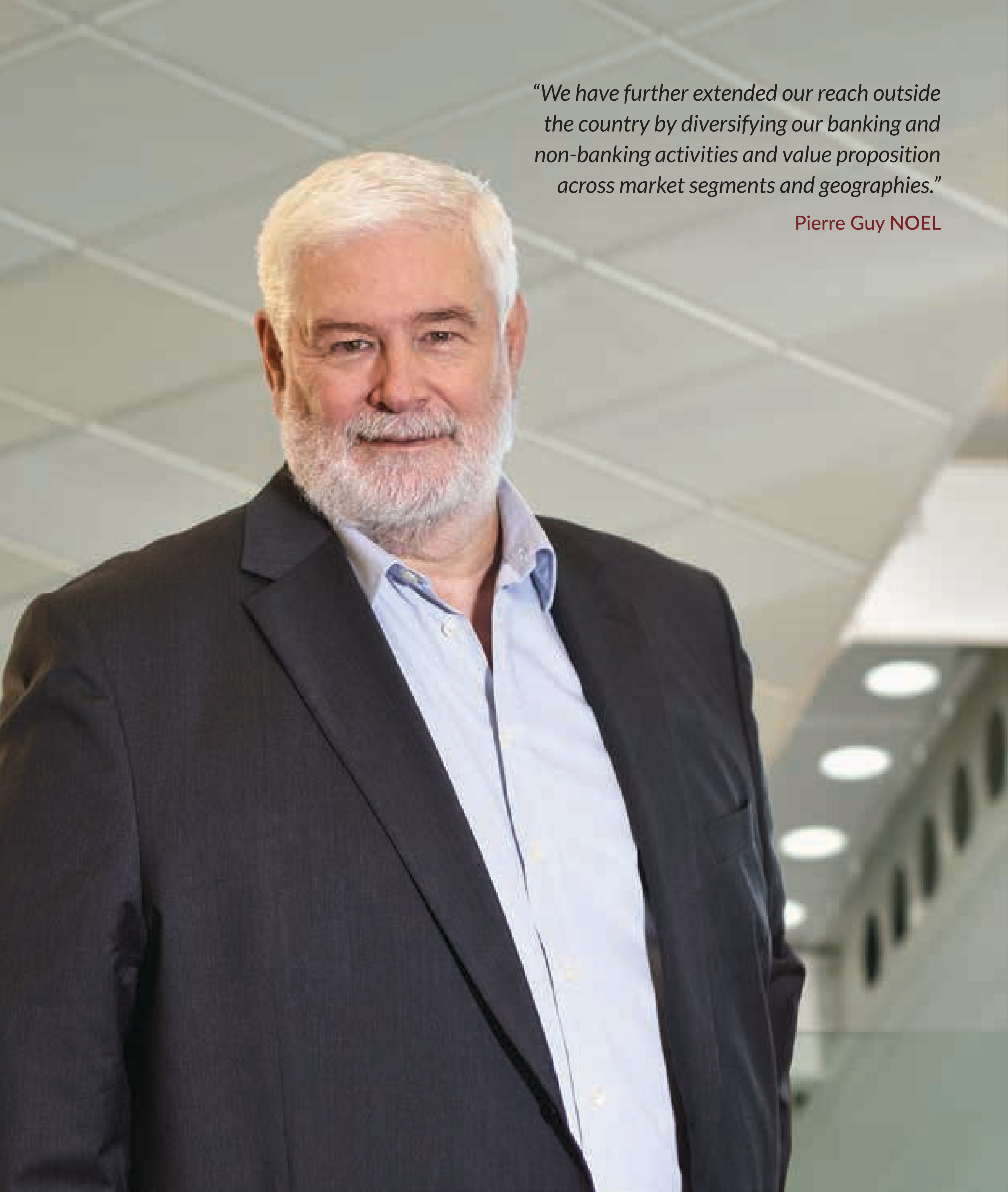


"We have further extended our reach outside the country by diversifying our banking and non-banking activities and value proposition across market segments and geographies."

Pierre Guy NOEL

Message from the Chief Executive

Facing up to a challenging and uncertain backdrop

When I wrote my message to you last year, I was hoping that, by now, we would be seeing a general acceleration in economic activities following the COVID-19 induced crisis. Instead, we are still navigating through a highly complex and uncertain environment. The unfolding war in Ukraine has accentuated international trade and supply-chain disruptions, triggered a hike in food, energy and other commodity prices that have fuelled higher inflationary pressures while precipitating a potential restructuring of the global order and reinforcing the importance of accelerating the energy transition. Furthermore, the wave of pronounced tightening of financial conditions across major advanced economies is contributing to a sharp slowdown in global growth, with ramifications on the operating environment across the countries where the Group is present. In Mauritius, the health impact of the pandemic has been well managed with most of the population now vaccinated and an encouraging pick-up in tourist arrivals is underway. However, the economic recovery is being impacted by the spillover effects of the war in terms of rising input costs and heightened market volatility. In addition, whilst the country's exit from the lists of the Financial Action Task Force and the European Union in a relatively short timeframe represents an important breakthrough, we had to contend with the downgrade, by Moody's Investors Service, of the sovereign credit ratings of Mauritius. That said, the affirmation of MCB Ltd's long-term deposit and issuer ratings at Baa3 by Moody's and the change in the outlook to stable from negative testify to the resilience of our financial profile in the face of the challenging context.

Indeed, despite the impact of volatile market conditions, Group profits attributable to ordinary shareholders for the year ended 30 June 2022 grew by 20.2% to Rs 9,637 million, reflecting improved operating results across business clusters as well as lower impairment charges.

Operating income maintained its uptrend and grew by 6.4%, supported by the Group's diversification strategy and the pick-up in economic activity. Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on our international loan book amidst a shift in its mix toward the shorter tenor loans. Non-interest income rose by 11.8% to Rs 8,654 million in spite of fair value losses of Rs 518 million on equity investments compared to a gain of Rs 919 million in the previous year. This performance was driven by an increase of 36.1% in net fee and commission income, reflecting higher revenues across banking subsidiaries, notably from trade financing and payment activities, as well as a strong growth in profit arising from dealings in foreign currencies and the resumption of rental income at the level of MCB Real Assets following the reopening of the borders.

“We have continued to stand by our customers in these uncertain times, supporting the economies in which we operate.”

Sustained efforts to reinforce our human capital and technological capabilities led to operating expenses increasing by 10.4%, thus contributing to a rise in the cost to income ratio from 36.9% to 38.3%. On the other hand, in spite of an increase in specific provisions net of recoveries, net impairment charge of financial assets declined by 27.0% to Rs 3,481 million. As a result, cost of risk in relation to loans and advances declined by 53 basis points to reach 0.86%.

The share of profit of associates rose by 115% to Rs 799 million, mainly due to enhanced performance of Promotion and Development Ltd and our banking associates, BFCOI and Société Générale Moçambique.

Encouragingly, the Group preserved its financial soundness in face of the difficult operating context. Whilst asset quality metrics were relatively stable with the gross NPL ratio standing at 3.7%, the Group has maintained healthy funding and liquidity positions alongside further strengthening its capital buffer, with the BIS and Tier 1 ratios improving to 18.1% and 16.8% respectively. With the objective of gradually consolidating its capital base and delivering sustainable returns for our shareholders, the Group launched its Scrip Dividend Scheme in September 2021. As part of the Scheme, ordinary shareholders now have the option of receiving their dividends, or part thereof, by way of ordinary shares of MCB Group Ltd (Scrip shares) at a predetermined price. Adoption of the Scheme enabled us to consolidate our shareholders' funds by Rs 481.6 million in relation to the dividends declared during the financial year.

Pursuing our growth trajectories

We have continued to stand by our customers in these uncertain times, supporting the economies in which we operate. We remained focused on developing the best value propositions, across our platforms, to build the financial well-being of our clients as we learned to live with COVID-19. Among other things, we strengthened our offerings and improved the customer experience through digitalisation, backed by our Digital Transformation Programme. Importantly also, alongside further consolidating intra-Group synergies and collaboration, we conducted business realignment and transformation initiatives to ensure that we have solid operating structures to help us strengthen our strategic positioning. In this respect, MCB Ltd has set up a new Payments SBU which is

Message from the Chief Executive

set to play a pivotal role in helping the Bank tap into emerging opportunities through wide-ranging payment solutions, allowing all customers, ranging from individuals to SMEs and corporates, to undertake transactions in an easier, faster and safer way. A new Financial Markets SBU was also created to develop global markets and treasury products and services for Corporate and Institutional customers and other segments, as we extend our coverage regionally. Furthermore, whilst the recent upgrade of our Representative Office in Dubai to Advisory Office under Category 4 is enhancing our scope of intervention, we have also applied for the set-up of a Representative Office in Nigeria in view of our involvement in the country's Oil & Gas sector and the commercial opportunities in West Africa. The Representative Office will offer MCB a first physical presence in West Africa and reinforce existing coverage and relationships with Nigerian clients and partners, including financial institutions.

In Mauritius, we upheld our foothold across markets and client segments through enhanced and bespoke value offerings whilst reinforcing our contribution to the socio-economic development of the country. MCB Ltd upheld its leadership position – with market shares of 48% for local currency deposits and close to 40% in respect of the domestic credit to economy during the year under review – helped by its refined value proposition and upgraded channel capabilities. For its individual customers, the Bank revamped its mortgage solution and its unsecured loan offering with improved turnaround time alongside further enriching MCB Juice with added functionalities. Additionally, we sustained our support to economic operators as well as SMEs and microenterprises in the country in line with our aim to promote the development of a vibrant and sustainable local economy. Specifically for our Business Banking clients, we endowed MCB JuicePro with several additional features alongside enhancing PUNCH, our collaborative community ecosystem. Our corporate clients also benefitted from enhanced digital tools with our SmartApprove application now equipped with a cross-border international payment solution, the SWIFT gpi. We continued to facilitate the country's transition to a cash-lite society by notably further equipping our customers, including merchants, with digital tools. As a result, our contactless transactions increased by more than 150% whilst merchants now offering online payments increased by 17%. Worth noting, the cash to digital payments ratio of our customers was at 44%, representing a significant drop compared to the pre-pandemic period. For its part, MCB Capital Markets made appreciable headway in increasing its assets under management on the back of net flows into MCB funds, new institutional mandates and the market recovery.

In parallel, we have further extended our reach outside the country by diversifying our banking and non-banking activities and value proposition across market segments and geographies. The Bank broadened its footprint on the African continent, being mainly involved in niche segments where it displays strategic competencies. We made further inroads in respect of our Energy and Commodities financing, widened our involvement in regional project finance linked to Power and Infrastructure, and at the same time positioned ourselves as the 'go-to' business partner for international corporates having a sight in Africa. We are also reviewing our 'Bank of Banks' proposition and governance, to reinforce our position as a regional partner that provides tailored solutions to financial counterparts. As for our foreign banking entities, they have pursued their business development activities and continued to reinforce their capabilities for ultimately improving customer experience. In this respect, MCB Madagascar launched 'Juice Madagascar', providing customers with a comprehensive set of mobile banking and payment services. As a key recent initiative, MCB Capital Markets officially listed its African Domestic Bond Fund ETF on the Botswana Stock Exchange, the first cross-listing of the Fund after it was launched and listed on the Stock Exchange of Mauritius in 2018.

To support our growth, we have further consolidated our capabilities through upgrades to our IT systems and infrastructure, a reinforced risk management framework – due emphasis was laid on enhancing our compliance and cyber security capabilities – and the deployment of a number of strategic initiatives to support the advancement and well-being of our employees. Indeed, we devised dedicated training programmes to sharpen the skills of our employees and set forward to entrench the MCB Leadership Brand through our Lead with Impact Academy initiative notably with the launch Grow! Programme in the overseas banking subsidiaries.

Responding to the evolving ESG landscape

Our commitment to sustainability is embedded in our strategy and is fundamental to our purpose. As a major financial services provider, we have both the responsibility to contribute to positive and sustainable change for the societies we are part of, and we are committed to helping our customers turn challenges into opportunities. In particular, through our 'Success Beyond Numbers' philosophy, we are taking actions to reduce and offset our own emissions alongside continuing to help make the local and regional economies in which we are involved prosperous and resilient. We also understand that one of our most important roles is helping our customers navigate the energy transition. In this respect, the Bank recently participated in three landmark projects in Ghana, Rwanda and Senegal, which are crucial milestones in the electrification goals of these respective countries and in their transition from fossil energy to cleaner energy sources. Internally, in line with its engagement to implement the appropriate risk management system for environmental and social considerations in its banking activities, the Bank reviewed its Environmental and Social Risk Policy with its general structure upgraded to international environmental and social standards. An international service provider was also enlisted to accompany us in the development of an adapted sustainable finance framework as part of our aspiration to position ourselves as a key sustainable finance player on the domestic and regional fronts. On another note, we also made progress on promoting gender parity in the workplace. We have launched the Allies for Change Programme in collaboration with Charles Telfair Leadership Centre, to assist us in advancing gender equality and women's empowerment within the organisation and beyond.

Moving ahead with cautious optimism

I believe we will continue to live through periods of high market volatility and uncertainty in the near term, with the risk of the global economy edging towards a recession next year having risen in the wake of the aggressive interest rate tightening by major central banks to rein in inflationary pressures. As such, the economic outlook locally and across our presence countries would remain under scrutiny, although the boost to business confidence from the recovery being observed in the tourism and hospitality sector is encouraging. On the other hand, we are fully aware that the regulatory and compliance requirements prevailing locally and internationally would get even more demanding. Group entities will also have to attend to higher competitive pressures, across specific markets, notably amidst the acceleration of digitisation that is shifting customer behaviours and causing operators to reimagine the way they conduct business.

Notwithstanding the dynamic context, I am confident in our business model. I expect our operating results to improve further in FY 2022/23, backed by the offshoots of higher yields on international markets and the disciplined execution of our strategic plans. We seek to further strengthen our positioning on the domestic front and support the country in its transition to a cash-lite society and greener economy. In parallel, we will continue to pursue our diversification agenda across markets and products. We will further expand our involvement in specific segments on the African continent by capitalising on the positioning of the Mauritian International Financial Centre. We also aim at uplifting our value offering across areas such as transactional banking towards playing a key role in facilitating trade in the region, wealth management as well as non-banking activities. This should help in boosting our share of non-interest income.

> *"As a major financial services provider, we have both the responsibility to contribute to positive and sustainable change for the societies we are part of, and we are committed to helping our customers turn challenges into opportunities."*

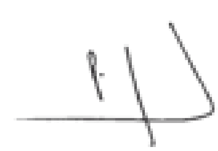
To pursue our endeavours, we will ensure continuous reinforcement of our risk management, internal controls and compliance frameworks to effectively cope with core and emerging risks. We will remain focused on pursuing our digital transformation journey in support of operational excellence and improved customer experience whilst continuing our investment in our people who are the backbone of our organisation. Above all, we will ensure that sustainability remains at the heart of everything we do as we advance on our ESG agenda, in line with our purpose.

Concluding note

The realisation of this robust financial performance in a highly volatile year heralds our ability to remain focused on our strategic intent. It goes without saying that this would not have been possible without the support of all staff members and Management teams across all Group entities. I would like to take this opportunity to thank them for their dedication and resilience and for continuing to live up to the values of the MCB Group.

I would also like to extend my appreciation to the members of the various Boards of the Group for their resolve, guidance and oversight in navigating these challenges and creating long-term value for our stakeholders. Furthermore, I would like to express my gratitude to our customers for continuing to trust us with their financial services needs.

Looking ahead, I am confident that the solid values we exercise will help us maintain the momentum successfully and deliver even better outcomes for our customers, employees and shareholders whilst supporting the communities in which we operate.



Pierre Guy NOEL
Chief Executive