Delivering on our Strategic Objectives
I am confident that we can further deliver on our strategic objectives, while advancing with the necessary discipline and passion.
Message from the Chief Executive

What are your initial impressions for the year?

I am pleased to note that, in spite of the challenging operating environment, we made sound progress in delivering on our strategic intents. It has been an exciting year, during which we have continued to add value in our regular interactions with our customers, employees and other stakeholders whilst building the Bank of the future.

What are the key highlights that have defined the Bank?

We achieved exceptional results with growth in our net profit, rising by nearly 30% to reach Rs 8,814 million on the back of our strong balance sheet growth. In fact, in line with our strategic vision articulated at the start of FY 2017/18 – which is to position the Bank as a strong regional financial player within a diversified Group – MCB has relentlessly pursued its business development agenda, geared towards making it more international, digital and sustainable. We executed initiatives across our strategic pillars, namely: (i) extend our frontiers; (ii) deliver a world-class customer experience through digital; and (iii) nurture our values and deliver on our brand promise.

While laying solid foundations for growth, we consolidated our financial soundness, with our non-performing loan to gross loan ratio dropping to 3.8% from 4.1% and our cost to income ratio improving by more than 3 percentage points to reach 33.7%, which is yet another milestone for the Bank. Our BIS and Tier 1 capital adequacy ratios edged up to 16.6% and 15.7% respectively, well above the minimum regulatory requirements.

Thanks to our sustained performance, Moody’s Investors Service upgraded the rating of MCB Ltd from Baa3/P-3 to Baa2/P-2. The agency acknowledged the Bank’s sound business model and its disciplined and prudent expansion strategy, notably in Africa. MCB currently exhibits the best long-term deposit rating amongst commercial banks rated by Moody’s Investors Service in Africa. Looking ahead, the upgrade should assist the Bank in further deepening and widening its regional footprint. Moreover, MCB was assigned a ‘AAA’ credit rating, from CARE Ratings (Africa) Private Limited (CRAF). This rating positions MCB as the only corporate in Mauritius, designated by CRAF, as having the highest degree of safety regarding the timely servicing of financial obligations in Mauritius and carrying lowest credit risk.

We can also take pride in the successful signature of a general syndication for a USD 800 million Dual Tranche Syndicated Term Loan Facility. This transaction was a major landmark for MCB since it represented the largest-ever syndicated facility in our history and marked our return onto the international debt markets after some 13 years. The facility attracted commitments in excess of USD 1 billion from 24 participating banks spanning Europe, the Middle East and Asia. This testifies to our strong appeal to foreign investors, the recognition of our investment-grade credit worthiness and lenders’ confidence in our strong fundamentals and international growth prospects.

Let me add that, while we have been successful in promoting solid business and revenue growth, we have not shied away from exercising our social responsibility. In fact, at MCB, with our 181 years of existence and a commanding market share, we have always been conscious of our role and responsibilities in the development of the economy and the impact on the environment, society and communities. In this spirit, we have implemented our Corporate Sustainability Programme, titled ‘Success beyond numbers’. This initiative is driven via three key areas, namely (i) the development of a vibrant and sustainable local economy; (ii) the preservation of our cultural and environmental heritage; and (iii) the promotion of individual and collective well-being. We have so far launched a number of initiatives across these pillars, backed by the establishment of an appropriate operational and governance framework, with marked impact on our communities, employees and other stakeholders.

We have further improved our customer propositions, while delivering best-in-class experiences that suit the aspirations and lifestyles of our customers.

Can you expand on your business development achievements?

In Mauritius, capitalising on our cutting-edge products and services, including our innovative payment solutions, and focusing on the needs of customers in specific segments, we deepened our relationships with individual and corporate clients. We were increasingly involved in providing value added services to entities using Mauritius as an investment hub for conducting business across the region. Acknowledging the essential role that SMEs play in the socio-economic development of the country and considering their potential for growth, we have further cemented our positioning as their foremost service provider in Mauritius.

In line with our strategy to extend our frontiers, our share of foreign-sourced income has now attained 63%, compared to 47% posted three years back. One of the key drivers of our international growth pertains to the broadening of our involvement in Energy and Commodities (E&C) financing. The Bank has become increasingly visible in this targeted niche market and is gradually stepping up its role of market marker vis-à-vis oil majors, refineries and commodity traders whilst consolidating the structured commodity trade finance segment of its portfolio. We made significant progress in shifting towards medium-term financing along the oil value chain by widening our involvement across the upstream business. Moreover, we broadened and diversified our portfolio of structured project finance deals, with the Bank financing major development projects across selected known sectors, countries and products on the African continent.
Message from the Chief Executive

How is the Bank gearing up to underpin its sustained growth?

During the year, MCB has continued to build sustainable capabilities in order to support its business strategies. A key priority for us has been to maintain a right balance in our endeavours to ‘Run the Bank’ and ‘Change the Bank’.

As a major focus area, we have further improved our customer propositions, while delivering best-in-class experiences that suit the aspirations and lifestyles of our customers. We strived to attend to their needs in a simple, convenient, rapid and adapted manner, anywhere and anytime. With our Digital Transformation Programme well under way and our Digital Factory taking the lead role in formulating innovative and digitally-enabled customer journeys, this has enabled us to achieve cost efficiencies, improve the speed and quality of our interactions, as well as sharpen our competitive edge across market segments. In another light, we also made headway in executing various business transformation initiatives, with organisation-wide ramifications. Notably, our Treasury and Private Banking and Wealth Management functions have set out to strengthen their operational model and embed the right building blocks for tapping into business diversification opportunities, especially avenues that are likely to arise from the positioning of Mauritius as an IFC. In order to support our business growth strategies in Mauritius and the international front, we further strengthened our risk management and internal control framework. During the year, we made further inroads in embedding a strong compliance culture, while gearing up to tackle risks linked to Anti-Money Laundering/Combating the Financing of Terrorism.

While achieving your ambitions, how do you cater for the interests of your people?

Our people are the key foundation that will drive the success of the Bank. We are committed to the wellbeing of our employees, enabling them to perform to the best of their abilities whilst enhancing their skills sets and supporting them in their career development. In addition to competitive remuneration package and benefits, regularly benchmarked to other local industry sectors, we have an attractive performance management system that encourages our employees to strive for excellence, with ensuing recognition and reward. We also believe in a learning organisation, alongside continuously enhancing employee satisfaction levels and providing a stimulating work environment that inspires intrapreneurship and innovative mind-sets.

We are attentive to the changes in the future of work together with the growing expectations of our millennials for diversity, mobility and flexibility. Based on the principles of work developed at the Digital Factory, we will scale up agility within the organisation, with increased collaboration across business units, and thus meet the expectations of the new generations.

Lately, as we engaged onto major projects to transform our Bank, we ensured that all changes are clearly communicated and managed, attending to any changes in job evolution. We have, by means of our HR Transformation Programme, set forward to implement world-class practices and processes that can help us attract, develop and support employees who are engaged in their work and motivated to perform at their full potential. Emphasis is being laid on talent management, our leadership brand and strategic talent acquisition.

What is the way forward for the Bank?

We are mindful that we operate in a fast changing environment where the only constant is change. This is being marked by disruptive technology amidst the fast evolving needs of our clients and employees. In this new order, we will need to accelerate our expansion drive across our growth pillars and be able to adapt rapidly. Towards realising our ambitions, we will keep on streamlining and simplifying the way MCB operates. We will further entrench the implementation of ‘agile’ principles across different layers of the Bank to position the latter as a fast-moving and adaptive organisation. This implies revitalising the organisation with cross functional collaboration centered on creating continuous and faster customer value while fully engaging employees.

Our people are the key foundation that will drive the success of the Bank

We will remain on the lookout for appealing avenues to pursue our regional market diversification agenda, with Africa our key target. While moving in this direction, we will anchor our activities on our proven business model, with a key focus relating to our technical expertise and differentiated value propositions in niche markets, which will continue to guide our business development thrusts. We will forge mutually beneficial partnerships with foreign banks towards identifying interesting business growth avenues. We will pursue our ‘Bank of Banks’ initiative, whereby the Group positions itself as a regional hub in order to meet the outsourcing needs of banking counterparts.

Last, but not least, whilst remaining true to our corporate culture and values, we will uphold our strong brand image and franchise. We will ensure that our core values, which are our DNA, are continuously lived up and transposed into the day-to-day attitudes, behaviours and activities of our employees. While acting as a responsible corporate citizen and making a difference to societies and communities, we will ensure that sustainability ethos and principles are well embedded in our thinking, behaviours and strategic intents. By further implementing our Corporate Sustainability Programme across its pillars, we are committed to talk and practice what we preach.
Any concluding remarks?

Our commendable financial results and achievements are only made possible by our people. I would like to express my sincere thanks to all our employees for their commitment and hard work in taking the Bank to new heights. I am impressed by the enthusiasm with which they continuously deliver value to our clients at every touchpoint and help to transform our Bank into a more innovative and client-focused organisation. I wish also to thank my deputy, Raoul Gufflet, and members of the Leadership Team for their valuable support in steering the Bank forward amidst a fast changing and challenging environment.

We will remain on the lookout for appealing avenues to pursue our regional market diversification agenda ...

I am pleased to extend my warm welcome to those appointed as Business Leaders during the year. I look forward to collaborating with them towards reinforcing the foundations to further the Bank’s progress. I wish to put on record my sincere gratitude to Roselyne Lebrasse-Rivet for the contribution that she has provided, before her retirement this year, for the advancement of the organisation, in her capacity as Head of Legal. I would like to thank Didier Merle who, during his nine-year tenure at the Bank, has played a key role in spearheading the development of our Private Banking and Wealth Management arm. Moreover, allow me to say a big thank you to our esteemed customers for their trust and confidence in our ability to meet their growing expectations in a convenient and simple manner. I also extend my appreciation to the Board of MCB Ltd and that of our ultimate shareholder, MCB Group Ltd, for their support and guidance in leading our organisation to new successes and sustained growth.

While challenging times lie ahead, we are looking at the future with confidence by taking strength from our sound fundamentals and the dedication of our people. I am confident that we can further deliver on our strategic objectives, while advancing with the necessary discipline and passion. In addition, as the leading bank in Mauritius, we remain conscious of our responsibilities to support the inclusive and sustainable growth of the country, insofar as our success depends on the value we deliver to our multiple stakeholders.

Alain LAW MIN
Chief Executive Officer
Delivering on our strategic objectives

Introduction

Our positioning in FY 2018/19

The Bank faced a dynamic and challenging context across the segments and geographies in which it operates. Against this backdrop, we took appropriate strategic decisions that helped us achieve sound and balanced growth.

Our underlying thinking and approach

Integrated thinking is entrenched in the conduct of our business activities and our value creation process. We design, formulate and recalibrate our strategic objectives and intents after making an informed and holistic assessment of the multiple shifts taking place across the environments in which we operate, both locally and abroad. We ensure that our business development moves and initiatives are in alignment with our contemplated strategic trajectories. Overall, this consistent and committed approach allows us to pursue our business growth in a healthy and predictable way, while setting the stage for the timely and effective realisation of our targets and ambitions.

The operating context

Key considerations

- Our material matters inform and determine our strategic value drivers
- We devote close attention to the needs/aspirations of our stakeholders
- We continuously gear up our inherent capabilities and, if need be, review our operating model in order to realise our objectives in a judicious manner

Our strategic objectives and intents

Our market development initiatives

Our financial performance

Continuous monitoring and evaluation of our strategic positioning
The operating context

Macroeconomic environment

- Against the backdrop of the testing global landscape, growth in Mauritius remained in a challenging, yet resilient, zone. Real GDP growth at market prices is estimated at 3.8% in 2018, underpinned by a strong contribution from national investment. At the sectorial level, the figure reflects appreciable upturn in construction, expansions in the financial and business services, ICT and tourism industries, while being impacted by subdued performances by the domestic and export-oriented manufacturing industries. For 2019, growth should remain broadly unchanged on the back of the afore-mentioned dynamics, in particular given high public investment, though tourism should post a moderate expansion amidst the soft economic conditions prevailing in key markets. As for headline inflation, it pursued a downtrend to stand at 1.0% as at August 2019.

- As for sub-Saharan Africa, conditions are, as a whole, gradually recovering, with economic growth expected to reach 3.4% in 2019, from 3.1% in 2018. Whilst a less supportive external environment will continue to weigh on economic prospects, the foreseen recovery reflects notable growth in several non-resource intensive countries and higher commodity prices on average. Of note, while remaining volatile, oil prices have, on a point-to-point basis, declined during the last financial year, but have generally increased in recent weeks amidst geopolitical tensions.

Key economic indicators

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Implications for our strategy and business activities

- Amidst the generally demanding context, the Bank has adopted a thoughtful growth agenda, while reinforcing its market vigilance in order to adequately appraise and respond to the needs and expectations of its individual and corporate customers.

- Alongside further diversifying business activities across markets and regions, the Bank has tapped into growth opportunities prevalent across niche segments and areas where it displays strategic competencies, after capitalising on its adapted value proposition.
Delivering on our strategic objectives

Market environment

- Notwithstanding the challenging landscape, the banking system in Mauritius has been characterised by healthy financial soundness metrics during the last financial year. The Bank of Mauritius (BoM) remained particularly intent on modernising the monetary policy set-up, foreign exchange operations framework and payments system.

- Demand for credit has maintained an appreciable growth trajectory, whilst asset quality levels prevailing within the domestic banking industry continued to be subject to pressures.

- In spite of remedial measures taken by the BoM via conduct of open market operations, relatively high liquidity levels have prevailed in the banking system in Mauritius. After having edged up for some time, yields on short-term securities have witnessed a relative decline in recent months amidst the persistence of imbalances within the money market.

- Competitive pressures remained relatively high, notably in the mortgage and cards segments, while operators enriched their digital and wealth management solutions. Banks also pursued their regional diversification strategies. Of significance also, the BoM has, as from 1 August 2019, offered Silver Savings Bonds and Silver Retirement Bonds for sale to enable the elderly improve return on savings and encourage savings towards retirement.

- A generally accommodative monetary policy stance has been upheld in Mauritius, with the Key Repo Rate cut by 15 basis points to 3.35% in August, amidst contained inflationary pressures and the worsening global economic outlook.

Key banking sector metrics

<table>
<thead>
<tr>
<th>Loans &amp; advances and NPL</th>
<th>Jun-17</th>
<th>Jun-18</th>
<th>Jun-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advance (y.o.y growth - %)</td>
<td>1.9</td>
<td>5.8</td>
<td>7.6</td>
</tr>
<tr>
<td>NPL ratio (%)</td>
<td>7.1</td>
<td>5.5</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Notes:

(i) Figure refers to Q1 2019

(ii) For comparative purposes, figures for gross loans prior to June 2019 have been adjusted, following the changes in reporting standards by the Bank of Mauritius

Source: Bank of Mauritius

Implications for our strategy and business activities

- The organisation has adopted dedicated moves to respond to the exigent market and competitive environments. It pursued judicious asset-liability management, unlocked opportunities for innovation, bolstered its competitive edge and diversified its positioning across segments. In particular, it has further improved its value proposition, while entrenching the latter on a customer-centric approach.
Legal and regulatory environment

Recent trends and developments

• The legal and regulatory environment facing the Bank remains dynamic and is becoming increasingly demanding.

• Amongst key stipulations of interest to MCB: (i) the Guideline for the write-off of non-performing assets was revised to provide for a broad framework and specific requirements for the write-off process at financial institutions to ensure consistency and prudence across the exercise; and (ii) the Guideline on Credit Impairment Measurement and Income Recognition was amended to align prudential requirements pertaining to asset classification and provisioning requirements with advocated provisions of IFRS 9.

• To consolidate oversight of banking players and while gradually moving away from the current compliance-based set-up, the BoM embarked on the adoption of a full-fledged risk-based supervisory framework. It includes a specific module on Money Laundering/Fighting against Terrorism risks, which reflects the increasing emphasis being laid by the authorities to tackle such risks, as it can additionally be gauged by (i) the setting up, by the Central Bank, of a dedicated unit to monitor such matters by means of off-site surveillance and on-site examinations; and (ii) the passing of the Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Act 2019, which amended various enactments with a view to meeting relevant international standards.

• The Office of the Ombudsperson for Financial Services has recently been set up, with the body mandated to, in particular, deal with complaints received from consumers of financial services and make an award for compensation where appropriate. In the same vein, the Bank of Mauritius has proceeded with the implementation of the recommendations of the ‘Banking Your Future: Towards a Fair & Inclusive Banking Sector’ report. The declared objective of the latter is to achieve a fairer and more inclusive banking sector, with specific instructions having been issued to banks after consultations with the Mauritius Bankers Association.

• On the fiscal front, the following are worth noting: (i) for banks in operation as at 30 June 2018, the special levy – which, effective year of assessment commencing 1 July 2019, is administered under the Value Added Tax Act – has been increased from 4% to 4.5% of leviable income (i.e. net interest income and other income from banking transactions with residents only) for operators having net operating income exceeding Rs 1.2 billion; and (ii) effective year of assessment starting 1 July 2019, the relief for tax credit available to banks on foreign sourced income will no longer be available, with corporate tax rates as follows: (a) a tax rate of 5% on the first Rs 1.5 billion of chargeable income; (b) 15% for amount exceeding Rs 1.5 billion; and (c) a reduced tax rate of 5% on the amount of the current year chargeable income exceeding that of the base year if the specified conditions are met.

• The Mauritius Deposit Insurance Scheme Act was approved by Parliament and received Presidential Assent in April 2019. It aims at better protecting the interests of depositors and to guarantee the repayment of their deposits, up to Rs 300,000 per insured depositor and per member institution, in case of failure of a bank or non-bank deposit-taking institution licensed by the Central Bank. Of note, however, the legislation has not yet been proclaimed, with the BoM currently working on its operational aspects.

Implications for our strategy and business activities

• In the light of observed developments, MCB strived to appropriately ascertain the significance of legal and regulatory stipulations, while proactively engaging with the Bank of Mauritius. The Bank strengthened its risk management and compliance capabilities to ensure strict adherence to mandatory rules and advocated norms, backed by reinforced processes and frameworks.
Delivering on our strategic objectives

**Technology and society**

**Recent trends and developments**

- Key developments taking place on the technological front, in the advent notably of Artificial Intelligence, Big Data analytics and Blockchain technologies, are increasingly disrupting traditional business models and stakeholder relationships.

- Technological developments are calling for new strategic partnership models to be forged amongst business players, including banks and technological companies, alongside necessitating upgrades to both front and back-office operations. The authorities are also gearing up to keep pace with the evolving context. The BoM implemented the National Payment Switch to further modernise the relevant infrastructure for improved efficiency, safety and soundness. In the same vein, it launched the Mauritius Central Automated Switch. It is a national payment platform that operates round the clock, while setting the stage for the implementation of an Instant Payment System. As for the Financial Services Commission, it released a set of rules, which positioned the Mauritian International Financial Centre as the first jurisdiction globally to offer a regulated landscape for operators holding a Custodian Services (Digital Asset) Licence.

- In the context notably of demographic changes and the rise of the millennials, the lifestyles, behaviours, attitudes and aspirations of customers are changing at a rapid pace, with increased emphasis laid on personalised solutions and instantly accessible services. This situation is instigating heightened competitive pressures across markets segments.

**Implications for our strategy and business activities**

- The Bank has set out to provide increasingly adapted solutions, alongside reimagining customer experiences. It further modernised information systems and digital channels, backed by the adoption of scalable, efficient and flexible platforms. It has forged meaningful collaboration and partnerships with relevant stakeholders toward contributing to the creation of impactful ecosystems.

- The Bank has reinforced its data management and analytics capabilities in order to unearth organisation insights and support strategic moves. It has strengthened its risk management and internal control capabilities so as to preserve its information security and reputation, while gearing up to tackle potential cyber threats and protecting consumer data amidst all circumstances.
Positioning ourselves for growth and success

Overview

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 strong earnings growth and sound financial metrics, alongside ensuring that we operate within the precinct of our risk appetite. While transforming the Group into a simpler and better organisation, we aim to deliver exceptional customer service and tap into business development opportunities locally and abroad.

Concomitantly, a key objective of the Bank is to embed sustainability principles in the way we do business, alongside integrating it in our culture, values and processes, in line with our objective to be a responsible corporate citizen.
Delivering on our strategic objectives

Our governance and processes

<table>
<thead>
<tr>
<th>General Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Bank has a well-defined governance framework as well as coherent processes and practices to facilitate strategy elaboration, execution and review. While ensuring congruence with underlying strategic orientations set at Group level, the Board of MCB Ltd sets the strategic directions of the Bank, approves strategic policies and ensures that they are communicated throughout the organisation.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Key process</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Bank’s strategic orientations are cast in a 3-year rolling plan and endorsed by the Board at the start of each financial year.</td>
</tr>
<tr>
<td>• Alongside being subject to relevant regulatory and compliance requirements, the Bank determines its strategic initiatives after taking on board the inherent specificities and exigencies of the markets in which it operates as well as the relevant challenges and opportunities characterising the businesses it pursues.</td>
</tr>
<tr>
<td>• When contemplating its strategic directions, the Bank makes allowance for the risk appetite, as formulated across segments, while considering its capital position as well as the scale and proficiency of its physical and human resources. In its functioning, the Bank capitalises 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 also, key priorities and performance indicators are formulated with a view to providing clarity and direction towards supporting the smooth deployment of envisioned initiatives. An overview of the strategic planning processes adopted by MCB Ltd is depicted below.</td>
</tr>
</tbody>
</table>

The Board of MCB Ltd sets longer-term objectives and communicates its priorities and expectations to the Executive Team of the Bank.

- Strategic organisational objectives are translated through Operational Plans at business unit level using the Balanced Scorecard framework and thereafter cascaded into individual performance objectives to ensure alignment and focused execution
- Organisation-wide projects with significant cross-functional impacts are adequately scoped and managed within a macro-plan through a well-governed deployment strategy
- Strategy reviews are entrenched within the process to ensure that the validated strategy and financial targets are on track

- The validated strategies are communicated to the Leadership Team and, also, to staff to keep them informed of key achievements and strategic intentions whilst helping to mobilise change and promote employee buy-in
- Communication embedded within the process facilitates strategic alignment and effort synchronisation at organisation level

- A continuous assessment of the internal and external context (including the economic, market, regulatory and technological landscape) is undertaken
- The Strategic Planning and Budgeting Committee, chaired by the Chief Executive Officer (CEO), leverages insights from the above assessment and the strategic directions, as set by the Board, to formulate strategic priorities at the start of the planning cycle

- The Strategic Planning and Budgeting Committee discusses options with business units to execute strategic priorities
- A consolidated 3-year plan and budget is finalised and presented by the CEO for validation by a joint Board of the Bank and of the Group
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 Mauritian society and economy, we seek to consistently make sense of and respond to the needs and expectations of our multiple stakeholders.

The organisation 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 Bank’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 Bank’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 Code of Ethics and of Banking Practice issued by the Mauritius Bankers Association. 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 last, the Bank 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.

**Our Corporate Sustainability Programme**

**Our rethinking**

As it pursued its journey, the organisation embarked on a rethinking of its role and identity within the Mauritian economy and its society, with a key aim being to better engage with its stakeholders. While aiming to strengthen its franchise and cement the organisation as a positive brand, the Group has set forward to give an even more meaningful sense and orientation to its status as a responsible corporate citizen. Alongside entrenching sustainability in our DNA and our behaviours, the underlying idea is to rethink the notion of success beyond financial performance mantras and to act in a way that leaves a sound and rewarding legacy to upcoming generations.

**Our vision and philosophy**

After leveraging the services of a renowned international consultant and conducting a series of internal discussions and envisioning exercises, the organisation designed an ambitious Corporate Sustainability Programme. While initiatives are ongoing to underpin the optimal structuring and execution thereof, the programme presently acts as our strategic anchor-point for unleashing concrete actions across key pillars towards entrenching our socio-economic involvement. The programme reflects our engagement to create sustainable value to our stakeholders as well as make the country a better and healthier place to live in. Our thoughts and initiatives are being spearheaded by cross-organisational efforts, with strategic partnerships also secured with external stakeholders so as to foster the creation of impactful ecosystems. In addition to the design of a manifesto to epitomise the Group’s renewed engagement, the ‘Success Beyond Numbers’ statement was embraced so as to reflect the vision and philosophy guiding our endeavours.
Our Corporate Sustainability Programme

Our philosophy

Success Beyond Numbers

Our holistic investment towards making Mauritius prosper

Pillars

1. The development of a vibrant and sustainable local economy
2. The protection and valorisation of our cultural and environmental heritage
3. The promotion of individual and collective well-being

Key stakeholders directly and indirectly impacted

- Shareholders and investors
- Customers
- Societies and communities
- Authorities and economic agents
- Employees

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

The Bank delivered on its strategic focus areas by strengthening its leading banking position on the local scene and pursuing its regional diversification endeavours across key growth pillars. At the same time, the Bank continued to mobilise 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. On the operational front, the Bank pursued business transformation and realignment initiatives with notable organisation-wide ramifications, aimed at supporting strategic endeavours and laying foundations for the future.

Looking ahead, while coping with the demanding operating landscape and adopting a disciplined approach, the Bank will resolutely move forward to uphold its balanced business growth and key financial soundness metrics. Essentially, it will pursue the execution of 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. While being currently well embarked on multiple initiatives towards building the bank of the future, we will further bolster our ability to tap into growth opportunities surfacing locally and in the region.

Fostering our stakeholder engagement

In FY 2018/19, we pursued wide-ranging initiatives to underpin the advancement and welfare of our key stakeholders. Our actions have, in various respects, been guided by the operationalisation and execution of our Corporate Sustainability Programme.

Shareholders and investors

• We upheld the image and reputation of the Bank as a strategically important player. Backed by further market diversification, enhanced customer service quality and solid risk management, the Bank posted a strong growth of nearly 30% in net profit during the last financial year. Against this backdrop, we continued to generate comfortable earnings to reward our shareholder and investors, while delivering adequate dividends and maintaining attractive returns on investment.

• We continued to hold open, constructive and regular dialogues with international rating agencies with a view to reporting on the performance and prospects of the Bank 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. The year under review saw the upgrade, by Moody’s Investors Service, of the credit rating of the Bank, thus further reinforcing its investment-grade profile.

• The Bank has successfully accessed global financial markets. Indeed, as a key underpinning of its growth ambitions, the Bank signed and closed a general syndication for a USD 800 million Dual Tranche Syndicated Term Loan Facility, obtained from a consortium of banks spanning Europe, Middle East and Asia. The objective is to help the Bank execute on its African ambitions, while further optimising and diversifying its funding profile.
Delivering on our strategic objectives

Customers

- 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, while 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 undertake payments and transactions in an easier, faster and safer way.

- We continued to adopt 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 and 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. It is worth noting that 85% of customer complaints registered during FY 2018/19 have been resolved within less than 5 days as per estimates, which represents an improvement of five percentage points relative to the outcome in FY 2017/18.

- 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 ensure 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 Bank to promote its capabilities and value proposition, while gaining insights on international business trends and dynamics. The Bank reinforced linkages with carefully-chosen business operators and other stakeholders across the market place. We remained active on social media platforms such as Facebook, Twitter, YouTube, Instagram, and LinkedIn.

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

Customer base as at 30 June 2019

- ~261,000 subscribers to our ‘JuiceByMCB’ mobile banking platform
- ~220,000 Internet Banking subscribers

Deploying digital platforms

- +45% y.o.y growth
- +53% 3-year annualised growth
- +14% y.o.y growth
- +17% 3-year annualised growth

Note: Figures above are as at 30 June 2019
Organisation and participation in key events

The organisation is organising the 10th edition of its ‘Africa Forward Together’ seminar in October 2019. Of note, last year’s event welcomed 24 banks and financial institutions from 11 African countries. This annual seminar offered bankers a privileged platform to network with industry leaders as well as share experiences and views on trends and business developments shaping the financial services on the continent. MCB provided its African institutional partners with avenues for forging or strengthening business relationships and leveraging collaboration opportunities.

The organisation has, for the fifth consecutive year, been the Diamond Sponsor of the Africa CEO Forum, which was held in Kigali in March 2019. The Forum brought together some 700 Chief Executive Officers from around 70 countries and spanning a wide range of industries as well as over 100 Government officials and heads of development institutions. It serves as a platform for constructive dialogue to shape Africa’s future and identify business opportunities on the continent.

To stimulate creativity, generate innovative ideas and foster enhanced collaboration with local entrepreneurs and FinTech start-ups, MCB organised the second edition of its ‘InovApp Challenge’ in March 2019, in partnership with IBM, Oracle Cloud and the Mauritius Software Craftsmanship Community. In addition to a competition organised amongst staff, the event for the public involved 60 participants. The latter worked together in teams of three to five people, with the aim being to create an original and useful IT solution. The theme was “In view of making Mauritius a true Smart island, how would you support the local economy through digital?”

Societies and communities

• The Bank has continued to foster the well-being and progress of the societies and communities in which we live and operate. We partnered with relevant stakeholders, such as NGOs and public sector entities, towards promoting societal well-being. We provided support in key focus areas, notably community empowerment and preservation of the natural environment, arts and culture, youth development and sports, as well as education. In respect of the latter, it can be noted that our organisation has, so far, awarded 31 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 34 students from Rodrigues have been awarded scholarships under the MCB Rodrigues Scholarship, enabling them to pursue tertiary studies at the University of Mauritius.

• Our corporate social responsibility activities are channeled via the MCB Forward Foundation, which is the dedicated vehicle responsible for the efficient and effective design, implementation and management of initiatives meant to embed the Bank’s engagement with the communities in which it operates. In FY 2018/19, consistent with the authorities’ requirement for companies to set up an annual CSR Fund representing 2% of their chargeable income derived during the preceding year, an aggregate amount of around Rs 100.3 million was accordingly earmarked by MCB Ltd to MCB Forward Foundation. In line with the Government policy that 50% of companies’ CSR contributions for projects initiated prior to January 2019 be channeled to the Mauritius Revenue Authority, Rs 50.1 million were entrusted to the MCB Forward Foundation and spent on 15 projects, of which 13 are ongoing. The entity remained actively engaged into dedicated projects for the promotion of social welfare and empowerment through multiple areas of intervention. During the last financial year, particular attention was given to the provision of decent dwelling to families of beneficiaries. For instance, 15 households under the MCB Football Academy benefited from renovated housing arrangements.

• It is worth highlighting that no political donations were made during the year under review.
Delivering on our strategic objectives

• 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. The Bank remained the prominent provider of student loans, with a market share of 66% for credit approved over the period April 2013 – June 2019. With regard specifically to the tailored financial solutions of the Bank: (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 customers, is often sought by low-income customers to cover for education and housing purposes. Furthermore, we provided innovative and customised solutions to SMEs as well as micro-enterprises and self-employed individuals, thus benefiting business people and households.

• 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 and dance, art and writing, photography, painting and sculpting, as well as theatre and performing arts. On another note, we encouraged the adoption of environment-friendly and energy-saving practices in our operations and business activities. 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, for determining, appraising and managing environmental and social risks in project financing. 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. As a key strategic thrust, the Bank continued to monitor and assess its direct environment footprint in order to minimise the impact of its activities on the environment. The Bank 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. We worked towards effectively managing our direct carbon footprint, driving eco-efficiency performance and greening the supply chain. For instance, the Bank seeks to ensure that all suppliers comply with sustainable procurement standards. Also, it actively promotes the use of e-statements by customers. The total number of customers subscribing thereto increased by nearly 6% during the year ended June 2019. Moreover, we encouraged environment-friendly and energy-saving investments, as it can particularly be gauged by the provision of the third edition of our preferential credit facilities termed as ‘Green loans’ (see pages 60 and 68 for more details).

Authorities and economic agents

• We have financed key projects shaping the economic landscape and contributed to foster the sustained growth of businesses and economic sectors. We have remained a dedicated and trusted partner for large corporates and investors, while upholding our commitment to accompany small and medium enterprises across a broad range of economic sectors by means of our tailored and modular solutions. Furthermore, the Bank helped to position the Mauritian jurisdiction as an International Financial Centre of substance and good repute, backed by support provided to businesses transiting through our country to conduct business across the African continent.
Helping the economies where we are involved to prosper

Direct contribution to the Mauritian economy (FY 2018/19)

Contribution to value added

- \(~4\%\) of the total value added generated by the economy
- \(~55\%\) of total value added by the banking sector

Creating jobs on the nationwide scale

- \(~20\%\) of total employment in the financial and insurance activities
- \(~35\%\) of the employment in the banking sector

Paying taxes in support of Government revenue mobilisation

- \(~10\%\) of total corporate tax paid across the economy
- \(~50\%\) of special levy paid by banks

Notes:
(a) Total corporate tax paid includes levies charged on income
(b) It excludes our indirect contribution induced by tax paid by our suppliers

Note:
Figures displayed above are indicative, based on officially-reported data and MCB staff estimates. Furthermore, they depict the direct contribution of MCB Ltd to the economy, after leveraging official methodologies. As such, they do not make allowance for the indirect impact of its operations and banking activities. In our Sustainability Report, an analysis of the latter impact has been carried out by our international consultant, namely Utopies. As per estimates by the latter, the overall direct and indirect contribution of MCB Ltd to the country’s GDP amounted to 17% during the year 2018.
Delivering on our strategic objectives

Helping businesses and economic sectors to grow

Distribution of our loan book

Helping productive sectors

Rs 104 billion representing our corporate loan book as at 30 June 2019, towards enabling industries to achieve their ambitions

Attending to the needs of SMEs across sectors

Helping small and medium enterprises

Distribution of loans to SMEs as at 30 June 2019

- 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, while transparent relationships were forged to promote adequate monitoring of our activities and informed discussions about relevant issues.
As key endeavours during the last financial year 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 leveraging the collective skills, knowledge and experience of our staff. Concomitantly, the Bank engaged with staff at different levels to adequately understand and respond to their needs. On a more holistic note and as a major undertaking for the period, the Bank has pursued the implementation of the HR Transformation Programme (see page 62). The aim is to reinforce human resource frameworks and processes, in support of enhanced performance deliveries and business growth.

The subject matters to which the Bank is exposed to are getting more complex and client solutions increasingly sophisticated. Against this backdrop and backed by a forward-looking approach, we remained intent on bringing about relevant upgrades to our learning framework and culture. Overall, dedicated programmes to step up the quality of our human capital include the conduct of training courses and lectures held by international experts at our Learning and Development Centre. Employees benefit from technical training as well as courses meant to develop soft skills, either delivered in-class or online. Worth noting, our range of courses has lately been enriched with those provided by the MCB Institute of Finance.

Capitalising on its fair and robust remuneration philosophy, the Bank strived to reward its employees adequately, in line with market conditions and meritocracy principles. Also, the Bank provides a range of fringe benefits to its employees to help them in their personal life. In addition to that, employees of the Bank are entitled to the MCB Group Employee Share Option Scheme (see page 88) which provides them with the opportunity to partake in the growth and prosperity of the Group, through acquisition of its shares.

The Bank 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 Bank maintained a stimulating work context by fostering secured and healthy environments. While being compliant to legal and regulatory requirements, the Occupational Safety and Health Policy of MCB Ltd aims to foster a sound working environment and system of work for the benefit of its employees, as far as it is reasonable. Moreover, the Bank further deployed programmes to uphold the overall well-being of its employees. In addition to dedicated wellness initiatives, the Bank further implemented its Flexible Working Arrangement (FWA) initiative to support its staff. Lately, this was enriched with the ‘Work from Home’ arrangement, initiated on a pilot basis. The arrangement aims to help employees maintain a healthy work-life balance, while working from the comfort of their home and avoiding undue time to be spent in the traffic.

General stability of our workforce as at 30 June 2019

- **Employee retention rate**: 96.2%
- **Employee turnover rate**: 4.0%

Notes:
(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
Delivering on our strategic objectives

Delivering on our growth pillars

Extend our frontiers, while consolidating existing markets

Local – Corporate

• MCB continued to adopt a disciplined and customer-centric approach to assist businesses and investors. It capitalised on (i) its unique selling propositions and tailored products and services; (ii) the reinforcement of staff capacity as well as the consolidation of tools and processes in support of improved operational excellence and risk management; (iii) the development of closer relationships across market segments; (iv) the optimisation of organisational synergies and promotion of a cross-selling culture across the Group. Reflecting our engagement, our market share in respect of domestic credit to corporates stood at around 42% as at 30 June 2019, consolidating our status as the premier business partner of companies.

• During the last financial year, we contributed to the materialisation of key projects reshaping the landscape of Mauritius. We expanded our exposures vis-à-vis customers operating across key economic sectors, particularly tourism, property development, construction, and financial and business services. We accompanied corporate and institutional clients in their growth endeavours, capacity building moves and restructuring initiatives, while acting as a trusted business advisor. Along the way, the Bank remained actively involved in the provision of ‘Green loans’, pursuant to the lending facility 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, save energy and reduce carbon emissions. In September 2018, following the success of the first two lines of credit in respect of which it had remained the most active drawer, the Bank renewed its partnership with AFD as a participating bank for the 3rd phase of the SUNREF programme in Mauritius. This new line consisted of a financial package of EUR 75 million. Our ‘Green Loans’ have been offered to a wide range of individual, SME and corporate clients in Mauritius, while we also attended to the needs of customers in some foreign presence countries. On another note, we delivered a broadening range of adapted treasury structured solutions to meet the evolving needs of our clients, alongside further disseminating our electronic forex platform, i.e. MCB Wave, which our treasurers leverage as an all-in-one digital and day-to-day tool to manage trading requirements. It is also worth highlighting that, as an authorised MUR fixed income Primary Dealer appointed by the Bank of Mauritius, the Bank was actively trading on the primary and secondary markets.

• We made further inroads in attending to the needs of companies leveraging Mauritius as an International Financial Centre (IFC) of repute and substance. In the wake of the testing operating landscape facing its customers, the Bank has maintained its thoughtful business growth agenda and broadened its involvement 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 were underpinned by the delivery of adapted solutions and enhanced client interactions.

• Backed by a thorough understanding of client requirements, the Bank has cemented its positioning as the foremost service provider for SMEs in Mauritius, alongside continuously enriching its value proposition. In this respect, the organisation has, in the wake of its Digital Transformation Programme, launched a digital platform to simplify the end-to-end journey for SME Account Opening and materially improve the customer experience (see page 65). Moreover, we strengthened the SME ecosystem with the launch of the MCB Business Introducer Program in line with our engagement to empower entrepreneurs. It is a platform whereby we facilitate direct interactions of SMEs with local Accounting firms with a view to forging new business relationships. Based on their expertise, these firms help SMEs structure their business and uplift internal processes, towards better managing their day-to-day accounting needs. In the same vein and reflecting its commitment to promote responsible banking, while providing its clients with an ecosystem of services, the Bank has, in the context of its ‘Lokal is Beautiful’ proposition, introduced a dedicated scheme aimed at improving access to finance to Mauritian entrepreneurs who can demonstrate the positive impact that their activities can yield on the welfare of the society and nation (see page 67).

Local – Individuals

• During FY 2018/19, MCB has remained exposed to heightened competitive pressures across several segments. Yet, the Bank pursued its strategic intents and maintained its prominent market positioning across age and income groups. Alongside reflecting our strong brand, such headway was underpinned by our sound business development trajectories, strengthened operational capabilities, innovative technologies, active on-the-field presence, and continuously refined value proposition. As a key focus area, the Bank stepped up its efforts to upgrade and promote its digital channels vis-à-vis its client base. We have remained active on the payments scene by allowing clients to make and accept payments in a quick and hassle-free way via multiple channels (see page 66).

• Within the mass and mass affluent segments, in addition to strengthening our prominent footprint in respect of education loans, we have, as a key achievement, consolidated our leadership market position in mortgage. Our market share for housing loans stood at around 37% as at end-June 2019, on the back of a growth of nearly 11% in our loan book. Alongside leveraging digital channels and simplifying the end-to-end customer journey for obtaining or refinancing a housing loan (see page 65), MCB refined the appeal of its mortgage solution, which has been
further customised to meet different client needs. Overall, the Bank continued to adapt and promote its tailored offerings, with a case in point being the ‘Neo Bundle’, which aims at giving customers an enriched experience through a package of products and services. Moreover, we further endeavoured to encourage our customers to save and invest. Alongside distributing the Group offerings (including notably investment solutions), we have redesigned our ‘Rupys’ savings account, which is dedicated to clients under 18 years old.

The Bank made further progress towards meeting its objective of acting as the trusted lifetime partner for its affluent and high net worth customer base in Mauritius. Towards this end, it capitalised on its differentiating service quality and bespoke offerings, notably relating to its increasingly sophisticated range of investment and wealth management solutions. As a key offering, our customers continued to take advantage of our Lombard loan, which enables them to utilise a wide spectrum of credit products, which are secured against their existing investment portfolios. To underpin our strategic thrusts, we tapped into strengthened customer interactions and enriched offerings. Specifically, our value proposition was, during the last financial year, enhanced with the introduction of (i) a premium flexible housing loan offer, which allows for adequate flexibility for the facility repayment and contains differentiating features, including an interest rate which is aligned with the project value, the required financing and credit assessment amongst others; and (ii) a 31-Day Notice Account, which is an interest-bearing USD /EUR deposit account offering a convenient and flexible solution to customers.

Regional and international fronts

While maintaining a disciplined approach, the Bank made further progress in extending its frontiers abroad. Alongside embracing an opportunistic stance to diversify its market positioning and tap into interesting opportunities, the Bank has remained mainly involved in niche areas where it displays strategic competencies. Consequently, we have continued to deepen our relationships with existing clients and selectively extended our customer base across segments and geographies. Overall, by upholding and reinforcing the growth momentum of its businesses as well as nurturing a wide range of business partnerships, the Bank has positioned itself as a dependable and competitive banking player in Africa. To underpin its market development initiatives, the Bank has capitalised on its customised solutions, regularly-updated risk appetite, a network of some 1,150 correspondent banks worldwide (including around 200 in Africa), Representative Offices as well as the Group’s foreign presence via its subsidiaries and associates. Of note, the Bank has opened a Representative Office in the Dubai International Finance Centre in July 2019, which marks another milestone with regard to MCB’s strategy for extending its frontiers and further diversifying its revenue streams.

We have further broadened and diversified our portfolio of international structured finance, with the Bank financing major development projects across various economic sectors (mainly power, transport, telecommunications, manufacturing and hospitality), countries and products on the African continent, while being also increasingly involved beyond. We strengthened our rapport with existing clients and built on new relationship, alongside developing key relationships with top corporates and private equity Funds in Africa. Towards these ends, we remained actively involved in delivering a comprehensive suite of adapted financing, including project financing, acquisition financing and corporate lending, while offering our products and services via bilateral lending, club deals or syndicated facilities in order to suit the specific requirements of our clients.

We reinforced our involvement in Energy and Commodities (E&C) financing, backed by our tailored value proposition, a robust risk appetite framework, as well as strong front-to-back internal processes, with specialised and dedicated resources being recruited in a transaction management and structuring capacity. We consolidated our positioning in key markets, alongside capturing opportunistic flows in other countries, supported by the deepening of relationships with a broad range of clients. Whilst moving towards mid-sized and big traders, we consolidated the trade finance segment of our portfolio. Beyond this sphere, we prudently diversified into the African oil and gas structured debt market. We made significant progress in shifting towards medium to longer-term financing along the value chain by widening our involvement across the upstream business, alongside playing a pivotal role in securing the petroleum products requirements of some countries in Africa.

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 some 91 financial institutions worldwide, including over 60 in Africa and spanning 24 countries in FY 2018/19. 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.

MCB took dedicated initiatives in view of positioning itself as a reference in the region for premium banking and wealth management expertise, in line with a key growth pillar, which is to expand private banking into Africa and beyond. In spite of being confronted by a challenging operating environment amidst unsteady financial market conditions, total assets under management increased, while our international clients edged up, with major inroads made being across Europe and Middle East. This performance was backed by our sophisticated value proposition as well as active brand and relationship-building exercises. On the marketplace, we have reinforced 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. In addition, MCB set out to further position 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.
Delivering on our strategic objectives

Key projects underpinning our business growth agenda

**HR Transformation Programme**

- The organisation boarded onto this programme to gear up the quality of its human capital in order to better support its growth strategies. It aims to implement world-class practices and processes to attract, develop and support employees who are engaged in their work and are motivated to perform at their full potential. Key objectives are to (i) implement a transparent talent management framework, while growing and retaining the best talents; (ii) create a set of leadership values and develop an attractive employer brand; (iii) refine the performance management framework to foster an environment of trust, high aspiration and high achievement; (iv) foster strategic talent acquisition by determining the right moves for identifying, attracting and hiring top talent; and (v) boost operational efficiency levels via upgraded systems, processes and practices.

- Towards crafting the transformation programme, we retained the services of a world-renowned HR consulting practice. Till date, major milestones have been realised following the elaboration – through a consultative process involving key stakeholders – of a new operating model and structure for the Bank’s HR function. A strengthened Talent Management Framework has been developed to meet strategic challenges faced by the organisation, backed by enhanced partnering of the HR function with business lines and entities in support of value creation. Further headway is being realised in terms of Leadership development, underpinned by the formulation of our Leadership Brand statement and Leadership Competency Framework. Alongside ensuring that all employees are treated in a fair and equitable manner, our performance management system is being reviewed, with emphasis laid on the business context, organisation culture and integration with other human resource systems/frameworks.

**Private Banking and Wealth Management Transformation Programme**

- To bolster operational efficiencies and better support its growth ambitions, MCB is currently engaged in an ambitious programme aimed at reinforcing the strategic positioning of its Private Banking and Wealth Management function. Key objectives are to (i) redefine our value proposition; (ii) optimise our operating model, while bolstering inherent capabilities and building scalability; and (iii) set the foundations for the right international business culture. The Bank aspires to capture attractive business opportunities, whilst enriching the experience for its customers, employees and other stakeholders.

- To ensure feasibility and foster ownership of recommendations proposed by our international consultant, employees have been closely involved at each stage. An in-depth current state assessment has been carried out in comparison with best practices. Up to now, a new operating model and organisation chart has been approved for the Private Banking and Wealth Management function. This would notably underpin the execution of key initiatives, including the formulation of a refined client segmentation model and the crafting of business development plans towards increasing share of wallet in the local market and furthering expansion in Africa and beyond.

**Treasury Realignment Programme**

- Key objectives of the project are to define a medium-term strategic vision and roadmap to establish a best-in-class Treasury function at the Bank, while (i) reinforcing asset-liability management; (ii) enabling organic growth through improved Bank-wide offerings; and (iii) tapping into avenues linked to the positioning of Mauritius as an IFC and prospects across Africa.

- So far, the Bank has elaborated a new operating model for its Treasury function. It is currently in the process of finalising the formulation of an action plan for the identification of key talents and responsibilities to fulfill set mandates as well as the implementation of a change management plan amongst others.
**World-class customer experience through digital**

- During the last financial year, the Bank has remained committed to embedding operational excellence and innovation as a key enabler of enriched customer service quality and relationships. The Bank further broadened its digital footprint and continued to unleash dedicated initiatives to accelerate the migration of customers from branches to digital channels. This contributed to further enhance the speed and flexibility with which we deliver value to customers. Specific moves have been pursued to ensure that customer needs are fulfilled in a fast, accurate and simple manner.

**Pursuing our Digital Transformation Programme**

- MCB has been engaged in building human and technological capabilities to execute an ambitious roadmap of initiatives that would cater for the full-fledged execution of its Digital Transformation Programme. Alongside achieving more agile and productive operations and strengthening the Bank’s competitive edge, a key ambition of MCB is to deliver a more convenient and appealing experience to clients, insofar they are, themselves, becoming increasingly ‘digital’ in their behaviours. The success of our Digital Transformation Programme was highlighted by a survey by McKinsey. It showed that MCB’s Digital Quotient – which is a measure of our digital maturity across the areas of strategy, culture, organisation and capabilities – improved by 30% over the year to attain a score of 43 in April 2019, which is significantly above the banking peer average score of 34.

- During the last financial year, we reinforced the operationalisation of our Digital Factory to spearhead our digital transformation. The Digital Factory is anchored on a culture of start-up, while favouring a co-creation paradigm and fully engaging the employees of the organisation. It is integral of 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 digitizing end-to-end customer journeys, backed essentially by business process reviews and reengineering.

**Enriching our payments value proposition**

- We have actively pursued our journey towards promoting digital payments solutions with a view to positioning ourselves for the advent of a cash-lite economy, while enabling our clients to undertake their transactions in a smart, simple and convenient manner. After making allowance for the evolving lifestyles and behaviours of customers and the gradual development of a full-fledged national payments infrastructure, MCB continues to gear up to tap into the continued expansion in the scale of digital payments across markets in which it operates, backed by sustained investments in innovative platforms and solutions.

- As at end-June 2019, our ‘JuiceByMCB’ mobile banking service boasted around 261,000 subscribers, of which some 81,000 recorded during the past year, thus strengthening MCB’s local leadership position in this segment. It is worth highlighting that we have, during the last financial year, further upgraded the user-friendliness and convenience of this service, with new features having been delivered based on customer feedback (e.g. Quick Scan, personalisation of home page, etc.). As for Internet Banking, total subscribers registered a year-on-year growth rate of 14% to attain around 220,000 as at June 2019.

- Our regular card usage campaigns, coupled with sustained customer education, have helped to successfully boost transactions at merchant Point of Sale (POS) terminals. As a key source of satisfaction, we further disseminated our contactless payments solutions – which offer the opportunity for our customers to use their MasterCard Debit Chip card at any MasterCard contactless-enabled merchant point of sale device worldwide – with the Bank witnessing a sustained rise in the number of transactions undertaken via such channels. MCB has also pioneered the introduction of contactless payments as well as Alternative Payments Methods (APM) via its ‘JuiceByMCB’ QR code. While both solutions are at their inception phase, they should be key enablers to convert lower value cash transactions into digital payments in the periods ahead.

- On the acceptance side, MCB has been continuously providing value added services to the merchant community. We rolled out till integration projects at major retailers, which helped to improve the processing time at check-out and enable self-service tills, alongside easing the end-of-day reconciliation, thus making it altogether a better experience for the end consumer and merchant. We are also a key stakeholder in enabling merchants to accept online payments, thus allowing them to expand their reach and increase their sales. Moreover, the Bank’s Cards SBU, in close collaboration with other entities of the Group – namely International Cards Processing Services and MCB Consulting Services – enabled several African banks to connect to international networks such as MasterCard, Visa and UPI, alongside accompanying those banks amidst their objective to set up a profitable Cards unit.
Our Digital Transformation Programme

**Key objectives pursued**

- Improve customer experience across channels
- Unlock further revenue potential through analytics, capturing of leads across all channels and instant fulfilment on digital channels
- Bolster cost efficiencies by gearing up channel proficiencies, reducing cost to serve and migrating customers to low cost channels
- Establish MCB in consumers’ mind as a provider of convenient, seamless, adapted and simple solutions
- Shift the organisation to agile operational mechanisms to unlock business potential, break siloes and improve operational efficiency
- Enhance data management and leverage advanced analytics to drive customer value and insights as well as manage risk

**Our Digital Factory**

**Key aspects of an innovative mode of operation**

**General overview**

- Key tasks include the end-to-end definition, redesign and digitisation of customer journeys, starting with an initial minimum viable digital product (MVP) over a fixed period
- Championing in an agile way of working
  1. Strong customer-centric approach through co-creation
  2. Collaboration
  3. Continuous improvement and short feedback loop
  4. Fail fast culture
  5. Continuous learning culture
  6. Innovation culture through participation in events, competitions and conferences
  7. Self-organised team
  8. Team v/s individual performance – if the team fails, even if you are a high performer, you fail as well
  9. Make work FUN – in order to build a loyal, high performing, engaged workforce, we strive to inject fun into the workplace

**Human capital**

- Local and international teams, with eight different nationalities and broad mix of skills competencies
- Continuous investments in skills development; recruitment of new talents to fill in several key roles, from data analytics and user experience design to user interface design and full stack developers to create design practices

**Structure and mechanisms**

- Adoption of a Scrumban hybrid for our primary delivery method – our cross-functional and co-located squads are small groups of 10-12 people working closely together and emanating from various segments of the Bank. They have the necessary skills to ideate on a product and deliver that finished product to the market. The squads include Product Owners, Scrum Masters, Designers, IT Engineers, Business Analysts and may be supplemented by subject matter experts
Our Digital Transformation Programme

Key objectives pursued

- Manage risk
- Customer value and insights as well as leverage advanced analytics to drive business potential, break siloes and operational mechanisms to unlock
- Shift the organisation to agile adapted and simple solutions

- Establish MCB in consumers’ mind as cost to serve and migrating up channel proficiencies, reducing
- Bolster cost efficiencies by gearing instant fulfilment on digital channels leads across all channels and through analytics, capturing of
- Unlock further revenue potential experience across channels

- Improve customer

- Adoption of a Scrumban hybrid for our primary delivery method – our

- Continuous investments in skills development; recruitment of new talents local and international teams, with eight different nationalities and broad human capital

- Key tasks include the end-to-end definition, redesign and digitisation of

General overview

Key aspects of an innovative mode of operation

Our Digital Factory

- Supplemented by subject matter experts Scrum Masters, Designers, IT Engineers, Business Analysts and may be

- That finished product to the market. The squads include Product Owners, Bank. They have the necessary skills to ideate on a product and deliver working closely together and emanating from various segments of the cross-functional and co-located squads are small groups of 10-12 people

- Makes work FUN – in order to build a loyal, high performing, engaged workforce, we strive to inject fun into the workplace

- Team v/s individual performance – if the team fails, even if you are a high performer, you fail as well

- Self-organised team

- Innovation culture through participation in events, competitions and conferences

- Continuous learning culture

- Fail fast culture

- Continuous improvement and short feedback loop

- Collaboration

- Strong customer-centric approach through co-creation

- iv) Integration of the overall MCB community, while facilitating a culture shift at work; staff consulted and integrated into designing solutions and fully supported on the changes

- Adoption of cutting-edge information tools such as omnichannel and workflow tools

- Establishment of Advanced Analytics practice to (i) address business-related use cases and problem statements; (ii) disseminate and sharing knowledge on best practices in the field across the organisation; (iii) collaborate with relevant stakeholders to set-up the long-term vision for data collection, hosting and processing; and (iv) foster the use of sophisticated data mining and analysis as well as modelling techniques to better understand customer behaviour towards providing actionable insights to business units

- Setting up of a Data Office to help MCB leverage data as strategic asset, while contributing to improve the quality and accessibility of the data infrastructure

- Setting up of a Customer Lab to bridge the gap between the organisation and people (i.e. the customers and employees) – through Design Thinking, the lab is acting as a beacon for the organisation by contributing research, encouraging co-creation with customers and seeking innovative solutions

- Setting up of Change Management Office (CMO) to drive the adoption of new customer journeys across the organisation – the unit (i) provides the structure to effectively implement the changes required to successfully deliver the new journeys; (ii) anticipates, assesses and caters for the impact of changes on resources; and (iii) provides colleagues with the tools and training needed to implement the changes

Main accomplishments

- Headway made towards implementing an agile way of working across MCB as a whole to trigger a fast-moving organisation, while seeking to generate higher team productivity and morale, faster time to market and better service quality

- Launch, so far, of two digital platforms under our Mortgage Customer Journey and SME Account Opening Customer Journey – customers applying for housing loans through the online platform, which is effected within 10 minutes, can now benefit from new features such as an ‘Approval in Principle’ within 48 hours and a relatively faster housing loan disbursement, while new SME customers are able to open their business accounts within 2 working days. This has contributed to reduce the number of branch visits for our customers and ensured that clients enjoy a simple and transparent application journey. In fact, since October last year, our Mortgage digital on-boarding platform has processed more than 350 applications, with the figure for the SME platform standing at some 950

Other achievements:

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- Setting up of a Data Office to help MCB leverage data as strategic asset, while contributing to improve the quality and accessibility of the data infrastructure

- Setting up of a Customer Lab to bridge the gap between the organisation and people (i.e. the customers and employees) – through Design Thinking, the lab is acting as a beacon for the organisation by contributing research, encouraging co-creation with customers and seeking innovative solutions

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Delivering on our strategic objectives

**Upgrading our information technology platform, while keeping customers’ satisfaction and safety at the centre of our operations**

- The Bank availed of cutting-edge technologies across the value chain, alongside continuously upgrading its IT systems and infrastructure in order to further enhance operational efficiency levels and eventually boost customer service quality.

- As a key achievement, the Bank implemented its new Treasury system during the last Financial Year. Thus, it now runs a state-of-the-art platform, aimed at improving avenues for undertaking a broader range of activities on the system and fostering improved coordination of information across the value chain, while bringing new and sophisticated treasury products on the market. In addition, MCB is gradually implementing a new Portfolio Management Platform to improve the capabilities of its Private Banking and Wealth Management business line. It has also embarked on a project geared towards the cloudification of its platforms, as evidenced by the successful migration of its Enterprise Resource Planning (ERP) and the upcoming Human Resource Management System (HRMS). MCB is now using a complete and secure Cloud Platform, encompassing the latest General Ledger, Accounts Payable, Procurement and Fixed Assets modules. This makes us the pioneer and largest organisation in sub-Saharan Africa to implement such a platform on the Cloud.

- Reflecting the strong credentials of its main Data Centres, the Bank is progressing towards achieving Tier 3 certification, while the Disaster Recovery site is already a Tier 4 certified Data Centre. Our SWIFT Service Bureau was one of the first in the region to be SWIFT 2019 certified and we are aiming for the latest PCI DSS certification for our Cards services, while a comprehensive ISO 27001 compliance programme has been initiated for our IT Operations.

- The Bank is progressing well on its digital transformation, with a revised IT Architecture Roadmap defined to support our digital agility. An Omni-channel platform is being implemented on a pilot project, before being rolled out across all channels. A new Workflow platform (BPMN 2.0 compliant) was selected, with several flows already migrated to the platform. A newly integration layer was introduced, to facilitate the integration between our channels and our Core Services layer, via APIs. It will be further enhanced to enable Open Banking integration. Robotic Process Automation is also high on the agenda, with several automated flows already live, significantly improving the efficiency and resilience on some of our critical back office activities.

**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 an alignment of actions being deployed to achieve common goals. It strived to ensure that such values are continuously lived up and transposed into the day-to-day attitudes, behaviours and activities of its employees.

- As highlighted before, the organisation is executing an ambitious Corporate Sustainability Programme (CSP), with the key pillars being as follows: (i) the development of a vibrant and sustainable local economy, (ii) the protection and valorisation of our cultural and environmental heritage and (iii) the promotion of individual and collective well-being. Several initiatives have been taken under each pillar as part of 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. To underpin efficient project execution and management, an integrated governance and operational set-up has been put into place. It is led by a Programme Steering Committee, which is chaired by the Deputy Chief Executive of the Bank as the Executive Sponsor. Each of the three pillars of the programme were put under the responsibility of two ‘pillar owners’, as ambassadors for the project. They rallied people to join the programme and these volunteers were grouped into workstreams under each of the key themes considered.

- As the situation stands, to reinforce its inherent capabilities, the organisation is in the process of setting up a Sustainability Team, which is mandated to bring forward and monitor the implementation of the Corporate Sustainability Programme, while fostering a more effective integration of sustainability topics in our operations. In addition to that, the governance framework overseeing the programme is being upgraded in order to ensure seamless communication amongst stakeholders and a smoother process flow with regard to the rolling out of earmarked initiatives. This capacity building momentum will support the realisation of earmarked future initiatives under each pillar to pursue our sustainability agenda. In this respect, a clear roadmap delineating deadlines and quantitative targets for measuring progress has been elaborated. The organisation is also gearing up to formulate a longer-term strategy that will holistically and coherently shape up its sustainability engagement.

Read more in the ‘Creating value in a sustainable way for the benefit of our stakeholders’ on pages 51 to 52
Selected initiatives executed across the Corporate Sustainability Programme

**Pillar 1: The development of a vibrant and sustainable local economy**

**‘Lokal is Beautiful’ report**

- Titled ‘Lokal is Beautiful’ and prepared by a renowned French consulting firm, i.e. Utopies, the organisation has released, for the attention of key stakeholders and the general public, the results of a full-fledged study that was commissioned with a view to identifying and appraising economic leaks in Mauritius. The study aimed at uncovering how the country’s prosperity could be uplifted by enhancing the multiplier effect within the economy by means of dedicated policies and initiatives. The initiative seeks to engage stakeholders in collaborating with the Bank to discuss about pertinent options to reshape the country’s economic model, while embracing a more vibrant, entrepreneur-driven and sustainable mindset.

More information on our ‘Lokal is Beautiful’ report is available on our website

**Strengthening the SME ecosystem**

- As its brand new offer to SMEs and a meaningful move, the Bank launched its ‘Lokal is Beautiful’ scheme. Alongside consolidating our market share, the scheme aims to improve access to finance for responsible Mauritian entrepreneurs. The clients that are on-boarded as part of this scheme are subject to specific eligibility criteria (notably relating to types of business being involved into as well as compliance to environmental, social and governance standards). They can benefit from appealing solutions and an ecosystem of services (e.g. up to 100% financing, low interest rate, flexible disbursement and repayment plan, rapid application process via digital channels, partnerships with key business stakeholders, participation in networking events such as Business Meetings, availing of the MCB Business Introducer Program) that meet their requirements.

- While embedding a network that provides SMEs with effective means to realise their ambitions, the ‘Lokal is Beautiful’ scheme seeks to promote the adoption of sustainability principles by the society, alongside underpinning the country’s progress at large.
Delivering on our strategic objectives

Selected initiatives executed across the Corporate Sustainability Programme

Pillar 2: The protection and valorisation of our cultural and environmental heritage

**VIBE Moris®**

- The second season of VIBE Moris® – a song competition which has been imagined, designed and produced by MCB Group in collaboration with key partners – was broadcast on the national television in May last. Key objectives are to encourage the development of stage-related jobs, demonstrate that there is scope for the emergence of a cultural industry and provide a platform for artists to develop their talents.

**‘Green loans’ to clients**

- The Bank has maintained its commitment to promote green financing and inclusive growth through its flagship ‘Green Loans’ offering, pursuant to the lending facility availed from Agence Française de Développement (AFD). This collaboration has enabled MCB to finance clients’ positive environmental impact projects, while focusing on stimulating the deployment of renewable energy and energy-efficient technologies and reducing carbon emissions. Of note, the third edition of the facility availed from AFD is even more ambitious than the previous two lines. In addition to supporting mitigation of climate change projects (i.e. covering renewable energy, energy efficiency, reduction in greenhouse gas emissions), the new programme intends to finance adaptation to climate change projects as well as projects promoting gender equality.

Pillar 3: The promotion of individual and collective well-being

**‘Social leave’ for employees**

- The organisation has launched its ‘Social Leave’ initiative. A 1-day paid leave is granted to all MCB employees on a yearly basis for participation in volunteering activities. The aim is to provide employees with the opportunity, by means of a dedicated framework, to be actively engaged in the community and yield a long-term impact on projects where our staff are involved.

Alain LAW MIN
Chief Executive Officer

Raoul GUFFLET
Deputy Chief Executive