2024

38. Events after reporting date

(i) In July 2024, the Board has approved the issue of additional notes, by way of preferential offer.

(ii) Conversion of 13,554,638 preference shares into ordinary shares - *Refer to Note 19*.

(iii) On 5 September 2024 the Board of Promotion and Development Limited and Caudan Development Limited have decided to proceed with a restructuring exercise. Shares held by non-controlling shareholders of Caudan Development Limited would be exchanged for shares in Promotion and Development Limited on the basis of a share exchange ratio.

Association Mauricienne des Femmes Chefs d'Entreprise (AMFCE)

The AMFCE, an organisation which empowers women entrepreneurs in Mauritius through mentoring and networking opportunities, has MCB Group's full backing. Since its inception, AMFCE has supported more than 200 women entrepreneurs, leading to their increased business success and professional growth.

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