

A portrait of Didier Harel, an older man with short, light-colored hair, wearing a dark blue blazer over a light pink button-down shirt. He is standing in a modern office environment with a white ceiling and recessed lighting. The background is slightly blurred, showing a hallway with circular lights.

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Didier HAREL

Reflections from the Chairperson

Foreword

I would like to start my message this year by reflecting on this extraordinary succession of socio-economic shocks, which we are all experiencing. First, we have had the COVID-19 pandemic that has had such a severe impact across all spheres of life throughout the world during the past two years. Now, of course, there is the war in Ukraine, which is sending shockwaves throughout the global economy. These overlapping crises are triggering the emergence of a new world order as major forces are shaking up economies worldwide, redefining the rules and setting new expectations for businesses at large. The seismic shifts stemming from the prevailing geopolitical turmoil, spanning the growing risk of durable economic stagflation, supply chain and energy disruptions as well as rising calls for responsible technology, environmental, social and governance (ESG) agenda, diversity, equality and inclusion (DE&I), green finance and ethical integrity are compelling corporates at large to reassess their strategic decision-making processes, and their Boards to simultaneously rethink their corporate governance practices. I believe this major dual challenge will be at the very centre of our corporate plans and preoccupations for the forthcoming financial year.

These trends have obviously contributed to the operating environment remaining volatile and persistently challenging during the last financial year, although there have been some encouraging signs of an economic recovery in our presence countries. Yet, the Group performed well thanks to the resilience of our employees, our continued focus on customers and the diligent execution of our strategic plans. We strengthened our balance sheet, while profits attributable to shareholders grew by 20.2% to Rs 9,637 million, reflecting the continued success of our endeavours to broaden and diversify our revenue base at the level of both banking and non-banking

entities. A key source of satisfaction is that we preserved our financial soundness in support of our growth strategy. The Group remained well capitalised with our consolidated BIS and Tier 1 capital ratios standing at 18.1% and 16.8% respectively as at 30 June 2022. We also maintained healthy liquidity and funding positions while our asset quality remained relatively stable in spite of the uncertain market conditions.

Key factors driving our progress

The Group pursued its expansion drive on the basis of its three-pronged strategic orientations, which are to strengthen our domestic position, expand our non-bank activities and grow our international footprint, alongside laying the foundations for future growth. Amidst the prevailing unsteady context, Group entities focused on upholding the resilience of their operations and implemented their growth agenda in a disciplined and prudent manner. As regard the banking cluster, notwithstanding competitive pressures, MCB Ltd upheld its leadership position in Mauritius on the basis of its enriched value proposition and upgraded channel capabilities, helped notably by key innovations on the payments and digital fronts. It effectively entrenched its diversification strategy by focusing on market segments where it has built expertise over time. The Bank further positioned itself as a trusted and competitive banking partner in Africa, notably in the Energy and Commodities sector alongside servicing a larger pool of regional and international corporates across the continent. We initiated actions towards improving our presence, going forward, in the gas trading business in Africa, as the Bank seeks to accompany the region in its energy transition drive. However, the Bank understands that it is going to take some time for its key African markets to progressively shift to renewable energies, and remains committed to being their partner during this transition. Our overseas banking subsidiaries have pursued

their balance sheet growth by leveraging a customer centric approach and various value creating initiatives, alongside capitalising on enhanced synergies across the Group to offer unique selling propositions to clients. In the non-banking field, some entities made headway in tapping into established and emerging growth pillars benefiting from market recovery, whilst other entities had to deal with some exceptional and unforeseen circumstances, resulting from the COVID-19 pandemic. Spanning the organisation as a whole, we continued to showcase our 'Bank of Banks' initiative under our Africa Forward Together strategy. We have also reviewed the latter towards working with our network of correspondent banks, with a view to enhancing our offerings and improving service to our clients in foreign markets, as well as tapping into new business opportunities.

“Promoting rigorous risk conduct and embedding a risk culture also remained key priorities for the Board.”

The speed at which society has adopted new digital tools and solutions since the pandemic is unprecedented. To tap into these emerging opportunities and progress in our aim to help transform Mauritius into a cash-lite society, the Group continued to invest in its digital transformation agenda and made headway in providing a differentiating experience to its customers. Digitalisation is also a crucial element of our goal to be safe, secure and compliant in our risk management processes and controls. Accordingly, due focus was laid on enhancing our cybersecurity and compliance frameworks, through the implementation of a secured and robust network architecture. Promoting rigorous risk conduct and embedding a risk culture

Reflections from the Chairperson

also remained key priorities for the Board. Concomitantly, the Group continued to invest in strengthening its ability to respond to changes in existing risks, and deal with new risks as they arise in an increasingly complex external environment. In February 2022, my Board has reviewed and approved an updated Group Risk Heat Map and will ensure that risk-monitoring remains a key theme at Board level, by regularly reviewing and monitoring our risk universe, whilst taking into account emerging risks. The Group also commissioned a specialised consultant to conduct a Cybersecurity Maturity Assessment following the one carried out a few years back, and assist us in drawing up an action plan to relentlessly improve the protection of sensitive data and of our critical assets, whilst concomitantly enhancing internal awareness with training and skill development of our employees.

The Group has also continued to invest in the development of its people's capabilities and capacities. We made progress on the implementation of our Talent Management Programme and worked towards further promoting gender diversity, notably in terms of the number of women in middle and senior management positions. In line with our purpose, 'Success Beyond Numbers', we maintained our thrust to embed sustainability principles at the core of our business. Alongside promoting local production through ongoing support to micro, small and medium enterprises, the Group has been concentrating on reducing its carbon emissions and has offset the residual emissions from its 2020 operations by investing in projects that have environmental and social benefits.

The success of the Group's efforts last year have been widely recognised. The Group has demonstrated resilience by remaining the strongest blue-chip company on the Official Market of the Stock Exchange of Mauritius. We have strengthened our leadership position with a market capitalisation of Rs 73,975 million with a year-on-year growth

of 13%. Further reflecting our sound and sustained achievements, we were rated as the best banking institution in East Africa, while improving our positioning worldwide to stand at the 609th spot as per the 'Top 1000 World Banks' of The Banker magazine for 2022. In addition to maintaining its investment grade status by Moody's Investors Service, MCB Ltd won various awards including the 'Regional Bank of the Year – Southern Africa' by the African Banker Awards, the 'Best financial institution syndicated loan in Africa' by EMEA Finance and 'Best Bank in Mauritius' by Euromoney Awards for Excellence for the ninth year in a row. I am very proud of what these recognitions say about how our highly engaged teams are delivering superior results.

" We are working to continuously deepen our leadership bench strength with a view to improving the quality of succession plans."

The way forward

The one thing we can be sure about is that the operating environment will remain challenging and unpredictable in coming periods, with our business activities across geographies thereby staying under pressure. Indeed, whilst there is a recovery underway across our presence countries, partly driven by a pick-up in the tourism sector, there are notable downside risks amidst the steady deterioration in the worldwide macro-economic outlook in the forthcoming year. At the same time, we expect competitive pressures to intensify in specific segments as operators gear up on their value proposition, leveraging the latest technologies in the process. The demanding regulatory and compliance requirements will also warrant scrutiny.

Nonetheless, I remain confident in our ability to push ahead with the execution of our growth agenda towards achieving sound, diversified and sustained business development. On this front, whilst remaining cautious and conservative in our approach, we will seek to consolidate our involvement in existing markets alongside diversifying our revenue streams across markets and products. In particular, we are keen on deepening our involvement in the transaction banking business to facilitate trade and investment in the region. In parallel, we will strive to strengthen our relationships with global and international corporates seeking to leverage the Mauritian International Financial Centre for tapping into the African market. As part of our purpose, we will boost our engagement in the financing of cleaner energy projects whilst supporting countries in their gradual energy transition journey.

From a holistic perspective, I think we can be rightly proud of the positive impact we have had in the lives of our customers and in the communities we serve. Ensuring that impact to continue depends largely upon our ability to attract and retain top-tier talent and ensure our talented employees are well led. In a competitive market, we will continue to expend our very best efforts to ensure the Group provides challenging and inspiring opportunities capable of attracting world-class talent. We will continue to invest in making sure MCB is a great place to work for every colleague and we will continue to embed our culture of high performance. Developing leaders across the Group remains a foremost priority. We are working to continuously deepen our leadership bench strength with a view to improving the quality of succession plans. Leaders are crucial enablers of talent and our commitment to investing in their development remains constant.

I warmly welcome the launch of our Group Culture Project. Building the right culture across the Group is critical as we seek to

respond with speed and agility to the varied and growing operational challenges we face. The critical success factor of this key project is the ability of our leaders to continuously and deeply engage in their core responsibility of inspiring and caring for the members of their respective teams.

Concluding remarks

On behalf of the Board, I would like to highlight the outstanding efforts of our 3,900 colleagues for their commitment and endurance in the challenging circumstances to deliver a seamless service to our customers and communities that we serve. A note of gratitude goes to our shareholders, for placing the highest trust and confidence in the Board's leadership. I also wish to thank my fellow Directors for their valuable counsel and continued support in preserving the stability of our operations and growth momentum despite the underlying difficult external context.

Looking ahead, I am convinced that we are well equipped to deal with a global environment which is likely to continue being shock-prone. Through our resilient business model and robust balance sheet and thanks to the dedication of our employees and the continued support of our shareholders and customers, I have no doubt that we shall continue creating long-term value for all our stakeholders.



M G Didier HAREL
Chairperson