

Message from the Chief Executive

Upholding our sound fundamentals amidst testing times

The outbreak of COVID-19 has undoubtedly overshadowed other crises seen in recent history given its wide-ranging implications around the globe. Beyond health concerns and social disruptions, the economic damage is already deemed to be elevated, with the full extent of the impact still difficult to assess at this stage. As in most parts of the world, our presence countries have witnessed notable economic downturn, contributing to highly challenging operating conditions for the Group's entities. Specifically, Mauritius is on course to register its worst contraction in the post-independence era. Whilst some sectors are gradually recovering from the 3-month lockdown, tourism-related activities remain in a quasi-standstill amidst travel constraints, contributing to far-reaching consequences for the economy as a whole in view of their multiplier effect and significance as a foreign exchange earner.

The material deterioration in the operating context since early 2020 has led to a reversal of the strong growth in results recorded by the Group during the first semester of FY 2019/20. Profits attributable to ordinary shareholders dropped by 16.1% to reach Rs 7,912 million for the year ended 30 June 2020, essentially due to a substantial increase in Expected Credit Losses (ECL) resulting from the high level of uncertainty engendered by the COVID-19 crisis. Indeed, additional ECL on the Group's performing asset portfolio amounted to Rs 3,364 million to reflect an inherent increase in credit risks on a forward-looking basis, thus contributing to impairment charges of Rs 5,076 million for the year under review.

Operating results, however, improved on the back of our diversification strategy as demonstrated by a growth of 8.5% in operating income to Rs 21,954 million. Notwithstanding a decline in margins on our international activities, net interest income rose by 11.2%, supported by an expansion in loans and advances

and higher investment in Government securities amidst continued high liquidity locally. On the other hand, with business activities being impacted by the difficult market conditions and confinement measures, net fee and commission income declined by 4.7%, mainly due to a reduced contribution from MCB Capital Markets Ltd and lower fees recorded within the banking cluster, particularly during the last quarter of FY 2019/20. 'Other income' increased by 15.0% in spite of lower contribution from MCB Real Assets Ltd, mainly driven by a growth of 22.2% in profit on exchange and net gain from financial instruments carried at fair value.

The resilient performance on the revenue side has led to a further drop in our cost to income ratio which reached 35.5% after accounting for a growth of 3.7% in operating expenses.

The share of profits of associates remained close to the prior year's level, being down only marginally, with improved results posted by BFCOI being offset by a subdued performance recorded at the level of Promotion and Development Ltd.

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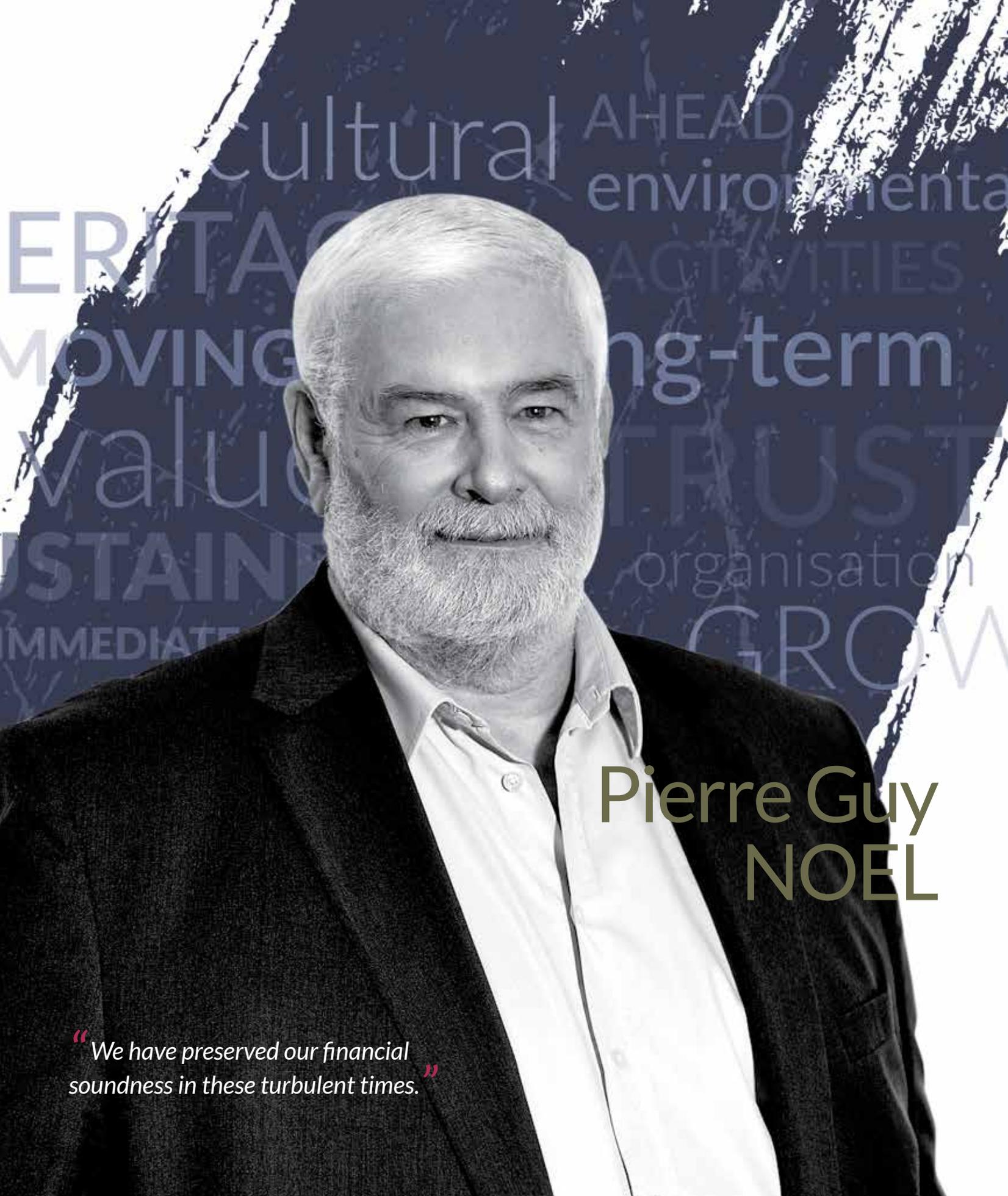
We have preserved our financial soundness in these turbulent times. Whilst asset quality deteriorated slightly with the gross NPL ratio increasing from 4.1% to 4.2%, the Group has maintained strong funding and liquidity positions alongside further strengthening its capital buffer, with the overall capital adequacy and Tier 1 ratios improving to 18.6%

and 17.2% respectively. In the current exceptional circumstances and in line with directives issued by banking regulators across presence countries, the Group has not declared any dividend for the period under review.

Encouragingly, MCB preserved its investment-grade credit ratings, albeit with a negative outlook in view of the detrimental impact of the pandemic on market and economic conditions. The credit agencies have acknowledged the Bank's solid franchise and business model, as well as management quality and adequate risk management, in addition to highlighting its resilient financial metrics heading into the crisis.

Addressing immediate imperatives and pursuing our underlying growth strategies

Whilst facing up to unprecedented circumstances linked to the COVID-19 pandemic, including the lockdown periods, the Group has, albeit at reduced levels, maintained its operations and the delivery of services to clients, thanks to the effective deployment of business continuity plans and the dedication and adaptability of its employees. Leveraging our solid technological capabilities, we rapidly adopted Work From Home practices and flexible working arrangements, with minimal operational hiccups observed and customer service quality maintained. Towards those ends, we also capitalised on a robust governance framework and flexible operational platforms. As a major consideration in view of the virus spread, we took the necessary actions to protect the health of our employees and customers within our premises and minimise risks of contagion, after elaborating clear guidelines and protocols. Moreover, attesting to our unflinching endeavours to accompany our clients in good and bad times, we delivered adapted solutions with the aim to help those being exposed to distressed financial conditions to stay afloat and pursue their activities. On this note, we reinforced our collaboration with the relevant authorities with a view to designing and unleashing the



Pierre Guy
NOEL

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most effective means to support our clients. With regard to our business development, the growth momentum of Group entities has, following the onset and spread of the crisis, been, to a varying extent, hampered by heightened economic uncertainty levels, acute market downturns, dampened investor sentiment and the lockdown of populations. For the year as a whole, it is, nevertheless, worth highlighting that the organisation has pursued its underlying growth trajectories across various market segments, alongside further broadening and diversifying its footprint, notably on the African continent. On the domestic front, MCB Ltd has consolidated its leadership position across individual and corporate market segments and pursued its regional diversification agenda. On this note, the Bank made noticeable progress in widening its involvement in respect of Energy and Commodities financing and international structured finance. To underpin its progress, the Bank continuously improved the appeal, convenience and simplicity of its value proposition, while capitalising on major capacity-building initiatives, including its Digital Transformation and HR Transformation Programmes. The Group's foreign banking subsidiaries have pursued their business strategies across targeted and emerging markets, backed by an improved range of solutions, increased brand visibility and reinforced capabilities. As for our non-banking entities, they expanded their activities and were increasingly involved beyond our local shores. While MCB Leasing Ltd and MCB Factors Ltd have pursued their market development initiatives, MCB Capital Markets Ltd registered an increase in assets under management and the successful completion of corporate finance transactions. As for MCB Microfinance Ltd, it made headway in fostering the financial inclusion and empowerment of small entrepreneurs. MCB Institute of Finance Ltd has, since its recent inception and after collaborating with renowned foreign educational partners, positioned itself as a generalist curator with a range of specialist courses in banking and finance, which attracted enrolments from several banks and corporates, both locally and overseas.

“Through our ‘Success Beyond Numbers’ agenda, we will sustain the support we provide to the societies and communities in which we are involved....”

Furthermore, spanning the organisation as a whole, additional progress has been made towards showcasing our ‘Bank of Banks’ proposal aimed at positioning the Group as a regional hub for handling trade finance, payments and cards operations outsourcing services, alongside offering business solutions to financial service providers in Africa and Asia.

Moving ahead amidst the tough context

In the wake essentially of the COVID-19 crisis, the operating context remains particularly challenging across market segments, with low visibility on the evolution of the situation going forward. Difficult market and economic conditions are expected to continue taking their toll on customer segments, albeit to varying degrees. Whilst some business segments, notably on the international front, are anticipated to be resilient, our operating results should, in all probability, be down in view of restrained business activities amidst the economic slump and resulting dampened investor confidence as well as squeezed margins. Pressures on asset quality are likely to intensify with the degree of the impact remaining highly dependent on the duration and severity of the COVID-19 pandemic and the effectiveness of support measures from the authorities.

In another light and by virtue of the likely significant implications for our operations and market activities, the Group remains particularly attentive to the increasingly exigent regulatory and compliance environment prevailing locally and internationally. This oversight implies scrutinising developments potentially impacting the competitiveness and reputation of the Mauritius International Financial Centre. A key focus area is

the inclusion of Mauritius into the list of ‘jurisdictions under increased monitoring’ by the Financial Action Task Force (FATF) and its categorisation in the European Commission’s new list of High Risk Third Countries. In this context, the major challenge for public and private stakeholders is to work together to foster the timely and adequate execution of measures to address the remaining recommendations of the FATF Action Plan, which can be decisive to remove our jurisdiction from the EU list. Also, Group entities will attend to competitive pressures being faced across specific markets, notably with the advent to new technologies and digital platforms that are influencing the conduct of business operations and reshaping customer behaviours.

On the back of highly challenging operating landscape being witnessed on various fronts, the Group will maintain its market vigilance and closely monitor developments unfolding in presence countries, with a regular assessment of potential scenarios. We will maintain adequate buffers in terms of capital adequacy as well as funding and liquidity ratios. We will, thus, preserve our financial soundness and harness a favourable footing which will support our ongoing and future market development endeavours.

As key priorities, we will remain focused on addressing immediate imperatives, to promote the continuity of our operations and deliver adapted solutions to our vulnerable customers. In this light, we will maintain close engagement and collaboration with the authorities to assist them in implementing measures to support economic players amidst the testing climate. On this front, we look forward to collaborating with the Mauritius Investment Corporation

Ltd (MIC) in respect of support being provided to specific businesses. The MIC will have a key role to play in tackling the vulnerabilities of economic sectors amidst current difficult times, while underpinning banking sector resilience and promoting the country's macroeconomic stability.

As regards our underlying business growth agenda, we have reviewed our short-term market development targets and priorities, as we continue to appraise the operating context and adopt a prudent market development approach. That being said, we remain intent on pursuing our medium to long-term strategic objectives. We will set forward to sharpen our positioning in established markets and diversify our operations, with Africa staying a key target for the Group. To pursue our expansion endeavours, we will enrich our value proposition and provide increasingly connected experiences to our customers. A prime focus is to uphold investments to boost our inherent capabilities and expertise. Alongside contributing to consolidate our fundamentals and further transform the Group, such moves will create favourable conditions to enable us tap into opportunities surfacing when economic recovery conditions kick in. In this context, we will ensure that recently launched projects unfold in an effective and timely manner. Especially, our Digital Transformation Programme should help to foster improved operational agility and deliver a more convenient and appealing banking experience to our clients. Through our HR Transformation Programme, we will further reinforce HR processes, thus allowing us to better support our ongoing growth strategies across entities. Importantly also, we will cater for the continuous reinforcement of our risk management, internal control and compliance frameworks and processes. While forging ahead with our expansion initiatives, we will maintain our selective deal origination policy and ensure that actions undertaken are aligned with our underlying risk appetite.

Moreover, conscious of the socio-economic repercussions of the current crisis on the

vulnerable sections of the population, the Group is – as the leading financial services player in Mauritius – dedicated to help the country and its people cope with the testing times. Through our 'Success Beyond Numbers' agenda, we will sustain the support we provide to the societies and communities in which we are involved. We will preserve our dedicated contribution to the development of a vibrant and sustainable local economy, the protection and valorisation of the country's cultural and environmental heritage as well as the promotion of individual and collective well-being. While enhancing our brand image, we will continue adhering to sustainability principles and give a new dimension to the scale and depth of our stakeholder interactions.

“Whereas the implications of the pandemic on our activities should persist for some time, I am convinced that our robust business model, diversified growth agenda and commitment of our people should help the organisation uphold its soundness and resilience...”

Concluding note

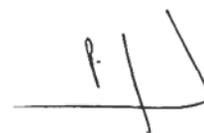
First of all, I would like to extend my warmest appreciation to the Management teams of Group entities and all our employees for the hard work, dedication and resolve displayed

during the exceptional times triggered by the COVID-19 pandemic. I am proud of their resilience and adaptability to change, which helped us uphold our operations and service quality amidst challenging conditions.

I wish to thank the members of the various Boards of the Group for their contribution and guidance in helping the organisation confront the extraordinary context in a prompt and judicious manner, alongside preserving the stability and progress of the Group.

I extend my sincere thanks to all our stakeholders for their sustained trust in our ability to create long-term value for them. My deep gratitude goes to our valued customers for continuing to partner with us. This crisis has reinforced our proximity and engagement as we try to find ways to help our clients weather the tough conditions and, concomitantly, preserve our sound operations.

Whereas the implications of the pandemic on our activities should persist for some time, I am convinced that our robust business model, diversified growth agenda and commitment of our people should help the organisation uphold its soundness and resilience in the face of difficult operating conditions. I am, likewise, confident in the ability of the Group to, beyond the short-term, emerge stronger from the crisis and regain its growth momentum, after further transforming its operations and boosting its competitiveness levels.



Pierre Guy NOEL
Chief Executive

Delivering on our strategic objectives

Review of the operating context

During the period under review, the Group has navigated highly volatile and demanding operating environment across the segments and countries in which its entities operate. The interplay of established and emerging trends and developments have, in several ways and to different magnitudes, shaped up our business strategies, growth initiatives and ability to create value.

Managing the impact of the COVID-19 pandemic

The key highlight has been the propagation of the COVID-19 pandemic, which is, via multiple channels, exerting significant pressures on our economic and market environments across countries. The operating conditions faced by entities of MCB Group have been extraordinary and unprecedented, thus fuelling our priority attention. We took prompt measures to preserve the soundness and resilience of our activities, while capitalising on support provided by the authorities. As matters stand, high uncertainty levels prevail in the markets in which we operate as stakeholders seek to find ways and means to confront economic and sanitary challenges, with limited visibility as to when the situation will improve and get back to pre-pandemic levels.

Our approach

Integrated thinking is entrenched in the conduct of our business activities and stakeholder engagement. We ensure that our business development moves are in alignment with our operating context, which we continuously assess with a view to identifying and making sense of key trends. Alongside adopting a dynamic, yet thoughtful, approach to maintain our inherent resilience and adaptability to change, we set out to manage threats to our bottom-line and tap into opportunities for business expansion.

Our external landscape



Macroeconomic environment

Recent trends and developments

- After slowing down to an estimated 3.0% last year, the Mauritian economy is set to witness a significant downturn in 2020. In the wake of the COVID-19 outbreak, the nationwide lockdown, closing of our borders and the challenging global context, real GDP growth is projected to contract by around 13% as per the authorities, with the actual outcome to hinge on the unfolding of the economic and sanitary crisis globally, the effectiveness of support measures adopted by authorities locally as well as conditions underpinning the progressive re-opening of the country's borders. The crisis is having a notable bearing on almost all economic sectors. In particular, the tourism and hospitality sector should bear the brunt of the slackened economic environment, high uncertainty levels and the scheduled slow-moving reopening of national borders. Likewise, the pandemic should trigger a major slowdown in export-oriented manufacturing as well as construction and property development, with significant consequences on SMEs. As for financial and business services industry, operators are witnessing headwinds linked to the difficult economic conditions, even though the sound buffers accumulated over the years should assist in partly cushioning the repercussions on value added. Heightened economic uncertainties would dampen nationwide investment, alongside engendering a worsening of unemployment levels in vulnerable sectors. As for headline inflation, it remained at low levels to stand at 1.8% in August 2020, in spite of a relative uptrend lately, partly linked to the depreciation of the rupee.
- The economic outlook for sub-Saharan Africa is set to deteriorate markedly in 2020 on account of the weaker external environment and measures taken to contain the pandemic. Average GDP growth would contract by some 3.2% this year as per the latest IMF estimates, compared to an expansion of 3.1% in 2019. Output should decline by a notable margin in major tourism-dependent and resource-intensive countries, while per capita income, in USD terms, in the region would come close to levels seen nearly a decade ago as per the IMF. Oil prices have plunged sharply during the first quarter of 2020 and reached a historic low in April. Whereas they remain below pre-pandemic levels, oil prices have somewhat recovered since, on the back of the progressive rebound in demand following the easing of the lockdown measures and cut in oil production by OPEC and its partners.
- As regard the foreign countries where the Group is present, a notable economic contraction is anticipated in Maldives in 2020 after four consecutive years during which GDP growth exceeded 5%, with the pandemic causing significant damage on tourism activity as well as on the construction and fisheries industries. Likewise, the fallout of the pandemic is expected to be severe in Seychelles, with the country falling into recession for the first time since 2009 after making allowance for its strong dependence on tourism. As for Madagascar, after expanding by 4.8% in 2019, output is projected to contract by around 1% this year owing to a sharp decline in tourism as well as disruptions to manufacturing and extractive industry exports and the transport, communications and services industries. In Mozambique, growth slowed in 2019 owing to the impact of tropical cyclones and is set to decelerate further in 2020, amidst disruptions triggered by the pandemic. Growth in Reunion Island should be heavily impacted by the marked slowdown in commerce, construction and transport activities in the wake of the confinement, while tourism remains in a standstill in spite of recent hotels reopening. Lately, amidst a resurgence in the number of positive cases, restrictions imposed by the authorities in respect of circulation of people and access to transport facilities should, coupled with closing of public buildings and restaurants, further impact the economy.

Delivering on our strategic objectives

Key economic indicators

Real GDP growth rate (%)				
	Average 2014-2018	2019 (e)	2020 (f)	
Global economy	3.6	2.9	-4.9	
Sub-Saharan Africa	3.2	3.1	-3.2	
Mauritius	3.7	3.0	-13.0	
Madagascar	3.8	4.8	-1.0	
Seychelles	4.4	3.9	-13.8	
Mozambique	5.0	2.2	1.4	
Reunion Island	2.9	2.2	-	
Maldives	6.0	5.7	-8.1	

Selling rates of main currencies vis-à-vis the rupee				
	Value as at		Annual average	
	30-Jun-19	30-Jun-20	FY 2018/19	FY 2019/20
USD	36.0	40.4	35.2	37.9
GBP	45.6	49.8	45.4	47.7
EUR	40.9	45.5	40.1	41.9

(e) estimate (f) forecast

Sources: IMF, Statistics Mauritius, Bank of Mauritius, Insee and MCB Staff estimates

Challenges to be tackled

- Adverse repercussions on the revenue-generating capacity and credit-worthiness of businesses across vulnerable economic sectors
- Restrained demand for credit by customers amidst slowdown in activities, dampened investment levels and job losses
- Heightened economic uncertainty levels somewhat affecting the pace and depth of MCB Group's business development projects and endeavours, while reinforcing the need to shore up our market vigilance and endorse a thoughtful business growth agenda
- Volatility of Mauritian rupee potentially impacting forex transactions of locally-based entities and earnings from abroad

Opportunities capturing our attention

- 'New normals' emerging in the wake of the pandemic outbreak (e.g. increased focus on local production, accelerating calls for promoting environment-friendly business practices, investments and behaviours, diversification of supply chains, increasing technological adoption across activities) to create opportunities for MCB Group to unleash new and more adapted products and services, while providing scope to widen market activities and deepen involvement in under-served markets
- Avenues for the Group to further diversify market activities in Africa, particularly amidst a context whereby preferences by international businesses and investors for transacting with the continent happen to gain prominence in the post-COVID-19 era

Market, societal and technological landscapes

Recent trends and developments

- Operators faced up to notable strains on their market activities in the wake of the deteriorating economic context linked to the pandemic. Against this backdrop, the authorities across our presence countries took rapid and pragmatic measures to uphold the resilience of operations, alongside pursuing moves to preserve the stability of banking and financial industries.
- In Mauritius, the banking sector was exposed to pressures on the level and quality of credit demand, whereas the call for working capital facilities stepped up amidst turbulences faced by several sectors and cash flow difficulties faced by businesses. The curtailed availability of foreign currencies following the closing of frontiers and reduced activities by export sectors also warranted attention. On another note, the average weighted yields on short-term securities posted a generally marked downtrend during the last financial year. This reflected the rise in excess liquidity levels in the banking system, notably in rupee terms, amidst the challenging economic conditions and lockdown measures, which contributed to dampen nationwide investment levels and reduce activities by households and businesses. The Key Repo Rate was cut by a cumulative 165 basis points during the financial year, while the Bank of Mauritius (BoM) has halted issuance of its own short-term securities from end-March to mid-August with the aim to maintain sufficient rupee liquidity buffer in the banking system so as to support the flow of credit to the economy.
- While the pandemic entailed increased risks to operators, the BoM stressed that banks have generally adequate cushions to weather the storm and highlighted that operators did not witness any major changes to their funding structure or liquidity situation during the lockdown. Comfortingly, banks already enjoyed relatively high capital and liquidity buffers prior to the pandemic and non-performing loans in affected sectors such as tourism were viewed as being low and well covered. To help contain the impact of the pandemic, the BoM has, other than the review of the regulatory and supervisory framework, launched dedicated programmes and targeted measures to help businesses withstand the crisis and remain afloat, accompany individuals amidst pressures on revenue generation, prevent real sector shocks from permeating to the financial sector and safeguard banks' ability to meet customer needs. See forthcoming pages for further details.
- As regard the banking and financial services industry in general, an adverse development relates to the inclusion of Mauritius into the list of 'jurisdictions under increased monitoring' by the Financial Action Task Force (FATF) and its categorisation in the European Commission's new list of High Risk Third Countries (i.e. those with deemed strategic deficiencies in their AML/CFT regimes). Encouragingly, the authorities demonstrated their high-level political commitment to remove Mauritius from those lists and preserve the competitive positioning of the country's International Financial Centre. A key step in this direction relates to the passing of the Anti-Money Laundering and Combatting the Financing of Terrorism (Miscellaneous Provisions) Act 2020, whose aim is to bring further fundamental reforms in the financial sector and ensure closer compliance with advocated international norms. The authorities continued to provide reassurances to parties at the FAFT and the EU on the constant progress made by the jurisdiction as regard the implementation of the five remaining recommendations under the FATF Action Plan, with a progress report lately submitted as per the agreed timeframe. In the same vein, the period under review saw the Seychelles authorities contemplating remedial measures to be adopted in view of the country's inclusion on the EU's list of non-cooperative jurisdictions and its downgrade by OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes from 'Largely Compliant' to 'Partially Compliant'.
- Banking and non-banking entities of the Group have been exposed to high competitive pressures in some segments, as operators continuously upgraded their solutions, especially in the wake of the challenging economic climate. In the same light, operators set forward to be attuned to the changing lifestyles, behaviours, attitudes and aspirations of customers (further, especially, to the rise of the millennials), who are laying increasing emphasis on personalised solutions and instantly accessible services. This new landscape is closely interrelated to the advent of new technologies and innovative operating platforms, as gauged by the increasing popularity of Artificial Intelligence, Big Data Analytics and Blockchain platforms. In the same light, operators in the banking and financial services industry have been actively investing in digital channels and platforms, which are garnering increasing attention in the context of new realities engendered by the COVID-19 pandemic.

Delivering on our strategic objectives

Key moves taken by the authorities to support individuals, businesses and the economy

In the wake of the COVID-19 pandemic, the authorities in our presence countries deployed several measures:

Mauritius

- The benchmark Key Repo Rate was reduced by 50 basis points to attain 2.85% in March 2020 and by a further 100 basis points to 1.85% a month later.
- The BoM introduced a Special Relief Fund of Rs 5 billion, which is made available through commercial banks to assist corporates in afflicted economic sectors (including SMEs) in meeting cash flow and working capital requirements. The funds are made available to banks at the rate of 1% per annum and are granted to customers at an interest rate of 1.5% per annum, with a repayment period of 48 months and a moratorium of up to 9 months on capital and interest repayments. These facilities are guaranteed by State Investment Corporation (SIC) to the extent of 50% for economic operators other than SMEs and 60% for SMEs.
- The BoM allowed households a moratorium of 9 months on capital repayments on existing loans (excluding overdrafts, credit cards and other credit facilities) as from 1 April 2020, while offering to bear the interest payable by low-income groups on outstanding loans from 1 April to 30 June 2020.
- The BoM made available funding facilities to exporters and importers via banks.
- The regulatory Cash Reserve Ratio applicable to rupee deposits was cut from 9% to 8% to help increase the ability of banks to assist businesses that are directly impacted by the COVID-19.
- As for the Government, it introduced a range of financial and fiscal support measures:
 - provision of financial, leasing and factoring schemes to businesses by the Investment Support Programme Ltd, which operates under the aegis of the Ministry of Finance, Economic Planning and Development;
 - implementation of a Wage Assistance Scheme to support economic operators facing cash flow difficulties, with the scheme being, since July, applicable only to businesses that operate activities in the tourism sector, including hotels, the national airline and restaurants amongst others;
 - provision of a Self-Employed Assistance Scheme for those employed in the informal sector or self-employed.
- The passing of the COVID-19 (Miscellaneous Provisions) Act 2020 brought amendments to various legislations, including the Workers' Rights Act 2019, the Employment Relations Act 2008 and the Bank of Mauritius Act 2004. Regarding the latter, a key objective is to enable the Government to be granted amounts required to assist in fiscal measures to stabilise the economy. Provision was also made for necessary amounts of the official reserves (up to USD 2 billion as officially) to be used in a newly-created company operating under the aegis of the BoM, i.e. Mauritius Investment Corporation (MIC). Its mandate is to provide equity and quasi-equity funding to support affected domestic systemic economic operators as per defined parameters, to ensure that they are kept afloat and preserve jobs. It aims to mitigate contagion of the ongoing economic downturn to the banking sector, thus limiting macroeconomic and financial risks. MIC has been engaged in discussions with eligible companies with a view to appraising and approving funding requests received.

Our foreign presence countries

- Madagascar: (i) Short-term deferral of repayments for consumer loans and mortgages as well as moratorium on repayment of loans to enterprises; (ii) exceptional refinancing instrument of up to three years made available, by the Central Bank, to banks to support Micro, Small and Medium Enterprises with turnover of not more than MGA 5 billion
- Maldives: (i) Short-term credit facility made available to financial institutions as and when required; (ii) banks allowed to provide moratorium of 6 months on loan repayments for those impacted by the current situation; (iii) maintenance of adequate FCY liquidity on the market through a foreign currency swap facility arranged with the Reserve Bank of India; and (iv) reduction in the minimum reserve requirements
- Seychelles: (i) Benchmark policy rate cut by 200 basis points to support the domestic economy; (ii) banks allowed to provide moratorium on principal and interest repayments with respect to credit facilities delivered to impacted sectors and self-employed individuals; (iii) approval, by the Central Bank, of the use of international reserves to provide foreign exchange support to the domestic market; (iv) approval, by the Central Bank, of a cut in the applicable minimum reserve requirement on rupee deposits from 13% to 10% should liquidity conditions warrant same going forward; (v) set up of two credit lines to provide financial support, through banks, to companies impacted by the crisis, with Government guaranteeing 50% of funds disbursed for large enterprises and 70% of funds granted to individuals and businesses operating as the Micro, Small and Medium Enterprises

Key banking sector metrics

	Loans and advances Y.o.y. growth (%)		
	Jun-18	Jun-19	Jun-20
Mauritius	5.8	7.6	7.0
Madagascar	19.2	18.7	13.2
Maldives	13.4	8.2	7.8
Seychelles	17.1	20.8	23.7

Weighted average yields on Government of Mauritius Treasury Bills/Bank of Mauritius Bills			
2019		2020	
Month	Yield (%)	Month	Yield (%)
April	3.28	January	2.26
May	2.95	February	2.19
June	2.77	March	1.42
July	3.17	April	0.43
August	3.09	May	0.19
September	2.70	June	0.78
October	2.63	July	-
November	2.78	August	1.30
December	2.72	September	1.38

Note: There were no issuance during the month of July 2020

Financial soundness indicators

	Mauritius			Madagascar			Maldives			Seychelles		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
As at June (%)												
Capital-based												
Regulatory capital to risk-weighted assets	18.0	19.9	20.5	n.a.	n.a.	n.a.	43.1	47.4	47.9	21.1	20.7	19.8
Asset quality and liquidity												
Non-performing loans to total gross loans	6.9	6.0	5.9	7.2	7.2	7.2	8.9	9.6	9.3	7.5	4.5	3.5
Liquid assets to total assets	25.4	21.0	26.4	38.5	35.9	34.3	43.8	43.9	44.5	58.6	56.0	55.7
Profitability												
Return on assets	1.5	2.1	1.2	4.6	3.9	3.4	3.3	3.8	2.2	2.9	3.0	2.8
Return on equity	14.6	17.4	10.1	45.3	39.4	34.7	13.9	15.2	8.9	28.8	29.2	26.7

Note: Ratios for Mauritius refer to banks and non-bank deposit-taking institutions and figures for Seychelles in 2020 relate to December 2019

Sources: Bank of Mauritius, IMF country reports & FSIs database, Banque Centrale de Madagascar, Maldives Monetary Authority and Central Bank of Seychelles

Delivering on our strategic objectives

Challenges to be tackled

- Testing conditions instigated by the pandemic and other challenges faced calling for greater resilience and adaptability in the way we operate, respond to stakeholder needs, provide customised responses to meet their requirements and manage risks
- Restrained availability of foreign currency within domestic economic systems calling for intervention by Central Banks to supply FCY to the market
- Competitive market environment warranting that we remain on our toes as well as continuously enrich the quality and convenience of our value proposition, backed by strengthened capabilities and enhanced strategic focus
- Technological developments and increasingly exigent needs of customers demanding more agility and scalability in our functioning, modernisation of our internal systems, platforms and digital channels as well as a redesign of customer experiences, alongside underscoring the need to forge meaningful collaboration and partnerships with stakeholders (notably banks, IT companies and specific clients) with a view to creating and tapping into impactful ecosystems
- Cyber-risks and other risks linked to technological utilisation calling for reinforced risk management and internal control frameworks, backed notably by an improvement in data management and analytics capabilities

Opportunities capturing our attention

- Broadening market space pursuant to the advent of new technologies and the rapid evolution in customer aspirations
- Scope for serving customers in new and more innovative ways, after improving digital capabilities and investing in cyber security
- Possibilities to accompany corporate clients in their restructuring endeavours in view of the changing operating environment
- Avenues to shore up operational efficiencies amidst efforts to provide clients with more simplified and convenient solutions

Regulatory and supervisory oversight

Recent trends and developments

- The regulatory and supervisory framework faced by the Group continued to evolve as the authorities attempt to preserve the soundness and stability of the banking and financial services sectors in the countries where we are present, alongside protecting customers and modernising the set-up on which the delivery of products and services is anchored. Lately, due emphasis was laid on underpinning operations, integrity and resilience of the industry in response to the crisis instigated by the COVID-19 pandemic, with close monitoring of risk indicators by supervisory authorities.
- In Mauritius, new guidelines were issued by the Central Bank. The Guideline on Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation, which supersedes the Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism for Financial Institutions, seeks to assist financial institutions in understanding and effectively performing their statutory obligations, while setting out factors to be considered when identifying, assessing and mitigating risks of money laundering and the financing of terrorism and proliferation. The Bank of Mauritius, lately, issued a Guideline on Cross-Border Exposure, which provides a set of additional minimum standards that would need to be followed by banks in respect of their cross-border exposure, while, at the same time, formulating a risk-based management framework to assist operators in mitigating risks faced. On another note, the Guidelines on Complaints Handling Policy and Procedures applicable to Banks and Non-Bank Deposit Taking Institutions licensed by the Bank of Mauritius, as issued by the Ombudsperson for Financial Services, sets out the minimum standards and criteria to be observed when dealing with complaints made by consumers of financial services against financial institutions, so as to give them better protection. On the fiscal front, the Contribution Sociale Généralisée (CSG) Regulations 2020 have been enacted to allow for the creation of a new contributory, participative and collective system to replace the National Pension Fund. Every employer and every participant of the private sector are liable to pay CSG to the Mauritius Revenue Authority on the participant's remuneration and as per prescribed rates.

- To respond to the challenges posed by the COVID-19 pandemic and bolster the ability of banking operators to support the real economy, the BoM took several measures in concertation with relevant stakeholders. Alongside relaxing stipulations relating to the computation of Debt-to-Income Ratio for residential property loans in respect of individuals impacted by the pandemic, additional flexibility was provided to banks by (i) reviewing the allocation of risk weights to certain categories of exposures; (ii) temporarily putting on hold the Guideline on Credit Impairment Measurement and Income Recognition; and (iii) deferring the implementation of the last tranche of the regulatory Capital Conservation Buffer amounting to 0.625% to 1 January 2021 instead of 1 January 2020. While releasing more capital to banks, specific objectives of those initiatives are to increase the latter's leeway in terms of funding capacity and to boost their support to customers facing cash flow and working capital difficulties. Banks were also encouraged to be flexible in the approach guiding the application of IFRS 9, while being called upon to provide moratoriums to existing borrowers to offer them a breather pursuant to pressures exerted on their capacity to honour their obligations. In the same light, it is worth noting that the Banking Act 2004 was amended to strengthen the supervisory and regulatory powers of the Central Bank, with a key development being the empowerment of the latter to vary the mandatory capital adequacy ratio requirements applicable to banking players to a lower level should the need arise or in the wake of exceptional circumstances. With respect to the non-banking financial services sector, a key focus area of the Financial Services Commission has been the systematic oversight of any compliance deficiencies or offences in relation to Anti-Money Laundering/Combating the Financing of Terrorism regulations, while the institution has remained intent to uphold the soundness of business activities amidst crisis times, notably via the establishment of new guidelines or guidance notes.
- Concerning our foreign presence countries, the Central Bank of Seychelles (CBS) pursued efforts to strengthen its regulatory and supervisory framework. Due emphasis was laid on improving the framework for combating anti-money laundering and terrorist financing, with the introduction of a new Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act 2020 and a Beneficial Ownership Act 2020, pursuant to the launch of a National AML/CFT Strategy. At the same time, the country fostered greater compliance with international norms and codes, notably with the signing of the Foreign Account Tax Compliance Act (FATCA) model 1 Inter-Governmental Agreement and the adoption of the OECD Base Erosion Profit Shifting framework. In Madagascar, the Central Bank remained active to support operators and boost supply of credit to the real economy, while a new Banking Law is in the process of being enacted. In Maldives, the legal framework has been shored up with the aim to prevent Money Laundering and Terrorism Financing and enhance the cybersecurity of the financial system.

Challenges to be tackled

- Increasingly pressing need for banking and financial services operators to acclimatise with the demanding regulatory/supervisory landscape, alongside ascertaining attendant implications for the nature, depth and competitiveness of their business activities
- Necessity for operators to pragmatically and strategically cope with forbearances and regulatory relaxations allowed for by the authorities, while continuously preserving the soundness of their assets and strengthening their risk management set-up

Opportunities capturing our attention

- Reinforced regulatory and supervisory set-up enabling banks to benefit from ring-fenced and more predictable operating conditions in support of resilient and sound business activities, notwithstanding the testing economic climate
- Increased leeway and flexibility delivered by the authorities to banks with a view to assisting them in adequately dealing with the economic crisis, accompanying customers in their undertakings, sustaining credit supply and upholding revenue generation

Delivering on our strategic objectives

Positioning ourselves for growth and success

Overview

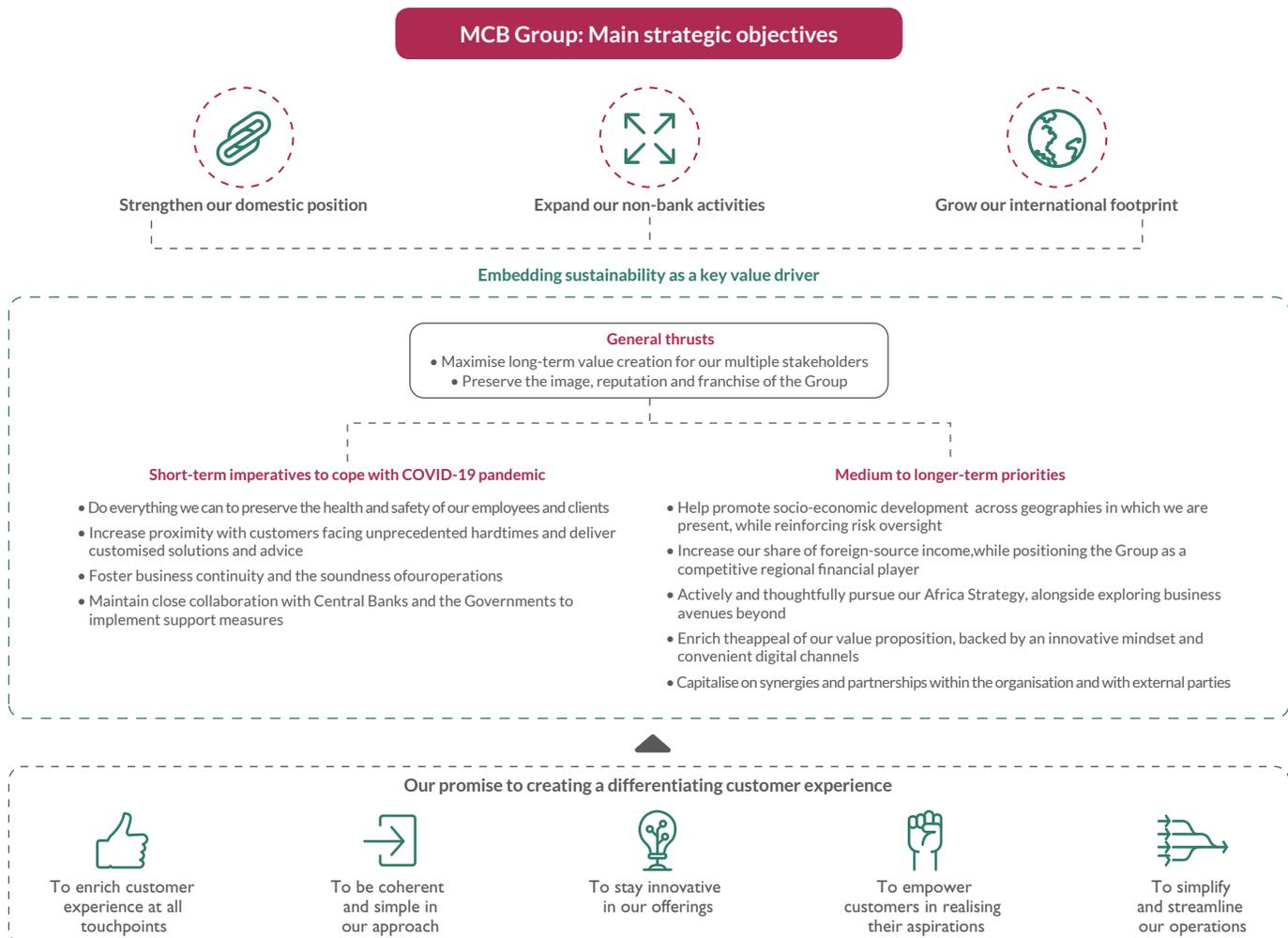
Underlying philosophy and approach

Our strategy is geared towards creating sustainable value. Anchored on our proven business model and while guiding our allocation of resources, our strategy paves the way for delivering sustained earnings growth and sound financial metrics, alongside ensuring that we operate within the precinct of our risk appetite. Amidst our ongoing endeavours to transform the Group into a simpler and better organisation, we aim to deliver exceptional customer service and tap into business development opportunities.

Concomitantly, a key objective of the Group is to embed sustainability principles in the way we function and undertake business, alongside integrating it in our culture, values and processes, in line with our objective to be a responsible corporate citizen.

Adapting to the context

In the context of the COVID-19 pandemic, Group entities have, in line with their own specificities and market realities, undertaken some reprioritisation of market development and capacity-building objectives and initiatives, with a focus on taking care of immediate imperatives in view of coping with the challenging operating context and preserving the resilience of their activities. While we continue to adopt a thoughtful business development approach in current circumstances, we, however, remain focused on executing our strategic pillars and pursuing our medium-term growth agenda, alongside investing for the future.



Our governance and processes

General framework

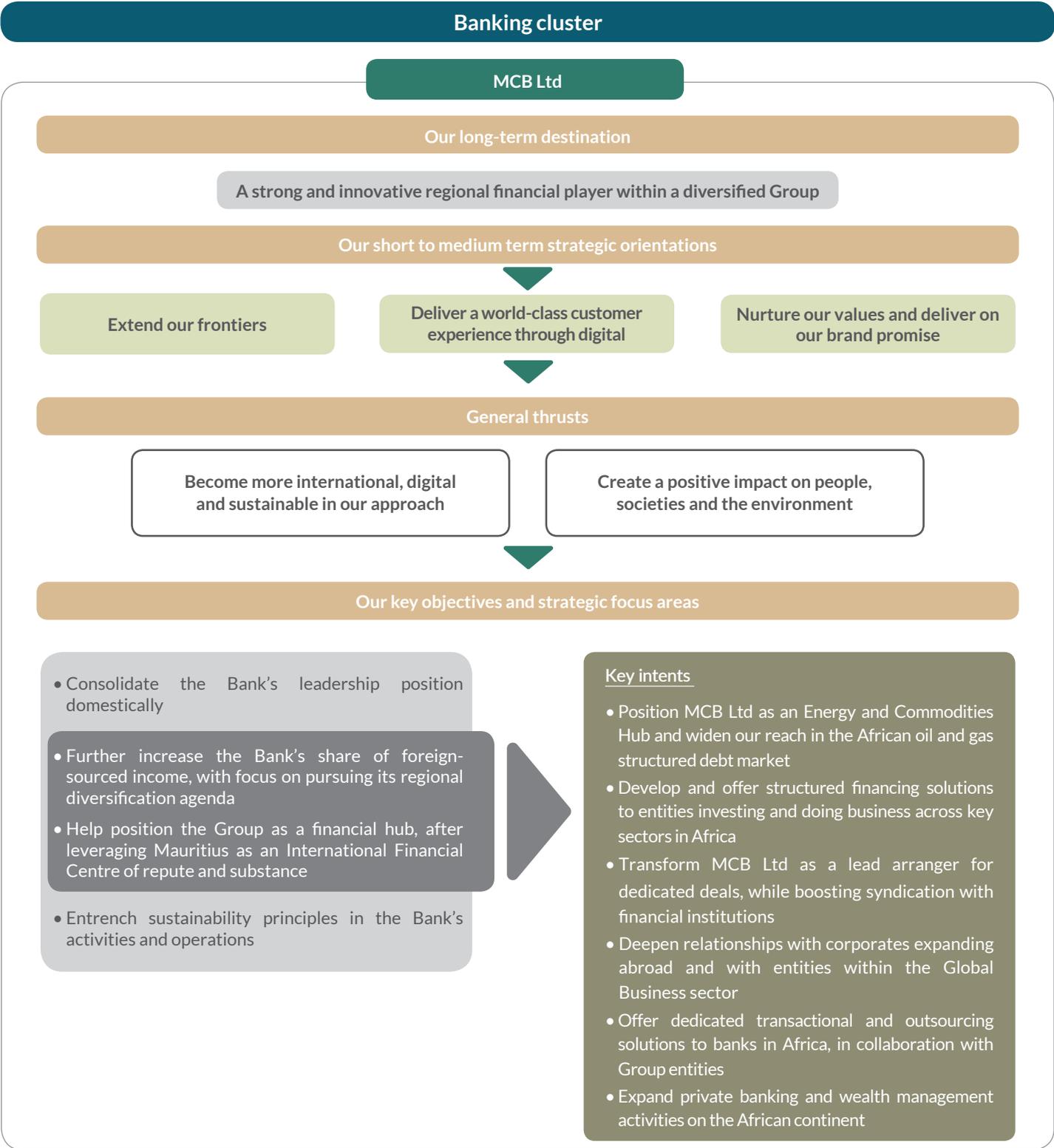
- MCB Group has a well-defined governance framework as well as coherent processes and practices to facilitate strategy elaboration, execution and review. The Board sets the strategic directions of the Group, approves strategic policies and ensures that they are communicated throughout the organisation.
- The Board is assisted by the Strategy Committee which, *inter alia*, makes recommendations on development strategies, assesses strategic opportunities, follows up on Group-wide initiatives and ensures that strategy execution is backed by adequate resources and structures.

Key process

- While ensuring congruence with strategic directions set at Group level, the entities typically formulate their own strategic orientations, which are cast in a 3-year rolling plan and endorsed by the Board at the start of each financial year.
- The strategy-setting exercise remains flexible to consequential disruptions in the operating context, as recently observed with the COVID-19 situation, whereby a more pragmatic and focused approach has been adopted. Building on prior consultations held internally with specific stakeholders, shorter term bank-wide priority areas and projects (spanning over a one-year horizon) has been assessed centrally by the Executive Management Team and thereafter, communicated to all business units as they reflect on their respective strategic intents while ensuring alignment with the organisation's strategic focus areas.
- Alongside being subject to relevant regulatory and compliance requirements, the entities determine their strategic initiatives after taking on board the inherent specificities and exigencies of the markets in which they operate as well as the relevant challenges and opportunities characterising the businesses they pursue.
- When contemplating their strategic directions, entities make allowance for the risk appetite, as formulated across segments, while considering their capital position as well as the scale and proficiency of their physical and human resources. In their functioning, entities capitalise on Group synergies, while the services of external consultants are selectively leveraged to provide entities with competent tools and guidance in order to sustain their thinking and decision-taking process. Of note, amidst challenging times, the focus is mainly oriented around maintaining resilience. Key priorities and performance indicators are formulated with a view to providing clarity and direction towards supporting the smooth deployment of envisioned initiatives.

Delivering on our strategic objectives

Underlying strategic orientations and objectives across clusters and entities



Foreign banking subsidiaries

- Increase market shares across retail and corporate segments, while positioning the entities as trusted banking partners and upholding their brand image
- Consolidate business relationships with existing core clients and expand activities across new and emerging customer segments, alongside reinforcing proximity with small and medium enterprises
- Diversify loan and deposit portfolios, with focus on key players in sound economic sectors
- Accelerate implementation of digital and innovative practices, backed by the implementation of mobile banking service and upgrades to multi-channel payment platforms (e.g. Internet Banking, ATMs, POS, E-commerce)
- Improve customer experiences and widen the range of offerings to enrich the value proposition across segments, notably relating to card solutions, retail loan facilities as well as new offerings to boost the corporate segment
- Leverage solutions developed by MCB Ltd in the entities' presence countries, backed by service level agreements
- Expand physical footprint for increased market presence, while widening and modernising the branch network in line with customer requirements
- Continue investing in the risk and compliance infrastructure of the entities

'Non-banking financial' and 'other investments' clusters

- Reinforce the positioning of the Group as an integrated financial services provider locally and in the region
- Leverage the brand franchise and distribution capacity of the organisation to consolidate our positioning across long-established business areas (notably those relating to the provision of investor, factoring and leasing services), while diversifying our activities

Zoom on selected entities

MCB Capital Markets Ltd

- Focus on advising blue chip clients locally and arranging financing for transactions and projects in Africa
- Broaden investment management activities to alternative assets
- Invest in private equity and hybrid debt opportunities alongside partners in Africa
- Seek strategic alliances with selected partners to expand our distribution channels and strengthen our technical capabilities

MCB Leasing Ltd

- Widen the range of offerings and revamp existing products to enrich the value proposition, alongside diversifying the customer base
- Forge close partnerships with key stakeholders, including car dealers, equipment dealers and fleet management companies
- Maintain and nurture close relationships with business lines of MCB Ltd

MCB Factors Ltd

- Consolidate our position in the receivables finance market by leveraging latest technological solutions and diversifying products
- Offer advisory and 'service-only' solutions that are customised to domestic and international businesses
- Enhance synergies with MCB Ltd to offer best-fit solutions to clients

Delivering on our strategic objectives

MCB Microfinance Ltd

- Consolidate the democratisation of access to credit by micro-entrepreneurs and promote financial inclusion
- Foster economic empowerment of micro-businesses and contribute to sustainable development

MCB Real Assets Ltd

- Develop and invest in a diversified portfolio of prime real assets with a view to seeding property yield funds to be offered to various customer segments

International Card Processing Services Ltd

- Look at opportunities in emerging markets and diversify country positioning
- Deploy initiatives in respect of client experience by means of dedicated relationship management, the provision of customised and scalable payment solutions, the development of human capital, and the streamlining of our operations
- Provide solutions to wider customer base (e.g. MasterCard, Visa, UPI, Diners, Discover and Amex issuing and acquiring, transaction processing, EMV debit, credit, corporate and prepaid card issuance, Card personalisation bureau service, ATM/POS driving, mobile payment solution and cards back office operations)
- Expand our reach in Africa and Asia by capitalising on our position as a recognised and trusted partner in delivering payment solutions to banks and financial institutions and tapping into synergies with Group entities which are involved on the African and Asian continents

MCB Consulting Services Ltd

- Become a preferred and trusted business enabler, while positioning itself as leader across earmarked spheres of activity
- Consolidate footprint in existing markets and probe into new territories, notably in Asia-Pacific region
- Strengthen partnerships with and operational assistance to financial institutions, particularly in Africa
- Further exploit the potential of existing services and launch new ones (e.g. analytics and business process re-engineering)
- Nurture collaboration with relevant stakeholders in order to more effectively support business growth, while implementing the necessary frameworks and processes to monitor the performance of sealed agreements
- Increase market visibility

MCB Institute of Finance

- Develop and nurture strong academic partnerships
- Maintain the spirit of offering 'World Class Education' at affordable prices for our target markets
- Support the brand continuously to attract targeted professionals in banking and finance

Creating value in a sustainable way for the benefit of our stakeholders

Our key foundations

Our proactive stakeholder engagement model informs and guides our actions and behaviours. While embracing an integrated vision that aims at providing a solid contribution to the advancement and prosperity of the society and economy, we seek to consistently make sense of and respond to the needs and expectations of our multiple stakeholders.



Read more in the Sustainability Report on our website

The Group has a well-established governance and operational framework to ensure that engagement with stakeholders is managed in a transparent and impactful 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, notably gathered through ongoing dialogues, meetings and surveys, are considered in the Group's decisions, with material issues escalated to the Board. The organisation's activities underlying its stakeholder value creation are anchored on sound foundations. The employees of MCB Ltd abide by the Bank's Code of Conduct and the National Code of Banking Practice. Reflecting its commitment to entrench applicable principles in its strategy and operations, MCB Ltd is an adherent to the United Nations Global Compact at participant level. The latter is the world's largest voluntary corporate responsibility initiative for businesses committed to aligning their operations and strategies with universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Since August 2019, MCB Ltd is one of the founding signatories of the Principles for Responsible Banking of the United Nations Environment Programme – Finance Initiative. The Principles provide the banking industry with a single framework that embeds sustainability at the strategic, portfolio and transactional levels across business areas, thus assisting operators in playing a leading role in achieving society's goals. MCB Group Ltd is one of the constituents of the sustainability index of the Stock Exchange of Mauritius which tracks the market price-performance of listed companies that demonstrate strong sustainability practices. Furthermore, Morgan Stanley Capital International (MSCI) – which assesses the resilience of companies worldwide in relation to long-term, financially relevant environmental, social and governance risks – has upheld the 'A' rating assigned to MCB Group Ltd, reflecting the organisation's strong governance practices and robust internal controls.

Our Corporate Sustainability Programme

Our approach and philosophy

Our mandate and aspiration

Our Corporate Sustainability Programme, titled 'Success Beyond Numbers', was launched in November 2018, with the mandate thereof being to integrate our sustainability vision and principles into our strategy and operations.

Alongside entrenching sustainability in our DNA and our behaviours, the idea behind the programme is the conviction that, as a financial institution that has, over time, played a critical role in the socio-economic development of Mauritius, MCB Group has a responsibility to contribute to the nation's sustained well-being via multiple and, sometimes, unconventional channels. That is why the Group has redefined the way it measures success. Because it takes more than numbers, 'Success Beyond Numbers' is more than a tagline or a marketing campaign. It has become MCB Group's compass to navigate the increasingly complex and demanding landscape of our times. It is the Group's fundamental reason for acting as a responsible corporate citizen by creating value every day for its stakeholders and helping to make a difference for the economy and its people of the current and upcoming generations.

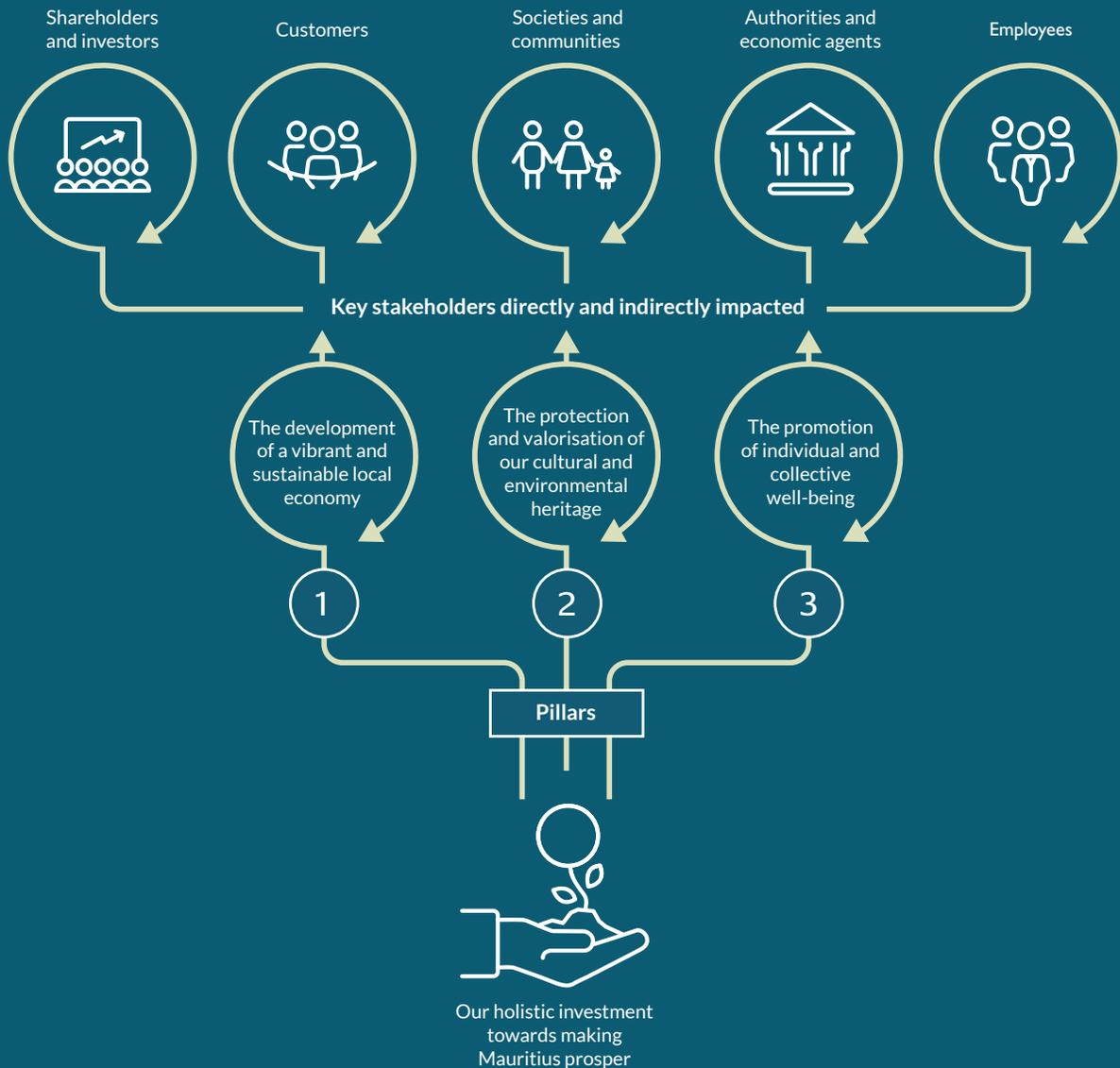
Key pillars and underpinnings

Our corporate sustainability endeavours revolve around initiatives executed under three pillars: (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being. Our actions are underpinned by governance and operational platforms, while the organisation also capitalises on strategic partnerships forged with external stakeholders, including businesses, NGOs and the authorities.

Delivering on our strategic objectives

Our Corporate Sustainability Programme

Success Beyond Numbers



Key enablers supporting the operationalisation of the programme

- Governance framework underpinning the overall oversight of the programme
- Operational set-up defining the relevant roles, responsibilities, mandates and accountabilities
- Framework to guide the planning, execution, coordination and management of relevant projects and initiatives
- Roadmap for the timely approval and launch of projects and initiatives
- Structure in place for benefits tracking, monitoring and reporting

Our strategic achievements and initiatives

General overview

During FY 2019/20, while particular emphasis was laid on managing the ramifications of the COVID-19 pandemic on the economic and market environments during the later part of the year, Group entities strived to pursue their business development thrusts and strengthened stakeholder engagement.

Basically, in addition to consolidating its leadership position in servicing individual and corporate clients in the Mauritian banking sector, the Group preserved its prominent regional involvement and made headway in the provision of non-bank financial services. Overall, alongside exercising market vigilance and reinforcing risk management, the Group further diversified its exposures across segments and geographies, while upgrading its inherent capabilities for growth. We continued to leverage synergies, with focus laid on (i) tapping into need-based cross-selling avenues; (ii) the replication of client solutions across geographies; and (iii) provision of bundled solutions emanating from business lines and entities, mainly in relation to investor-related services and the Group's 'Bank of Banks' value proposition. The Group positioned itself as a regional platform for handling trade finance, payments outsourcing and undertaking consulting assignments for banking and financial services counterparts, operating notably in Africa.

Fostering our stakeholder engagement

During the period under review, the Group pursued wide-ranging initiatives to underpin the advancement and welfare of key stakeholders, alongside responding to their needs and requirements. As a key focus area, the Group took dedicated actions to meaningfully reinforce its stakeholder interactions in the wake of the exigent operating environment triggered by the pandemic.



Read more in the 'Our performance across entities' section on pages 68 to 85



Read more in the Sustainability Report on our website

Shareholders and investors

How we have engaged with and served our stakeholders

- We upheld the image and reputation of the Group as a strategically important player. In FY 2019/20, MCB Group posted a resilient financial performance, backed by its robust business model. As a key principle, we aim to generate comfortable earnings to reward our shareholders and investors. For the period under review, however, the Group did not declare any dividend in line with directives by banking regulators across presence countries amidst the current exceptional circumstances.
- The Group promoted open communication with its shareholders to ensure strong and transparent relationships with them. As a key priority, we fostered the availability of timely, concise and detailed information on the positioning and performance of the Group. Furthermore, we regularly engaged with shareholders in order to better understand their perspectives.
- We continued to hold open, constructive and regular dialogues with international rating agencies with a view to reporting on the performance and prospects of MCB Ltd as well as its strategic orientations. Along the way, we shared dedicated analyses to provide comfort as regard our risk management and business growth foundations. During the period under review, MCB Ltd encouragingly preserved its investment-grade credit ratings. However, reflecting the highly challenging environment, the Bank's rating outlooks have been changed from stable to negative. That said, such developments reflect a wide-ranging global phenomenon, whereby many banks across jurisdictions are, almost inevitably, being adversely evaluated by rating agencies due to the detrimental spillover impacts of the coronavirus pandemic on economic and market conditions. Comfortingly, credit agencies have highlighted the Bank's solid franchise and business model, as well as management quality and adequate risk management, in addition to pinpointing its resilient financial metrics heading into the crisis.

Delivering on our strategic objectives

- MCB Ltd has successfully accessed global financial markets towards boosting its funding and liquidity positions. It can notably be observed that, in July 2020, the Bank successfully drew upon a USD 100 million Facility arranged by MUFG Securities EMEA Plc. The facility is being used for general corporate purposes, with the aim of allowing MCB Ltd to deliver on its strategic and financial ambitions, notably on the African continent. This achievement, essentially, reflects the Bank's strong fundamentals, franchise, resilience and well-managed risk profile. It shows that the Bank continues to attract the support of international banks and highlights its capacity to deliver on complex cross-border transactions in spite of the challenging market conditions.



Read more in the 'Corporate Governance Report' on pages on 96 to 140 and the 'Group Financial Performance' section on pages 86 to 94

Responding to COVID-19...

- We reinforced our communication and interactions with investors, credit rating agencies and correspondent banks in order to reassure them of the inherent resilience of our operations and the soundness of our key financial metrics.
- While keeping our external stakeholders abreast of material developments influencing the Group's operations and activities, we have regularly informed them about specific initiatives taken by the organisation to cope with the impact of the pandemic on the organisation as a whole and across our entities and key business segments.
- We continuously liaised with players across global markets amidst our efforts to consolidate our FCY funding resources.

Customers

How we have engaged with and served our stakeholders

- Backed by a thorough understanding of exigencies and requirements across market segments, we provided clients with increasingly simplified and personalised financial solutions to help them meet their goals, thus contributing to their prosperity and financial well-being. We made further headway in building life-long relationships with clients and accompanying them in good and bad times. We pursued the digitalisation of our operations and services, alongside improving the reach and appeal of our wide-ranging channels to allow customers to undertake payments and transactions in an easier, faster and safer way.
- We adopted appropriate and carefully-designed communication and reporting channels vis-à-vis our customers to provide them with transparent and timely advice and information about our offerings as well as effectively attend to their queries. We regularly sought customer feedback on our solutions, notably via surveys and focus group discussions, towards improving our value proposition. We embraced dedicated initiatives to address customer complaints in an efficient and opportune manner. Of note, around 80% of customer complaints registered during FY 2019/20 were resolved within less than five days.
- We preserved the security and confidentiality of transactions, alongside upholding customers' trust in the organisation. Towards this end, we reinforced our internal platforms and processes, including our cyber risk management framework, to foster the safety of our customers' information, while ensuring that they can use our channels in a dependable way.
- We have strengthened client relationships and our market visibility, mainly through the organisation of and participation in various promotional and commercial initiatives, as well as international seminars, conferences and roadshows. Such events enabled the Group to promote its capabilities and value proposition, while gaining insights on international business trends and dynamics. We remained active on social media platforms such as Facebook, Twitter, YouTube, Instagram and LinkedIn.

Responding to COVID-19...

While reinforcing proximity with customers to understand their needs and requirements, Group entities have, amidst the difficult context, taken immediate and short-term measures to assist individual and corporate clients in coping with challenges faced, alleviating their financial burden and sustaining their activities. We delivered well-structured financial solutions after collaborating with Central Banks and the authorities, which helped banking players in their endeavours, notably through guarantees for working capital facilities, execution of relief programmes and provision of funding lines. At the same time, to underpin healthy portfolios and sound operations, entities have, when supporting their client base, been guided by clearly-determined conditions and criteria.

MCB Ltd

Individuals

- Provision of moratorium/repayment holiday offered in respect of capital repayment and, if necessary, interest payment; Launch of a 'COVID-19 Household Support Scheme': Developed in a rapid iterative manner during the lockdown period, the scheme allows customers facing difficult times to apply for relief on their loan repayments (rupee facilities other than overdrafts, credit cards and leasing facilities). Customers can apply on the MCB website for such assistance, with requests being processed digitally from the start of the application to the set-up of the moratorium, backed by unified and scalable business intelligence platforms
- Temporarily waiving of fees to alleviate customers' financial burden, mainly card-related fees and other fees (failed standing instruction and failed direct debit fees, fees on funds transfer between MCB accounts and to another local bank)
- Setting up of a dedicated help desk, which is operational on a 24/7 mode, in order to attend to queries and banking needs of clients who are stranded abroad following the closing of borders

SMEs

- Provision of a working capital facilities with flexible repayment and pricing terms, in order to help companies support critical payments (e.g. maintain payrolls) and honour obligations towards suppliers
- Provision of flexible loan repayment solutions: (i) moratorium/repayment holiday on both capital and interest payments; (ii) rescheduling of existing facilities over a longer period of time to assist clients in withstanding cash flow difficulties
- Offer of a Free Business Deposit Card for the convenience of customers regularly queuing up outside branches during the confinement period, thus allowing them to safely deposit funds at more than 70 ATMs and to save on waiting time
- Establishment of clear processes and mechanisms to quickly handle and respond to client requests

Large corporates

- Provision of MUR working capital facilities with convenient repayment terms and collateral requirements with the aim of assisting clients – deemed to have the ability to steer their way through the crisis, while displaying resilient business models, financial fundamentals and risk management processes – in undertaking critical operating expenses
- Deferment of capital repayments and potentially interest payments to help clients that are exposed to cash flow difficulties
- Provision of treasury services, with the prioritisation of sales of FCY against MUR to clients transacting for the following: imports of pharmaceutical products, payments for medical and educational expenses and urgent salary transfers, etc.

Delivering on our strategic objectives

MCB Ltd (continued)

Promoting digital channels and payment solutions

The organisation has actively promoted its convenient and secure digital channels to underpin the conduct of round-the-clock customer transactions, backed by an intensification of communication and awareness campaigns on the social media. In fact, amidst apprehensions linked to the virus' mode of transmission, the confinement of the population and growing client aspirations to satisfy their banking needs from the comfort of their home in the current context, we ensured that adapted and suitable facilities and services are provided to respond to customer requests for low touch options for making and receiving payments.

- Particular focus laid on encouraging contactless card payments and the payment solution 'Scan to pay' (QR code) available on 'JuiceByMCB' mobile banking application, while sensitising customers on phishing and scamming attempts; increase in the maximum payment value per contactless transaction from Rs 500 to Rs 2,500, with maximum daily ceiling set at Rs 5,000
- Deployment of additional Point-of-Sale terminals and widening of the repertoire of 'JuiceByMCB' merchants; design of a swift onboarding process and provision of dedicated assistance to merchants and online market place operators which are rethinking their business models as well as to adopting or deepening the recourse to digital and online platforms in response to consumers turning to online shopping and bill payments for more safety and convenience; provision, in partnership with a Fintech company, of an e-commerce gateway for small and medium enterprises to assist them in ensuring business continuity during the lockdown period and beyond
- Extension of the validity period of expired cards, given temporary unavailability of postal services for the delivery of renewed cards during the confinement period; waiving of various card-related fees (e.g. cash withdrawal fee when withdrawing from another local bank ATM, credit card late payment and over-limit fees)

Foreign banking subsidiaries

- General moves: (i) Provision of moratorium on principal and/or interest payments for existing loans and delivery of working capital facilities; (ii) promotion of remote banking channels, notably cards mobile banking and Internet Banking services
- MCB Madagascar: Provision of treasury and credit facilities at relatively more advantageous rates and conditions
- MCB Seychelles: (i) Waiving of online domestic transfer fees to encourage related transactions; (ii) establishment of clear decision criteria for the allocation of foreign currency to existing customers and to non-customers as well
- MCB Maldives: (i) Launch of an in-house tool to allow customers to request for appointments online; (ii) rescheduling of existing facilities over a longer period to ease cash flow, with the entity ready to consider other avenues on a case-to-case basis

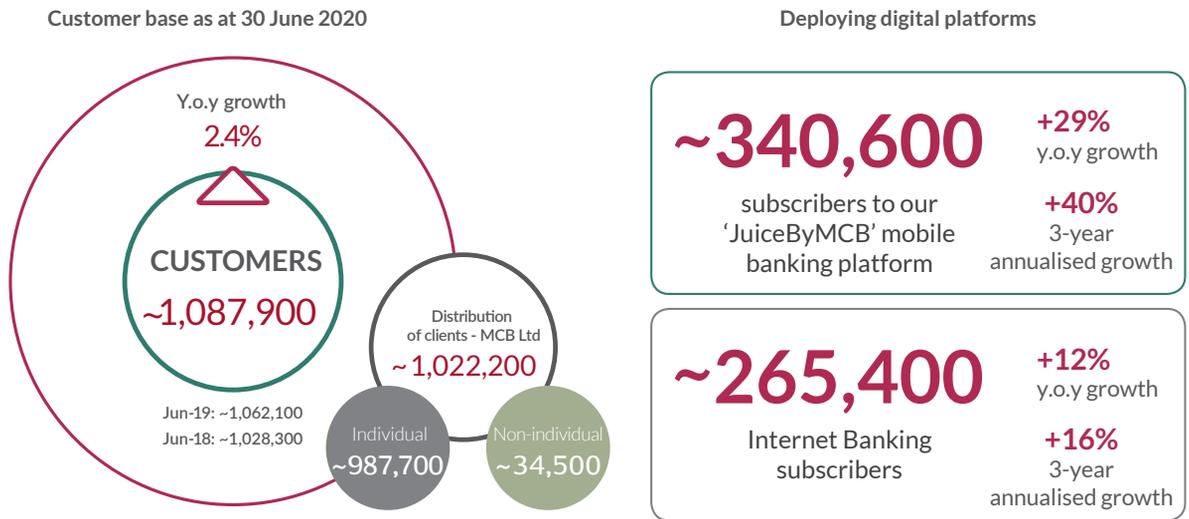
MCB Factors Ltd

- Suspension or delay of a range of charges and commissions for specific facilities offered
- Launch of dedicated financing schemes for the attention particularly of SME clients (annual turnover of up to Rs 50 million) and MME clients (annual turnover between Rs 50 million and Rs 250 million)

MCB Microfinance Ltd

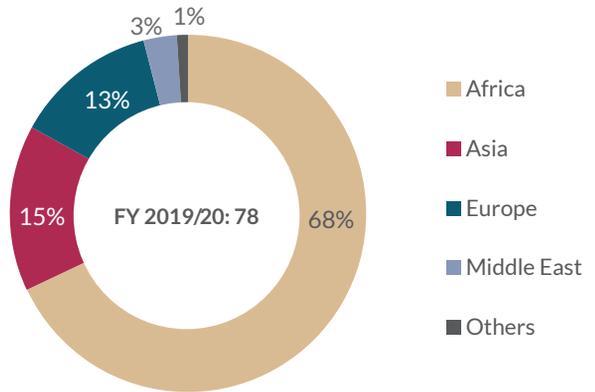
- Rescheduling of a broad range of customer loans through moratorium
- Disbursement of a new facility, titled 'Relief Loan', which comes with preferential rates and aims to finance the necessary cash-flow needs of businesses to assist and enable them to resume or sustain their activities

Serving a strong and diversified customer base, while leveraging innovative channels



Note: Figures above are as at 30 June 2020

'Bank of Banks' initiative: Distribution of foreign financial institutions serviced by Group entities across region



Societies and communities

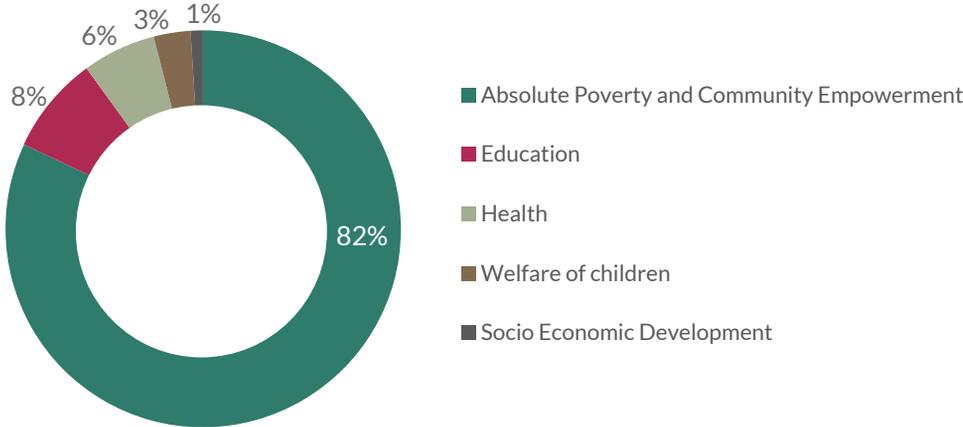
How we have engaged with and served our stakeholders

- The Group has continued to foster the well-being and progress of the societies and communities in which we live and operate. In Mauritius and across other presence countries, we partnered with relevant stakeholders, such as NGOs and public sector entities, towards promoting social welfare. We provided support in key focus areas, notably absolute poverty and community empowerment, preservation of the natural environment, arts and culture, youth development and sports as well as health and education. In respect of the latter, it can be noted that our organisation has, so far, awarded 32 scholarships to Mauritian students ranked next in line with those eligible for the State of Mauritius scholarships on the Economics side at the Higher School Certificate examinations, while 36 students from Rodrigues have been awarded scholarships under the MCB Rodrigues Scholarship, thus enabling them to pursue tertiary studies at the University of Mauritius.

Delivering on our strategic objectives

- Our corporate social responsibility activities are channeled via the MCB Forward Foundation (MCBFF), which is the dedicated vehicle for the efficient and effective design, implementation and management of initiatives meant to embed the Group’s engagement with the communities in which it operates. In FY 2019/20, consistent with the authorities’ requirement for companies to set up an annual Corporate Social Responsibility (CSR) Fund representing 2% of their chargeable income derived during the preceding year, an aggregate amount of around Rs 93 million was accordingly earmarked by the Group’s local entities. As per the standard Government policy, 75% of companies’ CSR contributions for projects are to be channelled to the Mauritius Revenue Authority. However, in alignment with the provisions of the recently amended Income Tax Act 1995, MCB Group Ltd was, for the period under review, authorised by the National Social Inclusion Foundation to retain an additional 25% of its earmarked CSR fund to cater for the implementation of programmes initiated prior to 1 January 2019. Accordingly, after making allowance for planned projects that were put on hold in the wake of the confinement and border closures, an amount of some Rs 44.4 million was spent by the MCB Forward Foundation on 19 projects, of which 10 are ongoing. The entity remained actively engaged in undertaking initiatives aimed at meeting a multiple range of nationwide socio-economic development imperatives, aided by mobilisation of necessary logistics and execution of pedagogical programmes. In the same vein, reflecting the endeavour to foster the engagement of employees in carrying out CSR activities, the MCBFF oversaw the implementation of the organisation’s ‘Social Leave’ programme. The latter gives the opportunity to each employee of the Group to, via a one-day paid leave, carry out social work by helping NGOs in their day-to-day activities. In FY 2019/20, 385 employees dedicated 136 hours to 6 NGOs, namely Ebony Forest, Mauritius Wildlife Foundation, Plankton Recycling, SOS Children’s Village, Leonard Cheshire Home and Union Park Women Association. On another note, the Group donated Rs 3 million to the Mauritian Wildlife Foundation to help protect the flora and fauna of Ile aux Aigrettes and the South-East area in the wake of the MV Wakashio oil spill. Furthermore, MCB Seychelles has supported ‘The Ocean Project Seychelles’, which is a local NGO aiming to protect the oceans, through the conduct of sensitisation campaigns.
- It is worth highlighting that no political donations were made during the year under review.
- By means of our personalised solutions and thoughtful channel distribution, we promoted financial inclusion in Mauritius, thus enabling our low-income customers to get access to credit and improve their conditions. We helped individual clients achieve their ambitions, including buying a home/car or paying for personal expenses. With regard specifically to the tailored financial solutions of MCB Ltd: (i) the low minimum balance for account opening and the fact that our savings account bundle bears no cost make the offer extensively accessible; (ii) parents are invited to open Junior accounts to encourage our young generation to be financially responsible and save from a young age; and (iii) our unsecured personal loan offer, which is also available to non-MCB Ltd customers, is often sought by low-income customers to cover for education and housing purposes. We provided innovative and customised solutions to SMEs as well as micro-enterprises and self-employed individuals.

Distribution of amount spent by MCBFF during FY 2019/20



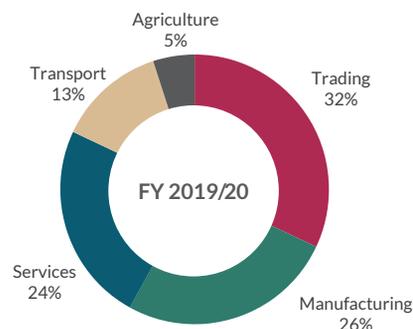
Attending to the needs of our customers across segments

Helping students (MCB Ltd)

~Rs 1.4 billion representing total student loans approved (under normal banking terms and the Government Guarantee Scheme), account for a market share of **66%** (over the period April 2013 - June 2020)

Helping entrepreneurs (MCB Microfinance Ltd)

~2,230 clients financed
~3,440 loans disbursed for
~Rs 670 million (since inception in July 2016)



Note: Figures in pie chart relate to outstanding loans

- We made further inroads in preserving our cultural heritage, while promoting the dissemination of arts. We took the leading role in sponsoring and/or spearheading the materialisation of key projects aiming to promote local talents at various levels, including music, singing/dance, art and writing, photography, painting and sculpting, as well as theatre and performing arts. We encouraged the adoption of environment-friendly and energy-saving practices in our operations. We worked towards effectively managing our carbon footprint, amidst endeavours to continuously monitor and assess our direct environment footprint in order to minimise the impact of our activities on the environment. In this respect, MCB Ltd is committed to compensate for its annual emissions on a retroactive basis and has accordingly achieved carbon neutrality in its operations for the year 2018. Indeed, CO2 emissions generated from the operations of the Bank in 2018 have been fully offset through afforestation and cookstoves projects in Kenya, Mozambique and Uganda. Of note, the organisation has also successfully offset the CO2 emissions generated by the speakers who travelled by air for the Klima conference organised.



On 4 and 5 February 2020, MCB released its Klima Neutral 2050 report and committed to a zero carbon policy.

- As another key achievement, we progressively reduced energy and water usage in line with objectives and targets set, backed by a systematic monitoring of consumption patterns which helped us in identifying saving opportunities and detecting avenues for the installation of efficient equipment. Furthermore, the organisation remained committed to raising awareness amongst its employees and external stakeholders, while engaging with them to stimulate the adoption of sustainable habits and work towards environmental protection. For instance, towards contributing to efforts for greening the supply chain, the Bank seeks to ensure that all suppliers comply with sustainable procurement standards. Worth noting also, the organisation actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by 8% during the financial year.

Delivering on our strategic objectives

- With regard to our business activities, it is worth recalling that, since May 2012, MCB Ltd adopted the Equator Principles, which is a voluntary and internationally recognised risk management framework, espoused by many financial institutions worldwide. This framework stands as the foundation and guiding principle of the Bank's Environmental and Social Policy, which articulates the principles, policies, roles and responsibilities through which the Bank ensures the environmental and social risks management of its lending activities, in particular regarding any project or undertaking entailing loans of an aggregate amount greater than or equal to USD 2 million and with maturity of at least 24 months. Moreover, MCB Ltd remained actively involved in the provision of 'Green loans', pursuant to the third edition of the line of credit availed from Agence Française de Développement (AFD), in the context of the latter's green finance label titled SUNREF (Sustainable Use of Natural Resources and Energy Finance). The key objective of the facility is to stimulate the deployment of renewable energy and energy-efficient technologies, alongside boosting climate change mitigation and adaptation projects and promoting social inclusion and gender equality principles. Our 'Green Loans' have been offered to individual, SME and corporate clients in Mauritius, while we also attended to the needs of customers in some foreign presence countries. Of note also, MCB Ltd is converting materials used for the manufacture of its cards to Polylactic Acid (PLA), thus reducing traditional Polyvinyl Chloride (PVC) use by more than 80%, with the Bank being one of the first 60 financial institutions globally to lead the way towards more sustainable and bio-sourced material for their cards. Another measure that warrants attention is that for each transaction made by clients using an MCB debit card, the Bank contributes 10 cents to the Mauritius Wildlife Foundation, with the stated objective being to help save endangered Mauritian species through the restoration of entire ecosystems.



Read more in the Sustainability Report on our website

Responding to COVID-19...

- The organisation remained committed to helping societies and vulnerable families amidst such difficult times. Notably, MCB Ltd donated Rs 1.7 million to the crowdfunding platform, 'Small Steps Matter', for the distribution of 1,470 food packs to households outside the national Social Register. The MCBFF also made available some 110 food packs to families as part of schemes falling under the aegis of the MCB Football Academy (MCBFA). Additionally, MCBFF contributed Rs 10 million to the COVID-19 Solidarity Fund, which has been put in place by the authorities to support the population in view of the pandemic.
- In order to help children of the MCBFA cope with the lockdown, a personal development programme as well as therapeutic workshops for those with psychological and psychiatric issues were set up. Furthermore, 10 children with special needs received tablets to help them stay connected with their school, while face shields and infrared thermometers were given to 'Association des Parents Déficlients Auditifs' (APDA). For its part, MCB Seychelles donated Personal Protective Equipment (PPE) and vital ancillary supplies to the Department of Health to assist in the treatment of patients impacted by the COVID-19 outbreak.

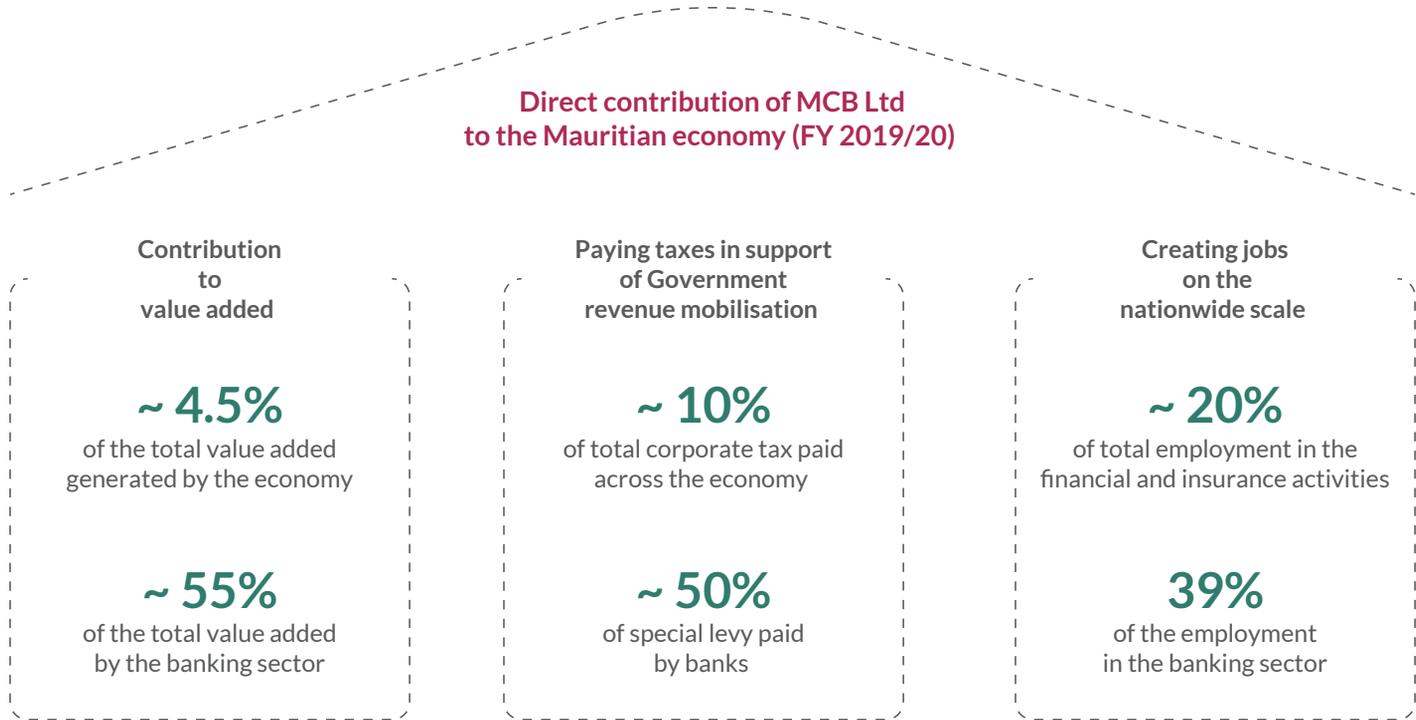
Authorities and economic agents

How we have engaged with and served our stakeholders

- We continued to support our presence countries in their endeavours to promote the development and modernisation of their respective economic sectors and financial jurisdictions. In Mauritius, alongside financing key projects shaping the economic landscape, we sustained our contribution to the real economy and the continued growth of the country's businesses. The organisation remained a dedicated and trusted partner for large corporates and investors, while upholding its commitment to support and accompany small and medium enterprises across a broad range of economic sectors by means of our proactive, tailored and modular solutions. The Group helped to position Mauritius as a credible and competitive International Financial Centre, alongside assisting businesses transiting through our country to conduct business across Africa. On this topic, it is worth recalling that the Group set forward to reassure investors and other stakeholders on the substance of our jurisdiction, while highlighting, in the process, the active measures being deployed by the Government to promptly remove Mauritius from the list of 'jurisdictions under increased monitoring' as per the Financial Action Task Force (FATF) and the European Commission's list of High Risk Third Countries (i.e. those with deemed strategic deficiencies in their AML/CFT regimes).

Helping the economies where we are involved to prosper

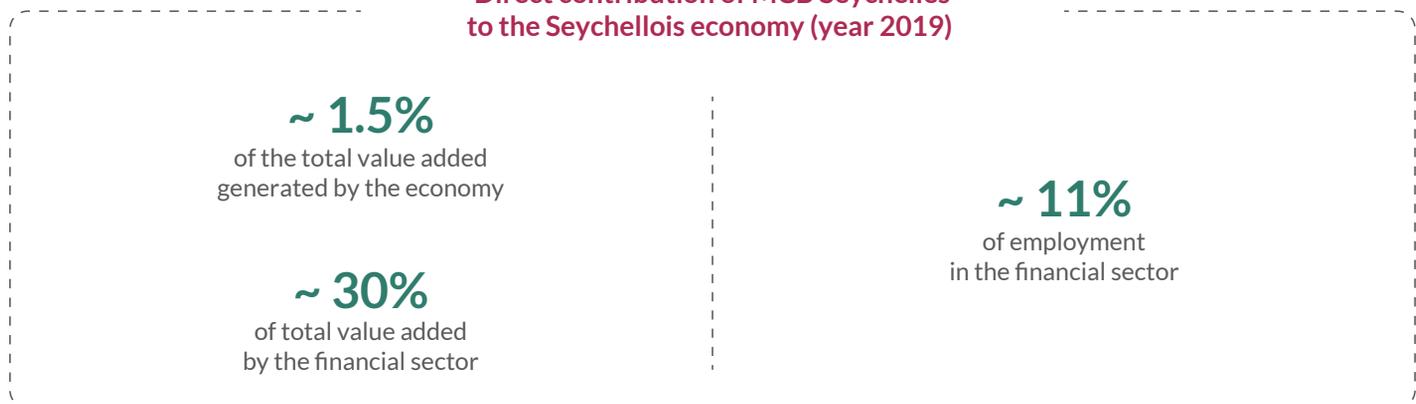
Direct contribution of MCB Ltd to the Mauritian economy (FY 2019/20)



Notes:

- (i) Total corporate tax paid includes levies charged on income but excludes our indirect contribution induced by tax paid by our suppliers
- (ii) The estimates do not cater for the indirect implications of the Bank's operations and banking activities

Direct contribution of MCB Seychelles to the Seychellois economy (year 2019)

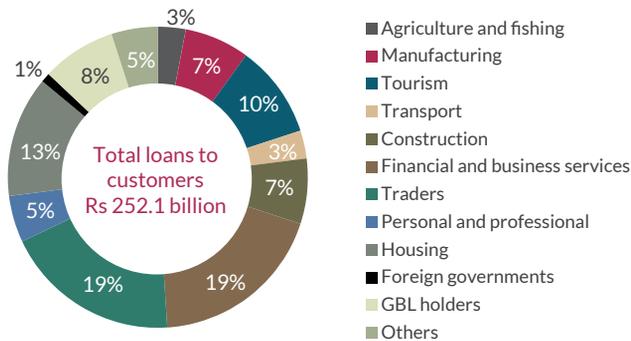


Note: Figures displayed above are indicative, based on officially-reported data and MCB staff estimates

Delivering on our strategic objectives

Helping businesses and economic sectors to grow

Distribution of loans and advances as at 30 June 2020



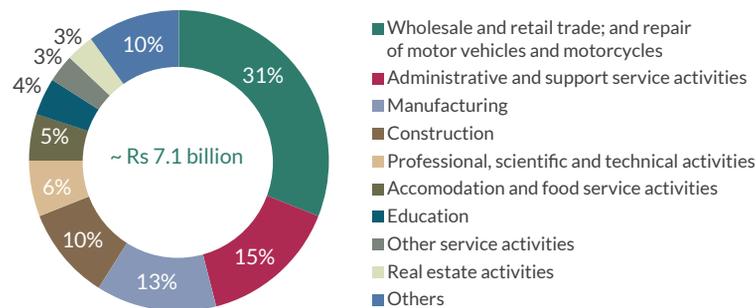
Helping productive sectors

Rs 144 billion representing loans and advances to corporates in Mauritius as at 30 June 2020, towards enabling them to achieve their ambitions

Note: Figure includes corporate notes

Attending to the needs of SMEs across sectors

Distribution of loans to SMEs as at 30 June 2020 (MCB Ltd)



- We safeguarded the perennity and soundness of our operations, alongside fully coping with specificities and implications of evolving mandatory provisions and requirements. We ensured strict compliance with relevant regulatory limits and guidelines relating notably to business operations, product development, market development and risk management in the jurisdictions within which we operate. We assisted in strengthening the regulatory framework on the basis of our close collaboration with the regulators. We attended to regulatory reviews with notable attention to detail and professionalism, while promptly reacting to matters raised. We submitted reports in a timely manner to regulatory bodies and forged transparent relationships with them to promote adequate monitoring of our activities and informed discussions about relevant issues.

Responding to COVID-19...

- We accompanied small, medium and large-sized businesses facing up to hardships and cash flow difficulties to, as far as possible, remain afloat, pursue their activities and mitigate job losses, thus helping to underpin resilient socio-economic development.
- We interacted and collaborated with Central Banks and the authorities in our presence countries (directly or through banking and relevant business associations) amidst concerted endeavours to implement macro-financial measures that are deemed to be most effective to underpin supply of credit and the delivery of dedicated clients solutions, after making allowance for new realities and requirements engendered by the pandemic.

Employees

How we have engaged with and served our stakeholders

- Towards embedding our position as an employer of choice, we pursued our efforts to attract, develop and retain talents as well as empower them to deliver their best, alongside further developing and capitalising on the collective skills, knowledge and experience of our employees. Concomitantly, the Group has engaged with staff to adequately understand and respond to their needs, via surveys and culture audit. With a view to realising its strategic objectives, the Group continues to implement dedicated projects and programmes, as part of its ongoing HR Transformation Programme. While promoting an environment of trust, high aspiration and achievement as well as fostering strategic talent acquisition, the underlying aim is to reinforce human resource frameworks, in support of enhanced operational efficiencies as well as sound and balanced business growth.
- The subject matters to which the Group is exposed to are getting more complex and client solutions increasingly sophisticated. Against this backdrop and while capitalising on our forward-looking approach, we brought relevant upgrades to our learning and training framework as well as the underlying culture. Dedicated programmes were conducted to step up the quality of our human capital, including training courses and lectures held by international experts at our Learning and Development Centre. Employees continue to benefit from technical training as well as courses meant to develop soft skills, either delivered in-class or online (increasingly so given the current operating context). Worth noting, our range of courses are enriched with those provided by the MCB Institute of Finance.

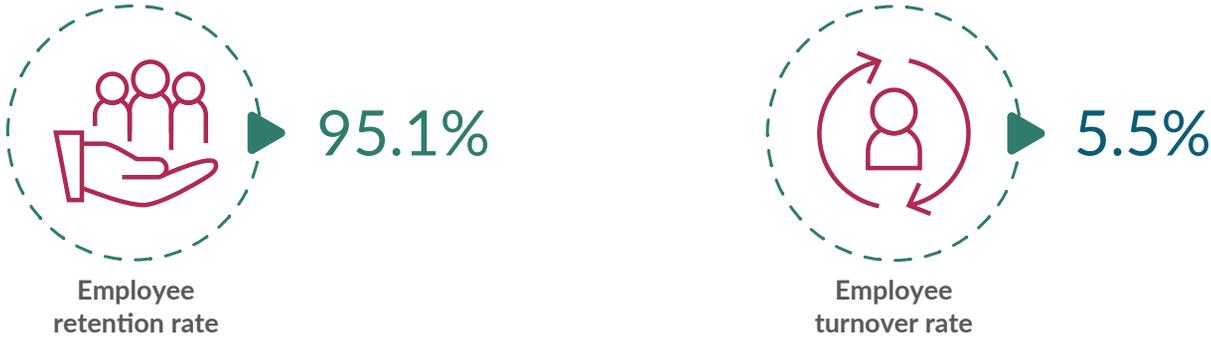
Key measures deployed during the period under review

- Amidst the ongoing transformation of human resources frameworks with a view to shoring up foundations for growth, the organisation has launched its new Performance Management System (PMS) and Talent Management Programme, titled Grow!. These undertakings – which aim to improve the quality of our human resources and the agility of operations as well as promote endeavours in favour of innovation and our customer-centricity – have been elaborated based on employee feedback obtained via different platforms and the conduct of a Trust Index Survey.
- The Performance Management System seeks to ensure that everyone's contribution to the success of MCB Group is duly recognised and that individual growth is supported, as well as promote an environment where feedback is further encouraged. Grow!, aims to identify, develop and retain competent and engaged people to sustain the current and future success of the organisation, while valuing their contribution. It is scheduled to be rolled out in three phases, with the first two focusing on 'People Managers' to equip them with relevant principles/tools of talent management. The Group has established a dedicated Competency Framework – as the centerpiece of both Talent Management and Performance Management – after all positions have been profiled with the identification of essential and desirable competencies. 'People Managers' are being trained to have a firm grasp of appropriate behaviours linked to competencies required in daily business activities.
- Other measures put in place to further promote learning and talent development are as follows: (i) go-live of a new Strategic Talent Acquisition function within HR SBU of MCB Ltd; (ii) assessment of MCB Group Leadership via a 360-degree survey exercise which has been designed with the help of a renowned international consulting firm, followed by one-to-one debrief sessions; (iii) formulation of learning needs analysis methodology to gather development needs in a centralised form and to facilitate a proactive management of training initiatives and human resource development efforts; and (iv) gradual elaboration of bespoke individual development plans, with pilot programmes already launched in selected SBUs of MCB Ltd.

Delivering on our strategic objectives

- Capitalising on its fair and robust remuneration philosophy, the Group strived to reward its employees adequately, in line with market conditions and meritocracy principles. Also, the Group provides a range of fringe benefits to its employees to help them in their personal life. Additionally, our employee share option scheme (see page 114) provides eligible employees with the opportunity to partake in the growth and prosperity of the Group, through acquisition of its shares.
- The Group has continued to work towards entrenching a balanced and diversified workforce in terms of gender, age group and experience in order to tap into a wide range of knowledge, skills and specialist competencies in view of creating the right conditions to achieve business strategies. In addition, the Group maintained a stimulating work context by fostering secured and healthy environments. While being compliant to legal and regulatory requirements, our occupational safety and health policies aim to foster a sound working environment and system of work for the benefit of its employees, as far as it is reasonable. Moreover, the Group has further deployed programmes to uphold the overall well-being of its employees. In its bid to continuously enhancing staff welfare and promoting work-life balance, the organisation has consolidated its Flexible Working Arrangements (FWA), with the implementation of the 'Work From Home' initiative under specific conditions (thus complementing long-standing arrangements in terms of flexi-time, staggered hours and hot desking).

General stability of our workforce as at 30 June 2020



Definitions:

- (i) Retention rate is the ratio of the number of employees that stayed during a specific period to the number of employees at the beginning of the period
- (ii) Turnover rate is the ratio of the number of employees that left to the average number of employees during a specific time period

Responding to COVID-19...

Working practices and conditions

The organisation took prompt measures to preserve the health and safety of its employees during and after the lockdown period. It provided them with dedicated facilities that helped them undertake their activities, backed by clear policies and guidelines.

- Phased and thoughtful adoption of Work From Home (WFH) practices and prompt reorganisation of work processes with the operation of split/rotating teams as soon as lockdowns were announced and depending on the category of activities, underpinned by the delivery of dedicated technological and infrastructure support; key objective pursued is to maintain continuity of business operations, uphold the delivery of minimum service to customers and reduce risks of contamination
- Provision of food packs, free meal deliveries and transport shuttles to employees working on-site during the confinement period
- Upholding the adoption of strict health and safety protocols across premises and at all times: (i) compulsory wearing of masks by all staff members and maintenance of social distancing in all branches and sites; (ii) provision of hydro-alcoholic solutions upon entry in our premises and leveraging of a control entrance system with use of calibrated non-contact thermometers for body temperature screenings for all employees admitted in our premises; (iii) installation of protective glass screens separating customers from tellers and set-up of social distancing markings at entrances and service counters to mitigate contagion risks; (iv) conduct of regular cleansing and disinfection of our premises and equipment, notably across frontline spaces and common areas; (v) isolation zones earmarked across premises; (vi) conduct of meetings via conference calls encouraged and strict guidelines imposed for physical meetings and use of lifts; and (vii) provision of gloves and individual sanitisers to front-liners and distribution of around 3,500 masks to employees and their dependents
- Conduct of COVID-19 rapid tests for employees having worked during lockdown period

Communication and support

- Dedicated communication platforms leveraged to keep in touch with employees and reassure them during and after the lockdown period, while disseminating regular information on the virus spread and providing insights on steps taken to protect the health of employees and customers and uphold operations; channels favoured include our enterprise connectivity platform (Workplace), WhatsApp groups and emails from the Chief Executive Officer and key personnel; a weekly newsletter has been disseminated to keep employees abreast of the measures taken by the Group to deal with the crisis
- Creation of a dedicated cell, comprising notably the in-house Psychologist and Wellness Coordinators, with the objective being to help our employees manage the emotional challenges associated with the lockdown and address any related queries
- Availability of tele-medicine services to employees during the confinement period

Key employee statistics for the lockdown period in Mauritius

~1,500

Total number
of employees
who worked on site

~470

Average number
of employees
on site daily

~2,200

Number of employees
who worked from home

~1,000

Number of COVID-19
tests conducted
on our employees

Delivering on our strategic objectives

Our performance across entities

Banking cluster

MCB Ltd

Financial performance

While MCB Ltd pulled off the first half of the year with a strong performance, results posted for FY 2019/20 were impacted by the significant increase in net impairment of financial assets related to the economic downturn triggered by the COVID-19 pandemic. This movement is explained by the significant rise in Expected Credit Losses on our performing assets, as per IFRS 9 requirements, on account of an inherent increase in credit risks and our revised forward-looking assumptions made to reflect the impact of the pandemic on our operations, amidst significant uncertainties on how future developments will unfold. Overall, net profit for the year fell by 15.5% with the Bank's contribution to Group results amounting to Rs 6,755 million.

Reflecting the Bank's sound business model and disciplined growth agenda, operating income increased by 9.6%. This was underpinned by a rise of 9.9% in net interest income, on the back mainly of the rise in its gross loans and advances and increased investment in Government securities. Although net fee and commission income remained relatively unchanged owing to dampened activity levels, non-interest income rose by 9.0%, driven by increases in profit on exchange, net gain from financial instruments carried at fair value as well as net gain on sale of foreign financial instruments. Whilst operating expenses increased up by 5.6% on the back of initiatives to strengthen human capital and technological capabilities, the cost to income ratio declined by more than one percentage point to reach 32.5%. More generally, it is comforting to note that the Bank has, in the face of the demanding environment, preserved its financial soundness in terms of capitalisation, asset quality as well as funding and liquidity.

Our business development

The financial resilience of the Bank was supported by sustained and thoughtful efforts to execute its underlying business expansion agenda, alongside promptly adapting to the highly challenging operating context. Indeed, in the wake of the economic downturn engendered by the COVID-19 pandemic, the Bank has deployed proactive moves in the latter part of the financial year with a view to safeguarding the continuity and stability of its operations as well as underpinning its activities across markets.

Fundamentally, the Bank delivered on its strategic focus areas by consolidating its leading banking position on the local scene and pursuing its regional diversification endeavours across key growth pillars. Nonetheless, business activities were impacted by the increasingly challenging operating context prevailing in the last few months of the financial year owing to the ramifications of the pandemic, including the national lockdown imposed. Locally, the Bank was subject to notable pressures on the level and quality of credit demand in both the retail and corporate segments, on the back of the dampened performances of specific economic sectors, the lockdown of the population, the closing of borders as well as strains on the revenue streams of households and businesses. Beyond domestic shores, it is encouraging to note that, in spite of shocks associated with the turbulent market environment, the Bank's Energy and Commodities as well as international structured finance portfolios have remained resilient to conditions faced, supported by our selective deal origination policy and the series of risk mitigants leveraged. On the operational side, the Bank mobilised the necessary resources to build sustainable capabilities for growth, with guiding considerations being customer focus, an engaged and agile workforce, seamless operations, an innovative culture as well as a robust risk and compliance framework. As a major focus area for the period under review, the Bank pursued business transformation and realignment initiatives with notable organisation-wide implications. Specific business lines and support functions have moved forward to transform their operations towards helping to support MCB's growth ambitions amidst a demanding context. The underlying objectives of such moves are to: (i) optimise and reshape existing operating paradigms for more impactful outcomes; (ii) better respond to the evolving aspirations of an increasingly sophisticated customer base and develop more appealing value propositions; (iii) foster new ways of working that are anchored on agile, innovative and collaborative principles; (iv) bring about increased operational efficiencies; (v) reinforce risk management and oversight; and (vi) uphold the productivity, engagement and advancement of our employees.

Looking ahead, the Bank is conscious that market and economic conditions would, in all probability, remain particularly challenging for some time amidst persisting concerns associated with the pandemic on the local and international fronts and little visibility on the pace at which the situation will heal. Alongside upholding its vigilance and preserving its disciplined market positioning, the Bank will continue to keep track of developments taking place across segments and geographies, with emphasis laid on ensuring balanced business growth and healthy financial soundness metrics. It remains intent on building the bank of the future and pursuing its growth agenda in a thoughtful way, by executing its three-pronged strategic objectives, namely to extend its frontiers, deliver a world-class customer experience through digital, and nurture its values and deliver on its brand promise.

Delivering on our growth pillars

The following sections shed light on underlying initiatives deployed by MCB Ltd to realise its growth aspirations across markets and geographies, while making allowance for the repercussions of the COVID-19 pandemic and the testing operating landscape. Amidst the ongoing crisis, the targeted measures deployed by the Bank to respond to challenges faced as well as accompany and engage with its stakeholders, notably strategic moves to support local and international customers, are shown on pages 55–67.

Extend our frontiers, while consolidating existing markets

Local – Individuals

- Whilst being exposed to competitive pressures across some segments, the Bank pursued its strategic intents and maintained its prominent market positioning. Such headway was underpinned by strengthened operational and commercial capabilities – backed by sales and service transformation endeavours, moves to transform the branch experience and efforts to boost employee engagement – the recourse to innovative technologies, a continuously refined value proposition and bolstered risk management processes. Amidst our aim to boost omnichannel experiences, we pursued efforts to upgrade and promote our digital channels vis-à-vis our clients towards offering increasingly seamless experiences. We remained active on the payments scene by allowing clients to make and accept payments in a quick and hassle-free way via multiple channels. We have further distributed the Group offerings, with dedicated investment solutions helping to encourage our customers to save and invest.
- Within the mass and mass affluent segments, in addition to upholding our prominent footprint in respect of education loans, we maintained our leadership position in the mortgage field, with our market share for housing loans standing at around 36% as at end-June 2020. It can be noted that MCB has refined the appeal of its mortgage solution, which has been further customised to meet different client needs. We made headway in simplifying the end-to-end customer journeys for loan application and approval, while leveraging agile principles and digital channels. In this spirit, we streamlined the credit value chain for individual customers to enhance experiences, after centralising key tasks such as credit analysis and credit-related documentations. This has contributed to faster approval, document preparation and disbursement of loans. Additionally, in our quest to promote optimal service delivery across segments, we have launched an automated Appointment Booking System, which allows for better planning of specific customer visits across branches.
- The Bank made further progress towards meeting its objective of becoming the trusted lifetime partner for its affluent and high net worth customer base in Mauritius. It capitalised on its differentiating service quality and bespoke offerings, notably its sophisticated range of investment and wealth management solutions. To underpin its strategic thrusts, the Bank bolstered the quality of its human capital, while attracting talents with comprehensive investment expertise, and reinforcing its partnerships with external partners. The Bank pursued dedicated initiatives underpinning product innovation and client service upgrades, helped by strengthened customer interactions and a more conducive operating model. On this note, we set forward to upgrade our dedicated Wealth Management function, offering a full spectrum of solutions from discretionary portfolio management to the establishment of an investment advisory and fund selection service, whilst having the ability to customise investment strategies through an open architecture approach. The aim thereof is to cater for the investment needs of the ultra-high-net-worth individuals. We are currently in the process of upgrading our wealth management software, which will allow our clients unfaltering access to their portfolios and enable them to carry out online trading. With this platform, we expect to generate gains in operational efficiency and uncover sustainable opportunities to scale up business volumes.

Delivering on our strategic objectives

Local – Large corporates

- While we were confronted by a difficult economic environment and dampened investment levels, amidst the virus spread in the second half of the year, we maintained our engagement in attending to the needs of our corporate customers in an informed and sensible manner. To this end, we capitalised on our unique selling propositions and tailored products and services, while further gearing up our operating models and staff capabilities and improving operational efficiency levels. We developed closer relationships with key business players across value chains, alongside leveraging organisational synergies and the promotion of a cross-selling culture across the Group. In addition to helping us increase our penetration in traditional markets, such moves supported the diversification of our customer base, with progress made in meeting the needs of underserved segments, with whom dedicated working arrangements are being defined and implemented. Reflecting our endeavours, we maintained our leading positioning in respect of domestic credit to corporates, with our market share standing at 41% as at 30 June 2020. During the last financial year, we assisted businesses and investors across various segments and contributed to the materialisation of key projects shaping the landscape of Mauritius. We expanded our exposures vis-à-vis various sectors, e.g. financial and business services, tourism and traders. While acting as a trusted business advisor, we accompanied corporate and institutional clients in their capacity building moves, restructuring initiatives and strategic undertakings, including expansion endeavours in the Group's presence countries. Along the way, the Bank widened its involvement in respect of the provision of the third edition of its preferential credit facilities named as 'Green Loans' (see page 62). It remained active in delivering adapted treasury and forex solutions to meet client requirements.
- We made further inroads in attending to the needs of companies leveraging Mauritius as an International Financial Centre (IFC) of substance. In the wake of the testing operating context, we remained vigilant in our undertakings and maintained our thoughtful business growth agenda. We pursued our engagement vis-à-vis global business entities, trusts and foundations after capitalising into the positioning of Mauritius as a gateway for conducting business with other regions. Our market development initiatives have been, essentially, underpinned by adapted solutions and enhanced client interactions.
- Reflecting our aim to deliver increasingly seamless and innovative solutions to our clients, we launched two customer journeys to enrich our digital banking propositions and experiences. To start with, our Internet Banking platform has been endowed with a renewed user interface and revamped functionalities. This led to simplified and secured as well as user-friendly processes for undertaking international transfers, while facilitating online treatment of payment instructions. There is, thus, no cut-off time for processing of payment instructions by MCB, with the bulk of transactions processed and transfers undertaken on a real-time basis and a 24/7 mode. In the same vein, MCB brought about a new payment application, i.e. SmartApprove, on the marketplace. The latter, which is a convenient and secure web-responsive Application, allows authorised signatories to approve transactions via tablet or smartphone. Moreover, backed by further improvement in the process workflow (i.e. from initiation to disbursement) for relevant products and services, we have developed a world-class loan application process which has contributed to boost customer satisfaction levels.

Local – Small and Medium Enterprises (SMEs) and Mid-Market Enterprises (MMEs)

- Backed by a thorough understanding of client requirements, an enriched value proposition and forging of business partnerships, the Bank cemented its positioning as the foremost service provider for SMEs and MMEs in Mauritius. This reflects our ambition to actively promote entrepreneurship and boost local production in the country. MCB is ranked 1st amongst the 12 participating banks in respect of credit facilities outstanding under the Government-backed SME Financing Scheme, with a corresponding market share of 49.5% posted during the December 2011 – June 2020 period.

A first in Mauritius, Juice Pro, the mobile app for SMEs, was launched in June this year.



- We pursued initiatives allowing us to act as trusted business partner towards helping our clients start, manage and grow their businesses. Towards promoting their strategic initiatives and boosting their expertise as well as creating a durable ecosystem, MCB provided its clients with a broader and more customised palette of innovative solutions, alongside gearing up the ease and accessibility of services delivered. We launched the first version of our mobile banking service for SMEs, with our secure 'JuicePro' app setting out to effectively respond to our customers' daily transactional and other banking needs. Key features of this service are as follows: (i) simple, fast and secure login; (ii) view account balances in real time; (iii) view loans at one's convenience; (iv) keep track of last 30 transactions; (v) transfer funds to other MCB accounts or other local banks; (vi) formulate direct feedback just by taking a photo on the app; and (vii) allow users

to save and manage beneficiaries that will be reused for future payments. This is the first mobile banking app for SMEs on the market and the Bank is continuously working on new releases. Backed by support from the Bank's Digital Factory, we launched our Business Account Opening Journey. Our SME Online Onboarding exercise provides our clients with the leeway to apply for and create their business account online at their own convenience, with their application treated via a full end-to-end process and only a single in-branch visit to be made for verification of original documents. Conducted in an agile mode, the project resulted in reduced processing time as regard client files and improved customer service. It helped the Bank achieve its promise of opening a business account within 72 hours, instead of 15 days or more.

- We engaged into an ambitious project of setting up SME Hubs across our retail network on the island – with five strategically located branches already being equipped with adapted infrastructures – to increase proximity to and interactions with clients towards better understanding their needs and activities, improving turnaround time and internal efficiency levels, smoothening service delivery and enhancing customer satisfaction. We are experimenting an SME Tribe structure, whereby all forms of digital deliveries, sales, operations and support functions within the Business Banking SBU are being organised into an agile way of working, supported by a fitting operating model. This new structure is allowing us to strengthen our ability to provide value-added and cutting-edge solutions to SMEs, alongside helping to reduce the time to market.

Regional and international fronts

- The Bank pursued its regional diversification strategy, alongside being involved beyond, backed by a disciplined approach and ongoing mobilisation of FCY funding resources. In addition to embracing an opportunistic stance to diversify its positioning and tap into interesting opportunities, the Bank remained mainly engaged in niche areas where it displays strategic competencies. Overall, MCB deepened its relationships with existing clients and selectively extended its customer base across segments and geographies, thus cementing its position as a dependable and competitive banking player in Africa. To underpin its market development initiatives and foster its strategy of further diversifying its revenue streams, the Bank capitalised on its customised solutions, regularly-updated risk appetite, a network of over 750 correspondent banks worldwide (including around 175 in Africa), Representative Offices as well as the Group's foreign presence via its subsidiaries.
- We widened and deepened our involvement in Energy and Commodities (E&C) financing, backed by (i) our broad experience as one of the leading providers of finance for the importation of Oil & Gas in the Indian Ocean and Africa; and (ii) our solid credentials and expertise (reflected by our full-fledged sectorial product offerings and specialised teams) as a privileged partner for direct and joint financing of Oil & Gas transactions in the region. Beyond consolidating our trade finance segment, we made solid inroads into the African oil and gas structured debt market. We are gradually shifting towards medium-term financing along the value chain, while broadening our involvement across the upstream business. We played a pivotal role in meeting the petroleum products requirements of countries across Africa and beyond. We deepened our market positioning by (i) gearing up our relations with oil traders, national oil companies, oil majors, procurement entities, junior African producers, and importers for wholesale and retail distribution; and (ii) diversifying projects financed, including reserve-based lending, across a wide range of countries.
- MCB made major headway in broadening and diversifying its portfolio of international structured finance deals, after financing major development projects and landmark deals across various sectors, countries and products on the African continent. We accompanied our clients by means of a comprehensive range of tailored working capital and term loan facilities, while taking advantage of in-depth technical capabilities developed across niche sectors, e.g. power, infrastructure, telecommunications and hospitality. We tapped into the continuous strengthening of client relationships and enhancement of our brand visibility.
- The Bank has, in close connection with the Group, remained an active promoter of the 'Bank of Banks' initiative, which consists of providing a palette of adapted solutions to financial institution counterparts, notably those operating in Africa. The Group partnered with and assisted 78 financial institutions worldwide, including over 50 in Africa and spanning 37 countries in FY 2019/20. We enabled clients to gain access to state-of-the-art services offered by various entities, thus helping them to underpin capacity building and business growth initiatives, while accessing industry best practices. To underpin our strategic endeavours, we pursued image- and relationship-building exercises to showcase our value proposition and capabilities. In October 2019, the 10th edition of our 'Africa Forward Together' seminar welcomed around 35 delegates from 17 African countries. The event hosted fast-paced workshops, panels and collaborative discussions, with participants discussing main challenges faced by various African institutions and brainstorming on possible avenues of collaboration and partnership. Following the conduct of our 'Meeting of Minds' workshop, the organisation leveraged and published the insights of around 35 C-suite and senior banking delegates who had identified the biggest challenges facing their respective institutions.
- MCB took dedicated initiatives in line with its aim of positioning itself as a reference in the region for premium banking and wealth management expertise. In spite of being confronted by a challenging operating environment amidst unsteady financial market conditions,



For its 10th edition, Africa Forward Together regrouped more than 40 African bankers around the theme "Beyond numbers".

we set out to reinforce our status as a trusted lifetime partner vis-à-vis our client base by delivering bespoke solutions, notably those that are geared towards the safeguard, growth and transmission of customer assets. Backed by our sophisticated value proposition and active promotional campaigns, we pursued our international expansion through our Representative Offices, business introducers and referrals. In addition, MCB further positioned itself as a unique point of contact for serving External Asset Managers, Multifamily Offices and independent financial advisors, while offering a suite of differentiated investment and banking solutions, from transactional to multi-asset class trading. Interactions with such clients, notably those in Europe, Africa and Dubai, were broadened as we continue to enhance our visibility on the international scene. Major initiatives put in place during the period under review include the: (i) setting up of a dedicated Investment Products and Services function, offering not only discretionary portfolio management but also investment advisory service; and (ii) review of our financial planning services. We have also enhanced our risk management and compliance processes to foster disciplined cross-border activities and market expansion.

Deliver a world-class customer experience through digital

- Alongside further widening and upgrading its digital footprint amidst sustained investments, MCB has, during the period under review, continued to promote operational excellence and innovation as a key underpinning of enriched customer service quality and relationships. The key objective is to ensure that client needs are fulfilled in a fast, convenient and simple manner. We pursued our strategy aiming to transform Mauritius into a cash-lite society by means of our payments solutions and platforms. Along the way, we unleashed dedicated initiatives to encourage migration of customers from branches to digital and payments channels.

Pursuing our Digital Transformation Programme

- We reinforced our human and technological capabilities to execute an ambitious roadmap of initiatives in support of our Digital Transformation Programme. This helped to strengthen the Bank's competitive edge across markets by delivering more convenient and appealing client solutions as well as promoting the conduct of more agile and productive operations.
- We strengthened the operationalisation of our Digital Factory to spearhead our digital transformation. Of note, our Digital Factory is anchored on a culture of start-up, while favouring a co-creation paradigm. It is integral to our objective to becoming an agile organisation and fostering the next phase of our growth journey. It serves as an incubator for embedding truly customer-centric operations across the Bank by redefining and digitising end-to-end customer journeys. During the period under review, beyond launching customer journeys as highlighted earlier, specific initiatives pursued have assisted the Bank in accomplishing the following: (i) fostering operational efficiency gains, while stimulating employee engagement; (ii) enhancing business operations and paving the way for greater innovation in what we do; (iii) increasing the efficiency and scalability in the design and development of our products, backed by the formulation of clear guidelines and principles; and (iv) improving the quality of client solutions and delivering value faster to stakeholders.

- We geared up our Change Management Office, whose mandate is to ensure the successful implementation of parallel customer journeys and transformational moves undertaken throughout the organisation and to support smooth transition phases, fostering business readiness for projects 'Going Live' and assisting in driving post-implementation adoption. During the period under review, the Office helped to develop a Change Management Framework for the Bank, while boosting relevant capabilities to meet earmarked objectives. Alongside leveraging a dedicated communication strategy and ensuring a coherent deployment of identified initiatives, the Office has collaborated with various squads and project teams to cater for the impact of change from a people perspective and has assisted to limit the risks of organisation resistance to change.
- We upgraded the operating model of our Customer Lab, which collaborates closely with product development teams across the Bank. The Customer Lab is involved as soon as the product initiation phase is put into motion, with a key role being to undertake customer research as well as measure customer experiences and behaviours. Such endeavours are underpinned by conduct of surveys and customer interviews as well as the leveraging of organisation data. During FY 2019/20, we worked with more than 2,000 customers to (re)design solutions and experiences. As a key accomplishment, we set up 'The Lab', which is a collaborative and social media-hosted platform. On a first stance, this set-up provides staff members with the opportunity to support the advancement of MCB by means of ideation, co-creation, product testing, sharing of opinions and experiences, etc. In the periods ahead, the Bank aims to extend this tool to its customers, with the dedicated assistance and guidance of its employees.



Our Digital Factory has been set up in view of facilitating MCB's digital transformation and redefining better customer experience through the use of digital technology.

Delivering on our strategic objectives

- Towards promoting availability, reusability and integrity of data for users, the Bank has further shored up its data management capabilities, towards using data as a lever and strategic asset to underpin business growth and risk management. Our Data Office supported business lines, which were provided with management/reporting dashboards and KPIs that enable users to get timely access to client facilities and sales performances data on workstations and mobile devices, thus allowing for improved monitoring and analysis. We established our Advanced Analytics practice, which, notably, helped the Bank to review its Financial Crime Risk Management system after using data-driven approaches to complement ongoing expert reviews. To increase the effectiveness of our Anti-Money Laundering controls and processes, the practice adopted key initiatives, including the formulation of optimised alerts and credit scores in alignment with clients' risk profiles.
- We made progress in entrenching an agile way of working across the organisation to underpin team effectiveness and quality service deliveries, backed by training programmes and alignment with practices already adopted by the Digital Factory.



Read more about digitally-enabled initiatives in the 'Our performance across entities' section on pages 68 to 85

Upgrading our technology platforms to boost customer satisfaction, underpin information security and improve productivity levels

- The Bank avails cutting-edge technologies across the value chain, alongside continuously upgrading its IT systems and infrastructure to further enhance operational efficiency levels and improve customer service quality. Following a complete review of the way technology is managed and delivered to the Bank and its customers, a full-fledged Technology SBU, which adopts agile mind-set and principles, was established via a refined operating model. This set-up – which incorporates Technical and Functional Delivery Domain teams acting in an autonomous and cross-functional mode, Infrastructure Delivery teams which are based on solutions delivered to users and Technology Chapters – aims to (i) deliver value faster to users and customers; and (ii) bolster synergies and cross-collaboration with business segments of the Bank.
- The Bank embarked on a project geared towards the cloudification of its core platforms, as evidenced by the successful migration of its Enterprise Resource Planning (ERP) and the Human Capital Management System (HCMS). MCB is now using a complete and secure Cloud Platform encompassing the latest General Ledger, Accounts Payable, Procurement and Fixed Assets modules and a suite of HR-related modules. This makes us the pioneer and largest organisation in sub-Saharan Africa to implement such a platform on the Cloud. In the process, we have successfully implemented the Oracle Fusion Maintenance Module – as another milestone in our Cloud Technology adoption – which aims to optimise our business operations by means of modern and intuitive maintenance solutions. The Bank achieved the latest PCI certification. We are now compliant with the toughest PCI Data Security Standards. Reflecting the strong credentials of its main Data Centres, the Bank is making steady progress towards achieving Tier 3 certification, while its Disaster Recovery site is already a Tier 4 certified Data Centre. Recently, the Bank's SWIFT Service Bureau achieved compliance with the applicable controls of the Shared Infrastructure Programme, Security and Operational Framework for 2020. The latter defines the operational standards for third-party service bureaux offering SWIFT connectivity, while ensuring service quality, security and reliability. MCB became the second Service Bureau to be certified on this front out of seven in Africa. Other achievements during the period under review can be delineated as follows: (i) upgrade of our Core Banking Platform to the latest technology; (ii) phased rollout of a new Omnichannel platform; (iii) implementation of a state-of-the-art Workflow platform (BPMN 2.0 compliant) for all new business flows and introduction of a new middleware platform to facilitate the integration of our channels and our Core Services layer via APIs; (iv) increased use of Robotic Process Automation to improve the efficiency and resilience of critical back-office operations; and (v) implementation of new Portfolio Management Platform to improve capabilities of our Private Banking and Wealth Management business line.

Nurture our values and deliver on our brand promise

- The Bank remained actively engaged in disseminating its core values across different layers of the organisation to foster alignment in terms of actions deployed to achieve common goals. We strived to ensure that such values are continuously lived up and transposed into the day-to-day attitudes, behaviours and activities of our employees. While the Bank has, during the period under review, focused on immediate imperatives in the wake of the ramifications of the COVID-19 pandemic and, to some extent, reassessed the pace underpinning the unfolding of sustainability initiatives, it maintained its commitment to create a positive impact on our people, society and environment, alongside fostering the well-being of the nation at large.
- MCB made progress in further refining and implementing its Corporate Sustainability Programme (CSP), backed by reinforced capabilities. While being aligned with the United Nations Sustainable Development Goals (SDGs), a long-term Sustainability Strategic Plan is being finalised to more holistically and coherently shape up the Bank's sustainability engagement. The governance structure and relevant functions underpinning the execution of the CSP have been further refined to (i) improve smoothness and coherence of the decision-making process; (ii) render the project workflow more impactful and efficient, alongside fostering improved project execution and management; (iii) allow for a more effective integration of environmental and social risk management topics in operations and financing activities; and (iv) ensure seamless communication amongst internal and external stakeholders. The former Remuneration, Corporate Governance and Ethics Committee of the Group has been endowed with a well-defined 'sustainability' mandate and renamed as Remuneration, Corporate Governance, Ethics and Sustainability Committee, with a view to enabling the organisation to exercise a better oversight of its overarching sustainability strategy. The Project Steering Committee has been renamed as the Sustainability Strategic Council. Chaired by the Deputy Chief Executive of the Bank who acts as the Executive Sponsor, its composition has been redesigned and its mandate is being streamlined with refined responsibilities for increased efficiency. In addition, the Sustainability team, which monitors the implementation of the CSP, has been strengthened with additional resources and expertise.
- In line with our 'Success Beyond Numbers' philosophy, we have executed key initiatives across the three pillars of our CSP: (i) development of a vibrant and sustainable local economy; (ii) protection and valorisation of our cultural and environmental heritage; and (iii) promotion of individual and collective well-being. They reflect our efforts to drive sustainability as a core feature of our way of doing business and make a difference in the societies and communities in which we live and operate. As a key move, the 'Klima' Conference we organised and the 'Klima Neutral 2050' study we commissioned showcased the organisation's ambitious and bold Climate Strategy. The underlying objective is to engage our economic, social and political stakeholders as part of concerted and impactful endeavours that will help to pave the way for Mauritius to progressively achieve carbon neutrality. This is intended to underpin the organisation's contribution to making the country the laboratory of the new climate economy, while we act, ourselves, as a responsible and unifying financial player and look for new sustainable business opportunities. While we are currently reviewing this value proposition, notably in terms of commercial appeal and eligibility criteria, we disseminated our 'Lokal is Beautiful' scheme. Alongside embedding a network providing SMEs and entrepreneurs with strengthened means in order to realise their ambitions, the scheme aims to promote adoption of sustainability principles by the society, alongside underpinning the country's resilience and progress at large. Clients on-boarded as part of this scheme are subject to specific eligibility criteria and have to comply with set environmental, social and governance standards.



Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' on pages 53 to 54



Read more in the Sustainability Report on our website

Delivering on our strategic objectives

Foreign banking subsidiaries

MCB Madagascar

Financial performance

- On the back of efforts to diversify and strengthen its funding and liquidity position, the bank's deposit base expanded by 16% during FY 2019/20, while the loan book increased by more than 10%, partly driven by the ongoing strategy to on-board key corporate players and conglomerates operating within the jurisdiction. After making allowance for a growth of 41% in investment securities and slightly higher margins overall, net interest income increased by 21%, notwithstanding higher interbank borrowing in both local and foreign currencies. Whilst a decline was registered in net fee and commission income, largely explained by the repercussions of the COVID-19 pandemic on the level of economic and market activities, operating income rose by 15%, underpinned by the increase in net interest income as well as a rise in profit on exchange and a hike in other operating income. In addition to expenditures linked to technological upgrades, the bank witnessed a rise in staff costs in line with the expansion of the branch network and recruitments across support functions. However, the growth in operating expenses was contained to 3%, reflecting the adoption of IFRS 16 which led to a higher reduction in rental expenses than the increase in depreciation charges. Overall, after factoring in heightened impairment charges due to an increase in Expected Credit Losses to reflect the impact of the coronavirus and specific provisions held for some clients, attributable profits for the year increased by 6% to reach MGA 6.5 billion. This led MCB Madagascar to contribute Rs 58 million to MCB Group results.
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Main initiatives and achievements

- To reinforce proximity with clients and support its business development aspirations across targeted segments, the bank broadened its market presence, with the opening up of new branches in the new airport terminal and the Santillo commercial centre, thereby bringing the total to 13. In the same vein, the 'Kit of Parts' concept is being adopted across branches, as a first in Madagascar, towards providing a more convivial and modern banking environment that contributes to fostering enhanced customer service levels. The bank's value proposition was further shored up, with the introduction of a new E-commerce platform to bolster the range of online payment services, while functionalities offered by its Internet Banking platform were uplifted. Of note also, the issuance of contactless cards constitutes a major leap towards encouraging the adoption of digital payment solutions and better serving customers. To support its strategic intents and stakeholder engagement, the entity fostered greater brand visibility through participation in key events, as gauged by the launch of promotional campaigns to encourage cards usage as well as moves to highlight the bank's commitment to accompany its customers and the public at large during these difficult times. On the capacity-building front, the bank improved the efficiency of its operations and worked towards overhauling its IT infrastructure, notably through the upgrade of its Core Banking System and implementation of new technological platforms. Additionally, continuous efforts were devoted to gear up service levels through reinforcement of staff competencies as well as the redeployment and strengthening of the sales workforce, backed by tailored training and development initiatives. As a key initiative to reward the best performers and attract talents alongside fostering alignment with advocated Group practices, the bank implemented a new Performance Management System and Reward System.

MCB Maldives

Financial performance

- During the financial year, pursuant to the spread of the COVID-19 pandemic and its ramifications on the economy, MCB Maldives registered a decline of 9% in its deposit base, driven mainly by outflow of USD deposits from some corporate customers. The loan book declined by 8% on the back mainly of (i) subdued demand for credit amidst the delicate economic environment; (ii) the prudent approach being adopted by the bank for the deployment of credit facilities amidst prevailing uncertainties; and (iii) recovery efforts made with respect to non-performing facilities. Investment in securities grew by around 11% on account of (i) high liquidity conditions linked to challenging market and economic conditions; and (ii) pragmatic liquidity management initiatives deployed to uphold adequate buffers in the wake of the demanding operating context and to bolster investment in USD-denominated bills in line with ongoing diversification strategies. Against this backdrop and given fewer releases of interest in suspense as compared to the prior year, net interest income dropped by 9%. This led to operating income falling by 13%, after making allowance for lower net fee and commission income and profit arising from dealing in foreign currencies owing to reduced activities amidst the country's lockdown, the cancellation of tourist bookings as resorts suspended their operations following closing of borders and a relative scarcity in the availability of US dollars, especially in the last quarter of the year. In spite of the sustained execution of capacity building initiatives, operating expenses fell by 14%, mainly explained by (i) the adoption of IFRS 16, which led to a decrease in rent expenses, partly offset by an increase in depreciation charges; and (ii) reduced management fees. Notwithstanding the impact of COVID-19 on Expected Credit Losses, the bank witnessed a notable reduction in impairment charges as compared to last year, helped by the pursuance of active recovery efforts in a testing landscape. Overall, attributable results for the year posted a marked increase of 21% to stand at some MVR 37 million in FY 2019/20, with the bank contributing Rs 87 million to MCB Group results.
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Main initiatives and achievements

- Alongside laying emphasis on established clients with proven track record, the bank set forward to widen and diversify its customer base, with some key corporate players in the trade, construction and education sectors being on-boarded. Along the way, it continued to partner with several leading hotel groups. In fact, while leveraging its unique selling propositions, it offered several products and services to such clients. It further engaged with affluent customers, aided by reinforced on-field presence and conduct of tailor-made surveys. Its value proposition for mass affluent customers was further enriched following the issue of a new contactless Visa Classic debit card and provision of personalised services with the assistance of dedicated Relationship Managers. Furthermore, the bank pursued its digital transformation programme, as gauged by the upgrade of its Internet Banking platform with a view to attending to customer needs in a more seamless manner and the launch of a new E-commerce platform to respond to requirements of businesses involved in this field. To support its strategic thrusts, MCB Maldives adopted dedicated moves, including the (i) gearing up of the quality of human resources to foster customer service excellence, underpin improved efficiency with respect to daily activities and bolster risk management (of note, a full time Compliance Officer and an in-house Legal Counsel were recruited); (ii) implementation of a structured marketing and communication plan to uphold brand visibility; and (iii) enhancement of operational processes to foster proper control of activities and underpin timely service delivery. The Bank reinforced its risk management practices to improve credit quality, while shoring up its onboarding exercise and enhancing compliance with applicable rules and standards.

Delivering on our strategic objectives

MCB Seychelles

Financial performance

- During the financial year, MCB Seychelles registered an expansion of 15% in its deposit base, following increases in respect of both the retail and corporate segments, backed notably by the active deployment of market development strategies. In spite of the challenging context, the bank's loan book witnessed a remarkable growth of around 20%, underpinned by further headway in serving retail clients, essentially on the mortgage front, and the expansion in long-term corporate loans provided for the financing of projects within the tourism, transport and construction sectors. Against this backdrop and following an increase of 23% in investment securities linked to investments in treasury bills and Government Solidarity Bonds issued in the wake of the COVID-19 pandemic, net interest income increased by only 10% due to (i) a declining interest rate environment leading to a squeeze in margin; and (ii) the adoption of IFRS 16 leading to the recognition of interest expense on the lease liabilities. Factoring in the decline in net fee and commission income following reduced earnings from credit card-related transactions amidst the tough economic conditions, operating income rose by 6%. Operating expenses remained fairly stable during the year, with the rise in staff and technology-driven expenses being compensated for by the application of IFRS 16, which impacted rental expenses and depreciation charges. Overall, bearing in mind the significant increase in net impairment of financial assets owing to a rise in Expected Credit Losses, based on forward-looking assumptions relating to the impact of the COVID-19 pandemic, attributable profits for the year increased by 2% to reach SCR 84.8 million, with the bank contributing Rs 219 million to MCB Group profits.

Main initiatives and achievements

- The bank broadened its suite of products and services. It launched its new contactless Visa Classic Debit cards as well as Visa Gold and Classic credit cards and allowed customers to undertake purchases in a faster and more practical way via the 'Touch and Pay' option. MCB Seychelles pursued its path towards providing a more innovative value proposition, as gauged by the further extension and enrichment of its digital and channel capabilities. Notably, the user-friendliness and convenience of the 'JuiceByMCB' mobile banking service was further upgraded, with new features added, including bill payment and Other Local Bank transfers. New contactless Point of Sale terminals were launched to offer more convenient and seamless checkout experiences. An additional ATM, which is equipped with enhanced security features and note deposit facilities, was set up at the Anse Royale branch and a Bunch Note Acceptor (BNA) cash deposit ATM was installed at the Caravelle House & Providence Branch. To support its market activities, MCB Seychelles promoted greater brand visibility through organisation of and participation in promotional and commercial initiatives. In terms of capacity building, the bank carried out a staff engagement survey, with findings thereof guiding business units in executing dedicated initiatives to promote staff empowerment. Employees took part in tailored training courses delivered by the MCB Institute of Finance, especially in the fields of Leadership and Retail Banking. It invested in a Forward Graduate Training Programme to attract creative and dynamic individuals with the vision and commitment to lead MCB Seychelles to new heights. As a key achievement and reflecting its strong credentials, the bank was granted the 'Best Banking & Financial Services Award' by the Seychelles Chamber of Commerce & Industry for the sixth time.

Foreign banking associates

Banque Française Commerciale Océan Indien (BFCOI)

- Operating income dropped by 5% on the back of the impact of the COVID-19 outbreak on market activities. While operating expenses were generally well-contained, the bank registered major provision reversals following the recalibration of the ECL models during the year. The impairment provisions were impacted to a lesser extent as a result of the ramifications of COVID-19 pandemic thanks to the loan guarantee schemes deployed by the French Government. Against this backdrop, profits attributable to shareholders grew by a notable extent to attain EUR 22 million during the financial year, thus contributing around Rs 439 million to MCB Group results. BFCOI remained comfortably capitalised, with overall capital adequacy ratio of 17.7%, of which 14.6% in the form of Tier 1 capital.

Société Générale Moçambique

- In the wake of initiatives deployed to strengthen the bank's market involvement, Société Générale Moçambique witnessed a growth of 36% in respect of loans and advances to customers, driven mainly by rising exposures to corporates across several economic sectors, while deposits also increased considerably. Altogether, this led to net interest income rising by 49%. As for operating income, it grew by more than 40%, after also considering (i) a marked rise in net fee and commission income, triggered by increased participation in trade finance, heightened card-related activities and higher credit-related fees on account of the loan book expansion; and (ii) a notable increase in profit arising from dealing in foreign currencies following greater volumes of deals struck and increased margins. Operating expenses rose by 2%, reflecting measures taken to execute strategic intents and reinforce capabilities. Notwithstanding a substantial increase in allowance for credit impairment as a result, essentially, of the widening loan book – as compared to net recoveries in respect of credit impairment charges recorded during the prior year – as well as higher tax expenses in view of the bank's bolstered revenue streams, profits attributable to shareholders rose significantly to stand at MZN 28 million, thus contributing around Rs 6 million to MCB Group results during the period under review. As another source of satisfaction, the bank stays firmly capitalised, with both Tier 1 ratio and overall capital adequacy ratio standing at 17.6% as at 30 June 2020. The bank has, during the year, increased its share capital byv MZN 250 million to support growth strategies and mobilise adequate buffers in view of the operating context.

Non-banking financial cluster

MCB Capital Markets Ltd and its subsidiaries (MCBCM)

- In FY 2019/20, consolidated revenues and profit after tax amounted to Rs 408 million (FY 2018/19: Rs 453 million) and Rs 172 million (FY 2018/19: Rs 231 million) respectively. The decrease in profit after tax is attributable to the crystallisation of a first-loss guarantee in favour of investors in credit-linked notes issued by a special purpose vehicle owned by MCBCM, which resulted in a net impairment of Rs 75 million. Otherwise, MCBCM's results were driven primarily by an increase in assets under management and by the successful completion of corporate finance transactions.

Corporate Finance Advisory

- The Corporate Finance Advisory team continued to build its track record and successfully completed nine debt capital market transactions for an aggregate value of approximately Rs 9 billion. This was achieved in spite of the delays caused by the COVID-19 pandemic, which affected both transaction execution and origination.
- Looking ahead, Corporate Finance Advisory will face strong headwinds as a number of historically active bond issuers that have been affected by the pandemic will find it difficult to tap the debt capital markets and investors become increasingly risk averse. Our activities will be focused on restructuring corporate bonds and on originating and executing new transactions in Africa. Investors will continue to be discerning and their risk appetite is likely to diminish as they focus on a relatively small number of credit-worthy borrowers that have been less affected by the pandemic. This may result in a widening of credit spreads despite the continued excess liquidity situation. All of the above mean that revenues will be negatively affected.

Delivering on our strategic objectives

Investment Management

- Investment management activities generated revenues of Rs 175 million (FY2018/19: Rs 154 million) in FY19/20. In the context of low interest rates, our Collective Investment Scheme (CIS) business continued to grow as investors turned to certain MCB funds in search for yields. The results for FY2019/20 would have been even stronger had it not been for COVID-19, which held back fund inflows in the last quarter of the financial year.
- A notable bright spot in the last financial year has been the growth of our African Domestic Bond Fund (ADBF), an exchange traded fund that invests in local currency African sovereign bonds. ADBF was launched on 18th September 2018 and is managed by MCB Investment Management, with the African Development Bank and MCB Group as anchor investor and sponsor. The fund is denominated and traded in USD, and is listed on the Stock Exchange of Mauritius.
- The fund has continued to produce excellent returns and pay semi-annual dividends in spite of the uncertain economic and volatile market conditions globally. On a total return basis, the fund is up 32.04% since launch and 3.96% year-to-date (both to 15 September 2020), beating its global peers such as USD denominated Emerging Markets, High Yield or even Investment Grade bonds since launch. Unsurprisingly, we are seeing growing investor interest in this niche asset class and MCB Investment Management, the manager, is exploring a potential secondary listing of the fund on another stock exchange in Africa with a view to raising its visibility and attracting local capital.
- The outlook for overall growth in assets under management is bleak as we expect that disposable income will be severely affected by furlough schemes, cuts in salaries and redundancies in the coming years. In Mauritius, the impact on income will be exacerbated by an increase in personal tax announced in the June 2020 National Budget of the authorities. Another budgetary announcement namely the replacement of the National Pension Fund by a new Contribution Sociale Généralisée (CSG) scheme effective from 1 September 2020 would warrant attention in view of the potential impact on our business activities.
- That said, we are actively working on various initiatives to make our funds more attractive and accessible to investors, develop new distribution channels and attract new institutional clients, both locally and regionally, despite the challenging conditions ahead.

Stockbroking

- This year's trading activities were affected by the closure of the Stock Exchange of Mauritius for 10 consecutive sessions in March 2020 as a result of the COVID-19 related lockdown and curfew. Indices crashed in March before partly recovering a few weeks later but overall the bearish view prevailed as the broad market index, SEMDEX, lost 22% over the previous financial year.
- Local investors have stepped in as foreign investors withdrew from frontier markets in the midst of the pandemic, their participation falling from c.35% to c.24% of trading volumes. Higher market volatility led to an increase in trading volumes of approximately 5.2% over the previous year. Despite these turbulent times, MCB Stockbrokers maintained its leading position for the third year in a row, with an increase of approximately 3 percentage points in market share. Turnover improved by 19% over the previous financial year, reflecting an 8% growth in the brokerage business and underwriting activities linked to new product launches. On the other hand, distribution fees were almost at par with FY 2018/19 as unfavourable market conditions and negative investor sentiment affected demand for investment products generally.
- Looking ahead, market activity is expected to remain subdued as foreign investors reduce their exposure to frontier markets, albeit at a lower pace, and the pandemic continues to affect corporate earnings and dividends. Investors' appetite for risk is likely to be held back by the uncertainty triggered by the pandemic, while our core retail client base would also be confronted by pressures on disposable income. Accordingly, we are forecasting a reduction in trading volumes and investment flows compared to last year, which will be reflected in lower brokerage income and distribution fees. Given these headwinds, management continues to actively explore avenues to diversify its sources of income.

Registry & Transfer Agent

- MCB Registry and Securities continued on a sustained growth path, producing revenue growth of 11% while profits were up by 17% as compared to FY 2018/19. These excellent results were underpinned by continued corporate activity in the market along with the company's ability to support new product development launches by MCB Capital Markets. While the company strengthened its team and further upgraded its technology during the year, it achieved good cost control with a reduction of c. 3% in expenses. The company coped well with the disruption caused by the COVID-19 lockdown and provided uninterrupted service to its clients throughout this atypical period. With corporate activity expected to be subdued over the next financial year, the company will prudently sustain its technology investment programme in the light of its assessment of the impact of the pandemic on its clients.

Private Equity

- MCB Equity Fund is a USD 100 million evergreen fund that provides expansion capital to established businesses with solid growth prospects, compelling value propositions and capabilities, and strong management teams in Africa. The fund is managed by MCB Capital Partners Ltd, a wholly owned subsidiary of MCB Capital Markets Ltd.
- In FY 2019/20, we continued to implement the fund's strategy of co-investing alongside partners, including Development Financial Institutions, family offices and private equity firms, and working with them in creating value. In March 2020, the fund acquired a minority stake in the Naivas Group, Kenya's leading retailer in partnership with Amethis.
- The Net Asset Value of MCB Equity Fund Ltd rose to Rs 3.8 billion at the end of the FY 2019/20, having realised net profits of Rs 48 million from the disposal of its financial assets. Unrealised gains on the fair value of its financial assets amounted to Rs 83 million. Dividend income amounted to Rs 15 million in FY 2019/20 compared to Rs 36 million in FY 2018/19.

MCB Leasing Ltd

- During the year under review, MCB Leasing Ltd's operations was heavily impacted by the 3 months lockdown as well as a highly competitive commercial environment. The lease portfolio contracted by 5.2% to reach Rs 3,955 million (2019: Rs 4,173 million), with the finance lease portfolio down by 5.8% to Rs 3,285 million and operating leases down by 3.3% to now stand at Rs 670 million. The reduction in disbursement of new leases during the year caused by the 3 months of national lockdown also led to an increase in liquidity which was invested in financial instruments yielding negligible returns as a result of the significant drop in interest rates during the last quarter of the financial year. The combined impact of lower financial lease portfolio and the significant reduction in interest income resulting from the investment of our excess liquidity led to a decrease in net interest income of 17% to reach Rs 81.5 million. Other income (comprising principally operating lease income net of depreciation charges on leased assets) also decreased by Rs 14.2 million to reach Rs 61.1 million in line with the reduction in the operating lease portfolio and reduced margins in that business segment. The company proceeded with a rebranding exercise and marketing campaign to advertise its new identity. The cost of this campaign coupled with continued capacity building initiatives during the year led to an increase of 16% in operating costs which reached Rs 76.7 million. The year under review was also highly impacted by additional provisioning for Expected Credit Losses of Rs 9.7 million on the back of uncertainties in the local economy as well as the capacity of the company's clients to face the current economic difficulties. As a result of the above, with decreasing operating income and increase in operating expenses, the contribution to MCB Group results profit fell by 24% to Rs 39 million.

MCB Factors Ltd

- MCB Factors Ltd is positioned as a prominent player in the field of factoring in Mauritius. In addition to offering full sales ledger administration service to its customers, the entity provides funding against the assignment of trade receivables. On the domestic market, both recourse and non-recourse factoring are proposed, with the latter implying protection against debtors' insolvency. On the international front, Mauritian importers and exporters are offered import and export factoring solutions. MCB Factors' contribution to Group results for FY 2019/20 dropped to Rs 33 million amidst the COVID-19 crisis, which resulted in a significant fall in activity in the last quarter, and an increase in Expected Credit Loss on the company's performing asset portfolio, in line with the inherent increase in credit risks. For FY 2020/21, emphasis is being laid on improving customer experience, enhancing risk management and further diversifying the palette of invoice finance products.

Delivering on our strategic objectives

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 two types of micro-loans: (i) working capital loans, which aim at meeting the working capital needs such as raw materials or stock; and (ii) investment loans, which are targeted to meet the capital spending requirements of businesses. The entity lays due emphasis on customer proximity, with its Relationship Officers dedicated to spending adequate time on the field to suitably understand the characteristics and requirements of clients and offer them customised solutions that suit their repayment capacities.
- Since inception, MCB Microfinance has disbursed 3,440 loans until 30 June 2020, corresponding to a gross amount of some Rs 668 million, of which 55% relate to investment loans. Of note, since the creation of its office in Rodrigues, 255 micro-loans have been disbursed corresponding to a gross amount of Rs 34 million. As at 30 June 2020, MCB Microfinance's loans stood at around Rs 287 million. The entity started the year well and was on course to move closer to break-even point before being impacted by the outbreak of the coronavirus. In fact, reduced activity levels amidst the imposition of the national lockdown and higher impairment charges resulting from an increase in Expected Credit Losses led to a loss of around Rs 13.9 million in FY 2019/20.

MCB Real Assets Ltd

- In October 2017, MCB Group announced its real estate investment strategy, whereby the Group will act as seed investor for the acquisition and development of prime real estate assets with a view to giving investing customers access to an attractive income yielding asset class. The real estate investment activity is conducted through MCB Real Assets (MCBRA), a wholly owned subsidiary of MCB Group Ltd. MCBRA 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 La Pointe aux Canoniers, Mauritius (the 'Resort'), which it acquired in 2017. As part of the transaction, MCBRA entered into a triple net lease with Club Med S.A.S. COVIFRA is listed on the Development and Enterprise Market of the Stock Exchange of Mauritius. In FY2017/18, COVIFRA undertook a refurbishment and extension of the Resort, which involved major renovation works and the construction of 108 additional rooms, taking the total to 394. The construction was completed in November 2018 at a cost of approximately Rs 1.6 billion. COVIFRA's investment property was valued in FY 2019 by Jones Lang LaSalle (Pty) Ltd at EUR 99 million, which resulted in a fair value gain of approximately EUR 3 million. In March 2020, COVIFRA was notified by Club Med of a force majeure due to the COVID-19 pandemic and of the closure of the Resort from 22 March 2020. As a result, all Club Med's payment and other obligations have been temporarily suspended and shall result in COVIFRA not receiving any income for the duration of the force majeure. The duration of the force majeure and the resumption date of the hotel activities is as yet unknown. In FY 2019/20, MCBRA received dividends of Rs 46 million (FY2018/19: Rs 75 million) from its investment in COVIFRA. For this period, total contribution of MCB Real Assets to Group results amounted to Rs 116 million (FY 2018/19: Rs 207 million).

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 ending 30 June 2020, the contribution to Group results was negative at Rs 1 million.

Other investments cluster

Fincorp Investment Ltd

- Fincorp Investment Ltd (Fincorp) is an investment company which is listed on the Official Market of the Stock Exchange of Mauritius Ltd. Its financial performance is directly correlated to that of its main investments, namely MCB Leasing Ltd, its 100% owned leasing company and Promotion and Development Ltd (PAD), which is an investment company that is also listed on the local bourse and in which Fincorp has a 46.5% stake.
- The contribution of Fincorp to MCB Group's results shifted from a profit of Rs 127 million in FY 2018/19 to a loss of Rs 2 million in FY 2019/20. MCB Leasing Ltd's contribution dropped from Rs 51 million to Rs 39 million as explained earlier (see section on MCB Leasing Ltd). The performance of Fincorp was further impacted by a downturn in results at the level of PAD. This reflected the adverse performance of Caudan Development Ltd (a subsidiary of PAD), whose operations have been impacted by the COVID-19 pandemic as well as a difficult start in respect of its Phase 3 building amidst higher financing charges. Medine Ltd, an associate of PAD, posted losses for the period under review as a result of lower land sales and a challenging operating environment characterising the sugar industry.

International Card Processing Services Ltd (ICPS)

- ICPS has successfully moved towards the wide-ranging adoption of digitally-enabled platform and established itself as a prominent player providing multi-channel card, mobile and e-commerce payment solutions across the value chain of issuing, acquiring and switching by providing connectivity to existing card associations. While continuously reviewing its operating model, the entity maintained its market diversification strategy and upheld client service levels. The entity has expanded its new open platform and enhanced it with additional value-added services. Of note also, its uniqueness in providing back office operations puts it in a position where it is considered as a one-stop-shop on the marketplace. Strategically, ICPS continues to reinforce its geographical expansion by strengthening its payment processing capabilities and acting as an enabler for its clients located in Mauritius, the Indian Ocean as well as key African and Asian economies, providing an end-to-end integration of services and functionalities. With proven capabilities in consultancy, business operations outsourcing, training, system implementation, a Card personalisation bureau service and information security advisory services, the company has extended its footprint in 21 markets across Africa and Asia. Reflecting its strategic initiatives, ICPS saw its turnover growing by 30% to reach Rs 354 million in FY 2019/20, in spite of the challenging context triggered by the pandemic. With expenses being restrained due to reduced activity associated with the COVID-19 situation, the contribution of the entity to Group reached Rs 65 million.

MCB Consulting Services Ltd

- MCB Consulting Services Ltd delivers sustainable solutions to companies to enable them achieve their innovation and business development goals. Its key areas of focus include the provision of advisory services – which range from strategic planning and execution to risk management – business process reviews and organisation reviews, assistance in the selection, implementation and maintenance of Information Technology solutions as well as the delivery of training services. MCB Consulting Services Ltd is involved in 37 countries, predominantly across the African, Asian and Middle East regions.
- With more than 95% of its turnover recorded outside the shores of its country of incorporation, MCB Consulting has been severely impacted by heavy travel constraints and border restrictions. Notwithstanding this major business limitation and the difficult pandemic-induced economic and social environment in our main 'working' territories, MCB Consulting achieved a turnover of above USD 7 million in FY 2019/20, backed by its sound risk management, geographical diversification and adapted business development strategies. Previous technological investments made to facilitate the 'work from home' concept and the staff's resilience enabled us to reinvent and readjust our delivery model, with a few marquee projects being successfully executed (e.g. launch of a full-fledged digital commercial bank for a major French telecommunication operator). Building on its core fundamentals and recent brand repositioning, which led to a review of the entity's mission, vision and core values, MCB Consulting crafted a new and ambitious three-year strategic plan, articulated around three key design principles: (i) consolidation in strategic markets by leveraging our proven track record and successes; (ii) innovation by adapting our offerings to the evolving context; and (iii) reinvention by enhancing the effectiveness of the business model across the value chain.
- Inevitably, the company's activities are being adversely impacted by various challenges linked to a murky global economic outlook and muted demand across markets. Additionally, the inherent limitations of not being on our clients' premises warrant attention. However, we remain confident that our reputation on the marketplace, proven ability to be resilient and our tweaked strategic orientations shall enable our business to be truly and positively disruptive.

Delivering on our strategic objectives

MCB Institute of Finance Ltd (MCB IF)

- MCB IF, born out of a shared vision of MCB Group and Unicity Education Hub, positions itself as a generalist curator with a range of specialist courses in banking and finance, including both online and in-class deliveries leveraging on an astute selection of partners such as Paris II University Panthéon-Assas, the Retail Banking Academy (RBA) International, and the Emeritus Institute of Management. Following inception to June 2020, MCB IF has registered 279 student enrolments in total, featuring participation from banks and corporates both locally and overseas (from countries such as Seychelles, Madagascar, Zimbabwe, Malawi, Botswana and Gabon). Online self-study courses of the Retail Banking Academy (RBA) International were the most preferred courses justifying therefore the launch of other professional courses around retail banking, cards and payments. MCB IF hosted in February 2020 a two-day Execution Leadership Masterclass which focused on the essentials of how to effectively execute a strategic plan, whilst embracing the newest concepts around leadership and industry 4.0. Of note this particular course, crafted by two seasoned and recognised Mauritius based professionals, saw the participation of incumbents from 4 different countries. We remain positive that – in spite of the prevailing business uncertainties and through an enhanced product offering – our ambition to become an emerging African player in supporting talent development in the financial sector shall materialise in the foreseeable future.



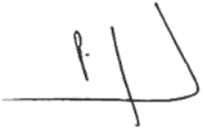
Banking mediation, artificial intelligence and digitalisation in the financial world were discussed during a two-day conference hosted by the MCB Institute of Finance (MCB IF). Jean-Louis Guillot and Emmanuel Jouffin, two experts in French banking law, were the guest speakers.

MCB Forward Foundation

- The MCB Forward Foundation is the Group's vehicle responsible for fulfilling its corporate social responsibility. Its vision is to be instrumental in the creation of sustainable value for the social, environmental and economic well-being of society through the provision of human, logistical and financial resources in support of specific initiatives. As per Government policy, 75% of companies' CSR contributions for projects are channeled to the Mauritius Revenue Authority, thus curtailing the level of financial resources available to MCB Forward Foundation to comprehensively implement its CSR programme. That being said, under the provisions of the amended Income Tax Act 1995, the Group was allowed by the National Social Inclusion Foundation to retain an additional 25% of the CSR contributions to allow for the smooth implementation of programmes started before 1 January 2019. Hence, for FY 2019/20, an aggregate amount of around Rs 46.5 million was entrusted to MCB Forward Foundation, which was spent on a wide range of projects.

Blue Penny Museum

- This company manages the museum situated at the Caudan Waterfront and, as such, represents one of the contributions of MCB Group Ltd to the promotion of arts and culture, and, more generally, the protection of the national heritage of Mauritius.



Pierre Guy NOEL
Chief Executive