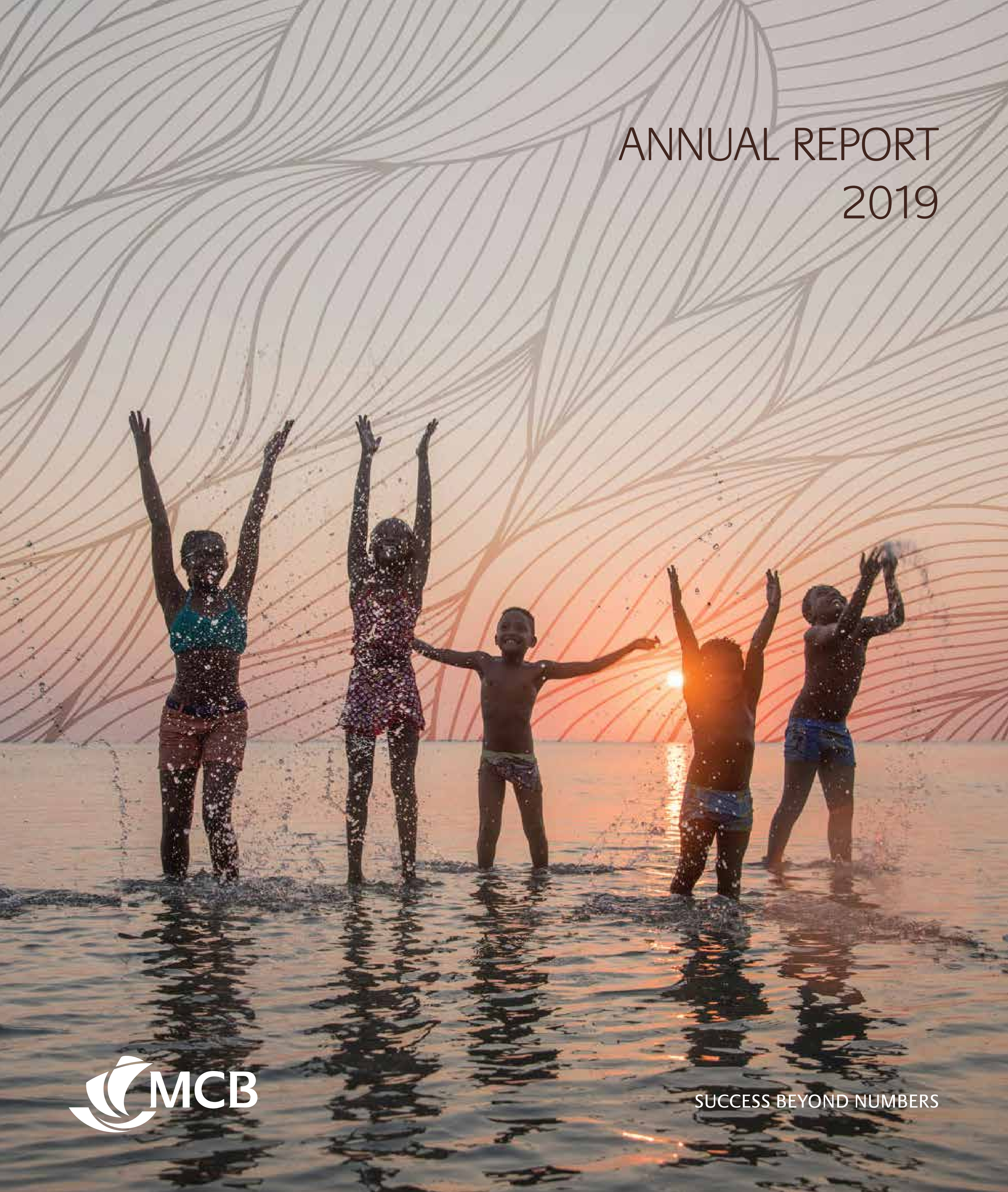
ANNUAL REPORT 2019



MCB

SUCCESS BEYOND NUMBERS

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

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

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

The Directors of The Mauritius Commercial Bank Limited are pleased to present its Annual Report for the year ended 30 June 2019.

The Annual Report was approved by the Board of Directors on 26 September 2019.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive Officer

Nou konviksion

Moris… mo pei… Nou finn resi
Ansam nou'nn lev boner, travay, reve, grandi
Sikse ekonomik fer nou fier

Me Moris mo pei, lev to lizie !
Pran kont ki tou dimounn pena mem sans dan nou sosiete
Kan ena dimounn pe plore, planet deregle, fode pa nou get lot kote
E !… Finn ler nou dimann nou-mem ki nou konpran kan nou koz sikse

Eski nou kapav dir dimounn ere akoz grander zot lakaz
ouswa lor grander lamour zot fami ki viv ladan ?
Eski enn loto so valer, li depann lor so groser ?
Ouswa li dan sa fasilite ki li donn nou al partou kot nou anvi ?

Eski enn biznes so rises, li zis dan profi ki li fer ?
Ouswa li dan bien-et ki li aporte dan landrwa kot li ete ?
Vremem… Finn ariv ler pou nou reaprann mezir ki ete sikse

Sikse, se lasante, ledikasion ek travay pou tou dimounn.
Se proteksion nou lanvironnman pou nou bann zanfan
Se donn enn lame bann biznes, ki li gran, ki li tipti...
Sikse, se ki sakenn gagn mem sans dan lavi.

Moris, mwa, mo MCB, enn zanfan isi
Dan sa kalite sikse-la ki mo pou investi
Sikse pou nou lepep, nou lidantite, nou lavenir.
Sikse pou Moris mo pei

Success Beyond Numbers

Our convictions

Mauritius … my country … we did it!
We rose at dawn, we worked hard, we dreamt and grew.
Our economic success has made us proud.

But … Mauritius … my country
Let's not turn a blind eye to things anymore.
As the world settles into inequality,
As we brace ourselves for ecological catastrophe,
As hopes and dreams disappear into reality and despair,
We must redefine what success means to us.

Is the success of a home the price of the property?
Or is it in the love it allows a family to share?
Does the value of a car live in its size, the make, the model?
Or is it in the freedom to choose our own path?
Does the wealth of a business lie in its profit margins?
Or is it in the well-being it provides?

Now is the time to change the equation, to redefine the way we measure success.
Success is access to health, education and jobs for all.
Success is protecting our environment for future generations.
Success is empowering business, big, small, old and new.
Success is equality being everyone's utmost priority.
Success is prospering together

We are MCB.
We believe in Success.
Success for this land.
Success for all people.
Success for tomorrow.

MCB at a glance

Our identity

The Mauritius Commercial Bank Limited (referred to as 'MCB Ltd', 'MCB' or 'Bank') is a dynamic organisation with a rich heritage. It is the leading bank in Mauritius and an increasingly prominent regional player.

MCB is the main subsidiary of MCB Group Limited (hereinafter referred to as 'MCB Group Ltd' or 'Group'). The Group encompasses local and foreign banking and non-banking subsidiaries and associates.

Our purpose-driven approach

Over time, MCB has built an organisation which is worthy of the trust of its customers, shareholders and the community at large. We have continuously strengthened our balance sheet and improved our revenue base, while effectively navigating through the risks and challenges that we have faced within the operating landscape.

Today, we are actively, but thoughtfully, diversifying our markets in the region and beyond. We are successfully leveraging technology and innovation to make banking simpler, faster and more convenient to our customers, alongside offering them connected and seamless experiences. In tune with our brand promise and as a responsible entity, we are committed to executing an ambitious sustainability agenda in order to embed long-term value for our stakeholders.

Our reporting suite

This Annual Report should be read in conjunction with our Sustainability Report. For the first time, we are disseminating a dedicated report, which provides a comprehensive overview of our **Corporate Sustainability Programme, 'Success Beyond Numbers'**. While shedding light on our value creation model and our socio-economic impact in Mauritius, it showcases key strategies and moves aimed at embedding our role as a responsible corporate citizen.

The above reports can be accessed on our websites. They are available in a digital format, which implies that they are fully adapted to smartphones, tablets and desktop computers. This allows for a more enjoyable reading experience, while making it easier to share key information from the report. The latter can, thus, be conveniently broadcast on social media platforms such as Twitter and LinkedIn as well as on instant messaging services like WhatsApp.

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

Financial highlights

Financial performance

Net profit

Rs 8,814 m

+29.9%

Rs m	
Jun 19	8,814
Jun 18	6,786
Jun 17	6,245

Total assets

Rs 428 bn

+21.5%

Rs bn	
Jun 19	428
Jun 18	352
Jun 17	316

Market positioning

Customer loans

Rs 220 bn

+13.1%

Rs bn	
Jun 19	220
Jun 18	194
Jun 17	166

Customer deposits

Rs 307 bn

+10.1%

Rs bn	
Jun 19	307
Jun 18	279
Jun 17	259

Capital & profitability metrics

Capital adequacy ratio

16.6%

+94 bps

%	
Jun 19	16.6
Jun 18	15.6
Jun 17	17.4

Return on equity

19.2%

+3.0 pp

%	
Jun 19	19.2
Jun 18	16.2
Jun 17	17.2

Efficiency & asset quality

Cost to income ratio

33.7%

-3.3 pp

%	
Jun 19	33.7
Jun 18	37.0
Jun 17	37.6

Gross NPL ratio

3.8%

-31 bps

%	
Jun 19	3.8
Jun 18	4.1
Jun 17	5.9

Board of Directors

Chairperson

Jean-François DESVAUX DE MARIGNY *(as from December 2018)*

Independent Non-Executive Directors

Jean-Philippe COULIER *(Chairperson)* (*until December 2018*)

Priscilla BALGOBIN-BHOYRUL (*until December 2018*)

Jonathan CRICHTON

Uday GUJADHUR

Philippe LEDESMA

Simon Pierre REY

Non-Executive Director

Jean Michel NG TSEUNG

Executive Directors

Raoul GUFFLET

Alain LAW MIN

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

Committees of the Board

Supervisory and Monitoring Committee

Jean-François DESVAUX DE MARIGNY *(Chairperson) (as from January 2019)*

Jean-Philippe COULIER *(Chairperson) (until December 2018)*

Raoul GUFFLET (*also acts as Secretary*)

Alain LAW MIN

Conduct Review Committee

Simon Pierre REY (*Chairperson*)

Priscilla BALGOBIN-BHOYRUL (*until December 2018*)

Uday GUJADHUR

Philippe LEDESMA (*as from December* 2018*)*

Secretary: Frederic PAPOCCHIA

Risk Monitoring Committee

Jonathan CRICHTON (*Chairperson*)

Jean-Philippe COULIER (*until December 2018*)

Jean-François DESVAUX DE MARIGNY (*as from December 2018*)

Alain LAW MIN

Philippe LEDESMA

Jean Michel NG TSEUNG

Secretary: Frederic PAPOCCHIA

Audit Committee

Uday GUJADHUR (*Chairperson*)

Priscilla BALGOBIN-BHOYRUL (*until December 2018*)

Philippe LEDESMA (*as from December 2018*)

Simon Pierre REY

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

Nomination and Remuneration Committee

Jean-François DESVAUX DE MARIGNY*(Chairperson) (as from December 2018)*

Jean-Philippe COULIER (*Chairperson) (until December 2018)*

Alain LAW MIN

Philippe LEDESMA

Simon Pierre REY (*also acts as Secretary*)

Leadership team

Business Executives

Alain LAW MIN	**Chief Executive Officer**
Raoul GUFFLET	**Deputy Chief Executive**
Vincent CHATARD	Chief Operating Officer
Bhavish NAECK	Head – Finance
Frederic PAPOCCHIA	Chief Risk Officer
Mike SOPHIE	Head – Human Resources

Business Leaders

Christophe AYNAUD	Head – Permanent Control
Matthieu BENOIT	Head – Marketing
Hema CEDERHAGE	Head – Securities Services
Paul CORSON	Deputy Head – Corporate and Institutional Banking
Robin CUNDASAWMY	Head – Internal Audit
Koomaren CUNNOOSAMY	Head – Corporate Banking
François DESVAUX DE MARIGNY	Deputy Head of Private Banking and Wealth Management *(as from May 2019)*
Vanessa DOGER DE SPEVILLE	Head – Communication

Hemandra Kumar HAZAREESING	Head – Global Business
Marc HAREL	Head – Institutional Banking
Jean-François HENRI	Head – Facilities Management and Procurement
Patrice HERVE	Head – IT
Vicky HURYNAG	Head – Strategy, Research and Development
Joel LAMBERT	Head – Legal (*as from May 2019*)
Roselyne LEBRASSE-RIVET	Head – Legal/In-House Lawyer (*until June 2019*)
Steve LEUNG SOCK PING	Head – Quality Assurance
Stephanie NG TSEUNG	Head – Cards
Didier MERLE	Head – Private Banking and Wealth Management *(until November 2018)*
Vikash NATHOO	Head – Special Assets and Recovery
Lindley PERRINE	Head – Treasury
Jovanna PREFUMO-MONTY	Adviser – Treasury
Dominic PROVENCAL	Deputy Head – Retail
Neekeea RAMEN	Head – Credit Management
Abraham RAWAT	Head – Retail
Zaahir SULLIMAN	Head – Energy and Commodities
Anju UMROWSING-RAMTOHUL	Head – Credit Origination and Structuring

Reflections from the Chairman

What are your first impressions as Chairman?

I am delighted to address my first message, as Chairman of the Board of MCB Ltd, following my appointment in December 2018. I am very glad to have been given this opportunity and I am thrilled by the challenge to lead the Bank further ahead.

I have, so far, witnessed the commitment displayed by the Bank to transform itself and ambitiously pursue its business diversification agenda, alongside creating sustainable value for the ultimate benefit and advancement of its stakeholders. I am comforted to be in the midst of a pool of talented and dedicated women and men who understand and take pride in the culture of the organisation, while being fully engaged to preserve our brand and achieve long-term success for us all.

What are the key achievements during the year?

During FY 2018/19, the Bank achieved commendable progress. We have successfully executed our strategic priorities aimed namely at extending our frontiers, delivering a world-class customer experience through digital innovation, as well as nurturing our values and delivering on our brand promise. We increased our results by nearly 30%, these being underpinned by our broad-based balance sheet growth, with further headway being registered on the regional front. At the same time, we improved the soundness of our financial indicators. The Bank has healthy capital, funding, liquidity and asset quality positions. Besides, our cost to income ratio was brought down to an even more comfortable level. As enablers, we have capitalised on our solid business model, operational efficiency as well as our innovative and upgraded value proposition.

We are particularly encouraged by the upgrade of our credit rating by Moody's Investors Service. While testifying that our strategy is working in the wake of the challenging operating context, this achievement should be a key element in accompanying the Bank in extending its market reach and delivering on its African ambitions.

" We remained active in attracting, retaining and developing a talented and diverse workforce."

On the business development front, MCB has, during the last financial year, consolidated its status as the leading bank in Mauritius and has positioned itself as a prominent regional financial services provider. Locally, we provided increasingly simplified and customised banking propositions and experiences to our clients. We further improved the reach and quality of our payments solutions and capitalised on the use of innovative technologies, with the execution of our Digital Transformation Programme already yielding tangible results for the Bank. Reflecting our leading position domestically and our pledge to help clients realise their goals, while supporting the sound socio-economic development of Mauritius, our market share of domestic credit to the economy was around 41% as at June 2019, with dominant positions held in respect of housing loans and credit extended to most strategic sectors. Acknowledging their essential role to the economy, we helped entrepreneurs take off and prosper. We ranked 1st amongst banks participating in the Government-backed SME Financing Scheme, representing some 48% of total facilities granted between December 2011 and August 2019. As part of its endeavour to support the education of the youth, MCB is again in the lead, with a market share of over 66% in respect of total student loans approved in the six years to August 2019. We account for 47% of local currency deposits, while around one in every two cards issued in Mauritius is MCB-branded. Besides, our enriched JuiceByMCB mobile banking service had around 275,000 subscribers as at August last, including some 85,000 signing up during the last year.

"As a major endeavour, we reinforced our contribution to the economy, society and environment ..."

Beyond, the Bank has deepened its diversification strategy and market footprint, notably across the African continent. We broadened our involvement in Energy and Commodities financing, with notable progress being made in the African oil and gas structured debt market. We expanded our portfolio of international structured trade finance, alongside tapping into a wide range of countries and economic sectors in Africa and elsewhere. We have also continued to forge mutually beneficial partnerships with foreign counterparts in the context of our organisation's 'Bank of Banks' initiative, whereby we give our clients access to our outsourcing services to underpin capacity-building and growth initiatives. We look forward to pursuing our business development endeavours abroad on the basis of our continuously enhanced market coverage, with our recently established Representative office in Dubai International Financial Centre expected to be a key enabler.

The year under review has also witnessed the execution of important business transformation initiatives to support the Bank's strategic intents and lay solid foundations for future growth, while enhancing the robustness of our operating model. The Bank engaged on an ambitious change agenda on multiple fronts, with a view notably to (i) embedding the adoption of world-class HR practices and processes; (ii) unlocking market potential across all segments, notably avenues linked to the positioning of Mauritius as a reputable International Financial Centre; and (iii) strengthening our risk and compliance management framework.

I have no doubt that MCB will raise its game to deliver on its strategic focus areas in a timely, innovative and responsible manner.

Reflections from the Chairman

We are committed to creating conducive conditions for these projects to be executed in an effective and timely manner. We will do our best to ensure that our actions are supported by smooth coordination and intelligent planning, backed by clear guidelines and coherent on-boarding of employees.

How has MCB upheld its brand image and franchise?

As a major endeavour, we reinforced our contribution to the economy, society and environment towards fulfilling our engagement as a responsible entity. While the MCB Forward Foundation pursued its role of promoting community empowerment and social welfare, we implemented our far-reaching Corporate Sustainability Programme on the back of a fitting operating framework, which contributed to confirm the positive image of our organisation. In line with our 'Success Beyond Numbers' philosophy, we executed key initiatives across three important pillars, namely (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.

> *" We will anchor our business development thrust on our strong risk management framework ..."*

Our performance and credentials have been widely recognised. As a key source of satisfaction, we won the 'Regional Bank of the Year - Southern Africa' award at the African Banker Awards 2019 and were named, for the sixth consecutive year, as 'Best Bank in Mauritius' at the Euromoney Awards. We have been named as the 'Best Private Bank in Mauritius' at The Banker's Global Private Banking Awards 2018. Furthermore, the Bank strengthened its relationships and engagement with its stakeholders. In addition to working towards optimising shareholder value, we regularly met regulators and rating agencies in a transparent and constructive manner. We remained active in attracting, retaining and developing a talented and diverse workforce. We ensured that they are adequately empowered to support our growth agenda. We took key initiatives to create a stimulating work environment to promote the safety and well-being of employees.

How do you envision the future for the Bank?

We operate in a business environment which is undergoing increasingly complex shifts, notably in the field of technology, with demanding regulatory and compliance requirements as well as challenging market landscapes. With this in mind and alongside addressing short-term priorities, we are determined to position the Bank for the next growth cycle. Operationally, the Bank endeavours to further simplify and streamline the way it operates and interacts with its stakeholders. It intends to make additional progress in adopting an agile mode of working across the organisation, enriching its customer propositions and remaining on the lookout for growth avenues. In addition to consolidating our prominent footprint in Mauritius, we will pursue our regional market diversification initiatives in a dynamic and pragmatic manner. Along the way, the recourse to innovative technologies will be a key feature of its business agenda, with the Bank intent on further executing its Digital Transformation Programme. This will lead to optimal operational efficiency levels and customer service quality. We will continue to abide by the best corporate governance practices and will ensure that our employees strictly adhere to principles of integrity, accountability and transparency when conducting their activities. In addition, we will anchor our business development thrust on our strong risk management framework, backed by reliable control mechanisms. From a strategic angle, we will uphold our sound capital and funding positions to support our ambitions. In this respect, the USD 800 million Syndicated Term Loan Facility that we obtained on international debt markets, which further testifies to our strong credentials, should assist us in developing our foreign currency business lines.

As an important objective going forward, we remain committed in further embedding our Corporate Sustainability Programme. Our ambition is to embrace sustainability as a core feature of our business, while instilling it in our values, behaviours and customer relationships.

Any concluding remarks?

On behalf of the Board, let me seize this opportunity to thank Jean-Philippe Coulier for the invaluable guidance and strategic direction that he has provided during his tenure as Chairperson of the Bank before retiring last year. I wish him all the very best in his future endeavours. To my fellow Directors of the Board, I wholeheartedly thank you for your continued support and dedication as well as your wise counsel in overseeing the direction of the Bank and setting the stage for achieving objectives and targets that we have set. On a specific note, I would like to put on record my appreciation of the informed knowledge and high professional standards that Priscilla Balgobin-Bhoyrul has shared as member of our Board, before leaving in December 2018. I would like to welcome, as a new Director, Su Lin Ong, whose appointment has been confirmed by the Board and will be submitted for approval by the shareholder at the coming Annual Meeting. I am certain that her valuable experience and knowledge will contribute positively to the different responsibilities assigned to the Board.

I would like to express my appreciation to Alain Law Min, Raoul Gufflet and the Leadership Team of MCB Ltd for their strong dedication towards helping us deliver on our commitments and guiding the organisation towards greater heights. In the same vein, I wish to express my sincere gratitude to our talented employees for their hard work in helping the organisation meet its objectives. In addition, I thank our esteemed customers for their loyalty and would like to reassure them that we will continue to accompany them in realising their ambitions.

Looking ahead, while we engage into an era which promises to be equally challenging and exciting, I have no doubt that MCB will raise its game to deliver on its strategic focus areas in a timely, innovative and responsible manner. MCB is building a bank for the future and I have every reason to believe that we can capitalise on our sound business model and the dedication of our people in order to achieve this objective for the benefit of all stakeholders.

Jean-François DESVAUX DE MARIGNY

About this annual report

Philosophy of the annual report

As our primary report, this annual report provides a holistic and transparent overview and assessment of our organisation's ability to create value in the short, medium and long term. The report demonstrates our commitment as well as the key strategies and initiatives that we adopt in order to sustain sound business growth and cater for the well-being of our numerous stakeholders. We have continued to make progress in our bid to comprehensively adhere to the key principles of the International Integrated Reporting Framework of the International Integrated Reporting Council.

Icons used in this report

Read more in this Annual Report

Read more in the Sustainability Report on our website

Find out more online
(i.e. across MCB websites)

Scope and boundary of reporting

Reporting period and contents

The report covers the period spanning 1 July 2018 to 30 June 2019. Material events taking place after this date and until approval by the Board of Directors of MCB Ltd on 26 September 2019 have also been communicated. The report contains insights on the operating context, the Bank's business model and strategy, business performance, support to stakeholders, risk management and governance as well as financial performance and outlook for the short to medium term.

Operating businesses

The report sheds light on activities undertaken across different segments and layers of the Bank. The nature and extent of information delivered depend on their materiality and relative significance to the Bank and its stakeholders.

Reporting requirements

The contents of the report comply with the obligations and requirements falling under relevant laws and regulations as well as local and international codes and standards of good practices. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and relevant regulatory requirements.

Assurance and independent assessment

Our external auditors state that in their opinion the financial statements give a true and fair view of the financial position and performance of MCB Ltd and that the corporate governance report is consistent with the requirements of the applicable National Code of Corporate Governance.

Overview of key concepts

Value creation

Our relevance as an organisation today and in the future depends on our ability to apply the forms of capital as inputs to achieve our desired outputs and outcomes, e.g. delivery of financial performance and creation of sustainable value for multiple stakeholders. Our value creation model, which is embedded in our thinking and behavioural models, is anchored on the following:

Our capitals

- **Financial capital**: The pool of funds – derived notably through shareholders' equity as well as funding from investors and clients – that are used by our organisation to underpin its operations and support business activities
- **Human capital**: Our ability to invest in and leverage our people's technical skills, competencies as well as their collective knowledge and motivation to innovate and develop customised solutions for clients
- **Social and relationship capital**: Our involvement in driving social progress and a thriving financial ecosystem by collaborating with relevant institutions and acting on relationships within and between communities as well as groups of stakeholders
- **Natural capital**: The impact of our operations and activities on renewable and non-renewable environmental resources and processes
- **Intellectual capital**: Our knowledge-based intangibles - including our franchise and reputation, intellectual property and strategic partnerships - as well as 'organisational capital' such as tacit knowledge, procedures and protocols
- **Manufactured capital**: The operational paradigms, mechanisms and processes that provide a framework for our services delivery, including our physical infrastructure as well as our information technology and digital platforms

Creating value to key stakeholders

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

Materiality determination

In identifying and formulating the contents and messages being included in this report, we have made allowance for the issues and dynamics that are material in impacting our business development, commercial viability, brand image, corporate culture as well as our inherent relevance in the societies and communities in which we operate. In a nutshell, our material matters, which cut across the organisation and whose relative significance may change over time, revolve around the following themes:

- Upholding ethical and good governance standards in our operations
- Proactively appraising risks, challenges and opportunities
- Determining and adapting our strategic orientations and targets
- Providing customers with their preferred choices of financial services
- Fostering operational excellence, innovation and the digitalisation of our operations
- Creating ecosystems to underpin vibrant and sustainable economies
- Promoting the welfare of societies and preserving our environmental and cultural heritage
- Harnessing the competence, empowerment and welfare of our staff

Read more in the Sustainability Report on our website

Our Mission

We will keep finding ways to meet the needs of our customers

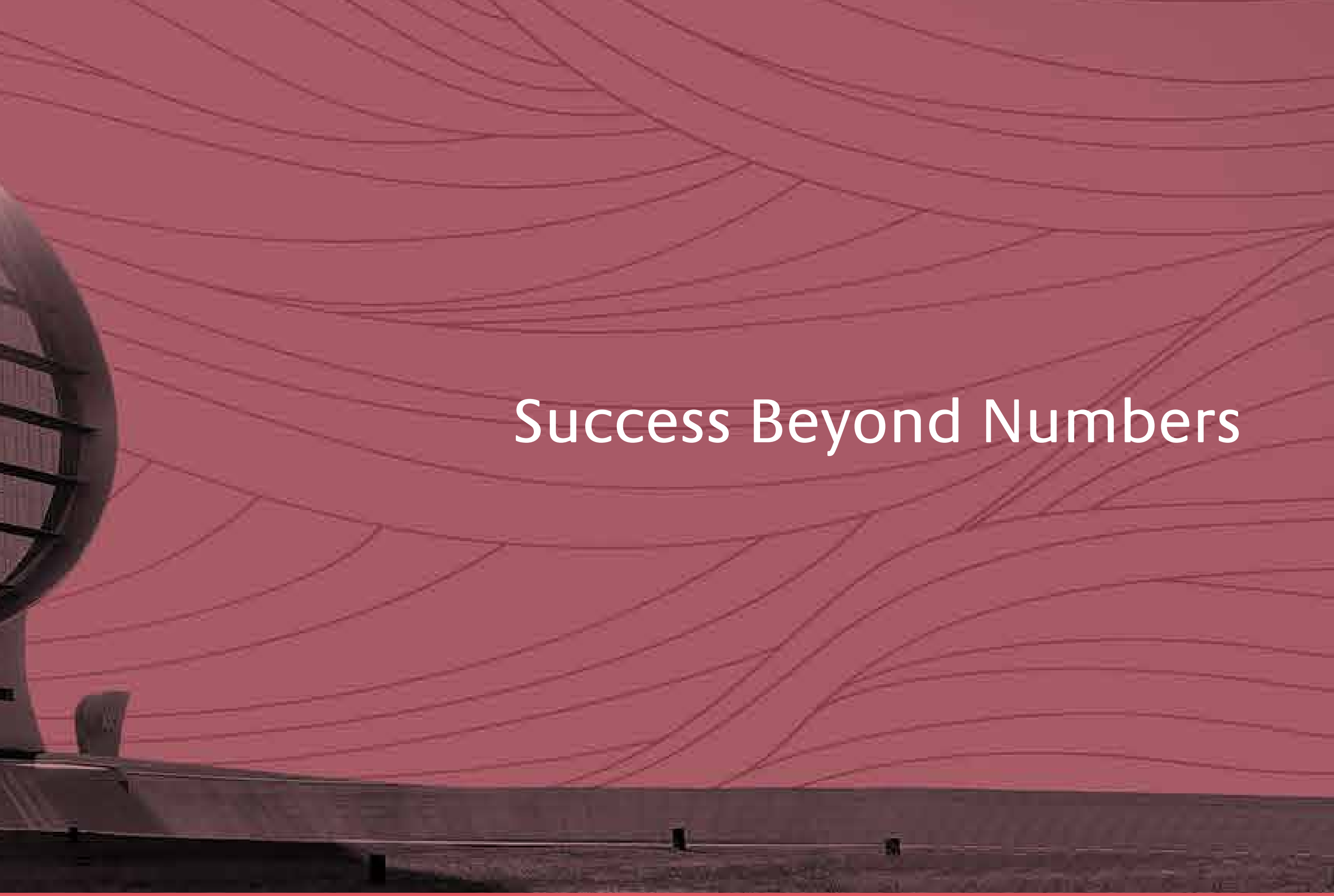
We will listen to them and help them achieve their goals

We will help people with ideas to be entrepreneurs

We will be worthy of our shareholders' confidence

We will do what we can to make the world a better, greener place

And we will never go away



Success Beyond Numbers

Our Core Values

Integrity
Honest and trustworthy at all times

Customer care
Delivering unrivalled service

Teamwork
Working together towards a common goal

Innovation
Proactively seeking out new opportunities

Knowledge
Believing in lifelong learning

Excellence
Being the best we possibly can

Contents

Our Corporate Profile

Our corporate profile

Who we are

Established in 1838, MCB Ltd is the longest-standing and leading banking institution in Mauritius.
Over time, we have diversified our business activities across market segments and geographies. We are actively involved in various markets across sub-Saharan Africa, while remaining alert to relevant growth opportunities across the continent and beyond.

Guided by our brand image ...

The Bank has nurtured a strong brand image, helped by a long track record of solid profitability, healthy balance sheet as well as robust capital and funding profiles. It is also investment-grade rated. As part of our sustainable approach to business, we play an important role in the lives of individuals, businesses, societies and nations by helping to create and grow wealth.

	Outlook	Long Term	Short Term
Moody's Investors Service	Stable	Baa2	P-2
Fitch Ratings	Stable	BBB-	F3
CARE Ratings (Africa) Private Limited	Stable	AAA*	

Pertains to the servicing of financial obligations in Mauritius

... we capitalise on our expertise ...

Our growth agenda is guided by innovation and excellence in what we do and what we offer to clients, while being anchored on a competent operating model. We continuously seek to upgrade our capabilities in terms of our human capital, processes and systems.

... to deliver on our strategic orientations

Our strategic foundations

- To consolidate
- To reinvent
- To diversify
- To empower

- **Extend our frontiers**
- **Deliver a world-class customer experience through digital**
- **Nurture our values and deliver on our brand promise**

Our supporting capabilities

- To shape
- To scale
- To upgrade
- To customise

Our general positioning

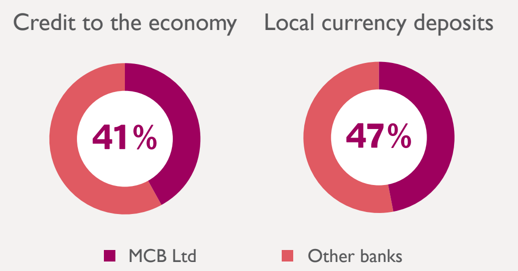
~1,005,300
Clients

~1,150
Correspondent banks

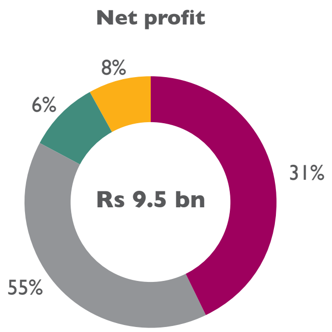
2,861
Employees

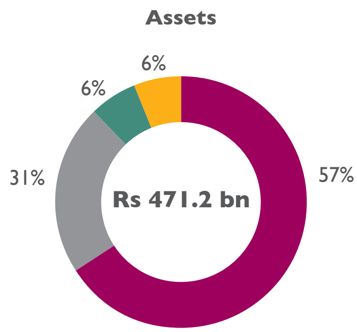
48%
Female

Domestic market shares of MCB Ltd



Contribution to Group performance





- MCB Ltd - Domestic
- MCB Ltd - Foreign-sourced
- Foreign banking subsidiaries & associates
- Non-banking financial & Other investments

Our channels and digital platforms

40
Branches

177
ATMs

~220,000
Internet Banking subscribers

~261,000
JuiceByMCB subscribers

Note: Figures above are as at 30 June 2019

Our corporate profile

Accolades and recognition

Mauritius

Best rated commercial bank in Africa by Moody's
Long-term deposit rating

Best Bank in Mauritius
Euromoney Awards for Excellence 2019

Best Bank for Mauritius
World's Best Bank Awards, Global Finance 2019

Best Private Bank in Mauritius
PWM/The Banker 2018

Best Trade Finance Bank in Mauritius
GTR Leaders in Trade for Africa 2019

Winner in the 'Governance' category
PwC Corporate Reporting Awards 2019

Excellence Award 2018
attributed by Citibank for MCB's USD straight-through processing

Africa

31st
in Africa in terms of assets
Jeune Afrique Top 200 Banks, The Africa Report, September 2019

Leading Regional Bank
in terms of operating income and profitability
L'Eco Austral, Top 500 Regional, Edition 2018

Regional Bank of the year
Southern Africa
African Banker Awards 2019

Our transparent and integrated business model

Our business model defines who we are, what we do and how we do it. Alongside fostering our adherence to the highest standards of conduct, our business model enables us to unleash the strategic intents that help us cope with the dynamic operating context and capture relevant business opportunities. Concomitantly, we strive to be a responsible organisation, i.e. one which conducts business in a way which creates positive outcomes for the sustained benefit of the societies and communities in which we operate. Our business model reflects our commitment to uphold the success of our brand, while creating sustainable value for stakeholders.

Our main areas of strength and differentiation

Client centricity

We place clients at the heart of everything we do. After understanding their needs and expectations, we strive to offer them tailored and simplified solutions and experiences that help them realise their ambitions, alongside providing them with trusted advice and best-in-class channel capabilities.

Governance and risk management

We adopt a solid governance set-up to foster accountability and transparency in our activities. We embed a disciplined risk and compliance framework to foster sound business growth, while prudently balancing the risk-return profile of our portfolios.

Technology and innovation

To underpin our operational efficiency and optimise the quality of our client relationships, we harness modern and cutting-edge technological capabilities, alongside tapping into the power of scalable and digitally-enabled platforms.

Human capital

We embrace a high-performance culture at all levels of the organisation. We maintain a competent, engaged and diverse workforce. While adequately rewarding behaviours that we encourage, we ensure that each and everyone can realise their full potential and make a positive contribution to our organisation.

Operational excellence

We lay due emphasis on seamless operations as well as organisational synergies and collaboration to continuously enhance the efficiency of our operations, broaden our value proposition and strengthen our competitive edge across markets.

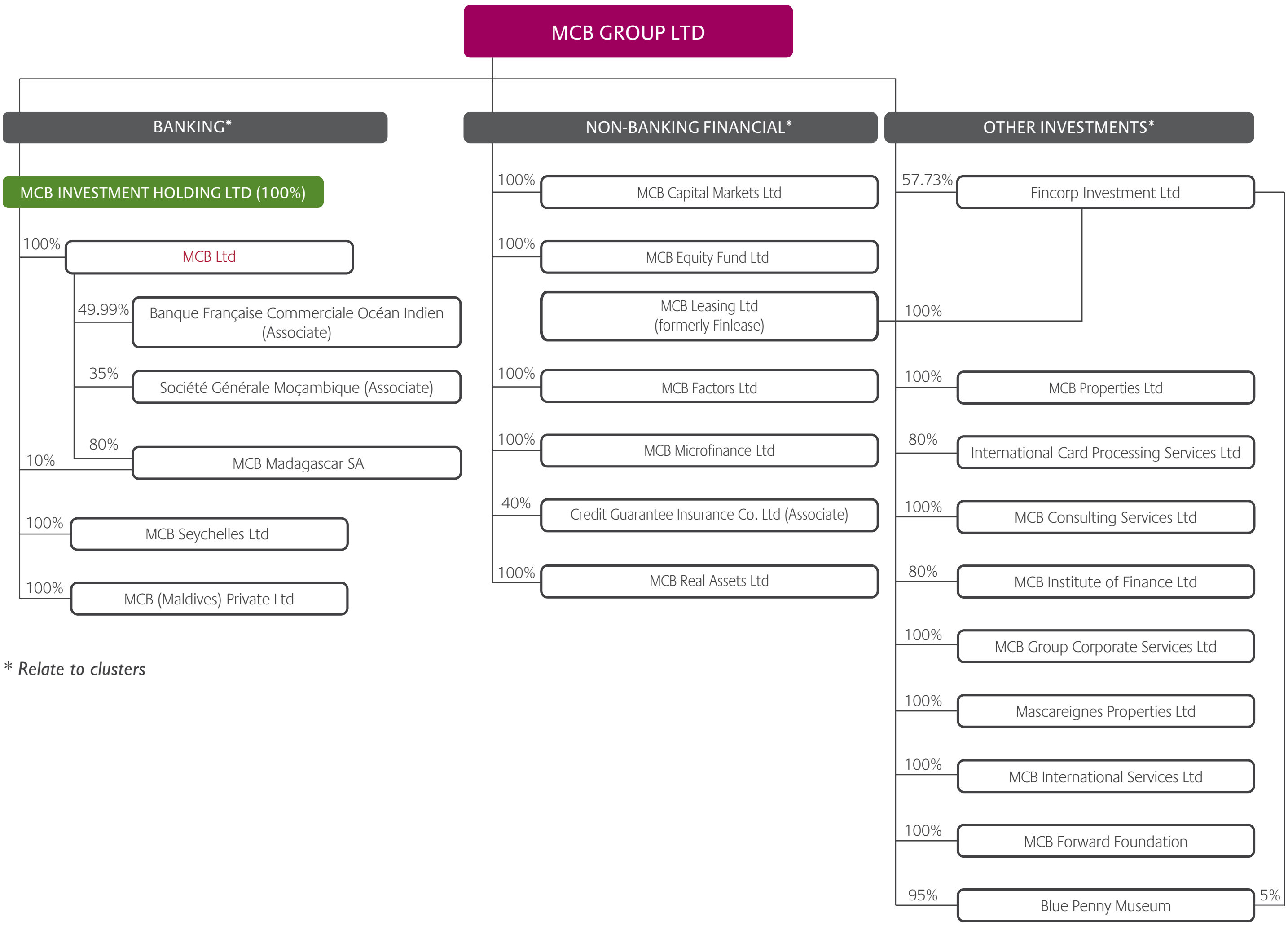
Sustainable approach

Backed by solid frameworks, committed initiatives and sustained investments, we contribute to the welfare of the societies and communities in which we live and operate. This allows us to comprehensively fulfil our corporate roles and responsibilities.

Our corporate profile

How we operate

Our Group structure



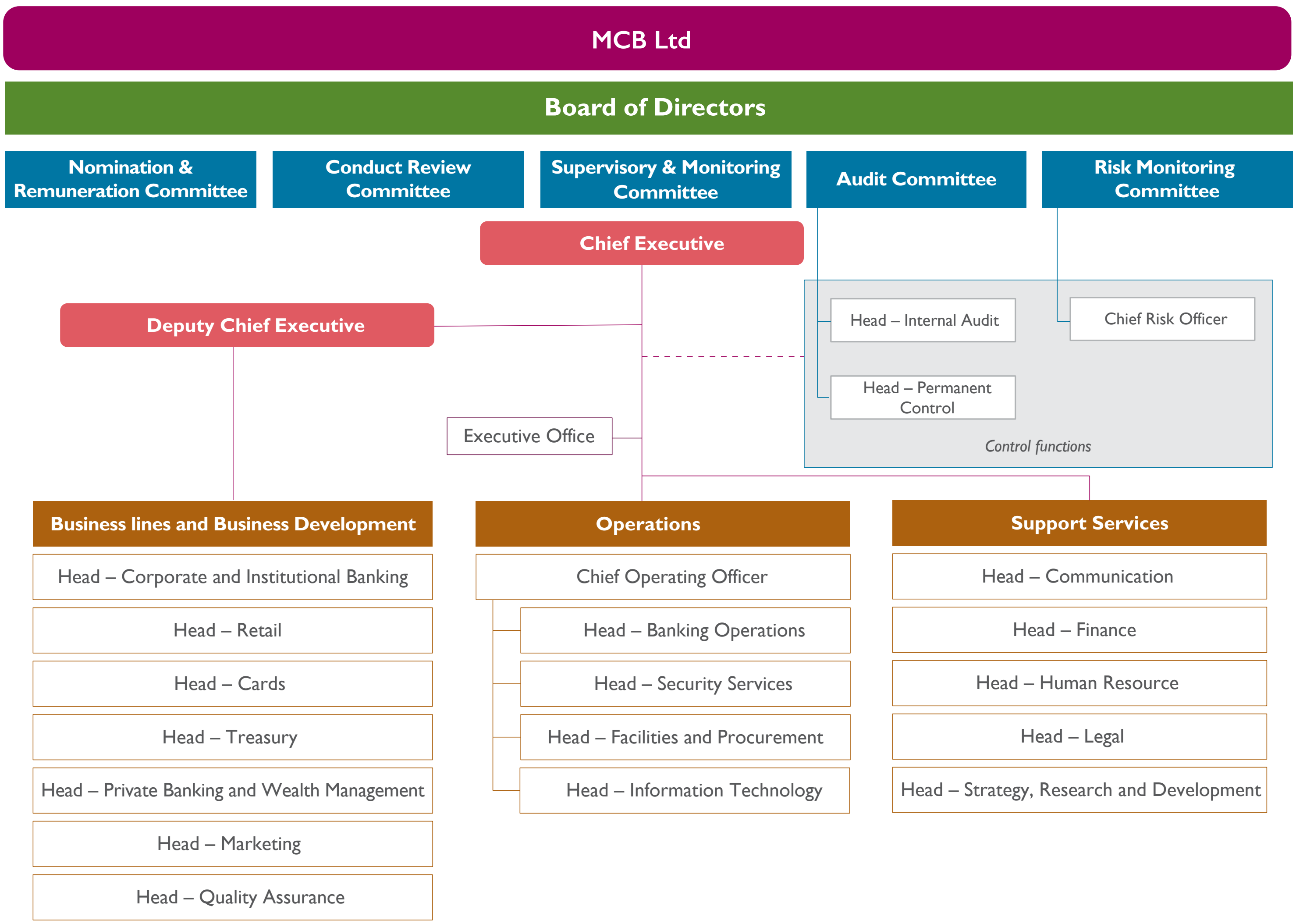
* *Relate to clusters*

MCB Ltd is a wholly-owned subsidiary of **MCB Investment Holding Ltd**, itself a wholly-owned subsidiary of **MCB Group Ltd**. The latter is the ultimate holding company of MCB Group's entities.

The subsidiaries and associates of MCB Group Ltd operate under three distinct clusters, namely 'Banking', 'Non-banking financial', and 'Other investments', in line with international standards and regulatory requirements.

Organisation chart of the Bank

Our strategy execution is enabled by **key operating pillars**, which comprise business lines as well as coverage and support functions. Specific frameworks and policies shape up the execution of our strategies and ensure that the Bank works in an integrated way.



Note: The Chief Risk Officer exercises oversight over all risk areas, including compliance, operational, information and legal risks

Our corporate profile

Our market operations

Our functioning and positioning

To further their business growth, our business segments capitalise on their competent workforce, cutting-edge technology as well as wide-ranging platforms and channels. These include branches, ATMs, merchant terminals as well as mobile and Internet Banking platforms. The Bank leverages synergies among its relevant business lines and with other entities of the Group as well as alliances and partnerships with external parties. MCB Ltd also taps into a network of some 1,150 correspondent banks worldwide, including around 200 in Africa. In addition, the Bank capitalises on its Representative Offices found in Johannesburg, Nairobi, Paris and Dubai as well as the Group's foreign banking subsidiaries in Madagascar, Seychelles and Maldives.

Our main business lines

Corporate and Institutional Banking

Key clients

- Corporates, which are based locally and abroad
- Global business companies, funds, trusts and foundations as well as other entities using the Mauritian International Financial Centre as a gateway for doing business or investing abroad, notably in Africa
- Entities within the Energy and Commodities field, notably traders, refineries, etc.
- Financial institutions; private equity firms; investment and asset management companies; Government bodies

Our approach

- In Mauritius, we provide customised financial solutions, advice and investment services to corporate and institutional clients, alongside helping key projects shaping the economic landscape of Mauritius to materialise. We provide tailored financing, trade, treasury, transactional and payment solutions as well as investment services to support the business development and capacity building initiatives of clients across established and emerging economic sectors. In addition, while capitalising on the status of Mauritius as an International Financial Centre of repute and substance, the Bank positions itself to facilitate trade and investment between Africa and the rest of the world. It offers dedicated solutions to businesses and investors using Mauritius as a platform for conducting activities beyond.
- The Bank attends to the needs of diverse customer segments across sub-Saharan Africa, while also venturing beyond. As a key focus area, the Bank is involved across the downstream, midstream and upstream Energy and Commodities financing, notably across Africa. We also offer structured project financing to entities investing and doing business across key sectors in Africa, while tapping into opportunities surfacing beyond. In this field, we offer tailor-made financial solutions via bilateral lending, club deals and syndicated facilities to enable clients fulfil their strategic objectives.
- The Bank actively promotes the Group's 'Bank of Banks' initiative, by providing adapted strategic and operational solutions to help financial institutions, notably in Africa, meet their growth and capacity building imperatives.

Retail Banking

Key clients

- Mass and mass affluent individual customers
- Junior, youth and young professionals segments
- Small and medium enterprises

Our approach

- The Bank caters for the day-to-day and lifetime needs of its individual customers. In addition to lending and deposit facilities, adapted account packages are offered to individual customers across age groups. Recognising the significance of small and medium enterprises (SMEs) in the economic development of Mauritius, we provide them with tailored solutions to meet their growth endeavours and accompany them throughout their business development cycle.
- The Bank offers innovative payments solutions to help its clients manage their money on the go with convenience. Our clients can avail of multiple channels and platforms to carry out their banking transactions. Furthermore, in collaboration with other Group entities, clients can benefit from investment solutions, which are tailored to their specificities.

Private Banking and Wealth Management

Key clients

- Local affluent and high net worth individuals (e.g. professionals, executives, entrepreneurs and businessmen, families)
- Foreign high net worth individuals
- External Asset Managers, including financial intermediaries such as fiduciaries, family offices and financial advisors

Our approach

- The Bank provides tailored solutions that are geared towards the safeguard, growth and transmission of the assets of its clients, both domestically and abroad. In particular, it is dedicated to providing day-to-day banking, financial planning, investment and wealth management services, trade execution, custodian services and exclusive investment opportunities to meet client needs.
- The Bank acts as a direct point of contact for attending to the needs of External Asset Managers, be it locally or internationally. It offers custodian services as well as real time execution services across asset classes through its open architecture and transactional banking services.

Read more in the 'Positioning ourselves for growth and success' section on pages 49 to 52

More information on our market operations by cluster is available on our website

Our corporate profile

Our extensive and customised financial solutions

- Through its multiple channels, the Bank provides its clients in Mauritius, regionally and beyond, with customised and innovative financial solutions as well as dedicated advice to meet their ambitions.

Personal financial services

Everyday Banking

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

Banking Channels

- Branch network
- ATM
- Internet banking
- Mobile banking
- SMS banking

Payment Services

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

Financing Solutions

- Housing loans
- Personal loans
- Education loans
- Car loans & car lease
- Green loans

Savings & Investment

- Fixed deposits
- Private banking & wealth management
- Custodian services
- Distribution of MCB funds, Education plan & Retirement plan
- Distribution of life insurance plans, treasury bills & government bonds

- The Bank works closely alongside its customers to understand their imperatives, challenges and priorities towards crafting solutions adapted to their needs. Also, our business segments offer solutions conceived and managed by other Group entities.

Corporates & Institutions

Investment Related Services

- Securities & custodian services
- Dual currency deposits

Transactional Banking

- Cash deposit card
- Deposit accounts
- Multi-currency accounts
- Internet banking
- Bank drafts
- Forex transactions
- Overdrafts

Financing Solutions

- Short & long term loans
- Green loans
- Syndicated loans
- Bridging loans
- Project finance
- Capital financing
- Asset-Based lending

International Trade Finance

- Import & export
- Credit protection
- Bank guarantees
- Standard trade finance
- Structured commodity finance
- L/C re-issuance/confirmation
- Secondary asset trading

Business Services

- Checking facilities
- Payroll services
- Confidential reports

Foreign Exchange Services

- Currency swaps
- Spot & forward deals
- Interest rate swaps
- International transfers & remittances

Advisory Services

- Corporate finance advisory
- Investment advisory

Payments & Cash Management Solutions

- Electronic points of sale & cards acquiring services
- Corporate credit cards
- E-commerce
- International transfers
- SWIFT services
- Transfers & remittances
- Cash business solutions

More information on our financial solutions is available on our website

Our corporate profile

What we deliver

Our value-creating business model

We invest in our capitals ... ▸ **... to generate value-adding activities that ...**

Inputs

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

Our core roles

- Financial intermediation
- Maturity transformation

Our activities and operations

- Converting deposits and other funds into lending facilities to our clients
- Investing and trading in securities, forex and other financial assets
- Offering transactional, trade-related and risk-mitigation facilities, as well as private banking and wealth management services
- Undertaking dedicated actions to promote the welfare and development of the society

Our strategic imperatives

- Achieving disciplined, balanced and diversified growth
- Exercising strong governance and risk management oversight
- Fostering operational excellence and customer-centricity
- Diligently tapping into business avenues amidst a changing context
- Holding sound liquidity, funding and capital positions
- Embedding sustainability as a key value driver

Delivering financial outcomes for the Bank

[Interest income] – [Interest expense] + [Non-interest income = [Net fee and commission revenue + Trading revenue + Other revenue]] – [Staff costs] –

... create long-term value for our stakeholders

Outcomes

Shareholders and investors

We achieve sustainable growth in our revenue to provide appreciable and predictable returns for our shareholders and investors.

Customers

We deliver excellent service and appealing digital platforms and solutions to our clients, while seeking to exceed their expectations. Alongside placing customers at the centre of our efforts and activities, we provide products and services that they value and trust.

Societies and communities

We adopt dedicated initiatives to promote social progress and financial inclusion in the countries where we are involved. At the same time, we acknowledge that the sound management of natural resources is a cornerstone of sustainable development. We carry out our business responsibly, while helping to create thriving societies.

Authorities and economic agents

We forge meaningful relationships with authorities and economic agents, while responding to their requirements. We work together to foster the stability and progress of the financial sector and economy of presence countries.

Employees

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

Pursuing our strategic intents in a judicious way

Playing a meaningful and responsible role in the world in which we operate

Executing our Corporate Sustainability Programme

Support a vibrant and sustainable local economy

Promote our cultural and environmental heritage

Invest in the individual and collective well-being

Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' section on pages 51 to 52

Read more in the Sustainability Report on our website

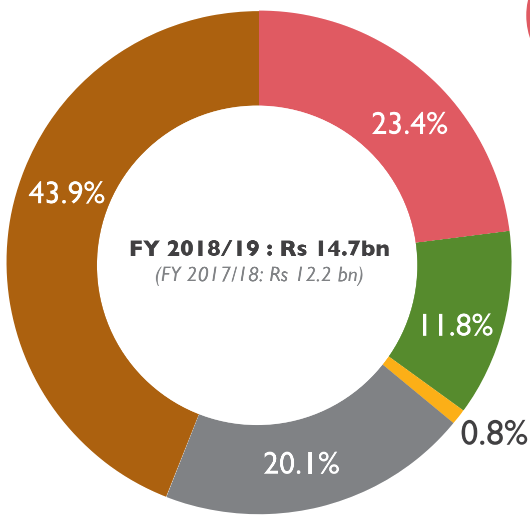
[Other operating expenses and credit impairment charges] – [Income tax expense] = [Net profit] – [Dividends to shareholders] = [Retained earnings]

Our corporate profile

How we distributed value created

Supported by its sound financial performance and committed approach, the Bank has, in FY 2018/19, continued to provide the necessary means for its stakeholders to realise their aspirations.

Wealth created by MCB Ltd



Employees

Our value proposition comprises competitive rewards and benefits, with particular emphasis laid on the personal and career development of our staff.

Retention to support growth

Wealth is allocated to support future business growth via our retained earnings.

Authorities*

We assist the authorities in funding national projects by means of our direct and indirect tax payments.

Providers of capital

We provide shareholders with adequate dividend payout.

Society

We contribute to the welfare of the society in which we live and work via funds assigned for Corporate Social Responsibility (CSR) activities and sponsorships.

** Includes the proportion of our CSR contribution remitted to the Mauritius Revenue Authority*

Read more in the 'Creating value in a sustainable way for the benefit of our stakeholders' section on pages 51 to 52

Read more in the Sustainability Report on our website

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.

Continuous monitoring and evaluation of our strategic positioning

The operating context

Our strategic objectives and intents

Our market development initiatives

Our financial performance

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

The operating context

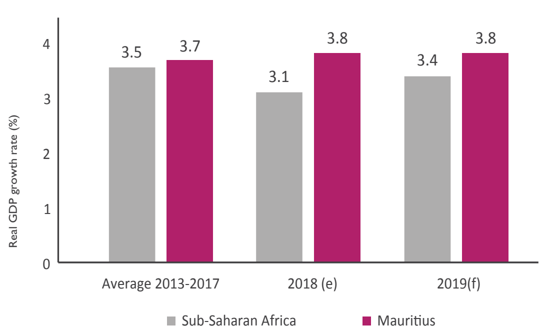
Macroeconomic environment

Recent trends and developments

- 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

Real GDP growth



(e) estimate (f) forecast

Sources: IMF, Statistics Mauritius and MCB Staff estimates

Selling rates of main currencies vis-à-vis the rupee

	Value as at		Annual average	
	30 Jun 18	30 June 19	FY 2017/18	FY 2018/19
USD	35.3	36.0	34.5	35.2
EUR	41.1	40.9	41.1	40.1
GBP	46.3	45.6	46.4	45.4

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

Recent trends and developments

- 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

Loans & advances and NPL

	Jun-17	Jun-18	Jun-19
Loans and advance (y.o.y growth - %)	1.9	5.8	7.6
NPL ratio (%)	7.1	5.5	5.6 [1]

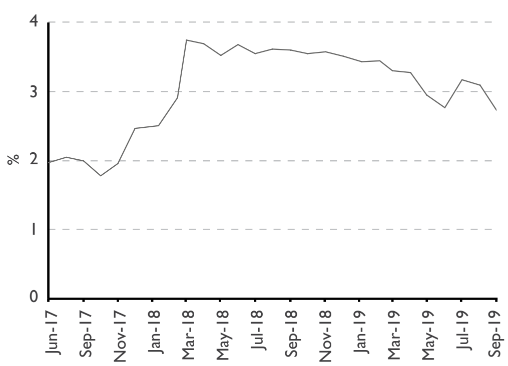
Notes:

(i) [1]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

Average weighted yield – Government of Mauritius Treasury bills



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 Combatting 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.

Our main strategic orientations

Our long-term destination

MCB: A strong and innovative regional financial player within a diversified Group

Our short to medium term strategic orientations

- **Extend our frontiers**
- **Deliver a world-class customer experience through digital**
- **Nurture our values and deliver on our brand promise**

Our key objectives and strategic focus areas

- Consolidate the Bank's leadership position domestically
- Further increase our share of foreign-sourced income, with focus on pursuing our regional diversification agenda
- Help position the Group as a financial hub, after leveraging Mauritius as an International Financial Centre of repute and substance
- Entrench sustainability principles in the Bank's activities and operations

Key pillars

- Building an Energy & Commodities hub
- Expansion of private banking into Africa
- Development of structured finance
- Facilitating the Group's 'Bank of Banks' proposition

Our promise to creating a differentiating customer experience

- To enrich customer experience at all touchpoints
- To be coherent and simple in our approach
- To stay innovative in our offerings
- To empower customers in realising their aspirations
- To simplify and streamline our operations

Delivering on our strategic objectives

Our governance and processes

General Framework	• 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.
Key process	• 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. • 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. • 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.

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

• 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

• 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

• 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

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.

Read more in the Sustainability Report on our website

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.

Read more in the 'Delivering on our growth pillars' section on pages 60 to 68

Read more in the Sustainability Report on our website

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.

Read more in the 'Financial Performance' section on pages 70 to 79

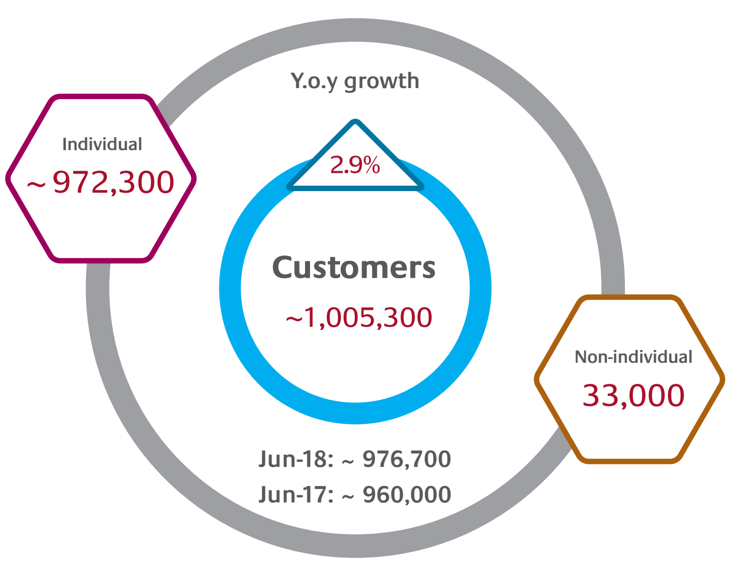
Delivering on our strategic objectives

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



Deploying digital platforms

~261,000 subscribers to our 'JuiceByMCB' mobile banking platform

+45% y.o.y growth

+53% 3-year annualised growth

~220,000 Internet Banking subscribers

+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

AFT AFRICA FORWARD TOGETHER SEMINAR

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.

AFRICA CEO FORUM

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.

MCB Inovapp CHALLENGE

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

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

~50% of special levy paid by banks

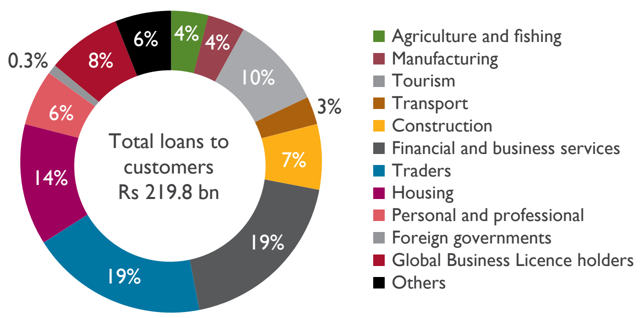
Note:

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

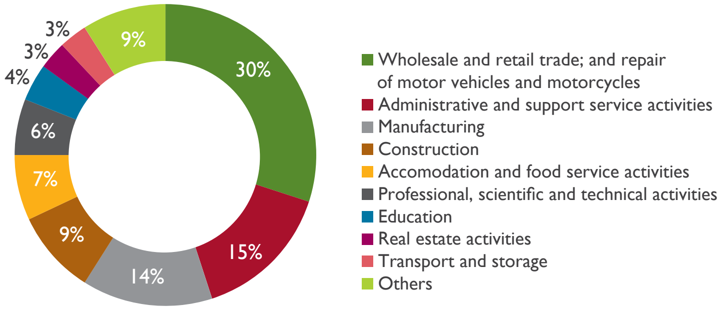
Rs 104 billion representing our corporate loan book as at 30 June 2019, towards enabling industries to achieve their ambitions

Attending to the needs of SMEs across sectors

Helping small and medium enterprises

Rs 984 million relating to outstanding credit facilities by MCB to SMEs under the Government-backed SME Financing Scheme to assist these clients in their growth strategies (with a market share of **45%** as at June 2019)

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

Employees

- 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

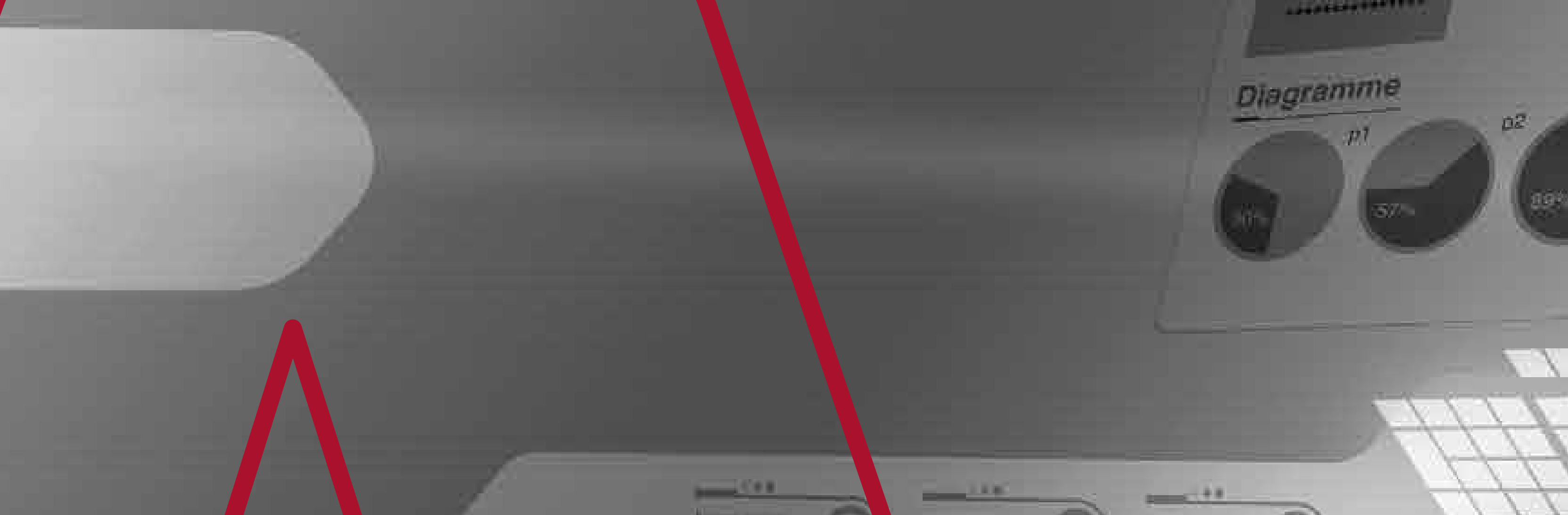
- We have actively pursued our journey towards promoting digital payments solutions with a view to positioning ourselves for the advent of a cash-lite economy, while enabling our clients to undertake their transactions in a smart, simple and convenient manner. After making allowance for the evolving 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
  - i) Strong customer-centric approach through co-creation
  - ii) Collaboration
  - iii) Continuous improvement and short feedback loop
  - iv) Fail fast culture
  - v) Continuous learning culture
  - vi) Innovation culture through participation in events, competitions and conferences
  - vii) Self-organised team
  - viii) Team v/s individual performance – if the team fails, even if you are a high performer, you fail as well
  - ix) 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

- 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

<u>Main accomplishments</u>

- 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:

+25
Analytical models
developed by Analytics Squad

3
Data domains launched
by Data Office

+200
Customers Interviews/
Tests conducted

5
Innovations implemented
(Angular/Java, OpenShift, Workflow Tech – Camunda, DevOps – CI/CD pipeline, Feature Approval In-Principle…)

+100
Colleagues* trained
on Agile Methodology
(*outside of Digital Factory)

298
Colleagues trained on
new processes in all branches

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

Financial Performance

Financial performance

Financial Summary

	Jun-19	Jun-18	Jun-17
Statement of profit or loss (Rs m)			
Operating income	17,583	14,756	13,354
Operating profit	10,202	8,072	7,381
Profit before tax	10,443	8,413	7,648
Profit for the year	8,814	6,786	6,245
Statement of financial position (Rs m)			
Total assets	428,271	352,452	316,314
Total loans (net)	221,446	193,852	161,277
Investment securities	116,398	81,884	68,891
Total deposits	314,377	285,532	263,872
Subordinated liabilities	1,040	1,060	1,052
Other borrowed funds	55,406	14,189	5,607
Shareholders' funds	47,920	43,984	39,825
Performance ratios (%)			
Return on average total assets	2.3	2.0	2.1
Return on average equity	19.2	16.2	17.2
Return on average Tier 1 capital	19.8	16.9	18.0
Non-interest income to operating income	30.3	31.5	33.5
Loans to deposits ratio	72.5	70.0	63.3
Cost to income ratio	33.7	37.0	37.6
Capital adequacy ratios (%)			
BIS risk adjusted ratio	16.6	15.6	17.4
of which Tier 1	*15.7*	*14.8*	*16.5*
Asset quality			
Non-performing loans (Rs m)	9,344	8,508	9,699
NPL ratio (%)	3.8	4.1	5.9

Notes

(i) Capital adequacy ratios are based on Basel III

(ii) Following the adoption of the equity method for investment in associates during FY 2018/2019, figures and relevant ratios for prior years have been restated in order to give a proper understanding and comparative view of the Bank's performance over time.

Performance against objectives

OBJECTIVES FOR FY 2018/19	PERFORMANCE IN FY 2018/19	OBJECTIVES FOR FY 2019/20
Return on average Tier I		
Return on average Tier I capital is forecast to increase to some 19%.	As expected, return on average Tier I improved and stood at 19.8%.	Return on average Tier I capital is forecast to be around 19%.
Return on average assets (ROA)		
ROA is expected to remain around the 2% level.	ROA was up to 2.3% reflecting our strong performance.	ROA is expected to remain slightly above 2%.
Operating income		
Net interest income is anticipated to grow by around 15% in line with the anticipated growth in our loan portfolio, driven by our foreign activities, and the improved yields on T-Bills observed in the domestic money market.	Net interest income grew by 21.2% in line with the expansion in our loan portfolio, mainly linked to our international activities, and improved yields on Government securities.	Net interest income is expected to grow by some 11% with the loan portfolio anticipated to grow at an appreciable, albeit reduced, pace.
Non-interest income is forecast to post a broad-based growth of around 9%.	Non-interest income grew by 14.7%, boosted by fair value gains on equity instruments, now included in the 'statement of profit or loss' following the adoption of IFRS 9. Excluding these gains, non-interest income increased by some 5.4%, reflecting a rise of some 9% in net fee and commission and a subdued performance regarding profit on exchange.	Non-interest income, excluding fair value movements in equity instruments, is forecast to grow by around 5%.
Operating expenses		
In line with the implementation of major ongoing projects, operating expenses are expected to increase by around 15%.	Operating expenses grew at a lower than expected rate of 8.6% mainly due to timing difference in the implementation of earmarked projects and staff recruitment.	Operating expenses are expected to increase by around 12% reflecting the investment in capacity building initiatives, notably linked to the digitalisation programme.
Cost to income ratio		
Cost to income ratio is expected to increase but is forecast to remain below 37%.	The cost to income ratio fell to 33.7% largely due to the significant growth in operating income.	Whilst the cost to income ratio is expected to increase, it should remain at around 35%.
Loans and advances growth		
Sustained growth in our foreign currency loans should contribute to an increase of around 15% in the average customer loan book.	The average customer loan book grew by 20.1%, mainly reflecting the strong expansion in foreign currency loans, notably linked to our Energy & Commodities (E&C) and structured project financing.	The average customer loan book is forecast to grow by around 13%, driven by further growth in the foreign currency loan book.

Financial performance

OBJECTIVES FOR FY 2018/19	PERFORMANCE IN FY 2018/19	OBJECTIVES FOR FY 2019/20
Deposits growth		
Average customer deposits are expected to grow at around 8%, driven by rupee deposits.	Average customer deposits grew by 7.1% with a lower than expected growth in rupee deposits, partly explained by investment by the public in bonds issued by the central bank at attractive rates.	Average customer deposits are projected to increase by around 6%, with ongoing initiatives to mobilise foreign currency deposits likely to contribute to a higher growth rate in the latter.
Asset quality		
Allowance for credit impairment charges is anticipated to remain close to FY 2017/18 but will be subject to the outcome of the new impairment guidelines from the Bank of Mauritius in view of the implementation of IFRS9.	Whilst impairment charges registered a growth of 18.4%, the cost of risk in relation to loans and advances dropped marginally to 58 basis points of the latter. On the other hand, reflecting our diligent risk management approach, gross NPL ratio declined from 4.1% to 3.8%.	Allowance for credit impairment charges is expected to increase in line with the growth in loan portfolio.
Capital management		
The overall capital adequacy ratio and the Tier I ratio are expected to remain close to the FY 2017/18 level.	The overall capital adequacy ratio improved from 15.6% to 16.6% while the Tier I ratio went up from 14.8% to 15.7%, underpinned by the Bank's robust performance.	The overall capital adequacy ratio and the Tier I ratio are expected to remain close to the FY 2018/19 levels.

Performance against objectives by lines of business

OBJECTIVES FOR FY 2018/19	PERFORMANCE IN FY 2018/19	OBJECTIVES FOR FY 2019/20
Retail Banking		
The average loan portfolio is expected to grow by around 7%. However, net interest income is likely to grow at a slower pace due to reduced margins amidst stiff competition. As a result, gross operating margin is forecast to grow at a relatively moderate pace.	In line with expectations, the average loan portfolio grew by 7.6%. This contributed to net interest income and gross operating margin growing by 6.3% and 5.4% respectively.	Growth in net interest income and gross operating margin are anticipated to pick up, underpinned by an expansion of some 8% being projected for the loan portfolio.
Private Banking & Wealth Management		
Supported by an increase in both net interest income and non-interest income, gross operating margin is expected to grow by around 7% with the Bank notably seeking to widen its international client base.	Gross operating margin was adversely impacted by a contraction in non-interest income amidst difficult market conditions.	Our investment-related activities and loan portfolio are forecast to pick up backed by an anticipated growth in our customer base in the region. This should contribute to reverse the negative trend of the previous year.
Corporate and Institutional Banking		
The average loan book is expected to grow at around 15%, mainly driven by further growth in our foreign activities notably linked to E&C and structured project finance. Gross operating margin is forecast to register a similar growth.	The average loan book recorded a growth of some 23%, driven by our foreign activities, notably E&C and structured project finance. This contributed to a remarkable growth of 28% in gross operating margin.	The average loan book is projected to rise by 13%, with gross operating margin expected to grow at a lower rate, partly reflecting a notable rise in expenses due to capacity building.

Overview of results

Profit

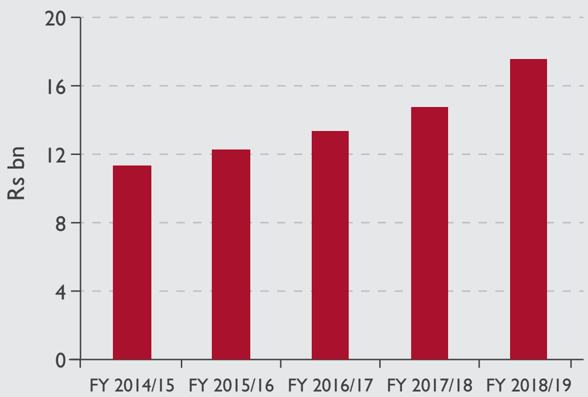
Rs 8,814 million (+2,028 million)

The Bank posted a strong performance for the year ended June 2019 amidst a challenging operating context characterised by sector specific difficulties, still high liquidity in the banking system and competitive pressures across segment. Backed by our international operations in particular, operating income registered an increase of 19.2% to reach Rs 17,583 million. This contributed to a rise of 29.9% in profit which stood at Rs 8,814 million, with foreign-sourced earnings accounting for some 63% thereof, in line with inroads made in terms of the Bank's strategy to extend its frontiers.

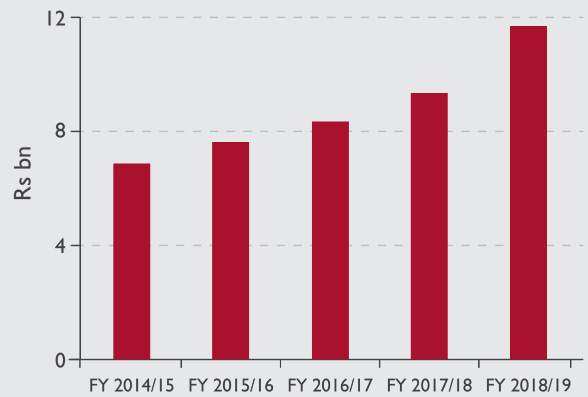
The Bank generally upheld sound financial indicators in FY 2018/19, as gauged by an improvement in asset quality and capital adequacy ratios alongside the maintenance of healthy funding and liquidity positions.

More information on financial soundness is available in the 'Risk and Capital Management Report' on pages 118 to 157

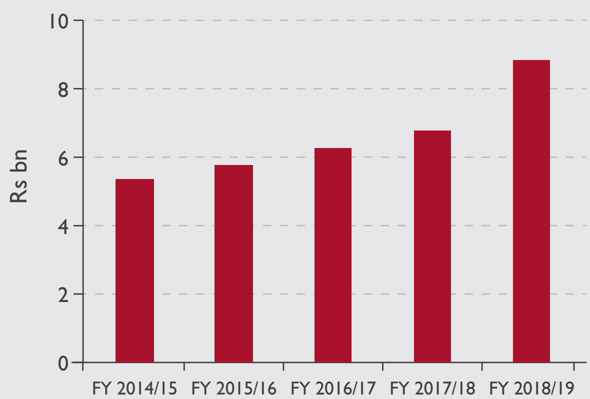
Operating income



Operating profit before provisions

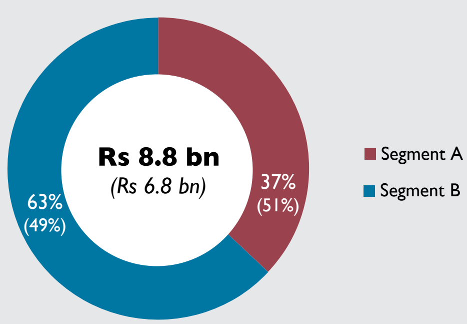


Profit for the year



Contribution to profit

(Figures in brackets relate to 2018)



Note: Segment B refers to the provision of international financial services that give rise to foreign-sourced income while Segment A relates to locally-sourced earnings.

Financial performance

Income statement analysis

Net interest income	As a % of average earning assets	
Rs 12,253 million	FY 2017/18	FY 2018/19
(+2,144 million)	3.4%	3.6 %

A growth of 21.2% was recorded in net interest income following:

- An increase of 25.5% in interest income to Rs 17,449 million, supported mainly by the significant increase in our international loan portfolio and improved yields on Government securities.
- A rise of 36.9% in interest expense to Rs 5,196 million principally due to the notable rise in borrowings to support our international business growth.

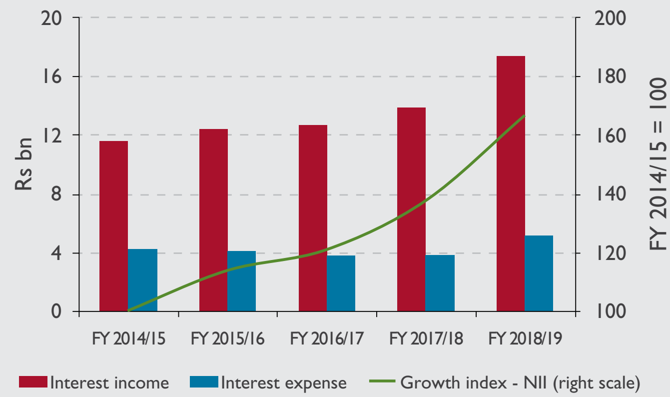
Interest margins improved in line with the higher average yields on investment securities. Overall, net interest income to average earning assets rose by 13 basis points, while the ratio to average total assets increased by some 10 basis points to 3.1%.

Non-interest income	As a % of operating income	
Rs 5,330 million	FY 2017/18	FY 2018/19
(+683 million)	31.5%	30.3%

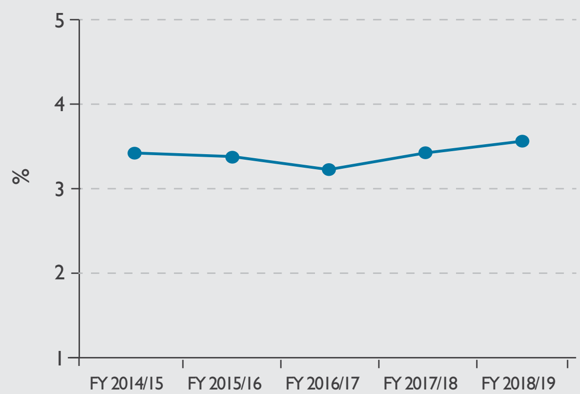
Non-interest income went up by 14.7% on account of:

- A growth of 8.7% in net fee and commission income to Rs 3,017 million, with higher revenues from our E&C business and payment services outweighing a drop in fee income from the wealth management activities.
- A rise of 23.6% in 'other income' mainly driven by the significant fair value gains on equity instruments now included in the 'statement of profit or loss' with the adoption of IFRS 9, while a subdued performance was recorded in respect of profit on exchange reflecting unfavourable market conditions.

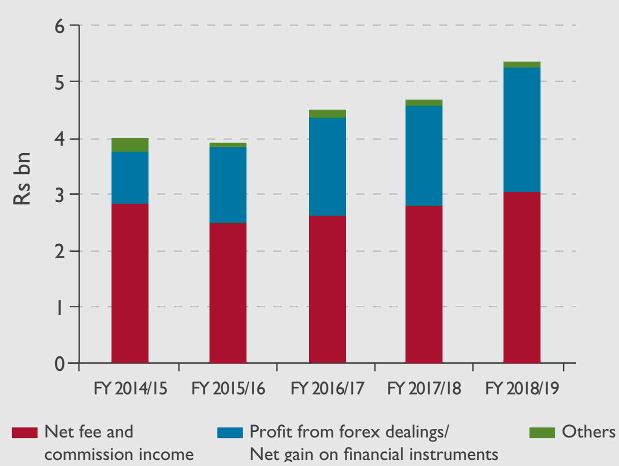
Net interest income



Net interest income to average earning assets



Breakdown of non-interest income



Operating expenses	Cost to income ratio	
Rs 5,926 million	FY 2017/18	FY 2018/19
(+470 million)	37.0%	33.7%

Operating expenses increased by 8.6% mainly driven by:

- A rise of 12.7% in staff costs, which represented 59.5% of the cost base, on the back of sustained efforts to reinforce our human capital and higher performance bonus amidst increased profitability.
- A growth of 2.9% in depreciation and amortisation costs following continued investment in technology.

Operating income having grown at the higher pace of 19.2%, our cost to income ratio improved by 3.3 percentage points.

Impairment charges	As a % of loans and advances	
Rs 1,456 million	FY 2017/18	FY 2018/19
(+227 million)	0.59%	0.58%

Whilst impairment charges registered a growth of 18.4%, the cost of risk in relation to loans and advances dropped marginally to 58 basis points of the latter.

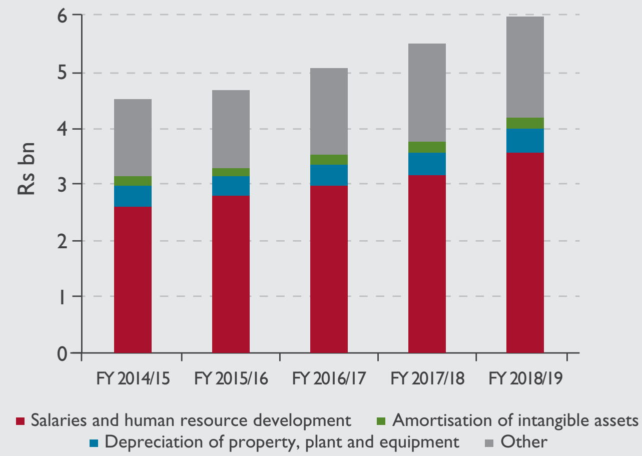
Tax expenses	Effective tax rate	
Rs 1,630 million	FY 2017/18	FY 2018/19
(+2 million)	19.3%	15.6%

Whilst profit before tax improved by 24.1%, tax expenses remained flat, notably reflecting the higher proportion of foreign sourced earnings which bear a lower effective tax rate.

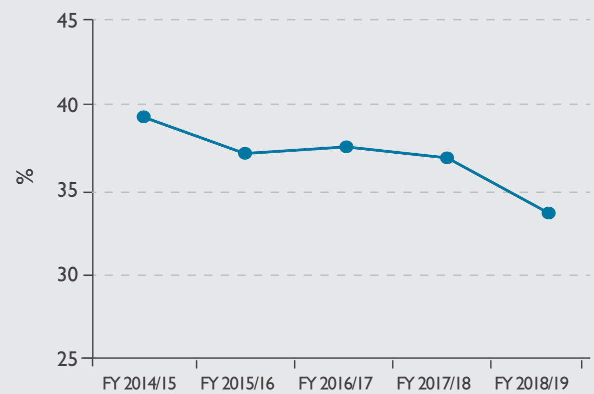
Share of profit of associates	As a % of profit for the year	
Rs 242 million	FY 2017/18	FY 2018/19
(-100 million)	5.0%	2.7 %

Whilst Société Générale Moçambique posted an improved performance, the share of profit of associates fell by Rs 100 million as a result of a reduced contribution from BFCOI.

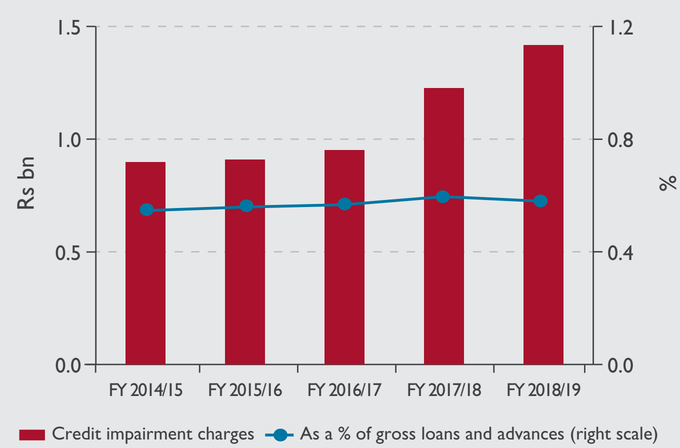
Breakdown of operating expenses



Cost to income ratio



Credit impairment charges*



Relate to loans & advances (including corporate notes)

Financial performance

Financial position statement analysis

Gross loans	Gross NPL ratio	
Rs 227.9 billion	FY 2017/18	FY 2018/19
(+28.1 billion)	4.1%	3.8 %

Total gross loans recorded a year-on-year growth of 14.0% in FY 2018/19. This performance was largely explained by the continued expansion in our foreign activities, with related credit to customers increasing by 32.5%, mainly associated with the Energy & Commodities business as well as structured project financing activities. At domestic level, notwithstanding an increase of around 8% in the retail segment, mainly underpinned by growth in mortgages, the overall loan portfolio expanded by only 2.7%, reflecting the still challenging operating context and the recourse to other financing instruments by some operators. Indeed, exposures through corporate notes rose further to Rs 17.3 billion, up from Rs 7.0 billion last year.

The quality of our credit portfolio improved further during the year. Gross NPL ratio declining to stand at 3.8% while net NPL ratio stood at 2.8%.

Funding	Loans to funding ratio	
Rs 370.8 billion	FY 2017/18	FY 2018/19
(+70.0 billion)	66.4%	61.5%

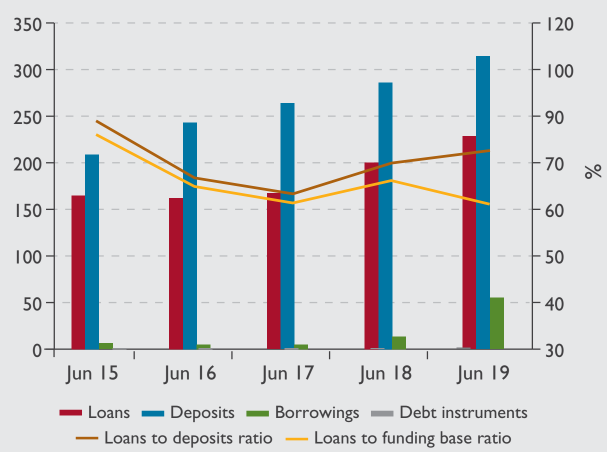
Total deposits increased by 10.1% to attain Rs 314.4 billion as at 30 June 2019, following a growth of 15.6% in foreign currency deposits and 7.0% in rupee-denominated deposits. 'Other borrowed funds' increased by Rs 41.2 billion, in line with initiatives undertaken to promote a sound and diversified funding base to support its international business. In addition to the syndicated term loan facility of USD 800 million, the Bank had recourse to credit facilities of USD 150 million obtained from Development Financial Institutions in order to finance long-term projects domestically and in the region.

June 2019	Exposure Rs m	Exposure Y.o.y. growth (%)
Loans to customers	**219,821**	**13.1**
Agriculture and fishing	8,561	6.9
Manufacturing	9,835	5.0
of which EPZ	*2,964*	*(6.0)*
Tourism	21,438	(14.9)
Transport	7,597	48.3
Construction	16,022	3.5
Traders	40,619	8.9
Financial and business services	41,755	34.6
Personal and professional	42,288	5.9
of which credit cards	*1,178*	*18.4*
of which housing	*29,676*	*10.3*
Global Business Licence holders	17,858	12.1
Others	13,846	95.5
Loans to banks	**8,114**	**49.8**
Total loans	227,935	14.0
Corporate notes	17,348	146.1
Total loans and advances	**245,283**	**18.5**

June 2019	Rs m	Loans to customers Y.o.y. growth (%)	Mix (%)
Segment A	130,516	2.7	59.4
Segment B	89,305	32.5	40.6
Total	**219,821**	**13.1**	**100.0**

Off balance sheet items as at 30 June 2019	Rs m	Y.o.y. growth (%)
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	66,528	15.0
Commitments	5,140	(15.4)
Others	1,749	(9.5)
Contingent liabilities	**73,418**	**11.5**

Loans and funding base



Investment securities and Cash & cash equivalents	Liquid assets to total assets	
Rs 172.5 billion	**FY 2017/18**	**FY 2018/19**
(+35.3 billion)	39.0%	40.3%

Liquid assets of the Bank grew by 25.7% during the last financial year. This was characterised by: (i) an increase of 20.9% in cash and cash equivalents, including placements, mainly through money market instruments; (ii) a rise of 33.1% in investment securities (excluding shares and corporate notes); and (iii) a growth of 8.2% in mandatory balances with Central Bank.

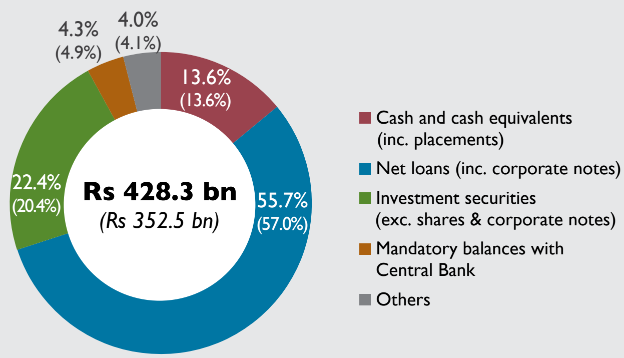
Overall, the above-mentioned liquid assets as a percentage of funding base stood at 46.5% as at 30 June 2019 (FY 2017/18: 45.6%).

Shareholders' funds	Return on equity	
Rs 47.9 billion	**FY 2017/18**	**FY 2018/19**
(+ 3.9 billion)	16.2%	19.2%

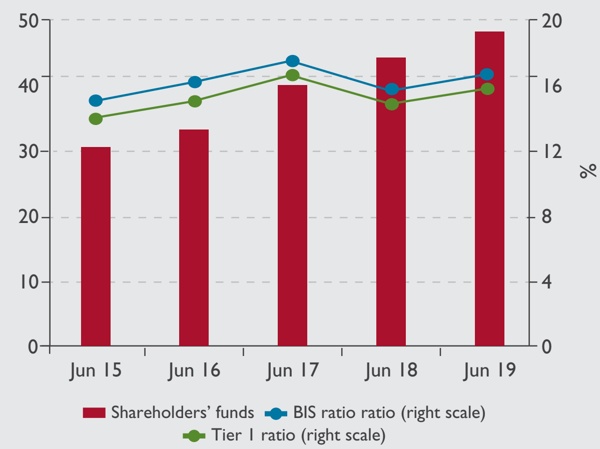
Shareholders' funds increased by 8.9%, after accounting for retained earnings of Rs 5.9 billion for the year and the impact of adopting IFRS 9, by way of an adjustment to the opening balance of retained earnings and other reserves. The overall capital adequacy and Tier I ratios stood at 16.6% and 15.7% respectively, up from 15.6% and 14.8% as restated to reflect the equity method for investments in associates adopted during financial year under review.

Assets mix as at 30 June 2019

(Figures in brackets relate to 2018)



Shareholders' funds and capital adequacy



Note: Capital adequacy ratios are based on Basel III

Corporate Governance Report

Corporate governance report

Our philosophy

The Board of MCB Ltd is committed to applying high standards of corporate governance, which are viewed as being critical in meeting the Bank's objective of creating sustainable value for its stakeholders and society at large. It ensures that good governance norms and practices are adopted throughout the organisation, with the aim to uphold professional and ethical behaviour by employees in their dealing with stakeholders. Indeed, principles of integrity, accountability and transparency are inherent to the Bank's values, culture, processes and operating structures. In view of the fast-changing and increasingly challenging operating environment, the Board continuously monitors and adapts practices to reflect developments in corporate governance principles to ensure smooth business operations and enhance stakeholder engagement. The Bank's sound governance standards and practices are anchored on key pillars as highlighted in the diagram below.

Strong commitment to ethics and values

- Adherence to the Mauritius Bankers Association's Code of Ethics and Banking Practice (2016)
- Application of the Group's 'Code of Ethics', approved and monitored by the Board
- Whistleblowing Policy allowing employees to report matters of concern in strict confidentiality

Strict compliance to rules and regulations

- Compliance with the National Code of Corporate Governance for Mauritius (2016)
- Adherence to Bank of Mauritius Guidelines
- Compliance with international reporting requirements as applicable
- Adoption of the underlying Basel principles

Robust risk governance and internal control

- Board responsible for oversight and monitoring of risk profile against risk appetite through adapted frameworks
- Dedicated functions in place to ensure risks are properly identified, measured and monitored
- Provision of independent assurance by both internal and external auditors

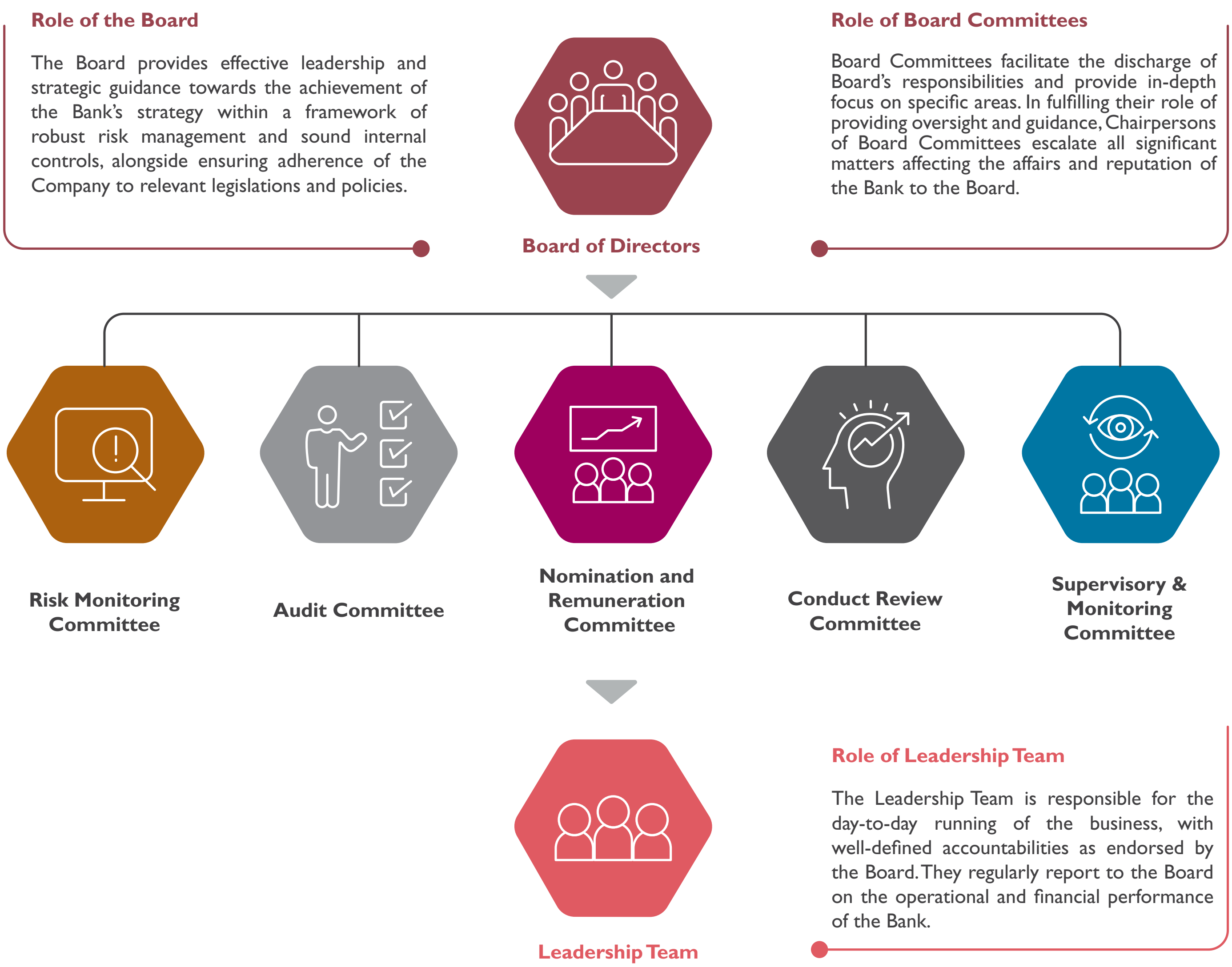
Continuous multi-stakeholder engagement

- Help customers achieve their goals and support economic development
- Safeguard of cultural and environmental heritage
- Promotion of community well-being and fostering of staff development and welfare
- Ongoing dialogue and transparent communication with the investment community

Governance structure

Governance framework

MCB Ltd is led by a committed and unitary Board, which is collectively responsible for the overall leadership and oversight of the organisation. The Bank operates within a well-established governance framework, which enables delegation of authority and clearly defined mandates, without removing the Board's responsibility. Through this framework, the Board sets out the strategic direction and has entrusted the day-to-day running of the organisation to the Leadership Team with their performance and effectiveness closely monitored against set objectives and policies. In order to discharge its duties and responsibilities in an effective manner, the Board has established five committees, mandated to provide specific expertise and specialist guidance to it on matters affecting the Bank's activities. The fundamental relationships among the Board, Board Committees and Leadership Team as well as their main respective roles are illustrated in the following diagram.



More information on Board and Committee Charters is available on the website

Corporate governance report

The roles and responsibilities of the Chairperson, executive and non-executive directors as well as the Company Secretary are clearly defined in the Board Charter and Position Statements, which have been approved and are regularly reviewed by the Board. The role of the Chairperson is distinct and separate from that of the Chief Executive and there is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive managing the Bank's business on a day-to-day basis. The Board ensures that the external obligations of the non-executive directors do not hinder the discharge of their duties and responsibilities. In this context, the Board is satisfied with the external commitments of the newly appointed Chairperson during the financial year under review.

Key roles and responsibilities

Chairperson	Chief Executive	Directors
• Provides overall leadership to the Board • Ensures that the Board is effective in its duties of setting out and implementing the Bank's strategy • Ensures that committees are properly structured with appropriate terms of reference • Presides and conducts meetings effectively • Advises and provides support and supervision to the Chief Executive • Ensures that directors receive accurate, timely and clear information • Ensures that development needs of the directors are identified and that appropriate training is provided to continuously update their skills and knowledge • Oversees the succession planning process • Maintains sound relations with the shareholder	• Manages the day-to-day operations • Develops and executes the plans and strategy of the business in line with the policies set by the Board • Consults regularly with the Chairperson and Board on matters which may have a material impact on the Bank • Acts as a liaison between the Leadership Team and the Board • Provides leadership and direction to Business Executives • Builds, protects and enhances the Bank's brand value • Ensures the Bank has implemented the necessary frameworks and structures to identify, assess and mitigate risks • Ensures the maintenance of a sound internal control system	• Contribute to the development of Bank's strategy • Analyse and monitor the performance of the Leadership Team against the set objectives • Ensure that the Bank has adequate and proper internal controls as well as a robust system of risk management • Ensure that financial information released to markets and shareholder is accurate • Actively participate in Board decision-making and constructively challenge, if necessary, proposals presented by Management • Provide specialist knowledge and experience to the Board • Remain permanently bound by fiduciary duties and duties of care and skill

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

More information on the key roles is available on the website

Constitution of The Mauritius Commercial Bank Limited

The salient features of the Bank's Constitution are highlighted below:

- the Board may, subject to the Companies Act 2001 of Mauritius ("Act") and its Constitution and the terms of issue of any existing shares, issue shares of any Class at any time, to any person and in such numbers as the Board may approve. The Board shall not issue further shares unless such issue has been approved by ordinary resolution;
- the Company may purchase or otherwise acquire its own shares in accordance with, and subject to, sections 68 to 74, and 108 to 110 of the Act and may hold the acquired shares in accordance with section 72 of the Act;
- the Board may authorise a distribution by the Company, if it is satisfied on reasonable grounds that the Company will satisfy the Solvency Test immediately after the distribution;
- the quorum for a meeting of the Board is a majority of the directors;
- a director who has declared his interest in a transaction or proposed transaction with the Company, shall not be counted in a quorum present at the meeting;
- subject to the Banking Act, the directors shall have the power at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors but so that the total number of directors shall not at any time exceed the number fixed in accordance with the Constitution. The directors appointed shall hold office only until the next following Annual Meeting of Shareholders and shall then be eligible for re-election;
- the Constitution of MCB Investment Holding Limited (MCBIH) provides for Reserved Matters. These provide that the representatives of the shareholder shall not vote on a shareholder's resolution of The Mauritius Commercial Bank Ltd which would trigger shareholder's rights under sections 105, 108 or 114 of the Act without prior consent of the shareholders of MCB Group Limited. Such shareholders' resolutions include:
    - adoption of a Constitution or the alteration or revocation of the Constitution;
    - reduction of the stated capital of the Company under section 62 of the Act;
    - approval of a major transaction;
    - approval of an amalgamation of the Company under section 246 of the Act;
    - putting the Company into liquidation; and
    - variation of rights attached to a class of shares.
- at each Annual Meeting, one-third of the directors for the time being, or if their number is not a multiple of three, then the number nearest to, but not exceeding one-third, shall retire from office and shall be eligible for re-election. The directors to retire every year shall be those who have been longest in the office since their last election.

More information on the Constitution is available on the website

The Board

Mandate

The Board defines the Bank's purpose, strategy and value and determines all matters relating to the directions, policies, practices, management and operations of the Bank. The Board thereafter ensures that the Bank is being managed in accordance with its directions and delegations.

Key facts

8 Number of directors	**3-4** Average length of tenure (years)
10 Number of meetings	**89%** Average meeting attendance

Responsibilities

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

- the composition of the Board, which shall comprise executive, non-executive and independent directors in compliance with applicable rules and regulations;
- the Chairperson of the Board who shall be an independent or non-executive director;
- the creation of Board Committees;
- the adherence to the Group's 'Code of Ethics';
- the approval of strategic objectives, policies and corporate values as well as their communication throughout the organisation;
- the monitoring of Leadership Team in respect of the implementation of Board plans and strategies, and compliance with set policies;
- the existence of clear lines of responsibility and accountability throughout the organisation and compliance with all relevant laws, regulations and codes of business practice;
- a formal and transparent directors' remuneration policy;
- the review of procedures and practices to ensure soundness and effectiveness of the internal control systems;
- the existence of a robust Enterprise Risk Management system, with a view to ensuring that key risks across the Bank are effectively addressed and that risk discussions are elevated to the strategic level;
- the setting of principal policies in respect of risk and conduct of business for the Company; and
- the provision of timely and accurate information to relevant stakeholders.

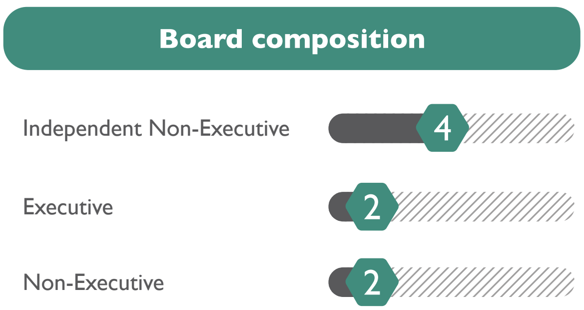
Approval of the Board is specifically required for, amongst other important matters, modifying the Company's Constitution, issuing fresh capital or buying back its own shares, declaring dividends, acquiring or divesting sizeable stakes in subsidiaries or associates, making appointments of senior officers,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

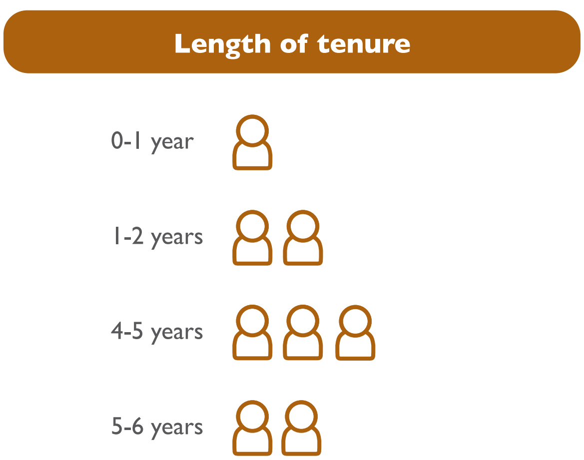
Composition and meetings

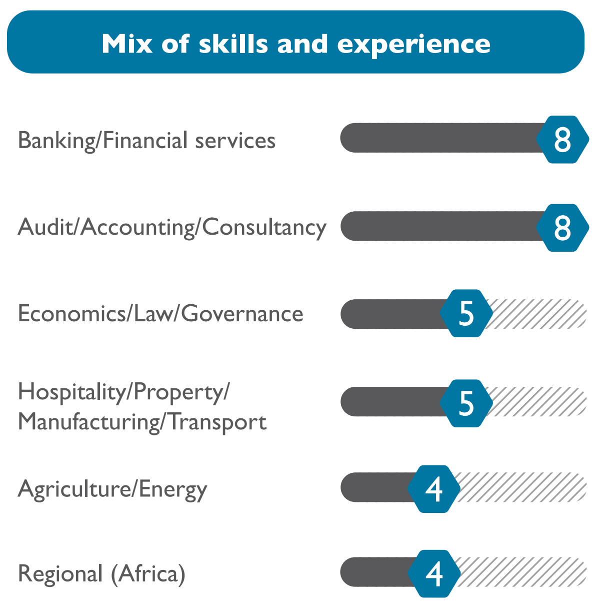
Composition

As per the Board Charter, the Board shall consist of a minimum of five and a maximum of twelve directors including the Chief Executive. The Chairperson of the Board shall be an independent or a non-executive director. In case the Chairperson is an independent director, the Board shall comprise at least 40% of independent directors in line with Bank of Mauritius (BoM) Guidelines. Otherwise, independent directors should make up for at least 50% of the Board. The Board, assisted by the Nomination and Remuneration Committee, regularly reviews the Board size, composition, including the independence status of the non-executive directors. Since last Annual Meeting held in December 2018, Mr Jean-Philippe Coulier (the former Chairperson) has retired and was replaced by Mr Jean-François Desvaux de Marigny. Moreover, Mrs Priscilla Balgobin-Bhoyrul has also retired in December 2018 and the Board has identified another female Director, who will shortly take office. In the same vein, Mr Raoul Gufflet and Mr Jean Michel Ng Tseung have been re-elected as directors, in line with the Bank's Constitution.

As at 30 June 2019, the Board comprised eight members, with a diverse range of skills, knowledge and experience, with average age of around 60 years. The Board composition for the year under review is shown hereafter.



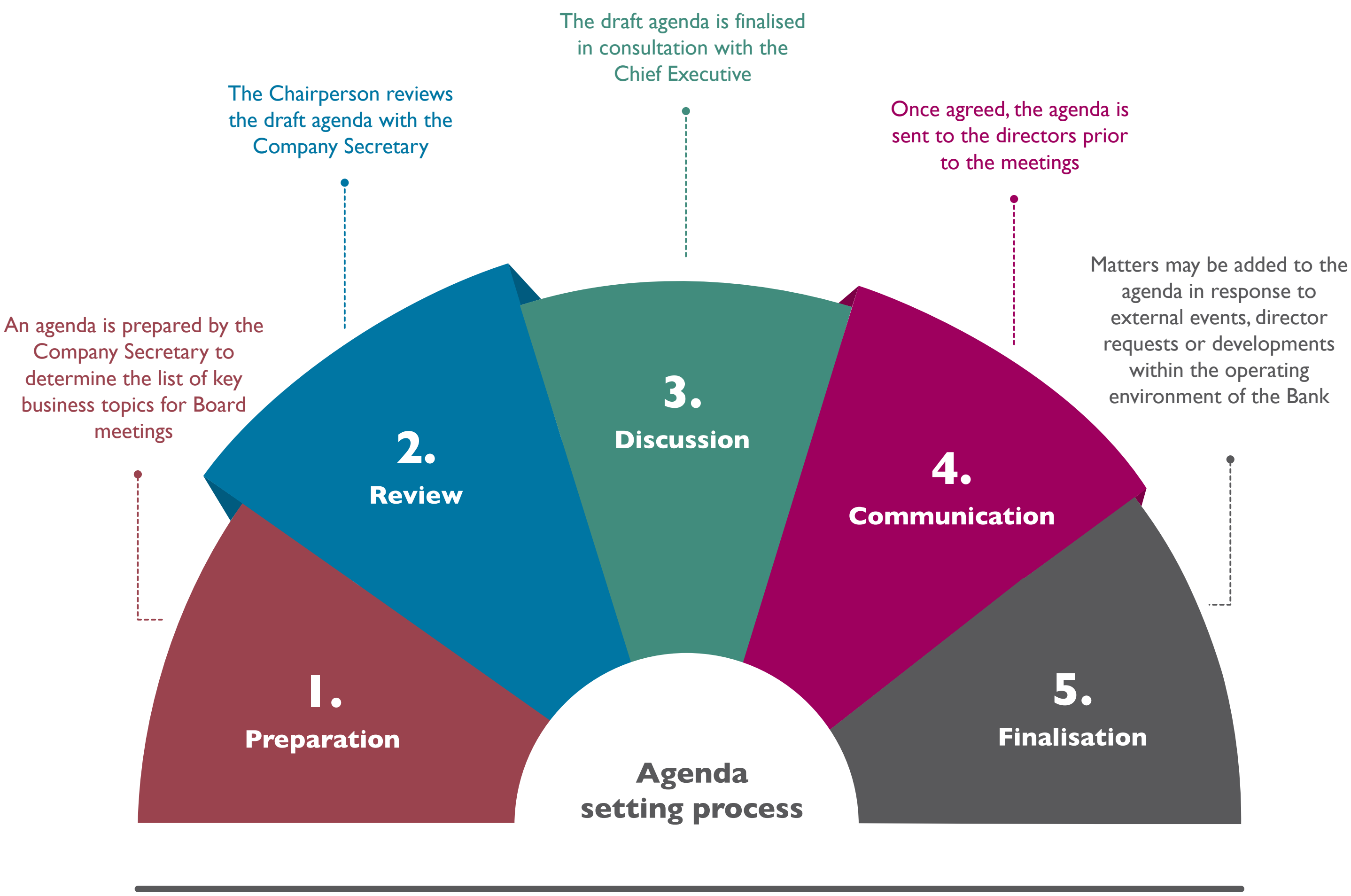




Corporate governance report

Meetings

The Board determines the frequency of Board meetings in a way to ensure that it can focus on key issues at the appropriate time. In this respect, the Charter requires that meetings be conducted at least on a quarterly basis. Although the Board maintains a scheduled programme of meetings, there is sufficient flexibility in the agenda to include specific items as and when required. Meetings are convened so that directors are able to attend and participate in person. In case personal attendance by some or all the directors is not possible, meetings are conducted by means of audio and/or video conferences. Members of the Leadership Team and/or external advisors are sometimes invited to attend meetings to discuss topical issues identified by the Board. Directors receive Board papers in a timely manner to facilitate meaningful discussions as well as informed and focused decisions at the meetings. All materials for Board meetings are uploaded onto a secure portal, which can be accessed by directors on tablet devices. The Chairperson presides over the Board meetings to ensure their smooth functioning and promotes open and frank debates. The agenda setting process is described in the diagram hereafter.



Board attendance

The directors who served on the Board and their attendance at Board meetings during FY 2018/19 are provided in the following table:

Members	Board member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY ***(Chairperson)***	**December 2018**	**Non-Executive Director**	**5/5**
Jean-Philippe COULIER *(Previous Chairperson) (until December 2018)*	December 2012	Independent Non-Executive Director	5/5
Priscilla BALGOBIN-BHOYRUL *(until December 2018)*	December 2012	Independent Non-Executive Director	4/5
Jonathan CRICHTON	December 2013	Independent Non-Executive Director	8/10
Uday GUJADHUR	December 2017	Independent Non-Executive Director	7/10
Philippe LEDESMA	December 2017	Independent Non-Executive Director	10/10
Simon Pierre REY	December 2013	Independent Non-Executive Director	8/10
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	10/10
Raoul GUFFLET	August 2015	Executive Director	8/10
Alain LAW MIN	August 2015	Executive Director	10/10

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

Corporate governance report

Board focus areas

A summary of the main undertakings of the Board during the financial year is provided below:

Strategy and performance

- Reviewed and approved the strategic orientations and budget plans of the Bank
- Assessed the development of the growth pillars of the Bank
- Discussed the syndication of USD 800 million Dual Tranche Syndicated Term Loan Facility
- Monitored the progress of key ongoing projects namely relating to Digital Transformation and HR Transformation as well as the revamping of the Treasury and MCB Private Banking & Wealth Management functions
- Discussed the launch of the Corporate Sustainability Programme (Success Beyond Numbers) and briefed on related initiatives
- Approved the appointment of new senior officers to the Leadership Team

Governance and risk

- Reviewed and approved the structure, size and composition of the Board and Board Committees
- Approved, upon the recommendation of the Nomination and Remuneration Committee, the appointment of Mr Jean-François Desvaux de Marigny as new Board member and Chairperson
- Assessed the need to carry out a Board evaluation exercise and approved the appointment of an external consultant
- Reviewed and approved the Bank's risk appetite
- Briefed on Anti-Money Laundering and Combating the Financing of Terrorism
- Assessed and discussed specific regulatory changes

Financial

- Assessed and monitored the Bank's financial performance against budget
- Approved declaration of interim and final dividends
- Reviewed reports from the Audit Committee

Recurrent agenda items

- Approved the minutes of proceedings
- Reviewed reports from Chairpersons of Committees
- Reviewed and approved the Bank's accounts on a quarterly basis
- Updated on developments in the operating environment

Directors' profiles

The Board comprises 8 directors who have a proven track record in various fields. Profiles of directors who held office at the end of the financial year as well as their directorships in other listed companies (where applicable) are given hereafter. Unless otherwise stated in their respective profile, directors reside in Mauritius.

Chairperson

Jean-François DESVAUX DE MARIGNY – Age 65
Non-Executive Director

Date of first appointment: April 2013 as Executive Director (until his retirement in June 2015)
December 2018 as non-Executive Director

Qualifications: Chartered Accountant (UK)

Skills and experience: Jean-François has accumulated wide-ranging experience in the banking and financial sector, having worked as an Auditor in Europe for several years before joining MCB in 1986. During his career at the Bank, he shouldered various high-level responsibilities in his capacity as Head of Finance, Company Secretary and Deputy Chief Executive, amongst others. He has participated actively in the development of MCB's regional network and was also involved in the launching of the Stock Exchange of Mauritius in 1989. He is currently a director of several companies within the MCB Group.

Board Committee memberships: Nomination and Remuneration Committee *(Chairperson)*; Supervisory and Monitoring Committee *(Chairperson)*; Risk Monitoring Committee

Directorships in other listed companies: Attitude Hotels Group

Corporate governance report

Executive Directors

Alain LAW MIN – Age 60
Chief Executive Officer

Date of first appointment: August 2015

Qualifications: BA (Honours) in Economics, Chartered Accountant and MBA (UK)

Skills and experience: Prior to being appointed Chief Executive Officer in 2017, Alain was the Head of the Retail SBU, responsible for the Affluent, Individual and Business customer segments, the multi-channel distribution, including the branch network, as well as the 'Retail Product' and 'Operations and Service' units. He started his career at MCB Ltd in 1995 as Head of Projects and he successfully launched the leasing, factoring and private banking services while also being responsible for Structured Project finance within the Corporate Banking division. He acted as Project Director for the Business Process Re-engineering exercise initiated with Accenture in 2001. Before joining the Bank, he was Senior Manager at De Chazal Du Mée's Consulting division, specialising in financial and strategy consulting. He is currently a director of MCB Leasing Ltd and MCB Forward Foundation, both subsidiaries of MCB Group Ltd. He has recently been appointed Chairperson of the Mauritius Bankers Association Ltd.

Board Committee memberships: Supervisory and Monitoring Committee; Risk Monitoring Committee; Nomination and Remuneration Committee

Raoul GUFFLET – Age 51
Deputy Chief Executive

Date of first appointment: August 2015

Qualifications: Master's degree in Economics and 'DESS' in International Finance (France)

Skills and experience: Since joining MCB Ltd in 2004, Raoul has had a long experience in the debt market, helped set-up the MCB Equity Fund and was Head of International. In 2016, he was appointed Head of Corporate and Institutional Banking after overseeing the merger of the domestic and international wholesale banking segments. Earlier in his career, he worked with PricewaterhouseCoopers where he spent several years in auditing, strategy consulting, restructurings and corporate advisory in France and East Europe. He has been exposed to financial institutions in both developed and transitional economies through several World Bank and European Bank Reconstruction Development institutional strengthening studies. He is currently the Chairperson of the Assets & Liabilities Committee of the Bank and is a Board member of several entities within the Group, namely Société Générale Moçambique, MCB Madagascar, MCB Seychelles and MCB Maldives amongst others.

Board Committee membership: Supervisory and Monitoring Committee *(also acts as Secretary)*

Non-Executive Director

Jean Michel NG TSEUNG – Age 51

Date of first appointment: August 2015

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

Skills and experience: Jean Michel joined MCB Ltd in January 2004 and was Head of Corporate of the Bank until July 2015, when he was appointed Chief Executive Officer of MCB Investment Holding Ltd. He trained as a Chartered Accountant with Arthur Andersen in London before becoming Partner and Head of the Audit and Business Advisory Department of De Chazal Du Mée and subsequently of Ernst & Young in Mauritius. Whilst currently a Board member of several companies within MCB Group namely MCB Group Ltd, MCB Investment Holding Ltd, MCB Seychelles, MCB Maldives, MCB Madagascar and Banque Française Commerciale Océan Indien, he also sits on the Supervisory and Monitoring Committee and Risk Monitoring Committee of MCB Group Ltd.

Board Committee membership: Risk Monitoring Committee

Independent Non-Executive Directors

Jonathan CRICHTON – Age 64

Date of first appointment: December 2013

Qualifications: Combined Honours Degree in History and Politics (UK), 'Diplôme IEHEI' (France), Associate of the Institute of Financial Services (UK), and Fellow of Finsia (Australia)

Skills and experience: Jonathan retired in 2012 from HSBC after 32 years as an International Manager. He held a wide range of senior positions in the EMEA and Asia Pacific regions of the group covering corporate and retail banking as well as control support functions such as Audit and Risk. He was a board member and Chairperson of several HSBC bank subsidiaries.

Board Committee membership: Risk Monitoring Committee *(Chairperson)*

Uday GUJADHUR – Age 64

Date of first appointment: December 2017

Qualifications: Chartered Certified Accountant (UK)

Skills and experience: Uday has over 40 years of professional experience in the fields of auditing, taxation, consulting and structuring. He has been involved in advising both local and international firms in various business sectors including investment funds seeking listing on the Stock Exchange of Mauritius. Between 1986 and 1994, he carried out several audits of companies and projects financed by the World Bank and African Development Bank in African countries. Until October 2008, he was the Chief Executive Officer, Director and shareholder of a major Trust and Fiduciary company in Mauritius. He was a member of the Consultative committee set up by the Government of Mauritius to advise on the reforms to the non-banking financial services sector in 2000 which led to the setting up of the Financial Services Commission and the enactment of a new legal and regulatory framework in 2001. He is the Founder member of the International Fiscal Association IFA (Mauritius branch) and currently serves as an independent non-executive director of companies including investment funds and entities listed on the Stock Exchange of Mauritius. He is a resident Director of Essar Capital (Mauritius) Limited. He is a member of the Institute of Directors (UK).

Board Committee memberships: Audit Committee *(Chairperson);* Conduct Review Committee

Directorships in other listed companies: Bravura Holdings Limited; Dacosbro; Trevo Capital Limited; Margarine Industries Ltd; Quality Beverages Ltd; RHT Holding Ltd, Soap & Allied Industries Ltd

Corporate governance report

Philippe LEDESMA – Age 61

Date of first appointment: December 2017

Qualifications: Masters' Degree in Business and Company Law (DESS) and Postgraduate Degree in Business Law (France)

Skills and experience: Philippe has more than 35 years practice as a tax and business law adviser for governments, international financial institutions, banks and private groups in various countries. He has a dual experience both as an in-house lawyer and as a lawyer within large consultancy groups and specialises in mergers and acquisitions, restructuring and privatisation process, drafting of new legal frameworks, negotiation and drafting of commercial agreements as well as in tax planning, particularly through offshore vehicles registered in Mauritius. Previously, he has been a Counsellor for the French Foreign Trade and has advised a French world leader of the hotel industry as well as a French group of investors for the setting up of a five star hotel and real estate program in Mauritius. He has also been the leading counsel of the Malagasy authorities in respect of the privatisation process of a state owned company having a quasi-monopoly for marketing locally produced cotton. Furthermore, he was highly involved in a legal feasibility study in respect of an airline company to be created between the French West Indies and Metropolitan France and has also advised the Banque des Etats d'Afrique Centrale (BEAC) for the setting up of a regional stock exchange common to the six member States of the Central African Economic and Monetary Community (CEMAC) within a consortium led by the Stock Exchange of Mauritius.

Board Committee memberships: Risk Monitoring Committee; Nomination and Remuneration Committee; Audit Committee; Conduct Review Committee

Simon Pierre REY – Age 66

Date of first appointment: Was a non-executive director from 1994 to 1996 and in 2000. Re-appointed in December 2013

Qualifications: BA (Honours) in Economics and Chartered Accountant (UK)

Skills and experience: Simon Pierre has worked for some 25 years with Ireland Blyth Limited in the finance field until his retirement in December 2012. During this period, he has occupied important ranks within the group, notably as Group Finance Director/Controller, Company Secretary and Chief Operating Officer, amongst others. Furthermore, he was a board member of various companies within the Ireland Blyth Group, whilst serving on several board committees of these entities, namely the Audit and the Corporate Governance Committees.

Board Committee memberships: Conduct Review Committee *(Chairperson)*; Audit Committee; Nomination and Remuneration Committee *(also acts as Secretary)*

Directorship in other listed companies: ENL Ltd

Remuneration philosophy

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

Employees

The Bank aims at promoting a fair and competitive staff remuneration that incentivises performance and assists in the retention of talent, amongst others. Our remuneration policy is based on meritocracy and ensures that:

- Full protection is provided, at the lower end of the income ladder, against cost of living increases
- Fairness and equity are promoted throughout the organisation
- Opportunity is given to employees to benefit from the financial results and development of the Bank. Indeed, staff members of the Bank receive an annual bonus based on the performance of the Company as well as an assessment of their contribution thereto and for demonstrating behaviours in line with the Bank's values. Furthermore, staff members have the added possibility to be incentivised further through a share option scheme at the level of the Group.

Generally, the remuneration package is anchored on a range of factors including qualifications, skills scarcity, past performance, individual potential, market practices, responsibilities shouldered and experience. With a view to attaining appropriate remuneration levels, the Bank is guided by the following considerations:

- General market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive
- Superior team performance is stimulated and rewarded with strong incentives
- Remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution and team performance.

The Bank provides a range of fringe benefits to its employees to help them in their personal life. Examples of such benefits are as follows:

- The Bank currently contributes 18.1% of employees' basic salaries to an in-house pension scheme to provide for a retirement pension at the end of their professional career
- To help employees meet their endeavours, the Bank provides them with loans under preferential conditions
- The Bank offers its staff the flexibility of saving part of their monthly emoluments for their holidays. Employees can save the equivalent of 6% of their Basic Salary on an annual basis to cater for their holidays expenses, be it abroad or in a resort in Mauritius. This amount is made available at the beginning of each financial year and arrangements can be made to pay directly to our preferred travel agent, or to obtain refund upon presentation of a receipt. Employees also benefit from a tax rebate on this scheme, as prescribed by the Income Tax Act.

Corporate governance report

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

	Management	Other Employees	Total
Number of options granted in October 2018	**87,960**	**467,806**	**555,766**
Initial option price (Rs)	268.00	241.25	-
Number of options exercised to date	43,854	103,435	147,289
Value (Rs)*	11,752,872	24,953,694	36,706,566
Percentage exercised	49.9	22.1	26.5
Number of employees	14	535	549
Available for the 4th window and expiring in mid-October 2019	**44,106**	**364,371**	**408,477**

**Based on initial option price*

Directors

Executive directors

In line with the policy for employees, remuneration for executive directors consists of a base salary and short-term benefits, which reflect their responsibilities and experience, as well as a variable element in the form of an annual bonus, determined by the performance of both the Bank and the individual.

Non-executive directors

The Bank's remuneration philosophy concerning non-executive directors is summarised as follows:

- There is a basic retainer fee for each individual non-executive director reflecting the workload, the size and the complexity (national/international) of the business as well as the responsibility involved;
- The basic retainer fee paid to the non-executive Chairperson commensurately reflects the fact that he has a wider scope of responsibilities and a heavier workload, compared to other non-executive directors;
- Committee retainer fees also apply to non-executive directors, who do not hold an executive position within the Group, with the fees differing in accordance with the time required for preparation, the frequency and the duration of meetings. Chairpersons of Committees are paid a higher basic retainer fee than members, in line with the rationale outlined in the previous point;
- There is an attendance fee for non-executive directors in respect to their presence at meetings of the Board and their respective Committees, and
- No share option or bonus is granted to non-executive directors, except those who hold an executive position within the Group.

The following table highlights the remuneration and benefits received by the directors during the financial year.

Remuneration and benefits received	Rs '000
Jean-François DESVAUX DE MARIGNY *(as from December 2018)*	1,717
Jean-Philippe COULIER *(until December 2018)*	1,445
Priscilla BALGOBIN-BHOYRUL *(until December 2018)*	371
Jonathan CRICHTON	929
Philippe LEDESMA	1,016
Uday GUJADHUR	943
Simon Pierre REY	936
Total Non-Executive	***7,357***
Alain LAW MIN	27,415
Raoul GUFFLET	25,938
Total Executive	***53,353***
Total (Non-Executive and Executive)	**60,710**

Remuneration and benefits received by Jean Michel NG TSEUNG are paid by MCB Investment Holding Limited in his capacity as Chief Executive of the latter.

Corporate governance report

Directors' interests and dealings in securities

MCB Investment Holding Ltd being the sole direct shareholder of MCB Ltd, the directors do not hold shares of their own company. However, regarding directors' dealings in the Group's securities, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

The Company Secretary maintains a Register of Interests. Upon their appointment, all new directors are required to notify in writing to the Company Secretary their interest as well as the interest of their closely related parties in the Group's securities.

The following tables give the interests of the directors in the Group's listed securities as at 30 June 2019 as well as the transactions effected by them during the financial year.

Interests in MCB Group Ltd shares as at 30 June 2019	Number of shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	386,823	251,133
Raoul GUFFLET	81,630	20,169
Uday GUJADHUR	-	142
Alain LAW MIN	209,686	1,817
Philippe LEDESMA	-	48,520
Jean Michel NG TSEUNG	18,423	-
Simon Pierre REY	2,636	56,300

Transactions during the year	Number of shares					
	Purchased		Sold		Other Movements	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	10,000	-	-	-	-	16,753
Raoul GUFFLET	12,127	734	-	-	-	-
Alain LAW MIN	13,470	700	-	-	-	-
Simon Pierre REY	-	300	19,300	-	-	-

Interests in MCB Group Ltd Subordinated Notes as at 30 June 2019	Number of Notes	
	Direct	Indirect
Alain LAW MIN	-	3,000
Simon Pierre REY	7,225	12,637

Transactions during the year	Number of Notes			
	Purchased		Sold	
	Direct	Indirect	Direct	Indirect
Simon Pierre REY	-	520	-	-

Interests in MCB Group Ltd Floating Rate Senior Unsecured Notes as at 30 June 2019	Number of Notes	
	Direct	Indirect
Alain LAW MIN	-	1,000
Philippe LEDESMA	-	4,100

Interests in Fincorp Investment Ltd as at 30 June 2019	Number of shares	
	Direct	Indirect
Jean-François DESVAUX DE MARIGNY	88,225	11,124
Alain LAW MIN	52,270	11,346

Directors' service contracts

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

Board Committees

The Board has delegated authority to various Board Committees to provide specialist guidance and make recommendations, through established reporting mechanisms, on areas and matters delegated to them. Each committee has its own charter, as approved by the Board and reviewed as required, which sets out, inter alia, its roles, responsibilities, composition and meetings requirement. The mandate, composition and main focus areas covered during the financial year of the five Committees namely, Supervisory and Monitoring Committee, Audit Committee, Risk Monitoring Committee, Nomination and Remuneration Committee and the Conduct Review Committee, are presented hereafter.

Corporate governance report

Supervisory and Monitoring Committee (SMC)

Mandate

The SMC assists the Board in setting the development strategy and objectives of MCB Ltd whilst monitoring and measuring the Bank's performance against such strategy. It oversees the overall management of the Bank in accordance with set policies.

Key facts

3 Number of directors	**3-4** Average length of tenure (years)
22 Number of meetings	**90%** Average meeting attendance

Composition and meetings

As per its Charter, the SMC shall consist of a Chairperson, the Chief Executive and Deputy Chief Executive/s. The SMC shall meet regularly and on an ad hoc basis when required.

The directors who served on the SMC and their attendance at committee meetings during FY 2018/19 are provided in the following table:

Members	Committee member since	Board Status	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**January 2019**	**Non-Executive Director**	**10/10**
Jean-Philippe COULIER *(until December 2018)*	January 2014	Independent Non-Executive Director	12/12
Raoul GUFFLET *(also acts as Secretary)*	July 2015	Executive Director	14/22
Alain LAW MIN	July 2015	Executive Director	21/22

Focus areas in FY 2018/19

Key topics discussed

- Progress on key organisation wide initiatives
- Prospective candidates for senior positions
- Development of the growth pillars of the Bank
- Ongoing review of the major transformative projects
- Syndicated Term Loan Facility
- Operating environment of the Bank
- Major credit risk issues
- Legal, operational and compliance issues
- Corporate Sustainability Programme (Success Beyond Numbers)
- Large credit exposures ratification

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

Audit Committee (AC)

Mandate

The AC assists the Board in overseeing the financial reporting process to ensure the balance, integrity and transparency of the financial information published by MCB Ltd. It monitors internal control processes and ensures compliance with relevant laws and regulations.

Key facts

3 Number of directors

2-3 Average length of tenure (years)

8 Number of meetings

100% Average meeting attendance

Composition and meetings

As per its Charter, the AC shall comprise between three and five members and shall consist solely of independent directors from whom the Chairperson shall be nominated. The Chairperson of the Board shall not be a member of the AC. The AC meets at least four times a year corresponding to the Company's quarterly reporting cycle and on an ad hoc basis when required.

The directors who served on the SMC and their attendance at committee meetings during FY 2018/19 are provided in the following table:

Members	Committee member since	Board Status	Meeting attendance
Uday GUJADHUR *(Chairperson)*	**December 2017**	**Independent Non-Executive Director**	**8/8**
Priscilla BALGOBIN-BHOYRUL *(until December 2018)*	January 2013	Independent Non-Executive Director	4/4
Philippe LEDESMA	Decembre 2018	Independent Non-Executive Director	4/4
Simon Pierre REY	January 2014	Independent Non-Executive Director	8/8

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

Focus areas in FY 2018/19

Key tropics discussed

- Interim and audited financial statements published by the Bank with recommendations made to the Board
- Reports from internal and external auditors and actions taken accordingly
- Audit plans of internal and external auditors
- Compliance plan and report
- Audit report from the Bank of Mauritius
- Update of existing policies
- Operational and information risk reports
- Adequacy of allowance for credit impairment
- Ongoing activities of some selected business segments
- Considered appointment of external auditors

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

Corporate governance report

Risk Monitoring Committee (RMC)

Mandate

The RMC assists the Board in setting up risk mitigation strategies and in assessing and monitoring the risk management process of the Bank. It also advises the Board on risk issues and monitors the risk of the different portfolios against the set risk appetite, in compliance with relevant regulations and advocated norms.

Key facts

5 Number of directors

2-3 Average length of tenure (years)

4 Number of meetings

100% Average meeting attendance

Composition and meetings

As per its Charter, the RMC shall consist of the Chief Executive and at least three non-executive directors. The Chairperson of the Committee shall be an independent non-executive director. The RMC meets at least quarterly and on an ad hoc basis when required.

The directors who served on the RMC and their attendance at committee meetings during FY 2018/19 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Jonathan CRICHTON *(Chairperson)*	**January 2014**	**Independent Non-Executive Director**	**4/4**
Jean-Philippe COULIER *(until December 2018)*	January 2013	Independent Non-Executive Director	2/2
Jean-François DESVAUX DE MARIGNY	December 2018	Independent Non-Executive Director	2/2
Philippe LEDESMA	December 2017	Non-Executive Director	4/4
Jean Michel NG TSEUNG	August 2015	Non-Executive Director	4/4
Alain LAW MIN	January 2017	Executive Director	4/4

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2018/19

Key topics discussed

- The Bank's risk appetite
- Country risk limits
- Risk portfolios against set limits
- Principal risks such as credit, market, information and operational risks and actions taken to mitigate them
- The stress testing results in terms of capital adequacy as part of ICAAP
- Progress on the implementation of IFRS 9
- Governance of the Permanent Control function
- Credit Risk policy review

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

Nomination and Remuneration Committee (NRC)

Mandate

The NRC assists the Board by making recommendations in respect of nominations and remunerations for the Board and Committee members as well as Chief Executive/Senior Officers who form part of the Leadership Team of the Bank.

Composition and meetings

As per its Charter, the NRC shall comprise between three and five members, the majority of which shall be independent non-executive directors. The Chairperson shall be a non-executive director and the Chief Executive may be a member of the NRC. The NRC meets at least twice a year and on an ad hoc basis when required.

Key facts

4 Number of directors	**2-3** Average length of tenure (years)
4 Number of meetings	**95%** Average meeting attendance

The directors who served on the NRC and their attendance at committee meetings during FY 2018/19 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Jean-François DESVAUX DE MARIGNY *(Chairperson)*	**December 2018**	**Non-Executive Director**	**2/2**
Jean-Philippe COULIER *(until December 2018)*	January 2014	Independent Non-Executive Director	2/2
Philippe LEDESMA	December 2017	Independent Non-Executive Director	4/4
Simon Pierre REY *(also acts as Secretary)*	January 2014	Independent Non-Executive Director	3/4
Alain LAW MIN	January 2017	Executive Director	4/4

Focus areas in FY 2018/19

Key topics discussed
• Appointment of new Chairperson • Recommendations made to the Board for election of Board member for approval at the Annual Meeting of Shareholders • Board Committees composition • Succession plan for key roles within the organisation • Performance evaluation and reward system of the Bank • Directors' fees for Board and Board Committees • Review of the appointment of senior officers to the Leadership Team with recommendations submitted to the Board • Board evaluation exercise to be carried out by external consultant

More information on the Nomination and Remuneration Committee Charter is available on the website

Corporate governance report

Conduct Review Committee (CRC)

Mandate

The CRC assists the Board in monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guidelines.

Key facts

3 Number of directors	**2-3** Average length of tenure (years)
4 Number of meetings	**100%** Average meeting attendance

Composition and meetings

As per its Charter, the CRC shall consist of between three and five independent non-executive directors, from whom the Chairperson shall be nominated. The CRC meets at least four times per year and on an ad hoc basis when required.

The directors who served on the CRC and their attendance at committee meetings during FY 2018/19 are provided in the following table:

Members	Committee member since	Board status	Meeting attendance
Simon Pierre REY *(Chairperson)*	**January 2014**	**Independent Non-Executive Director**	**4/4**
Priscilla BALGOBIN-BHOYRUL *(until December 2018)*	January 2014	Independent Non-Executive Director	2/2
Philippe LEDESMA	December 2018	Independent Non-Executive Director	2/2
Uday GUJADHUR	December 2017	Independent Non-Executive Director	4/4

Secretary: Frederic PAPOCCHIA (Chief Risk Officer)

Focus areas in FY 2018/19

Key topics discussed

- Credit facilities granted to related parties
- Reporting to the BoM on related party exposures
- Reports with respect to deposits of related parties
- Financial positions (exposures and deposits) relating to external auditors as well as partners in charge of the audit of the Bank.

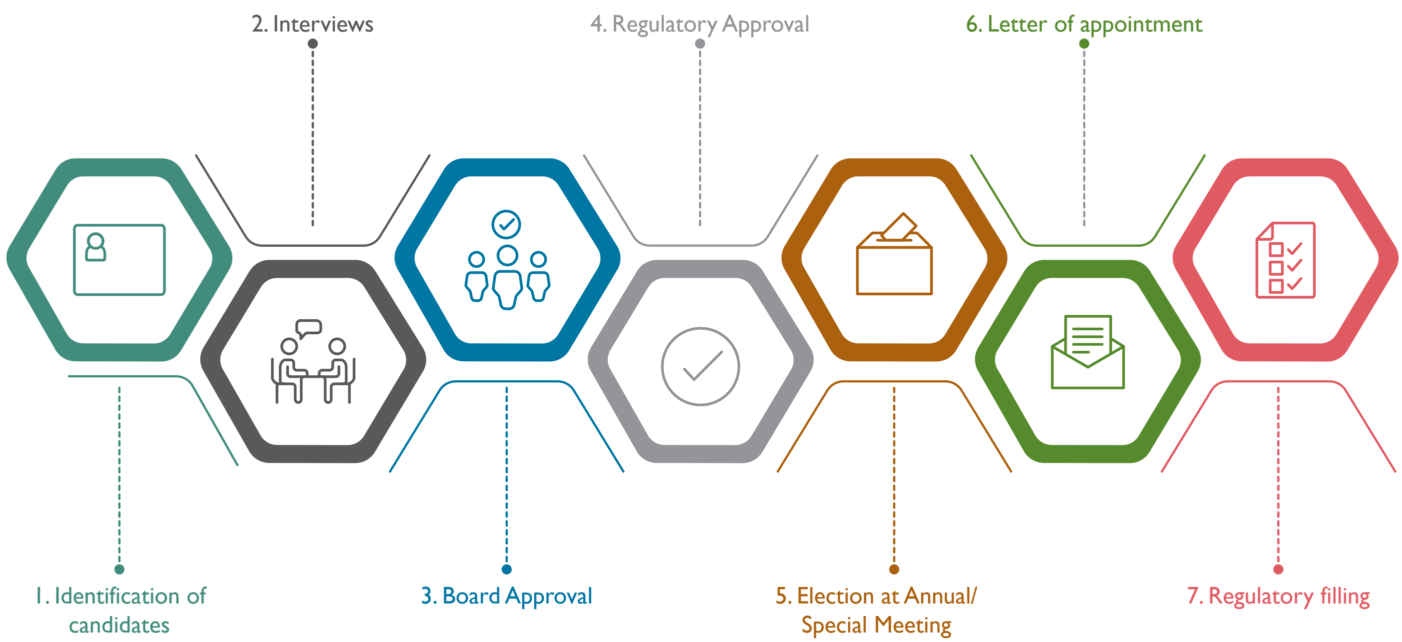
More information on the Conduct Review Committee Charter is available on the website

Board effectiveness

Nomination process

The Board has a formal and transparent process in place for the nomination and appointment of directors. It is supported in fulfilling this duty by the Nomination and Remuneration Committee (NRC), which is responsible for overseeing board directorship's renewal and succession planning. The NRC reviews the size, structure and composition of the Board on an annual basis or whenever appointments are considered. In so doing, it seeks to promote a diverse Board membership in terms of competencies, knowledge and experience. The NRC is also responsible for identifying candidates, carrying out interviews and recommending potential directors to the Board for its approval. The selection criteria used to assess prospective candidates relate, amongst others, to their specific skills, expertise, knowledge and experience. In addition, consideration is given to gender diversity, independence as well as the time commitment of directors in the discharge of their responsibilities. The nomination and appointment process of directors for the Bank is highlighted in the diagram below.

Nomination and appointment process



Whilst seeking to retain a core set of directors with long-standing knowledge, the Board recognises the importance of rotation of Board members to ensure that there is a good balance between continuity and fresh perspectives on the Board. It is worth highlighting that at each Annual Meeting, one third of Board members, notably those who have been longest in office, are required to retire, while being eligible to stand for re-election.

More information on the nomination and appointment process is available on the website

Board induction and training

On appointment to the Board, all new directors attend and participate in a comprehensive induction programme. The latter seeks, *inter alia*, to make them aware of their legal duties and help them to develop a quick understanding of the Bank's business operations as well as associated opportunities and challenges. The objective is to enable them to promptly and effectively contribute to strategic discussions and oversight of the Bank. Furthermore, mindful of the importance of continuous learning, the Board has an ongoing training and development programme for directors, which is reviewed periodically to cater for their needs and requirements amidst an evolving context, with a training log being maintained for each director. During the last financial year, directors attended a workshop on Anti-Money Laundering and Combating the Financing of Terrorism. Moreover, interactive presentation sessions were organised with subject matter experts on specific business segments and with consultants working on the transformation projects. It is also worth noting that directors had the opportunity to make a local site visit to the MCB Digital Factory in August 2018 for them to gain on-the-ground knowledge of progress made with respect to the Digital Transformation Programme and to interact directly with the team involved on the project. An outline of the induction and training programme is set out in the diagram hereafter.

Induction/training programme

Induction pack

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

One-to-one briefings

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

Presentation sessions

Provide directors with an overview of the Bank's organisational structure, financial performance and strategic orientations, activities of the different business segments as well as specific areas of interest

Ongoing professional development & training

Enable directors to update their skills and knowledge, by providing insight into specific areas of strategic focus and current topics of interest as well as other training with respect to specific requirements of directors

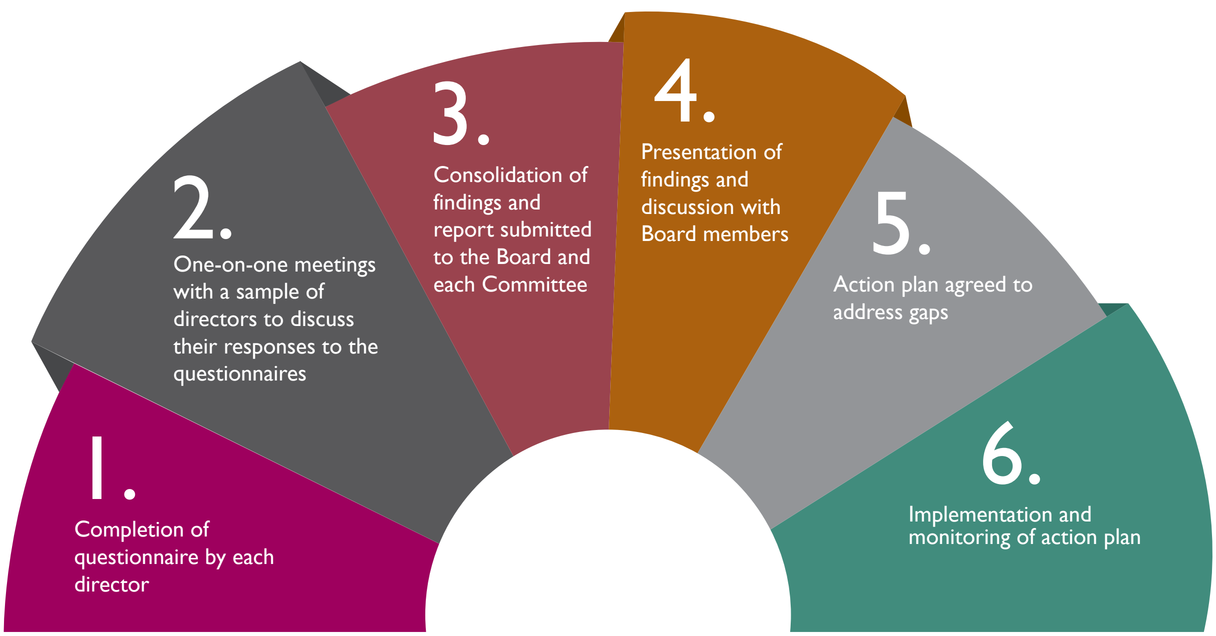
Briefing and reading materials are made available on the Board Portal for consultation

Board/Director's performance

The Board, with the help of the NRC, regularly assesses its performance and effectiveness, that of its committees and individual members in order to identify areas of improvement and to act upon them accordingly. In August 2019, an evaluation exercise was conducted by an external independent consultant, Ernst and Young Ltd, on various governance aspects based on the principles of the National Code of Corporate Governance for Mauritius (2016). This assessment involved a review of governance related documents as well as gathering the views of directors on a range of topics related to the governance structure of the board and its committees, risk and control, appointment and development of directors, audit, reporting, stakeholder relations and director performance and remuneration amongst others. The performance of the Board was scored using a pre-determined scale measuring the maturity of the Bank on the chosen topics. The outcome of the assessment indicates that governance practices in place generally exceed the minimum performance and compliance requirements, and that key documents required to formalise the governance arrangements are in place. Whilst the report contained a few recommendations for enhancing performance, it did not identify any material concern.

An outline of the evaluation process methodology used is provided in the diagram hereafter.

Evaluation process methodology



Corporate governance report

Risk governance

Risk management and internal control

The Board has the ultimate responsibility to maintain a robust risk management and internal control system, which it regularly reviews to cater for new emerging risks and threats emanating from the operating context. In this respect, the Board, supported by the Risk Monitoring Committee, ensures that the necessary structures, processes and methods for identification, evaluation and monitoring of the principal risks faced by the Bank are integrated into the latter's overall risk governance framework. The Board has received assurance, through the regular reporting by the Chairperson of the Risk Monitoring Committee, on the adequacy of the risk management arrangements during the year under review.

The Board ensures that the internal control framework in place results in an acceptable level of risk exposure whilst guaranteeing compliance with internal established policies and procedures and relevant laws and regulations. The Board is assisted in its responsibility by the Audit Committee, which oversees the effectiveness of the Bank's internal control systems. The Internal Audit as well as the Permanent Control and Compliance functions regularly report to the Audit Committee. In addition, the Committee receives reports from the Company's external auditor and has a discussion with the latter without Management being present to ensure that there are no unresolved material issues of concern. Based on the work performed by internal and external auditors, reviews by Management and regular reporting from the Chairperson of the Audit Committee, the Board is of opinion that the internal control systems are adequate and effective.

More information is available in the 'Risk and Capital Management Report' on pages 118 to 157

Information governance

The Bank attaches significant importance to the confidentiality, integrity and availability of information, backed by a robust framework that protects its information asset and upholds the security and performance of information and Information Technology (IT) systems. Alongside ensuring continued investment to maintain operational resilience, the Board is responsible for setting appropriate policies, which are regularly reviewed, for implementation by Management, backed by fitting structures, processes and resources. In this respect, access to information is only available to authorised parties while physical and logical access controls are in place at all times with staff being regularly made aware of relevant requirements. In line with the Board's endeavour to continuously adapt the information risk framework to the operating context, actions are currently being implemented to ensure compliance with the local Data Protection Act as well as the European Union's General Data Protection Regulation and to better cope with the increasing risk of occurrence of cyber threats, taking on board recommendations from an external consultant and Internal Audit. The latter, in fact, provides for an independent assurance to assess the suitability of the Bank's information and IT policies while the Audit Committee evaluates the effectiveness of related internal control systems.

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

External auditor

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention. The proposal to reappoint PricewaterhouseCoopers (PwC), which was first appointed in May 2015 as external auditor, was approved by shareholders at the Annual Meeting of Shareholders of MCB Ltd, held in December 2018. As regards the timeframe, the total duration of the audit assignment is for a period of one year with the possibility of reappointment of the selected firm/s annually, subject to regulatory provisions and approval at the Annual Meeting of Shareholders of MCB Ltd. The latter retains the right to renew and extend the contract following an assessment by the Audit Committee of the external auditor's overall scope, terms of reference and independence.

Non-audit services

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

Auditors' fees and fees for other services

	MCB Ltd	
	2019	2018
	Rs '000	Rs '000
Audit fees paid to:		
PricewaterhouseCoopers	20,206	18,597
Fees for other services provided by:	-	
PricewaterhouseCoopers	9,884	3,240

Note that the fees for other services relate to ad hoc tax assessments settlement and tax compliance, annual internal control reviews, ad hoc IFRS 9 review, quarterly reviews of our abridged unaudited financial statements, specific comforts for external stakeholders and minor ad hoc services.

Corporate governance report

Business Executives

The conduct of business is entrusted to the Leadership Team of the Bank which has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to deliberate on key issues for informed decision making. Business Executives assist the Chief Executive Officer and Deputy Chief Executive to manage the day-to-day running of the Bank's business and affairs. Of note also, oversight and monitoring of the various risk areas within the business are exercised through dedicated standing committees, namely the Executive Credit Committee, the Information Risk, Operational Risk and Compliance Committee and the Asset and Liability Committee.

Profiles of Business Executives

The profiles of Business Executives – excluding those for Alain LAW MIN and Raoul GUFFLET, which appear in the Directors' Profiles section – are given hereunder.

Vincent CHATARD – Age 55
Chief Operating Officer

Qualifications: Masters of Engineering from Agro ParisTech (France) and MBA from HEC Paris (France)

Skills and experience: Vincent was appointed Chief Operating Officer in September 2015 and since February 2018, he is also steering the Digital Transformation Programme. He has accumulated wide-ranging experience in the banking sector, having occupied a number of senior executive positions in international banks. He spent 7 years working for Crédit Lyonnais International before joining KPMG France as a Management Consultant in 1995. In 1997, he was appointed as Head of Information Technology and Organisation of Banque Robeco France (a Personal Banking Unit of the Rabobank Group). From 2000 to 2008, he was appointed Chief Information Officer and Senior Vice-President Business Development of ING Direct, to establish the units both in France and the UK. From 2008 to 2011, he launched and was the Chief Operating Officer of BforBank, the direct banking unit of Crédit Agricole. He then acted as Chief Operating Officer, Chief Business Development Officer and Executive Board Director of MeDirect Bank, a privately owned investment and wealth bank operating in Malta and Belgium prior to joining MCB Ltd.

Mike SOPHIE – Age 50
Head of Human Resources

Qualifications: Fellow member of the Association of Chartered Certified Accountant and MBA (UK)

Skills and experience: Mike has a vast experience in banking. He spent 9 years in overseas subsidiaries of the Group from 1999 to 2008 before joining the Retail SBU. He held various positions therein namely as Regional Manager, Retail Operations and Service Manager and subsequently as Head of Retail since August 2017. He was appointed Head of Human Resources effective May 2018. His career within the Group gives him a sound oversight of the different business lines, to better shape HR strategies to accompany them to meet their business goals.

Bhavish NAECK – Age 48
Head of Finance

Qualifications: BSc (Honours) in Economics with specialisation in Accounting and Finance and Fellow Chartered Accountant (UK)

Skills and experience: Bhavish, who is the first MCB Foundation scholar, spent some years in Singapore, working in the Audit and Business Advisory division of Deloitte & Touche and as Financial Controller at JDA Asia, a subsidiary of a listed NASDAQ entity. After a stint at Sun Resorts, he joined MCB in May 2000 as Manager – Investment Administration and then worked as Project Leader on the Business Process Re-engineering project in 2001. Since January 2014, he heads the Finance SBU where he is responsible for the provision of internal and external financial/regulatory reports and the team of finance business partners which provides key support to the main Committees of the Bank.

Frederic PAPOCCHIA – Age 45
Chief Risk Officer

Qualifications: Masters in Finance from Paris Dauphine University and MBA (France)

Skills and experience: Frederic was appointed Chief Risk Officer in January 2016. He joined MCB in July 2012 as a Consultant to the Group Chief Executive and worked on various projects in the risk arena. He then took office as Deputy Chief Risk Officer in April 2014 and currently oversees the Credit Risk, Credit Management, Credit Modelling, Recovery Business and Market Risk units of the Bank. As part of his ongoing responsibilities, he also acts as Secretary to the Executive Credit Committee of the Bank and to the Conduct Review Committee of the Board. Prior to joining MCB, he had accumulated extensive experience in management consultancy particularly in areas of risk management and regulation, during which he engaged with several large banks such as Bank of America, Societé Générale and BNP Paribas, working on various assignments including the implementation of the Basel 2 and Basel 2.5 reforms, the development of stress-testing frameworks and the review of credit origination frameworks.

Interests in shares

The following table gives the interests of Business Executives in the Group's listed securities at the end of the financial year.

Interest as at 30 June 2019	MCB Group Limited Shares		MCB Group Limited Subordinated Notes		MCB Group Limited Floating Rate Senior Unsecured Notes	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Bhavish NAECK	24,944	6,066	1,000	1,500	4,333	500
Frederic PAPOCCHIA	7,673	-	-	-	-	-
Mike SOPHIE	5,919	-	-	-	-	-

Note: The above Business Executives do not hold any share in Fincorp Investment Ltd and COVIFRA.

Remuneration

The aggregate amount paid to the Business Executives in terms of remuneration can be found in Note 36 of the Financial Statements.

Corporate governance report

Related party transactions

For the purposes of these Financial Statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or other entities. The Bank of Mauritius Guideline on Related Party Transactions, issued in January 2009 and revised in June 2015, is articulated around three main elements:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

In fact, the Guideline is more stringent than the applicable International Accounting Standard (IAS 24) in that a person holding directly or indirectly 10% or more of the capital or of the voting rights of the Bank also falls within the definition of related party. As a general rule, all transactions with a related party must be carried out at arm's length i.e. on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- guarantees issued on behalf of a related party;
- investments in any securities of a related party;
- deposits and placements; and
- professional service contracts.

As regards regulatory reporting on exposures to related parties, the latter are classified into three categories:

1. Directors, their close family members and any entity where any of them holds more than a 10% interest;
   Shareholders owning more than 10% of the financial institution's capital;
   Directors of any controlling shareholder; and
   Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.
2. Senior Management, their close family members and any entity where any of them holds more than 10% interest;
   Senior Management of any controlling shareholder; and
   Subsidiaries of the financial institution.
3. Senior Management, provided their exposures are within the terms and conditions of their employment contract.

Category 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at 60% of Tier 1 capital for category 1 and 150% thereof for the total of categories 1 and 2.

The Bank's policy on related party transactions sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them and reporting procedures to the Conduct Review Committee. Note 36 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 30 June 2019.

Aggregate exposure of related parties, including exposure of the Bank to subsidiary companies amounted to Rs 8,394 million (on-balance sheet) and Rs 2,359 million (off-balance sheet), which represented respectively 3.7% and 3.2% of Bank loans and Bank contingent liabilities as at 30 June 2019.

Exposure of the Bank's top six related parties as at 30 June 2019 were Rs 2,334 million, Rs 1,758 million, Rs 1,128 million, Rs 1,056 million, Rs 1,028 million and Rs 978 million. These balances represented 5.0%, 3.8%, 2.4%, 2.3%, 2.2% and 2.1% respectively of the Bank's Tier 1 capital.

None of the loans granted to related parties was non-performing as at 30 June 2019, except for a small exposure of Rs 0.6 million in relation to a company in which a related party has a stake.

More information on the 'Conflicts of Interest and Related Party Transactions Policy' is available on the website

Stakeholders' relations and communication

The Board is committed to building open and trusted relationships with stakeholders and the public at large through regular engagement. All material business developments that influence the Bank are communicated to stakeholders in a transparent and timely manner through various communication channels. In addition to official press announcements, occasional press conferences, the Bank's website, hosted at www.mcb.mu, provides for an adapted and comprehensive self-service interface.

Shareholders agreement

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

Dividend policy

Although there is no formal dividend policy, the Company aims to supply its shareholder with adequate returns to meet the objective of the Group to have a stable and relatively predictable dividend path.

Statement of Directors' responsibilities

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Bank. In preparing those Financial Statements, the directors are required to:

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

The external auditor is responsible for reporting on whether the Financial Statements are fairly presented. The directors are also responsible for safeguarding the assets of the Bank and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Bank.

The directors report that:

- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- the Financial Statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used;
- International Financial Reporting Standards, the Mauritian Companies Act 2001, as well as the requirements of the Banking Act 2004 and the guidelines issued hereunder have been adhered to; and
- the Financial Statements have been prepared on the going concern as the Bank is likely to continue in business.

On behalf of the Board.

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive

Statement of compliance

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

Name of Public Interest Entity ('the PIE'): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2018 to 30 June 2019

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

Jean-François DESVAUX DE MARIGNY
Chairperson

Alain LAW MIN
Chief Executive

The disclosures pertaining to the eight principles of the Code have been made in different sections of the Annual Report, as outlined below:

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

Notes:

[1] *'Our Corporate Profile' can be found on pages 22-36*
[2] *'Risk and Capital Management Report' can be found on pages 118-157*
[3] *'Delivering on our strategic objectives' includes information on our environmental and social performances and can be found on pages 38-68*
[4] *'Financial Performance' provides an assessment of the Bank's results and can be found on pages 70-79*
[5] *'Sustainability Report' provides an overview of our Corporate Sustainability Programme and our engagement with various stakeholders and is available on our website*

Company Secretary's certificate

Name of Public Interest Entity ('the PIE'): The Mauritius Commercial Bank Limited
Reporting Period: 1 July 2018 to 30 June 2019

In our capacity as Company Secretary, we hereby certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 of Mauritius in terms of section 166(d).

Marivonne OXENHAM
Per MCB Group Corporate Services Ltd
Company Secretary

26 September 2019

Risk and Capital Management Report

Risk and capital management report

Introduction

Guided by its underlying philosophy ...

Our general approach

The conduct of our businesses and activities inherently exposes our organisation to risks. Managing risks effectively is fundamental to the successful execution of our strategy and the nurturing of our competitive positioning across markets, while enabling us to deliver sustainable value to our multiple stakeholders

Our key targets and objectives

- MCB Ltd is committed to staying a well-capitalised bank with adequate liquidity buffers to help achieve sustainable business growth. Towards this end, we adopt a conservative and disciplined stance towards risk and capital management
- We follow a well-calibrated modus operandi to identify and assess risks faced and determine appropriate responses, alongside taking advantage of relevant opportunities to transform risk into a strategic value driver. To realise our objectives, we ensure that we embrace a solid control framework that guides employees in the way they behave and the decisions they take

Our main focus areas

- Ensuring that risk management principles are anchored on advocated industry norms and corporate governance principles
- Conferring ultimate responsibility for risk management to the Board, with supervision by the latter through its committees
- Making sure that strategic decisions are taken in line with the Board-approved risk appetite
- Establishing a strong governance framework and clear segregation of duties/responsibilities for coherent risk management, while ensuring that decisions are aligned with mandates of internal stakeholders
- Adopting a robust three-lines-of-defence approach to manage risks, based on transparency and accountability principles
- Fostering an appropriate balance between risk and reward considerations to maximise shareholder returns; having recourse to the Return on Risk-Adjusted Capital (RoRAC) metric in order to ensure that the price charged for client solutions is reasonable in relation to the relative riskiness of exposures, while providing us with an adequate rate of return
- Paving the way for Bank-wide adherence to a common set of behaviours, attitudes, skills and guiding courses of action in support of coherent decision-taking, alongside fostering the integration of the risk culture across the organisation

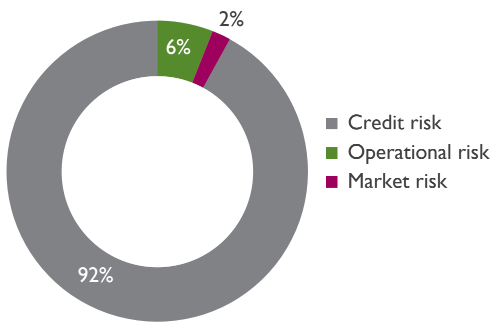
... MCB has preserved its financial soundness and strengthened its management of risks

Financial metrics for FY 2018/19

Capital adequacy ratio
16.6%
(Jun 2018: 15.6%) (Jun 2017: 17.4%)

Tier 1 capital ratio
15.7%
(Jun 2018: 14.8%) (Jun 2017: 16.5%)

Risk-weighted assets
Rs 298 bn
(Jun 2018: Rs 285 bn) (Jun 2017: Rs 231 bn)



Liquidity coverage ratio
400%
(Jun 2018: 203%) (Jun 2017: 186%)

Liquid assets to deposit ratio
54.9%
(Jun 2018: 48.1%) (Jun 2017: 52.9%)

Gross NPL ratio
3.8%
(Jun 2018: 4.1%) (Jun 2017: 5.9%)

Coverage ratio
0.9% Expected Credit Loss
28.9% Specific[1]

Notes:
(i) Liquid assets comprise cash, balances with BoM, placements, T-Bills, Government securities and bonds
(ii) Expected Credit Loss coverage ratio is calculated as a percentage of Stage 1 and Stage 2 on-balance sheet exposures, while specific coverage ratio is computed as a percentage of Stage 3 exposures

[1] The remaining portion is more than adequately covered by collateral

Risk and capital management report

Key achievements and initiatives during the last financial year and until recently

- The Bank capitalised on its robust risk management and internal control frameworks to maintain its sound business growth and uphold its financial soundness. Against this backdrop, Moody's Investors Service upgraded the credit rating of MCB Ltd in July last, with our long-term deposit rating improving from Baa3 to Baa2. The upgrade was essentially underpinned by improvements witnessed in MCB's profitability and asset quality metrics as well as its strong capital levels. Encouragingly, the rating agency has acknowledged the Bank's sound business model and underscored its disciplined expansion strategy, notably in Africa.

- The Bank reinforced the comprehensive set of policies, standards and processes leveraged to identify, measure, monitor and mitigate risk exposures in a consistent manner. As key enablers, we tapped into enhanced synergies amongst relevant functions of the Bank, alongside upgrading our operational platforms and information systems as well as improving the efficiency of our processes. As a major undertaking, we stepped up the management of compliance risk to comply with evolving local and international norms and standards. We successfully implemented IFRS 9 as from 1 July 2018, notably the adoption of 'Expected Credit Loss' (ECL) models to determine allowances for credit impairment. Consequently, our financial statements for FY 2018/19 have been prepared under this new standard.

- MCB further strengthened its Permanent Control function to shore up its control mechanisms and assist business units in reinforcing their respective risk oversight. Amongst key initiatives deployed: (i) the Bank implemented a Permanent Control framework to ensure that critical controls are performed and are effective, thanks to a 'Business Risk Correspondents' level of control, with findings escalated to Management and Board; and (ii) a new approach for risk cartography has been launched for deployment across the Bank, with a view to identifying and assessing operational risks as well as ensuring that effective internal controls are implemented to address any major or critical issues identified. Worth noting also, the Bank further bolstered its Anti-Money Laundering/Fraud Prevention (AML/ FP) and Compliance functions to effectively manage related risks, with main measures as follows: (i) the Compliance function was reviewed, with the creation of five distinct clusters to ensure effective compliance coverage across business units/branches; (ii) a gap assessment was conducted with a view to gearing up capabilities, notably in terms of relevant processes and systems, towards fostering the Bank's compliance with the country's Data Protection Act and advocated international standards, with a key case in point being the General Data Protection Regulation / Data Processing Agreement (GDPR/DPA); and (iii) the efficiency of the customer onboarding process has been further improved. Furthermore, based on current state assessments, a list of gaps and compensating controls to be deployed across the Bank were identified to enhance its information security and increase resilience in case of cybersecurity breach. We reinforced our processes and frameworks to effectively confront cyber risks associated with the increased digitalisation of our operations.

Looking ahead: Our key targets to anchor sound business growth

- Uphold the soundness of key financial metrics, backed by the further shoring up of the risk management framework and internal control system
- Ensure that our business expansion endeavours, notably on the international front, materialise in a sensible manner, backed by a proper structuring of deals, adherence to an adapted risk appetite and systematic scrutiny of clients' operating context
- Execute dedicated and proactive measures towards further strengthening our anti-money laundering platforms and policies; reinforce our compliance framework, while further bolstering client onboarding and monitoring processes (in alignment with local stipulations and advocated global norms and standards), backed by the increased automation and simplification of processes
- Continuously appraise and manage cyber risks, supported by relevant upgrades to our tools and processes
- Extend the deployment of tailored risk management frameworks and methodologies across specific business units
- Further embed the adherence to a sound risk culture across different layers of the organisation

Our risk management strategy

Main risks faced

To achieve its strategic objectives, the Bank adopts a consistent and integrated approach to risk identification, mitigation and management. Material risks that could impact our business model, performance, solvency and liquidity are continuously monitored.

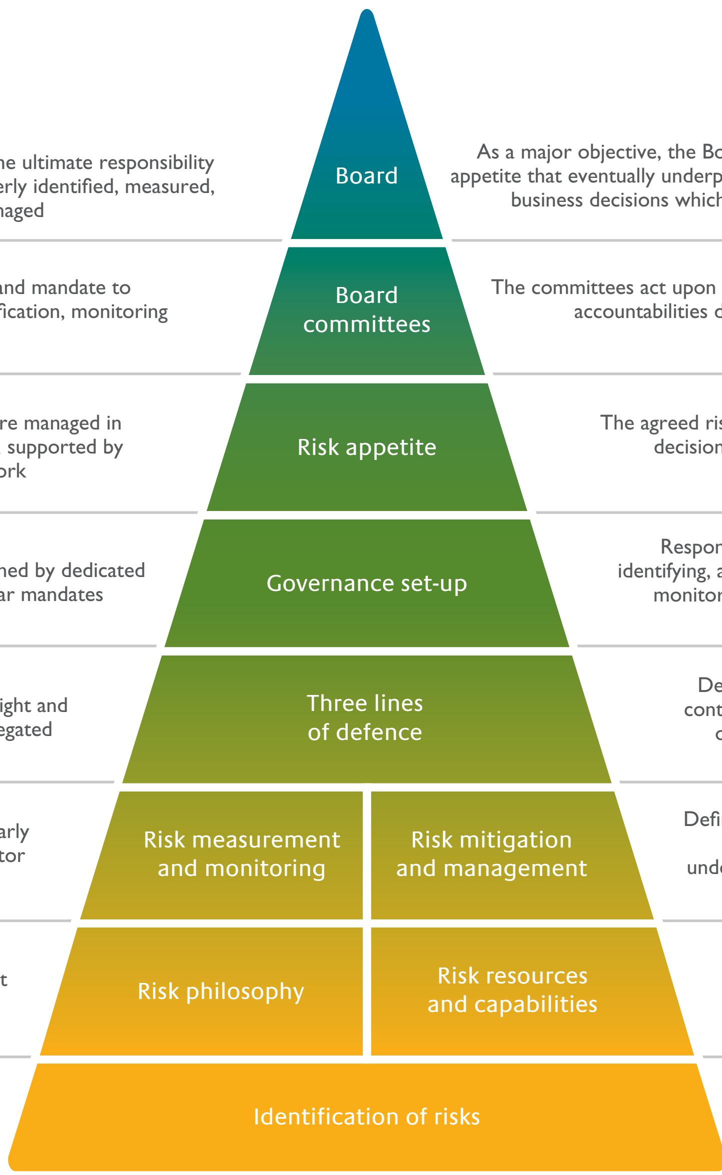
	General definitions	Key objectives
Active risks	**Credit risk**	
	The risk of financial loss should borrowers or counterparties fail to fulfill their financial or contractual obligations as and when they fall due; Credit risk includes counterparty risk, settlement risk and concentration risk, with the latter referring to the risk arising from an excessive build-up of exposures to a counterparty, industry, market or product, amongst others	To foster sound credit risk management principles; to uphold a well-diversified credit portfolio consistent with the risk profiles defined in the risk appetite as well as the broad characteristics set out in target market criteria; to achieve the targeted risk-return profile of the portfolio; to promote, monitor and manage the quality of the credit portfolio
	Country risk	
	The risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet their financial obligations	To provide for a comprehensive framework and adequate control processes for assessing country risk, determining risk tolerance and allocating exposures across geographies
	Market risk	
	The risk of loss caused by movements in market price parameters (including interest rates, exchange rates as well as stock and commodity prices among others)	To monitor, report and control the overall market risk exposures, including market-contingent risks such as counterparty credit risk as well as profit and loss risks arising from the Bank's market risk activities
	Interest rate risk	
	The risk arising from changes in interest rates or in the prices of interest rate related securities and derivatives, insofar as they tend to impact the Bank's earnings or economic value of equity	To manage the impact of interest rate changes on the Bank's overall risk profile both from an earnings and economic value perspective
	Foreign exchange risk	
	The risk of losses on account of adverse foreign currency movements	To detect and manage impact of currency fluctuations
	Funding and liquidity risk	
	Funding risk: The risk linked to a relative lack of availability of funds or the risk that a maturing liability or class of liabilities may not be able to be refinanced (without additional relative cost) over any given period of time *Liquidity risk:* The risk arising from insufficient realisable financial assets to meet the financial commitment as and when they fall due	To maintain adequate liquidity levels and have access to diversified funding sources to rapidly and effectively respond to the demands of our clients and foster our business development

Risk and capital management report

Passive risks	General definitions	Key objectives
	Operational risk	
	The risk of loss resulting from human factors, inadequate or failed internal processes and systems or external events. It includes fraud and criminal activity, project risk, business continuity, information and IT risk, etc.	To identify, mitigate and manage the Bank's operational risks in line with acceptable tolerance limits and with a strategic intent to provide our customers with seamless services
	Information risk	
	The risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources which would compromise the confidentiality, integrity or availability of information	To maintain the confidentiality, integrity and availability of information assets stored, processed and transmitted throughout the organisation
	Cyber risk	
	The risk of breach of information technology security arising from the malicious or unauthorised use of information systems that may have an adverse effect on the confidentiality, availability, or integrity of information or information systems	To handle and mitigate cyber risks and establish a strong IT platform to aid the delivery of the organisation's strategic objectives whilst protecting confidentiality and preventing misuse of systems and business disruptions
	Regulatory and compliance risk	
	The risk arising from changes in legislation, regulations and advocated norms on the operation and functioning of the Bank. It is the risk of sanction and material financial loss or reputational damage	To comply with all relevant stipulations in force and advocated norms to safeguard the assets of the organisation and shield it from legal and regulatory sanctions and financial / reputation losses
	Reputation risk	
	The risk arising from the damage to the Bank's image caused by negative media coverage, compliance failures, pending litigations or underperformance. Such damage may result in a breakdown of trust, confidence and business relationships, which may impair the Bank's ability to retain and generate business	To bolster our brand image and ensure that our actions and behaviours are in line with best practice standards
	Strategic and business risk	
	The risk arising from inappropriate business decisions or strategies in relation to the operating environment. The risk is linked to changes in the business environment, regulatory decisions, client behaviours and technological progress, as well as Bank-specific factors such as poor choice of strategy and inflexible cost structures	To set out and deploy our strategic orientations in a judicious and well-thought manner, remain attentive to changes in the operating environment and pay close attention to the current/future exigencies of our customers

Key elements of our risk management set-up

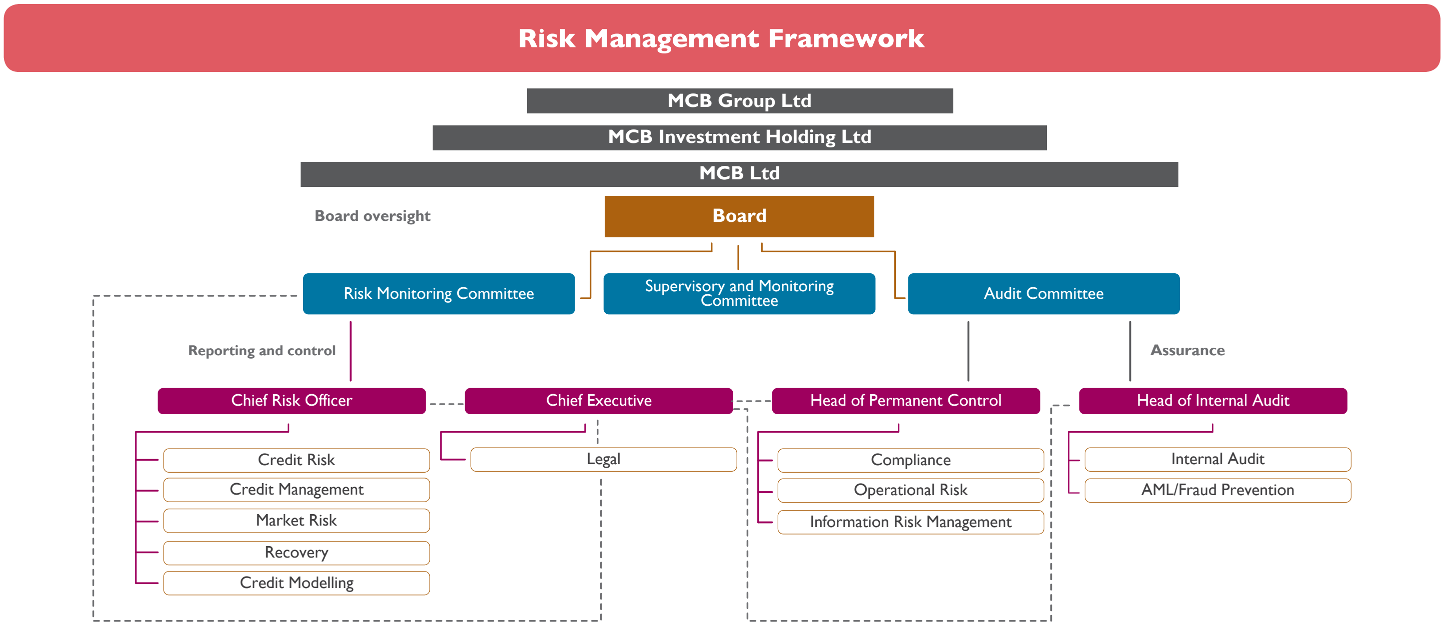
The risk management set-up of the Bank applies to every area of its business and covers all risks faced. It aims to ensure that the organisation adopts a consistent and integrated approach to risk identification, mitigation and management.



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

Risk and capital management report

Governance and oversight



Note: The Chief Risk Officer (CRO) exercises oversight over all risk areas, including compliance, operational, information and legal risks

Board of MCB Ltd

- As highlighted before, the Board of MCB Ltd has the ultimate responsibility for ensuring adequate risk management across the Bank, in line with good corporate governance principles. It provides clear guidance for the setting out and regular review of applicable strategic thrusts, processes and policies for risk management.
- As a key focus area, the Board is responsible to validate the Bank's risk appetite towards achieving its objectives. It delegates authority to Board committees, which formulate the specific responsibilities and required policies for effective risk management.

Risk Monitoring Committee (RMC)

- It is the primary Board committee overseeing risk matters. It assists the Board in setting up risk strategies as well as assessing and monitoring MCB's risk management process. It recommends the risk appetite for credit and market risks to the Board for approval. It analyses risk portfolios against the risk appetite, while reviewing and exercising oversight over capital management.
- The RMC is entrusted with the authority of determining the Bank's overall international capital allocation and exposure limits while monitoring country exposures against set limits on a quarterly basis. Besides, it approves country risk policies and proposed amendments and reviews the country risk framework and risk appetite parameters. Four out of the five members of the RMC are non-executive directors, thus strengthening the Bank's independent oversight and control functions.

Other committees

- The Supervisory and Monitoring Committee sets the overall direction for the strategic development of the Bank. It monitors the Bank's performance against such strategy.
- The Audit Committee monitors internal control processes and ensures compliance with relevant laws and regulations. It sets operational risk tolerance levels and ensures the regular review of business continuity plans.

Adherence to the three lines of defence approach

1st line of defence	Risk ownership

- The first line owns risks emanating from deployed strategic activities. It is called upon to adopt adequate processes and mechanisms to suitably manage risks faced and escalate knowledge of risks identified in the course of activities for appropriate mitigating actions.
- Employees engaged in client-facing divisions and support functions as well as business line managers have the first-level responsibility for day-to-day risk management in the interest of the Bank.

2nd line of defence	Risk control and compliance

- The second line is mandated to establish the limits, rules and constraints under which the first line activities shall be performed.
- The Risk SBU bears the responsibility for providing independent risk control. It manages credit and market risks and oversees the credit management and recovery operations. While having an administrative reporting line to the Chief Executive, the Chief Risk Officer (CRO) is accountable to the RMC for the monitoring and management of assigned risk areas. Managers catering for the latter establish methodologies for risk measurement while carrying out the regular monitoring and reporting of the Bank's risk exposures and profiles.
- The Permanent Control function, which reports to the Audit Committee, ensures that activities at the operational level are correctly handled and secured, alongside ensuring compliance with relevant laws, regulations and codes of conduct.
- Independent teams oversee the legal and physical security functions. The Head of the Legal SBU acts as the Money Laundering Reporting Officer (MLRO) to ensure strict independence. The Physical Security BU reports to the Chief Operating Officer's office.

3rd line of defence	Risk assurance

- The Internal Audit SBU evaluates and provides independent assurance on the effectiveness of the risk governance, the control environment and risk management processes and mechanisms, in tune with business strategies and the evolving external environment.
- The function provides independent assurance that the control objectives are achieved by the first and second lines of defence in line with the set risk appetite. It has an administrative reporting line to the Chief Executive and is accountable to the Audit Committee.
- While reporting to the Head of Internal Audit, the Anti-Money Laundering/Fraud Prevention (AML/FP) BU promotes staff awareness on fraud and money laundering risks. It conducts enquiries with respect to suspected fraud cases perpetrated internally or by outsiders.

Risk and capital management report

Key responsibilities of dedicated executive committees

Active risks

Credit risk	
Executive Credit Committees (ECC)	• The ECC (A), which comprises, amongst others, the Chief Executive and Deputy Chief Executive, sanctions/declines credit applications where customer group total commitment exceeds Rs 150 million • The ECC (B) sanctions/declines credit applications with total client commitment of up to Rs 150 million
Credit Committee (CC)	• The CC sanctions/declines credit applications where customer group total commitment is up to Rs 50 million for retail clients and Rs 60 million for corporate clients
Country Risk Committee (CoRC)	• The CoRC, which is chaired by the Chief Executive and comprises the Deputy Chief Executive and Chief Risk Officer as members, is responsible for setting individual country limits within the validated risk parameters as well as reporting any excesses observed to the RMC

Market risk	
Asset and Liability Committee (ALCO)	• The purpose of the ALCO is to – in consultation with relevant Heads of lines of business – review and validate decisions related to the asset/liability position and overall balance sheet management of the Bank. These decisions are taken with respect to the various dimensions of market, liquidity and funding risks faced by the Bank, while also making allowance for funds transfer pricing • The ALCO sets and reviews all trading book limits and banking book targets, in alignment with the diversification and growth of the Bank's balance sheet, whether it is from a domestic, foreign currency or consolidated perspective • The committee, which comprises members of the Bank's Leadership Team, is chaired by the Deputy Chief Executive, with targeted monthly meetings or, as deemed necessary, ad-hoc and special meetings held

Passive risks	
Information Risk, Operational Risk and Compliance Committee (IORCC)	• The monitoring of the entire operational cycle is entrusted to the IORCC, chaired by the Chief Executive. The IORCC acts as the focal point and coordinating committee to ensure that management of information, operational and compliance risks is in line with the relevant policies, guidelines and procedures of the Bank. Significant risks observed are escalated to the IORCC and then, if warranted, to the Audit Committee

Our risk appetite and strategy

Framework	• The Bank articulates and monitors its risk appetite, which is the reasonable quantity and type of risk that it is broadly able and willing to take in the pursuit of its strategic/financial objectives. Our framework provides an informed guidance for the management and monitoring of our risk profile in relation to the defined risk appetite. • The purpose of setting risk appetite is not necessarily to limit risk-taking, but to align the Bank's risk profile and strategic orientations. Our risk appetite is regularly updated to reflect stakeholder aspirations and the context.
Key underpinnings	• MCB *inter alia* defines its risk appetite for (i) credit risk in terms of allocation of range targets for domestic and international credit exposures, exposures by sectors as well as risk profiles and asset quality of portfolios; and (ii) market risk in terms of the splits between domestic and international markets, foreign currency and interest rate exposures, exposure allocation for position-taking and target splits in terms of exposure maturities. • For proper risk identification and quantification, the Bank caters for: (i) continuous monitoring of risk targets; (ii) quarterly risk reporting to RMC; (iii) preparation of risk reports for capital management; and (iv) the application of a stress-testing framework. The size of the internal risk limits is a function of regulatory requirements and the risk appetite set by the Bank, after making allowance for the relevant economic and market environments. In its day-to-day business, the Bank makes use of internally-generated and externally-sourced rating tools for the purpose of risk identification, quantification and monitoring.

Risk and capital management report

Key tenets of our risk management strategy

Risk capacity

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

Risk appetite

The Bank ensures that its activities are undertaken within the precinct of its risk appetite. The latter is subject to constraints, such as the need to *inter alia* uphold the Bank's financial soundness, foster sound and sustainable revenue growth and preserve its credit rating profile.

Risk tolerance

The Bank establishes the maximum level of risk that it is willing to tolerate for a particular risk category or specific initiative, while ensuring that it achieves its business strategies and operates within its broader-level risk appetite.

Risk profile

Expressed in terms of quantitative indicators and qualitative interpretations, our risk profile refers to our current net risk exposures for risk categories across customer segments and geographies. Amidst an evolving operating environment, the Bank regularly monitors its risk profile, thereby helping to prevent the level of risk from going beyond the set risk appetite.

Risk control

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

Limit structure

Regulatory

- Capital adequacy
- Credit concentration
- Macroprudential limits
- Related party lending
- Cash reserve ratio
- Liquidity Coverage Ratio
- Open FX position

Internal limits and desired risk profile

- Country limit
- Bank limit
- Sectorial concentration
- Portfolio risk profile
- Product limits
- Counterparty credit risk limit
Valuation limit
Daily settlement limit

Rating tools used by the Bank

Internally-developed model

- **Country** – **Country rating model**: The rating monitors macroeconomic developments, social unrest, nationalisation and expropriation of assets, Government repudiation of external indebtedness, foreign exchange controls and currency movements amongst others
- **Banks** – **Bank scoring model**: The credit worthiness is assessed by assigning a score based on the bank's financial strength, the probability of receiving affiliate and/or Government support in case of financial stress as well as the sovereign risk of the country in which the institution operates
- **Retail clients** – **Credit scoring model**: The rating assesses the credit standing, source of repayment and debt service ability of the borrower
- **Corporate clients** – **Customer Rating software**: It evaluates the counterparty's financial position and uses MCB's historical default experience to generate ratings and Probability of Defaults

External rating agencies

- **Country and banks** – **International ratings**: Moody's Investors Service, Fitch Ratings, Standard & Poor's and others as deemed appropriate
- **Corporate clients** – **CARE Ratings**: Financial obligations subscribed by the Bank in favour of corporate customers can be rated by CARE Ratings, with capital relief being applicable on investment-grade ratings

Risk and capital management report

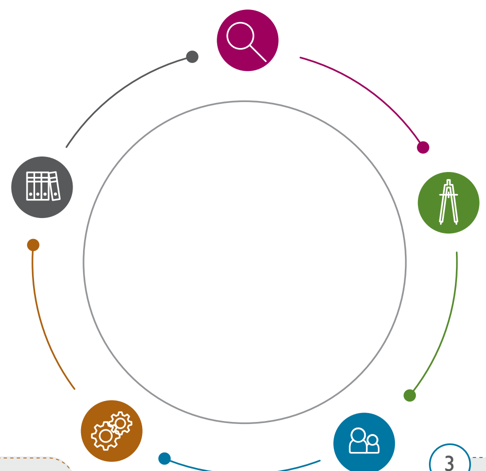
Management of key risks

Our risk management process

The risk management process is of strategic importance to the Bank, notably due to the broadening palette of its offerings and its expanding market footprint. The overall risk management process in place at the Bank, which cuts across the entire cycle, allows for the proactive and disciplined identification, measurement, monitoring, mitigation, management and reporting of risks.

1 **Identification**

Identification of internal and external risks related to MCB, which may directly or indirectly influence our business performance, our ability to achieve set targets as well as our overall viability over time; formulation of relevant business strategies in terms of target markets and products.



2 **Measurement**

Assessment, by means of proven methodologies, of the likelihood of identified risks to materialise (under existing or stressed conditions) as well as their likely impact and materiality under different scenarios; review of the default rates of specific products; determination of capital requirements across risk types

3 **Monitoring**

Analysis of the sources and specificities of risks faced; appraisal of outcomes posted following the management of risks faced, while factoring in the risk appetite and set KPIs; verifying whether risk controls are efficient in both their design and operation; finding ways and means to further enhance the efficiency of risk assessment and mitigation

4 **Mitigation**

Adoption of measures to reduce the level of risks faced, while deploying actions that minimise the impact should there be contrary events; establishment of an appropriate internal control framework to deal with specific risk situations

5 **Management and reporting**

Stress testing the resilience of selected portfolios and ensuring that sufficient capital is available to withstand potential losses; regular elaboration of accurate and relevant information on pertinent risk characteristics and trends; ensuring urgent escalation of observed events and outcomes to internal parties and the authorities, wherever applicable

Our approach, processes and methodologies

Credit risk

General approach

- Our credit risk management framework enables the Bank to manage credit risk within the limits of its risk appetite, develop risk-response strategies and optimise risk-taking by anticipating and acting on potential opportunities and threats.
- The Credit Risk Policy of the Bank, which is approved and reviewed by the RMC, sets forth the principles by which the Bank conducts its credit risk management activities. The policy formulates the guidelines, roles and responsibilities whereby credit risk is to be managed across the business segments of the Bank. It provides guidance in the formulation of the appropriate structures and architectures that seek to ensure that our business generation is harmonised with the established target market criteria.

• Our credit risk management approach is governed by rules set out in Bank of Mauritius Guidelines. They include the Guideline on Credit Risk Management, the Guideline on Standardised Approach to Credit Risk, the Guideline on Credit Concentration Risk, the Guideline on Credit Impairment Measurement and Income Recognition, and the Guideline on Country Risk Management.

Risk measurement and monitoring

Our credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of likely future behaviours of existing accounts. Subsequently, the Bank assesses whether individual business areas provide sufficient contribution to the targeted risk-return profile. The aim is to ensure that capital allocation generates an optimum return for the Bank. This is achieved by channelling risk capital from low-return to high-return business areas, commensurate with the risks shouldered.

Key principles	• Credit facilities granted are guided by the credit standing, source of repayment and debt servicing ability of the borrower. As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. Collateral is taken whenever possible to mitigate the credit risk assumed while additionally, being monitored periodically depending on the type, liquidity and volatility of the collateral value. • The Bank has established credit rating frameworks that enable the extensive usage of ratings for its portfolios. These ratings are leveraged not only in respect of loan approval, but also credit review, monitoring of risk profiles and determining business strategies. They are used for the purpose of the stress testing and limits determination exercises.
Assessment by key business lines	*Retail* • Credit comprising mainly residential mortgages, unsecured loans and credit cards are managed on a portfolio basis. The credit files are assessed through credit scoring models, records from the Mauritius Credit Information Bureau, customers' behavioural records as well as the application of relevant risk acceptance criteria. In collaboration with the Retail SBU and Private Banking and Wealth Management SBU, the Risk SBU regularly analyses default trends, identifies the underlying root causes and subsequently channels recommendations to Senior Management. The objective of such initiatives is to eventually fine-tune the relevant credit scoring parameters. *Corporate* • Large corporate credits are assessed on an individual basis with the support of an internally-developed Customer Rating software. The latter evaluates the counterparty's financial position and uses the historical default data of MCB's clients. The ratings and probability of default rates generated are typically used to measure the risk profiles of the customers which consume a sizeable proportion of capital resources and to calculate Expected Credit Loss. The counterparty risk ratings assigned to smaller businesses are primarily based on their financial strength and account performance.

Risk and capital management report

Risk mitigation and management

- Credit risk exposures are managed through a robust credit assessment, structuring and monitoring process. The Credit Management BU undertakes the daily monitoring of credit limit excesses and the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible problem loans. Exposures showing signs of deterioration are placed on a watch list and referred to a dedicated team for closer scrutiny.

- While being responsible for risk portfolio monitoring and disseminating risk measurement methodologies, the Credit Risk BU provides an independent and regular review of the aggregate loan portfolio in order to proactively manage the portfolio risk profile and minimise undue credit concentrations. Significant trends are regularly reported to the RMC, Senior Management as well as relevant platforms such as the Corporate and Institutional Banking Portfolio Review Committee and the Retail and Private Banking and Wealth Management Forums. In particular, these platforms appraise the credit risk profile of portfolios, segments and products – including those pertaining to corporates and SMEs – as well as the financing structure of our Energy and Commodities portfolio and that of banks.

- The main credit risk mitigation techniques applied by the Bank include security/collateral, netting, guarantees, credit insurance and political risk covers. Exposures arising from foreign exchange and derivatives are mainly mitigated through agreements e.g. the International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) documentation.

Determination and review of impairment and provisioning

- The relevant exercise is undertaken on a quarterly basis by MCB and involves the collaboration of several stakeholders across the organisation. After being reviewed and agreed upon by the RMC as well as validated by the Board, the figures are submitted to the Bank of Mauritius (BoM).

- The BoM Guideline on Credit Impairment Measurement and Income Recognition aims at aligning regulatory prudential rules as regard asset classification and provisioning requirements with international accounting norms (i.e. IFRS 9). The aim is to ensure that financial institutions have adequate processes for determining allowance for credit losses in a timely manner and the carrying amounts of credit portfolio recoverable values. While ensuring adherence to prudential norms which define credit as impaired if it is past due for more than 90 days, the Bank also assesses facilities granted to clients as being impaired on case-by-case basis above a certain materiality threshold. Furthermore, loans are written off by the Bank when the prospect of recovery is poor and the loss can be reasonably determined, with MCB complying with the BoM guideline for the write-off of non-performing assets.

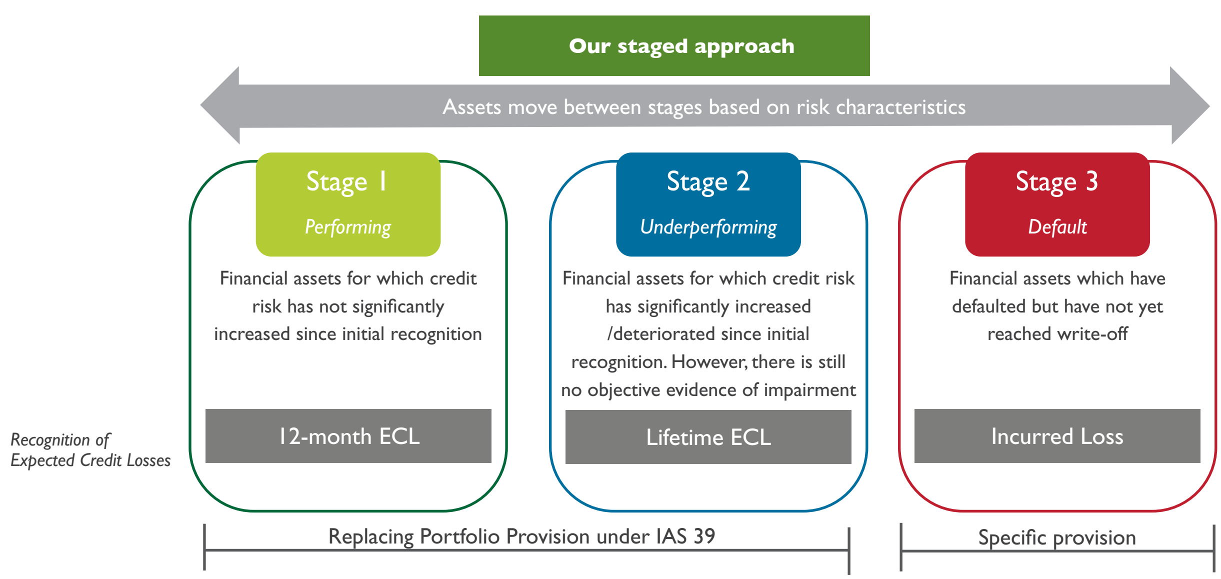
- A financial institution is, under the BoM Guideline on Credit Impairment Measurement and Income Recognition, required to compute credit impairment provisions in terms of both the applicable accounting standard and the prudential provisioning norm prescribed by the BoM. As at 30 June 2019, MCB's allowances for credit impairment computed under accounting standard was higher than under the prudential provisioning norm. Hence, the entire incurred loss amount computed under the accounting standard was treated as an expense in the statement of profit or loss account.

Adoption of IFRS 9 by MCB

- In July 2014, the International Accounting Standards Board (IASB) issued the 'International Financial Reporting Standards 9, Financial Instruments' (hereinafter referred to as IFRS 9), in order to replace the 'IAS 39, Financial Instruments – Recognition and Measurement'. The new standard became effective for the year beginning on or after 1 January 2018.
- In 2017, to facilitate the implementation of the new standard, MCB set up an executive Steering Committee to oversee the adoption of IFRS 9 and the application of related requirements within the accounting and risk management functions of the Bank. A Technical Review Committee – comprising independent experts from our external auditors, project sponsors and an appointed accounting firm – was set up to ensure full compliance with applicable requirements. Progress was monitored at various levels and regular reporting was undertaken to the Risk Monitoring Committee (RMC) and the Board, with the Bank of Mauritius being also apprised of ongoing developments. Once the project was completed, the Bank set up a dedicated Credit Modelling BU, operating under the aegis of the Chief Risk Officer – in order to develop, maintain and validate models for credit application, Basel Capital Accord reporting and IFRS 9 modelling purposes.

IFRS 9 implementation[1]

- IFRS 9 replaces the incurred loss model (whereby losses were recognised when a default event occurred) with an Expected Credit Loss (ECL) Model. This implies that provisions are calculated upon recognition of financial assets, based on the potential losses expected on the latter. Of note, the standard also requires off-balance sheet items be taken into account in determining ECLs.
- In measuring ECL, three main parameters are considered and estimated, namely: (i) Probability of Default (PD), which represents the likelihood of a default event occurring; (ii) Loss Given Default (LGD), which denotes the estimated losses in the event that a default event occurs; and (iii) Exposure at Default (EAD), which reflects the exposure at risk at a point of default. In addition, IFRS 9 requires that allowance be made of forward-looking information in the calculation of ECL, taking into consideration past, actual and future insights on customer behaviours and macroeconomic indicators.
- IFRS 9 introduces a three-stage approach to the impairment calculation of financial assets. To determine the staging status of the asset, IFRS 9 requires an assessment of whether or not there has been a significant increase in credit risk since initial recognition. This dictates the basis on which its ECL is calculated, as illustrated below.



[1] *Information in this section has been audited*

Risk and capital management report

- In determining whether there has been significant increase in credit risk or credit deterioration, an entity considers reasonable and supportable information that is relevant and available without undue cost or effort. At MCB, quantitative and qualitative information are taken into account, based on the Bank's historical customer experience and credit risk assessment. A financial asset is credit impaired and is in Stage 3 when (i) contractual payments or accounts in excess are past due by more than 90 days; and/or (ii) other quantitative and qualitative factors indicate that the obligor is unlikely to honour its credit obligations.

- MCB segmented its financial assets into nine portfolios for ECL calculation, which are described as follows: (i) Retail: housing loans, other secured loans, unsecured and revolving facilities, SMEs; and (ii) Wholesale: corporate, financial institution, sovereign, project finance, and Energy & Commodities.

    - **Retail**: PD, LGD and EAD parameters are calculated on a portfolio-based approach, i.e. facilities having homogeneous characteristics are assumed to have similar risk behaviours and can reasonably be assigned same parameter values.

    - **Wholesale**: MCB uses a combination of internal models and external benchmarking for the calculation of PDs, LGDs and EADs. Internal historical default rates and losses have been used to calibrate PDs and LGDs respectively. For portfolios where MCB has historically experienced low or no default, external benchmarking has been used for calibrating corresponding ECL parameters. Of note, PDs leverage ratings model for all wholesale portfolios, which is mapped to an Internal Master Rating Scale. As for EAD calculation, either amortisation schedules or historical data and regulatory credit conversion factors have been used as EAD ratios.

ECL as at 30 June 2019

Stages	Retail portfolios	Wholesale portfolios				
		Corporate	Financial institution	Project finance	Sovereign	Energy & Commodities
	Rs m	Rs m	Rs m	Rs m	Rs m	Rs m
Stage 1						
Exposures	50,431	126,449	50,752	14,861	100,956	70,760
Expected Credit Losses	106	1,209	179	176	31	115
Coverage ratio (%)	0.2	1.0	0.4	1.2	0.0	0.2
Stage 2						
Exposures	440	12,781	0	268	0	3,288
Expected Credit Losses	17	528	0	6	0	91
Coverage ratio (%)	3.9	4.1	-	2.4	-	2.8
Stage 3						
Exposures	1,836	5,176	69	688	0	1,575
Incurred losses	483	1,408	0	141	0	464
Coverage ratio (%)	26.3	27,2	0.2	20.5	-	29.5

Notes:
(i) As at 30 June 2019, Stage 1 comprises both on- and off-balance sheet exposures while stages 2 and 3 comprise only on-balance sheet exposures
(ii) Figures in the above table have been audited

Country risk management

- In recent times, the Bank made further headway in expanding its footprint in the region. While pursuing its strategic intents, the Bank ensures that its foreign market development activities are undertaken in a disciplined and balanced way. It applies a robust risk management approach to assess country risk, deploy its activities and monitor exposures across markets.

General framework

- The Bank applies a comprehensive framework to formulate its risk tolerance and determine exposures assigned to markets, alongside adhering to the Bank of Mauritius Guideline on Country Risk Management.
- With a view to fostering sound country risk management, we lay emphasis on the following: (i) the thoughtful and regular determination and review of our risk appetite, after making allowance for the evolving operating environment and our strategic ambitions; (ii) diversified exposures across countries and sectors; (iii) undertaking activities in a selective and, in some cases, opportunistic manner, while favouring areas that we are well accustomed to and for which we nurture strategic competencies and technical expertise; and (iv) ensuring that our deals are appropriately selected, structured and ring-fenced (with specialised people handling complex deals), backed by the application of a series of risk mitigants and robust methodologies.

Key parameters and processes

- MCB articulates a coherent risk appetite framework, with business units guided by clearly-established parameters and limits to assist them tap into markets. Target risk profiles are set at Bank level as well as for each portfolio and are complemented by target maturity profiles, consequently ensuring that our credit exposure portfolio is at all times balanced in terms of its risk profile. Towards those ends, we carefully monitor country risk events – including macroeconomic developments, sovereign credit worthiness, and specific occurrences such as social unrest, nationalisation and expropriation of assets, foreign exchange controls and currency depreciation/devaluation. Foreign country exposure limits are set by the Bank on the basis of (i) its current exposures and growth ambitions; (ii) assigned capital for international exposures; (iii) the prevailing economic and market environments and sizes of economies under review; (iv) sovereign ratings; (v) its areas of expertise as far as its business involvement is concerned; and (vi) its knowledge of the economies. The Bank ensures the proactive monitoring of country risk exposures against country limits and sub-limits that have been set, while promptly reviewing such levels in case of adverse unexpected events. MCB has established a list of 'priority countries' to focus on appealing business opportunities identified therein, whilst the Bank also set up a list of 'restricted countries'. No limits are set up for the latter countries, with activities to be only conducted with the approval of the Risk Monitoring Committee.
- In April last, MCB has undertaken a thorough review of its country risk appetite and framework, to reflect the operating environment, current business conditions and the Bank's strategic endeavours. The new country risk appetite, which was validated by the Risk Monitoring Committee and the Board, contained several guidelines, notably related to exposure limits and the distribution of risk profiles.

Risk and capital management report

Concentration risk management

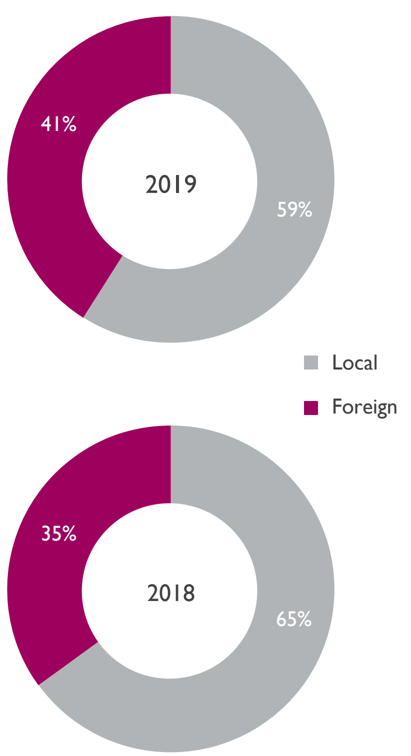
- The Bank promotes the diversification of its lending portfolio by setting industry sector limits based on forecasts spanning a five-year horizon with a view to ensuring that its performance is not negatively impacted by a large sectoral exposure default.
- Regular stress tests are performed on the portfolio to ensure that the Bank holds sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely-related customers. The Bank limits credit risk exposures and concentrations within the constraints of its Tier 1 capital, while complying with applicable regulatory instructions.

Key metrics and outcomes

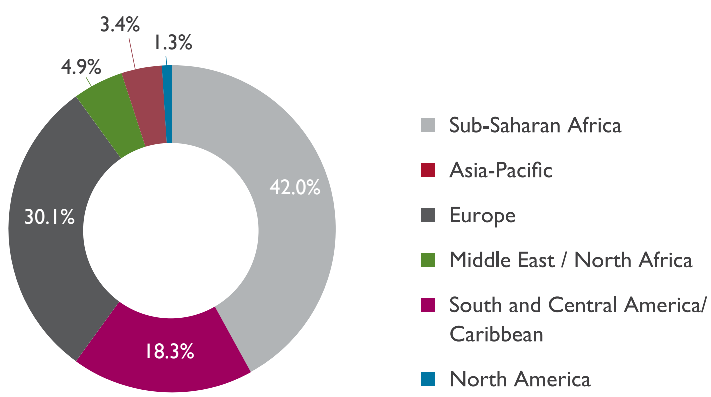
- In FY 2018/19, we maintained sound exposures, which were aligned to our risk appetite. We upheld a diversified market footprint, which helped us remain well positioned in terms of credit concentration.
- In spite of the challenging context in some markets, our asset quality metrics improved by an appreciable margin during the last financial year, backed by our prudent market development approach and active recovery efforts. The gross NPL ratio of the Bank fell by around 30 basis points to reach 3.8% in FY 2018/19, while the corresponding ratio in net terms stood at 2.8%. The specific coverage ratio stood at 28.9%. The remaining portion is more than adequately covered by collateral, suitably discounted to reflect current market conditions and expected recovery time. The breakdown of provisions by stages 1, 2 and 3 and industry sectors is provided in Note 6(b) of the Financial Statements.

Diversification of exposures

Distribution of MCB's customer loan portfolio

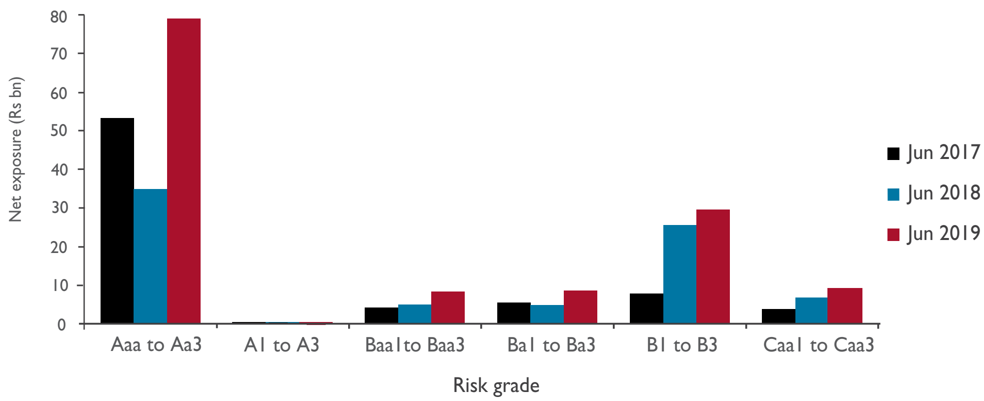


Total risk-weighted exposures by region
(Excluding Mauritius)



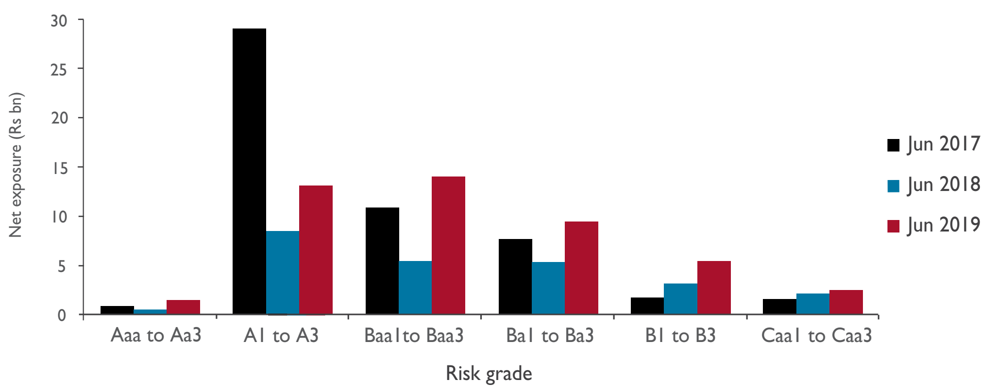
Risk profile of exposure

Country risk exposures



Note: For each country, the worst of the ratings assigned by Moody's, Standard & Poor's and Fitch Ratings has been selected and converted into a Moody's equivalent rating

Bank risk exposures



Notes:

(i) Risk exposures to banks relate to placements, advances and financial guarantees

(ii) For each bank, the worst of the ratings assigned by Moody's Investor Service, Standard & Poor's and Fitch Ratings was selected and converted into a Moody's equivalent rating; banks unrated by the above rating agencies have been assigned a rating determined by our in-house models

Risk and capital management report

Concentration of exposures

Bank of Mauritius Guideline on Credit Concentration Risk		
Credit concentration limits (% of Bank's Tier 1 capital)	**Regulatory requirements**	**MCB Ltd**
Aggregate credit exposure to any single customer	Not exceed 25%	18.6%
Aggregate credit exposure to any group of connected counterparties	Not exceed 40%	33.5%
Aggregate large credit exposures* to all customers and groups of connected counterparties	Not exceed 800%	337.8%

** Refer to exposures over 10% of the financial institution's Tier 1 capital*

Gross exposure as at 30 June 2019	Total gross exposure	Risk capital consumed	*Risk capital consumed as a % of total credit risk capital*
	Rs bn	Rs bn	%
Top 5 customers / customer groups	55.5	5.4	*13.7*
Total large credit exposures	157.9	12.0	*30.6*

Quality of exposures

June 2019	Exposures		Non-performing loans (NPLs)		Specific provisions	
MCB Ltd	**Rs m**	***Mix (%)***	**Rs m**	***% of loans***	**Rs m**	***% of NPLs***
Loans to customers	**219,821**	**89.6**	**9,274**	**4.3**	**4,448**	**29.0**
Agriculture and fishing	8,561	*3.5*	1,057	*12.9*	449	*7.6*
Manufacturing	9,835	*4.0*	587	*6.0*	184	*28.7*
of which EPZ	*2,964*	*1.2*	*510*	*17.2*	*149*	*28.3*
Tourism	21,438	*8.7*	152	*0.7*	163	*57.6*
Transport	7,597	*3.1*	1,050	*14.2*	1,011	*75.7*
Construction *(including property development)*	16,022	*6.5*	1,922	*12.4*	857	*15.6*
Traders	40,619	*16.6*	1,633	*4.0*	344	*15.6*
Financial and business services	41,755	*17.0*	1,108	*2.7*	428	*32.7*
Personal and professional	42,288	*17.2*	1,501	*3.6*	673	*32.8*
of which credit cards	*1,178*	*0.5*	*28*	*2.4*	*22*	*78.9*
of which housing	*29,676*	*12.1*	*755*	*2.6*	*273*	*23.8*
Global Business Licence holders	17,858	*7.3*	168	*0.9*	311	*79.4*
Others	13,846	*5.6*	97	*0.7*	26	*20.0*
Corporate notes	**17,348**	***7.1***	-	-	-	-
Loans to banks	**8,114**	**3.3**	**69**	**0.9**	**7**	***10.8***
Total	**245,283**	***100.0***	**9,344**	**3.8**	**4,456**	**28.9**

Notes:

(i) For the computation of asset quality ratios, interest in suspense on loans is excluded

(ii) Figures may not add up to totals due to rounding

Market risk

General approach

- Our market risk management framework enables the Bank to minimise the risk of losses arising from activities impacted by financial markets. MCB adopts the necessary tools and processes to systematically identify, assess, monitor, control and report market risk in both its trading and banking books. The Market Risk BU undertakes the monitoring and management of market risks, while providing financial position and risk analysis information to the Asset and Liability Committee and RMC.

- The RMC meets on a quarterly basis to review a summary of market risk exposures. The RMC is responsible for approving and reviewing the Market Risk Policy, which articulates the fundamental principles and main functional responsibilities in relation to the origination, processing, valuation and control of market risk exposures within a properly segregated framework. The latter draws on regulatory requirements, including those encompassed in applicable Bank of Mauritius Guidelines, notably the Guideline on Measurement and Management of Market Risk, the Guideline of Liquidity Risk Management and the Guideline on the Operational Framework for Primary Dealers. Of note, this year, MCB has satisfactorily benchmarked its policies and practices against the FX Global Code of Conduct. The latter is a set of global principles of good practice, which have been developed – by means of the partnerships forged between central banks and market participants from different jurisdictions worldwide – to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market.

Risk measurement and management[1]

Interest rate risk

- In the banking book, MCB is mainly exposed to repricing risk, whereby the reset date of on and off-balance sheet assets does not coincide exactly with that of on and off-balance sheet liabilities. This mismatch is monitored through conduct of interest rate risk gap analysis on significant currencies and by assessing the impact of interest rate changes on both an earnings and economic value impact basis. The Bank limits this source of risk through the application, in most cases, of floating interest rates linked to an index.

- In the trading book, the Bank incurs interest rate risk via outstanding positions in (i) local Government and/or Bank of Mauritius (BoM) securities by virtue of its primary dealership status; (ii) international fixed income securities that are liquid and carry high credit quality; and (iii) forward foreign exchange contracts and interest rate swaps. To constrain exposure to interest rate risk, the Bank sets and monitors DV01 limits. The latter is a measure of the impact, in dollar terms, of price volatility on portfolio value. It aims to limit the loss in value resulting from a parallel upward shift of one basis point in applicable interest rates.

Foreign exchange risk

- MCB is subject to foreign exchange (FX) risk from an on-balance sheet perspective, i.e. as a result of imbalances witnessed between the foreign currency composition of the Bank's assets and liabilities. The risk to which it is exposed can also be viewed from an off-balance sheet angle, i.e. through the Bank's outstanding positions, mainly in respect of foreign exchange forwards.

- Exposure to FX risk is monitored against both the regulatory limit and an internal target validated by the ALCO (which is set against tier 1 capital). In addition, the Bank determines prudential trading, transactional and daily stop-loss limits. The latter are reviewed annually by the ALCO and are set at individual desk and trader levels. The limits are system-embedded, with automatic email alerts launched to notify of any breaches on a real-time basis to designated personnel in both the trading and risk business units. We conduct Value-at-Risk analyses linked to our main foreign exchange risk positions. We use a historical observation period of one year, with a 99% one-tailed confidence interval and a holding period of 10 days.

[1] *Information in this section has been audited*

Risk and capital management report

Liquidity and funding risk

- The Bank manages the liquidity profile of its balance sheet through both short-term liquidity management and long-term strategic funding, while covering both local and foreign currencies. Towards this, the Bank operates mutually supporting lines of defence.

Cash flow management

- MCB maintains a continuously maturing stream of assets and liabilities through time, while avoiding undue accumulation of maturities in any one time band, especially those expected to mature in the near future.
- The Bank uses cash and liquidity gap profiles in both local and significant foreign currencies to monitor the impact of projected disbursements by lines of business. It undertakes the behavioural analysis of its non-maturity current and savings balances in order to assign an actuarial maturity profile thereto, which reflects the stickiness of such deposits.

Liquid assets buffer maintenance

- The Bank holds a stock of high quality and unencumbered assets consisting of cash or quasi-cash instruments, with high convertibility characteristics. The aim is to meet unexpected outflows of funds or substitute expected inflows of funds (such as loan instalments) that do not eventually materialise by disposing of such assets at little or no loss in market value.
- The stock of liquid assets is proactively managed to not only cover day-to-day cash management, but to also provide for an adequate coverage of risk-weighted cash outflows associated with the standardised crisis scenario under Basel III framework.

Funding management

- The management of funding risk at the Bank relies, in particular, on the maintenance of a diversified liability base across different categories of depositors, alongside covering a spectrum of short to medium term funding.
- The Bank resorts to wholesale markets whenever required. It capitalises on the technical experiences as well as the relationships developed by dedicated teams dealing with financial institutions and banks. Of note, in April 2019, MCB signed a USD 800 million Dual Tranche Syndicated Term Loan Facility through general syndication. It comprises two tranches, with Tranche A having a tenor of 1 year and Tranche B having an initial tenor of 2 years, with a 1 year extension option at the Borrower's discretion. The objective of this exercise is to help the Bank execute on its African ambitions, while further optimising and diversifying its funding profile.

Counterparty credit risk

- Within the context of trading activities, counterparty credit risk is the risk that arises if a counterparty to a financial contract defaults before the contract expires. Given that the future value of the over-the-counter derivatives portfolio is uncertain and changes as a function of market variables such as interest rates or exchange rates, the counterparty risk exposure dynamically varies over the lifetime of the portfolio. MCB actively manages this type of risk by setting settlement, tenor and valuation limits as well as through the execution of formal international market agreements such as those governed by the International Swaps and Derivatives Association. It also performs collateral margin calls in accordance with European Market Infrastructure Regulation, while determining whether the value of the outstanding exposures is within MCB's or the counterparty's favour.

Key metrics and outcomes

Liquidity Coverage Ratio (LCR)

- Introduced as a key standard under Basel III, the objective of the LCR is to promote the short-term liquidity resilience of a bank by ensuring the latter maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) to meet its short-term liquidity requirements under a crisis scenario. The Bank of Mauritius Guideline on Liquidity Risk Management is closely aligned to Basel norms. It defines the LCR as the ratio of the stock of HQLA to the total net cash outflows over the next 30 calendar days. The transitional arrangements set out by the Central Bank for the evolution of stipulated ratios are described in the following table.

- As at 30 June 2019, the Bank comfortably overshot stipulated LCR requirements. It reported a consolidated LCR of 400%, which is equivalent to a surplus of around Rs 80 billion over stressed total net cash outflows. At a more granular level, we exceeded the mandatory LCR limits relating to rupee and significant foreign currencies. It can be noted that HQLA eligible for the purpose of calculating the LCR under the BoM guideline consist of cash or assets that can be converted into cash at little or no loss of value in private markets. On this note, it can be observed that MCB has, during the last financial year, maintained suitable levels of unrestricted balances with the Bank of Mauritius as well as investments in Central Banks and sovereign securities.

Bank of Mauritius: Transitional arrangements for Liquidity Coverage Ratio (LCR)

	As from 30 November 2017	As from 31 January 2018	As from 31 January 2019	As from 1 July 2019	As from 31 January 2020
LCR in MUR	100%	100%	100%	100%	100%
LCR in material foreign currencies	60%	70%	80%	80%	100%
Consolidated LCR (in either MUR or USD)	60%	70%	80%	80%	100%
Reporting timeframe	Within 20 working days from month end	Within 10 working days from month end		Within 10 working days from the fifteenth and end of every month	

MCB Ltd: Liquidity Coverage Ratio		
As at 30 June 2019	**Total unweighted value (quarterly average of monthly observations)**	**Total weighted value (quarterly average of monthly observations)**
	Rs m	**Rs m**
High-quality liquid assets		
Total high-quality liquid assets (HQLA)	108,607	108,607
Cash outflows		
Retail deposits and deposits from small business customers, of which:		
Less stable deposits	*171,019*	*15,305*
Unsecured wholesale funding, of which:		
Operational deposits (all counterparties)	*9,039*	*2,260*
Non-operational deposits (all counterparties)	*112,761*	*47,683*
Secured wholesale funding		
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	*23*	*23*
Credit and liquidity facilities	*12,310*	*1,108*
Other contractual funding obligations	13	13
Other contingent funding obligations	44,743	2,237
Total cash outflows	**349,909**	**68,630**
Cash inflows		
Inflows from fully performing exposures	50,278	41,489
Other cash inflows	35	
Total cash inflows	**50,313**	**41,489**
		Total adjusted value
		Rs m
Total HQLA		**108,607**
Total net cash outflows		**27,140**
Liquidity Coverage Ratio		**400%**

Net Stable Funding Ratio (NSFR)

- Under Basel III, the NSFR aims to promote the resilience of a bank over a longer time horizon by requiring the latter to fund its activities with sufficiently stable sources of funding so as to mitigate any future funding stress. The NSFR effectively recognises a bank's maturity transformation role in the credit creation and resource allocation process. It seeks to limit the Bank's overreliance on short-term wholesale funding or the running of large funding gaps meant to sustain rapid balance sheet growth.
- Though not yet a regulatory standard in Mauritius, MCB regularly monitors its performance in terms of NSFR, which requires an amount of available stable funding to be maintained in relation to required stable funding. As at 30 June 2019, MCB Ltd reported an NSFR of 123%, which exceeds the minimum level recommended by Basel III, itself set to at least 100% on an ongoing basis.

Operational risk

General approach

- The Operational Risk Policy of MCB formulates the principles and methodologies for the management of operational risk at the Bank. It sets out a framework, which is aligned with advocated rules and norms on the local and international fronts, best practices and standards, while setting out the relevant roles and responsibilities within the Bank.
- Our operational risk management approach is governed by regulatory requirements, including the Guideline on Operational Risk Management and Capital Adequacy Determination.

Risk measurement and monitoring

- The determination of the Bank's risk exposures is anchored on the regular review of the operational risk inherent in processes and client solutions, with the monitoring thereof performed against acceptable tolerance limits. As from FY 2018/19 and following the approval of the Bank of Mauritius, MCB applies the Alternative Standardised Approach for calculating and reporting its operational risk capital charge instead of the Basic Indicator Approach as was previously the case.
- The information on operational risk events is recorded in a centralised database, which enables systematic root cause and trend analysis for necessary corrective actions.

Risk mitigation and management

- As described in the Bank's Operational Risk Policy, the responsibility for implementing the Operational Risk Management Framework is entrusted to Senior Management. The Operational Risk BU is responsible for the implementation of policies for the identification, assessment and management of related risks. From a more holistic angle, it is worth noting that operational risk management forms part of the day-to-day responsibilities of Senior Management and employees at all levels of the organisation.
- Operational risk mitigation relies on appropriate processes and systems, backed by the clear segregation of duties, dual control as well as the regular verification and reconciliation of transactions. The control environment is based on an appropriate risk culture, which is fostered through risk awareness sessions targeting relevant audiences. An overview of both operational risk and Business Continuity Management is provided to new staff at the onset of their career through induction courses. The Operational Risk Management Framework relies on three primary lines of control, as shown in the following illustration.
- Operational risk is managed in a timely and effective manner through adherence to good practices for the prompt identification of risk incidents, the initiation of appropriate remedial actions and reporting of such incidents to the Operational Risk function. The Operational Risk Cartography, whose approach has recently been reviewed, is leveraged not only for the assessment of operational risks and relevant controls, but also for the identification and empowerment of Operational Risk Champions within each SBU of the Bank as the first point of contact for escalating risks to the Operational Risk BU. It is worth highlighting that our risk cartography also caters for risk transfer, with the latter being, to some extent, executed through the insurance or outsourcing of non-banking activities where appropriate.

Risk and capital management report

Our primary lines of control

Risk ownership	Risk control	Independent assurance
Business units	**Audit Committee/IORCC/ Operational Risk BU**	**Internal/External Audit**
• Implement internal control procedures • Identify inherent risks in products, activities, processes and systems • Initiate actions and apply mitigation strategies • Report risk incidents	• Oversee the implementation of policy • Implement integrated risk framework • Report on inherent and residual risks • Monitor corrective actions • Promote Operational Risk Culture within the Bank	• Verify the effectiveness of the overall operational risk framework

Business Continuity Management (BCM)

Framework and accountabilities

- Business Continuity Management at MCB is defined as our ability to effectively plan for and respond to incidents and business interruptions to maintain the availability of the Bank's critical activities at acceptable pre-defined service levels, thus safeguarding its reputation and the interests of key stakeholders. The framework is detailed in the BCM policy and outlines the prevailing governance structure as well as the roles and responsibilities of each actor involved in the BCM programme. As an integral part of the Operational Risk Management Framework in place at the Bank, the BCM framework is centrally coordinated and controlled by the Operational Risk BU, in collaboration with relevant support functions.

- A dedicated crisis management team consisting of key members of Senior Management shoulders central command during a crisis, while being assisted by several tactical and operational crisis teams. Individual business units, through designated business continuity champions, are the BCM process owners and are responsible for designing, reviewing and maintaining up-to-date recovery plans at their respective levels.

Key progress during the last financial year and until recently

- During the period under review, MCB has further consolidated its business continuity preparedness and resilience to reflect changes in the business landscape and ensure that mission critical activities are able to resume in accordance to defined objectives and stakeholder expectations.

- MCB integrated the Disaster Recovery, Emergency Response and Crisis Management Disciplines within its BCM framework. Lately, the Bank proceeded with its annual Disaster Recovery simulation exercise to test the operability of its critical systems hosted on servers located at its Disaster Recovery site. As a key move, the Bank integrated pandemic planning in its BCM framework to better shape its response during a disease outbreak, thus ensuring that impact on people and operations are mitigated. A Disease Outbreak and Pandemic Preparedness Policy, which is aligned with international standards, was approved by the Board, with related procedures and guidelines being disseminated to all staff as required.

- The Bank embarked on the automation of its BCM processes through the acquisition and roll-out of a dedicated software to be gradually extended across Group entities. The objective of this exercise is to further improve conditions for updated business continuity plans and procedures to be readily accessible during a crisis to ensure that the Bank can resume its critical operations smoothly and within identified Recovery Time Objectives.

Health and safety

- The Bank is committed to providing the highest standards of Health and Safety to its employees and stakeholders. Towards this end, it complies with the provisions of relevant legislations, i.e. the Occupational Safety and Health Act (OSHA) and other associated laws and regulations. Risk control measures are implemented through health and safety audits, with the latter aimed at identifying hazards and risk factors that have the potential to cause harm (hazard identification). The audits also seek to determine the appropriate ways to eliminate such hazards towards protecting our staff and visitors. Operationally, each Head of SBU and BU Manager is responsible for ensuring that operations do not constitute a hazard to the safety and health of employees. The Permanent Control SBU is responsible for the coordination of initiatives undertaken to achieve health and safety objectives.

Information risk

General approach

- MCB adopts a dedicated approach to uphold its information security and ensures that it is prepared to respond to potential cyber-attacks and threats to its information assets in a timely and effective manner. The Bank conducts regular assessments to identify issues that can potentially harm its assets, with adequate mitigating controls being deployed..

Risk mitigation and management

- The Information Risk Management (IRM) BU is responsible for developing and maintaining information security policies, in line with the evolving operating landscape as well as requirements set by the authorities and other stakeholders. The key objective is to ensure that an adequate level of security is maintained to protect private and confidential information held by the Bank.

- To mitigate and manage risks faced, several processes have been assigned to assist in identifying and analysing the business need to access logical information, restrict the information deployed to the relevant requirements as well as monitor and control access to such information. The pertinence of any major information security expenditure is evaluated and discussed at several hierarchical levels before finally escalating to Senior Management and, if needed, to the Board for approval. All of IRM's findings, recommendations and assessments are independently and regularly reported to and, in some cases, validated by various Executive and Board committees, focusing solely on cyber security for some and on more general permanent control matters for others.

- During the last financial year, the Bank deployed several initiatives to strengthen and ensure the robustness of its information security: (i) we enhanced our security events monitoring and response capabilities, which have been regularly tested; (ii) the Bank's critical infrastructure (which includes customer-facing applications) has been independently tested and assessed from a security perspective; (iii) actions have been taken to enhance our staff's cyber security awareness in order to recognise and properly react to cyber-attacks; (iv) our compliance to laws and regulations relating to data protection has been regularly assessed with a view to identifying any gaps and gearing up our capabilities to adhere to relevant stipulations; (v) our set of critical controls underpinning our cyber security resilience were continuously monitored; and (vi) our risk assessment framework and information security management systems and processes were upgraded to foster alignment with internationally-recognised standards.

Compliance risk

General approach

- The Bank ensures that the organisation and its staff adhere, at all times, to both the letter and spirit of applicable laws, rules and regulations, generally accepted business and industry standards, as well as advocated norms and codes.

- The Bank promotes a compliance-oriented culture with a view to supporting business lines in delivering fair outcomes for customers and preserving the Bank's reputation, while helping to achieve business development objectives.

Risk and capital management report

Risk mitigation and management

- The Bank ensures that its core values and standards of professional conduct are maintained at every level and within all its activities and operations. Towards this end and in addition to complying with relevant external norms and requirements, we adhere to our own policies, including those related to our ethical standards. We adopt dedicated systems and processes so as to properly identify and mitigate any risks of non-compliance as well as ensure that we are sufficiently equipped to effectively cope with greater scrutiny by regulators and law enforcement authorities. In order to guarantee that our objectives are met in a consistent and judicious manner, we perform regular monitoring exercises to ensure compliance with policies and procedures as well as ascertain that controls are operating in a sound way.

Core principles guiding our activities of the Bank's compliance function

- Paying continuous attention to and undertaking regular reviews of ongoing developments as regard laws and regulations; accurately understanding their impact and coming up with necessary responses so that the Bank can effectively address the risks arising from such changes
- Fostering a coherent compliance control mechanism within the Bank to pave the way for normalised processes and operations
- Maintaining a set of policies to promote strong ethical behaviour by staff as well as to prevent and manage conflicts of interests
- Promoting awareness of Management and staff on requirements arising out of new/amendments to laws and regulations and other compliance-related matters (e.g. training sessions conducted during the period under review with regard to matters pertaining to Anti-Money Laundering/Combating the Financing of Terrorism, targeting some 1,000 employees across the Bank)
- Providing adequate training to the compliance officers to ensure that they have the necessary knowledge and skills to fulfil their duties
- Maintaining close working arrangements and communication with business lines through the dissemination of compliance-related information, provision of advisory services and delivery of dedicated training courses to staff
- Using state-of-the-art technology to monitor adherence to set norms so as to provide assurance to Management and the Board, through the Audit Committee, as regards the state of compliance
- Fostering trusted relationships with regulatory and supervisory bodies by maintaining productive and value-adding dialogue with them to uphold effective two-way communication

- In terms of our AML/CFT obligations, we ensure that the Bank has adequate processes, systems and controls to render its services inaccessible to criminals, including money launderers and terrorists or their financiers, while tracking down suspicious activities. We ensure that staff is given appropriate training to help them identify suspicious transactions. The Bank has also implemented a Whistleblowing Policy, whereby an alternative reporting process is established for use by all employees in confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage. The Whistleblowing Framework at MCB is designed to assist employees deemed to have discovered malpractices or impropriety.

Risk Assurance: Internal Audit

General approach

- As the third line of defence, the Internal Audit function is strictly independent of the businesses and other control functions of the Bank. It is aligned with the Institute of Internal Auditors (IAA) standards as an independent and objective activity that reassures the organisation on the level of control over its operations, offers advice to improve such operations and helps create added value.

- The internal audit activity at the Bank is risk sensitive. It helps the Bank in meeting its objectives by systematically and methodologically assessing its risk management, control and corporate governance processes and making proposals to underpin their efficiency. As a key thrust, the Bank aims to gather the necessary audit and risk insights in order to support the deployment of its strategic orientations, notably its regional market diversification ambitions and digital transformation endeavours.

Strategy and initiatives

- The Bank's Internal Audit function gauges the quality of risk management by considering (i) the appropriateness and efficacy of the control set-up; and (ii) Management's sensitivity to risks and respect of rules of conduct and professional practice. The key pillars which the Internal Audit function relies upon to roll out a disciplined approach to evaluate and improve the effectiveness of risk management and control processes are: (i) the implementation of regularly updated audit work programmes, which notably set out to address emerging risks; (ii) increased usage of data analytics through a world-wide recognised audit software, thus ensuring greater coverage and improving assurance; and (iii) automation of tasks, namely relating to time sheets, reports preparation, working papers and the follow-up of recommendations for improved operations.

- The Institute of Internal Auditors (IIA) requires every Internal Audit function to have an external quality assessment conducted at least once every five years. The Bank's Internal Audit BU has been assessed thrice, namely in 2009, 2013 and 2018, by a qualified independent assessor. The function has been continuously assessed as being compliant with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors. External assessments undertaken also helped to pave the way for (i) the identification of opportunities to enhance the effectiveness of internal audit processes; and (ii) the enhancement of the activity's image and credibility.

- Operationally, the main outcomes of the Bank's audit assignments, including a risk-based grading of relevant issues, are submitted to relevant functional heads and line managers as well as to the Chief Executive, Deputy Chief Executive, Chief Operating Officer, Chief Risk Officer and the Head of Permanent Control to ensure alignment of Management's expectations. To maintain its independence, the Internal Audit function regularly updates the Audit Committee about work undertaken and the effectiveness of the internal audit system, with particular emphasis on its annual audit plan, the focus areas of its auditing activity, and results of audits performed. Quarterly or more frequent meetings are scheduled with the Audit Committee. The business model of the Internal Audit function ensures a continual and strict adherence to International Standards for the Professional Practice of Internal Auditing as well as approved internal standards and requirements.

Approved processes guiding the Internal Audit function

- Building quality into the internal audit activity through the conduct of Quality Assurance and Improvement Program (QAIP), with the latter encompassing all aspects linked to the operation and management of the internal audit activity
- Exercising greater control coordination with the Permanent Control SBU to consolidate compliance and regulatory assurance, alongside upholding the overall consistency and effectiveness of the internal control system
- Augmenting the use of data analytics to incorporate more effective evaluations at each stage of the entire audit lifecycle, namely risk assessment, planning, fieldwork and reporting
- Professionalising the function by encouraging internal auditors to enrol for professional certifications from globally-recognised sources such as IIA's Certified Internal Auditor (CIA) or ISACA's Certified Information Systems Auditor (CISA)
- Implementing an appropriate human resource development programme for auditors, including provision of specific and high-calibre training to cater for complete and up-to-date skill sets and competences, such as analytics and quantitative methods

- Based on assessments, the Internal Audit function is presently not aware of any significant area of the Bank where there are no internal controls. The function does not believe that there are deficiencies in internal controls that could give rise to risks that could eventually jeopardise the Bank's operations in a substantial way.

More information on the structure, organisation and qualifications of the key members of the internal audit function is available on the website

Risk and capital management report

Capital management

Our objective

- Our underlying capital management objective, which is aligned with general directions determined at Group level, is to ensure that the Bank has adequate capital resources to operate effectively, foster sustained business growth as well as preserve or enhance its credit ratings. We aim to maintain a strong capital position, which is consistent with the expectations and requirements of our multiple stakeholders, notably the regulators and other authorities, rating agencies, correspondent banks and customers.

- Backed by the adoption of a forward-looking approach and a sensible governance framework, we determine the level and composition of our capital after making allowance for a wide range factors. They include the Bank's strategic orientations, the legal and regulatory landscape, the industry environment and conditions prevailing across the economy and financial markets.

Our Internal Capital Adequacy Assessment Process

Framework	• MCB is guided by its Internal Capital Adequacy Assessment Process (ICAAP) when determining its capital planning and formulating its risk appetite process. The ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius (BoM) Guideline on Supervisory Review Process in April 2010. • The key objectives of ICAAP are as follows: (i) to provide an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks; and (ii) to make sure that adequate capital resources are kept to support risks faced beyond core minimum requirements. Our ICAAP document, which is reviewed periodically, delineates the process through which the Bank assesses the required minimum capital to support its activities. It seeks to ensure that MCB remains well capitalised after considering material risks.
Assessment and planning	• Through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise, while financial year risk appetite limits are set by the Board. As for the Bank's exposures, they are monitored on a quarterly basis against those limits, with related insights being reported to the RMC. • The capital plan includes a crisis management plan. The latter makes allowance for various measures that should help to rapidly mobilise additional capital if the need arises, with discussions thereon being held at Board level.
Stress testing	• Stress testing is a key risk management tool used by the Bank and is an integral part of our ICAAP. The aim of the Bank's stress testing framework is to identity, quantify, evaluate and make sense of the potential impact of specific changes in risk factors on the business development and financial strength of the Bank. • Forecasts are made over a three-year horizon, taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational and market risks) and Pillar II risk types (i.e. concentration, liquidity, interest rate, strategic risks, etc.). These assessments are undertaken to understand the sensitivity of the key assumptions of the capital plan with regard to the realisation of plausible stress scenarios. This helps the Bank to evaluate how it can maintain adequate capital under such scenarios.

Stress testing at MCB

Framework

Risk identification	• To detect and address existing or potential vulnerabilities such as unidentified and Bank-wide risk concentrations or interactions among various types of risk, many of which may be overlooked when relying purely on statistical risk management tools based on historical data
Risk assessment	• To promote a deep understanding of organisational vulnerabilities on the back of forward-looking risk assessments; this helps to make risk more transparent via an estimation of scenario-based losses and to prevent the development of any false sense of security about the Bank's resilience • To evaluate the significance of risk faced during different phases, notably (i) during periods of favourable economic and financial conditions given the subsequent lack of visibility over potentially negative future developments; and (ii) during periods of business expansion when innovation leads to new products and services for which no historical data is available for forecasting future trends
Risk mitigation	• To facilitate development of risk mitigation or contingency plans across stressed conditions • To spur debates on and the awareness of the various risk aspects of our client portfolios among Management, helped by (i) a well organised surveying of the operating context; (ii) an identification of the most important risk factors; and (iii) a scanning of the horizon for potential stressful events

Performance

• In FY 2018/19, the Bank conducted stress testing under various historical and stress test scenarios to assess the impact of unfavourable scenarios on its capital position. Examples are provided hereafter. The scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Bank's risk profile, activities as well as prevailing and forecasted economic conditions. The stress test results are reported and discussed at the RMC and the Board prior to being submitted to the BoM. Barring extreme cases, our recent analyses revealed that the Bank's capital adequacy ratio does not fall below the regulatory requirements in any of the nine scenarios below.

Scenario 1	External risk – Global Trade War
Scenario 2	Reputation risk – Cyber Attack
Scenario 3	Concentration of risks – Large single foreign customer defaults
Scenario 4	Concentration of risks - One local customer group defaults
Scenario 5	Regulatory risk – Global Business Companies delocate
Scenario 6	Combination of scenarios 3 and 4
Scenario 7	Liquidity risk – Non renewal of interbank and Letters of Credit refinancing borrowings
Scenario 8	Liquidity risk – Withdrawal of Global Business Licence depositors
Scenario 9	Interest rate risk – 2% increase in interest rates

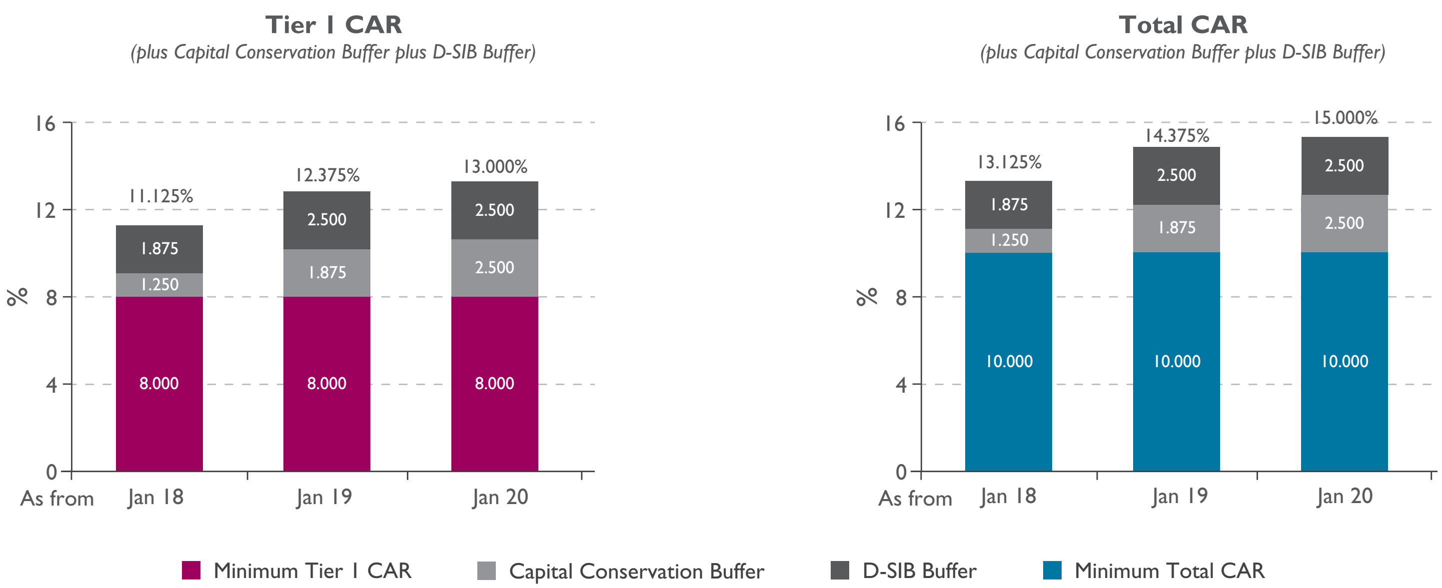
Risk and capital management report

Our capital position

Adherence to Basel rules

The Bank uses the Basel II Standardised Approach to manage its credit and market risk exposures, with the Alternative Standardised Approach used for operational risk. As for determination of its capital resources, the Bank adheres to the BoM Guideline on Scope of Application of Basel III and Eligible Capital. It also complies with the Guideline for dealing with Domestic-Systemically Important Banks (D-SIB). Under the latter, banks are required to hold a capital surcharge or D-SIB buffer ranging from 1.0% to 2.5% of their risk- weighted assets depending on their systemic importance. The assessment for determining domestic-systemically important banks is carried out on a yearly basis on end-June figures. As per the assessment carried out by the Central Bank, MCB Ltd features among the five banks that have been determined to be systemically important in our jurisdiction, based on the assessment of five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability. Overall, the transitional arrangements set out by the Central Bank in respect of capital adequacy are summarised below, with the mandatory limits having edged up further as from 1 January 2019.

Minimum regulatory ratios applicable to MCB Ltd



Performance of MCB Ltd

As highlighted before, the capital position of the Bank has remained generally strong during the last financial year, while comfortably overshooting current mandatory limits. Our core and total capital ratios stood at 15.7% and 16.6% respectively as at June 2019. In spite of the notable growth in our exposures, mainly linked to our expanding international loan book, these figures represent an improvement when compared to the performance posted in FY 2017/18 on account essentially of continued internal capital generation. Of note, these ratios are based on the equity method for treating MCB Ltd's investments in associates, adopted during the financial year, to reflect a more appropriate valuation of these entities. Hence, compared to the previous method, tier 1 capital factors in a higher level of retained earnings, while risk-weighted assets are computed after risk-weighting (at 250%) the share of net assets of BFCOI and Société Générale Moçambique instead of the cost of MCB's investment in those entities. The June 2018 figures have been restated accordingly.

Determination and evolution of the capital adequacy ratios of MCB Ltd

MCB Ltd	**Jun 18**	**Jun 19**
Capital base	**Rs m**	**Rs m**
Ordinary shares (paid-up) capital	6,880	6,880
Retained earnings	28,597	33,589
Accumulated other comprehensive income and other disclosed reserves	7,390	7,202
Common Equity Tier 1 capital before regulatory adjustments	**42,867**	**47,670**
Regulatory adjustments		
Other intangible asstes	(545)	(805)
Deferred tax assets	(104)	(110)
Common Equity Tier 1 capital (CET1)	**42,218**	**46,755**
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**42,218**	**46,755**
Capital instruments	530	416
Provisions or loan-loss reserves	2,477	2,880
Tier 2 capital before regulatory adjustments	**3,007**	**3,296**
Regulatory adjustments	(675)	(687)
Tier 2 capital (T2)	**2,332**	**2,609**
Total capital (T1 + T2)	**44,549**	**49,364**

Risk-weighted assets	**Rs m**	**Rs m**
Weighted amount of on-balance sheet assets	221,429	243,876
Weighted amount of off-balance sheet exposures	33,630	29,475
Weighted risk assets for operational risk	20,399	18,732
Aggregate net open foreign exchange position	2,330	1,749
Capital charge for trading book position exceeding 5% or more of its total assets	7,479	4,259
Total risk-weighted assets	**285,267**	**298,091**

Capital adequacy ratios (%)	**Jun 18**	**Jun 19**
BIS risk adjusted ratio	15.6	16.6
of which Tier 1	*14.8*	*15.7*

Notes:

(i) Following the adoption of the equity method for investment in associates during FY 2018/2019, figures and relevant ratios for prior years have been restated to give a proper understanding and comparative view of the Bank's performance over time.

(ii) Figures in the above table have been audited

Risk and capital management report

Determination of risk-weighted assets

Credit risk

- The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with the Guideline on Scope of Application of Basel III and Eligible Capital and the Guideline on Standardised Approach to Credit Risk issued by BoM. The risk-weighted exposures under the Standardised Approach to credit risk are based on the category of borrower, its risk weight and the credit conversion factor of the underlying facility. The Bank uses external ratings from Standard & Poor's, Moody's and Fitch Ratings for credit exposures in its sovereign and bank portfolios.

- The Standardised Approach recognises the use of various techniques to mitigate the credit risks to which banks are exposed. For example, exposures may be collateralised by first priority claims, in whole or in part with cash or securities. Banks may agree to net loans owed to them against deposits from the same counterparty. On a conservative basis, for the purpose of calculating its capital requirements, the Bank considers only cash pledged and guarantees as eligible credit risk mitigations in its calculations.

Market risk

- MCB adheres to the Standardised Approach as outlined by the BoM in its Guideline on Measurement and Management of Market Risk. As per this methodology, which is closely aligned with the Basel II Standardised Measurement Method, a bank is required to hold additional capital whenever its overall trading book position activities exceeds 5% of its total assets. A bank is encouraged to hold a capital buffer that adequately covers interest rate risk exposures arising from non-trading activities. As at 30 June 2019, MCB's trading book exposures were above 5% of total assets. They consisted mainly of foreign exchange risk and interest rate risk arising from net positions in securities and derivatives held for trading. Subsequently, an additional capital charge was held.

- Separate interest rate risk gap analysis schedules are prepared and submitted to the BoM on a quarterly basis for the Bank's significant currencies (MUR, USD and EUR) and on a consolidated basis. The Bank holds a capital buffer commensurate with the aggregate banking book interest rate risk both from an earnings and economic value perspective as per the aforementioned guideline. Of note, the one-year earnings impact arising from a 200 basis points parallel shift in interest rates, using the earnings perspective framework prescribed by the BoM, is shown in Notes 3(c) (iii) to the Accounts.

Operational risk

- MCB applies the Alternative Standardised Approach to determine its operational risk capital. Under this approach, the Bank's activities are divided into eight business lines, namely (i) retail banking; (ii) commercial banking; (iii) corporate finance; (iv) trading and sales; (v) payment and settlement; (vi) agency services; (vii) asset management; and (viii) retail brokerage. The capital charge for retail banking and commercial banking is arrived at by applying a factor (denoted as beta) and a fixed factor of 3.5% to the average outstanding balance of loans and advances as at end of the previous three years. As for the other business lines, the capital charge is arrived at by applying a beta factor to the average positive annual gross income over the previous three years. Of note, beta, as recommended by Basel, serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for the latter.

Risk-weighted assets for credit risk

Risk-weighted on-balance sheet assets	Jun 19 Amount	Jun 19 Weight	Jun 19 Weighted Assets	Jun 18 Weighted Assets
	Rs m	%	Rs m	Rs m
Cash items	3,402	0 - 20	98	85
Claims on sovereigns	78,975	0 - 100	855	1,408
Claims on central banks	39,022	0 - 100	4,508	8,748
Claims on banks	40,359	20 - 100	15,014	11,154
Claims on non-central government public sector entities	2,128	0	0	0
Claims on corporates	182,367	20 - 150	174,012	155,523
Claims on retail segment	12,230	75	7,771	7,426
Claims secured by residential property	31,039	35 - 125	14,055	12,581
Fixed assets/other assets	10,715	100 - 250	16,486	17,065
Past due claims	8,246	50 - 150	11,077	7,439
Total			**243,876**	**221,429**

Non-market related off-balance sheet risk-weighted assets	Jun 19 Nominal Amount	Jun 19 Credit Conversion Factor	Jun 19 Credit Equivalent Amount	Jun 19 Weight	Jun 19 Weighted Amount	Jun 18 Weighted Amount
	Rs m	%	Rs m	%	Rs m	Rs m
Direct credit substitutes	9,065	100	8,930	0 - 100	9,009	8,753
Transaction-related contingent items	23,231	50	11,288	0 - 100	11,421	10,915
Trade related contingencies	28,508	20 - 100	6,127	0 - 100	6,219	10,804
Outstanding loans commitment	5,140	20 - 50	2,553	100	2,553	3,039
Total					**29,204**	**33,511**

Market-related off-balance sheet risk-weighted assets	Jun 19 Nominal Amount	Jun 19 Credit Conversion Factor	Jun 19 Potential Future Exposure	Jun 19 Current Exposure	Jun 19 Credit Equivalent Amount	Jun 19 Weighted Assets	Jun 18 Weighted Assets
	Rs m	%	Rs m	Rs m	Rs m	Rs m	Rs m
Interest rate contracts	7,832	0 - 1.5	100	129	230	117	2
Foreign exchange contracts	13,950	1 - 7.5	155	75	230	154	117
Total						**271**	**119**

	Jun 19	Jun 18
	Rs m	Rs m
Total credit risk-weighted assets	**273,351**	**255,059**

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

Risk and capital management report

Risk-weighted assets for operational risk

MCB Ltd			
Line of business		**Jun 18**	**Jun 19**
Basic indicator approach			
	%	**Rs m**	**Rs m**
Total yearly weighted gross income	Alpha Factor α=15	2,256	-
Alternative standardised approach			
Weighted gross income (for 6 business line*)		-	524
Average outstanding balance of loans and advances (retail and commercial banking)		-	265,052
Capital charge for operational risk		2,040	1,873
Weighted risk assets for operational risk		20,399	18,732

* *Corporate finance, trading and sales, payment and settlement, agency services, asset management and retail brokerage*

Risk-weighted assets for market risk

MCB Ltd	Jun 18	Jun 19
Market risk	**Rs m**	**Rs m**
Aggregate net open foreign exchange position	2,330	1,749
Capital charge for trading book position exceeding 5% or more of its total assets	7,479	4,259

Exposures covered by cash and bank guarantees which qualify as a zero risk-weight

Exposures covered by credit risk mitigation	Jun 18	Jun 19
Eligible collateral	**Rs m**	**Rs m**
On-balance sheet		
Corporate	961	1,642
Retail	2,060	2,237
	3,021	**3,879**
Eligible collateral	**Rs m**	**Rs m**
Off-balance sheet		
Direct credit substitutes	191	139
Transaction-related contigingent items	414	361
Trade-related contingencies	175	2,762
	780	**3,262**
Total	**3,801**	**7,141**

Jonathan CRICHTON
Director
Chairperson Risk Monitoring Committee

Alain LAW MIN
Chief Executive Officer

Financial Statements

Statement of Management's Responsibility for Financial Reporting

The Financial Statements for the Bank presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied for the year ended 30 June 2019 and Management has exercised its judgement and made best estimates where deemed necessary.

The Bank has designed and maintained its accounting systems, related internal controls and supporting procedures to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review Committee and Risk Monitoring Committee, which comprise, principally, independent directors, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

The Bank's external auditor, PricewaterhouseCoopers, has full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Alain LAW MIN
Director
Chief Executive

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited

Report on the Audit of the Financial Statements of the Bank standing alone

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Mauritius Commercial Bank Limited (the "Bank") standing alone as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

The Mauritius Commercial Bank Limited's accompanying financial statements comprise:

- the statement of financial position as at 30 June 2019;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the risk and capital management report, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the Audit of the Financial Statements of the Bank standing alone (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances and debt instruments carried at fair value through other comprehensive income - application of IFRS 9 and estimates used in the calculation	
As from 01 July 2018, the Bank has applied IFRS 9 'Financial Instruments' which requires the recognition of Expected Credit Losses ('ECL') rather than incurred credit losses. The determination of ECL requires a fundamentally new and highly judgemental approach and relies on complex modelling and the use of a number of data points to determine the ECL on its stage 1 and stage 2 financial assets. The data has been sourced from a number of systems that have not been used previously for the preparation of accounting records. This increases the risk around completeness and accuracy of certain data used to create assumptions and operate the models. Management is required to determine the ECL that may occur over either a 12-month period or the remaining life of a financial asset, depending on the categorisation of the individual asset.	Given the complexity of the PD, EAD and LGD models used for the ECL calculation, our actuarial expert team assisted us in performing certain procedures. With the assistance of our actuarial expert team, we assessed the input assumptions applied within those models by agreeing the key inputs used therein to the supporting documentation and independent extraction made from the system. The reasonableness of the forward looking information were independently verified, on a sample basis, to external sources. Further, our procedures included assessing the appropriateness of stage 1 and stage 2 of the ECL model through independent re-performance and validation procedures. In addition, we tested the integrity of critical data used at year end to calculate ECL by verifying these to the relevant systems. We performed risk based substantive testing of the models, including independently re-building certain assumptions.

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the Audit of the Financial Statements of the Bank standing alone (Continued)

***Key Audit Matters** (Continued)*

Key audit matter	How our audit addressed the key audit matter
The Bank also applied judgement and estimates in determining the impairment provision on its stage 3 financial assets to estimate the loss event and the amount and timing of their expected future cash flows. The key areas of significant management judgements and estimates within the ECL calculations include: • Input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement; • Evaluation of significant increase in credit risk ("SICR"); • Incorporation of macro-economic inputs and forward looking information into the SICR assessment and ECL measurement; and • Assessment of ECL raised for stage 3 exposures. The application of IFRS 9 by the Bank along with its impact on the opening balances has been disclosed in notes 2(d), 3(b) and 18 to the financial statements.	For ECL calculated for stage 3 financial assets, we considered the significant financial difficulty of the Bank's customers and number of days in arrears for repayment. We also considered the assumptions applied by the directors in their assessment of the recoverability of the exposure. We independently recalculated the ECL, on a sample basis, based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent appraisers.

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the Audit of the Financial Statements of the Bank standing alone (Continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Bank has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on the Audit of the Financial Statements of the Bank standing alone (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report

To the Shareholder of The Mauritius Commercial Bank Limited (Continued)

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a) we have no relationship with or interests in the Bank or its subsidiary other than in our capacity as auditor, tax and business advisors of the Bank and dealings in the ordinary course of business with the Bank;
b) we have obtained all the information and explanations we have required; and
c) in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Mauritian Banking Act 2004

The Mauritian Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a) in our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius; and
b) the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's shareholder in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers
26 September 2019

Gilles Beesoo, Licensed by FRC

Statement of financial position

as at 30 June 2019

	Notes	2019 RS'000	2018 RS'000 (restated)	2017 RS'000 (restated)
ASSETS				
Cash and cash equivalents	4	**45,398,059**	34,087,944	34,033,960
Derivative financial instruments	5	**269,295**	95,817	226,731
Loans to and placements with banks	6(a)	**20,754,084**	19,265,587	25,912,459
Loans and advances to customers	6(b)	**213,398,224**	188,569,042	159,973,920
Investment securities	7	**116,397,500**	81,884,347	68,890,863
Investment in subsidiary	8(a)	**117,570**	117,570	64,322
Investments in associates	8(b)	**4,078,542**	4,054,371	3,738,798
Intangible assets	9	**805,494**	544,602	579,569
Property, plant and equipment	10	**4,964,461**	4,841,797	4,911,082
Deferred tax assets	11	**110,064**	104,365	143,667
Other assets	12	**21,977,419**	18,886,360	17,838,894
Total assets		**428,270,712**	352,451,802	316,314,265
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits from banks	13(a)	**7,375,969**	6,588,686	5,302,566
Deposits from customers	13(b)	**307,000,545**	278,943,186	258,569,834
Derivative financial instruments	5	**508,808**	407,024	97,430
Other borrowed funds	14	**55,405,740**	14,188,543	5,606,935
Subordinated liability	15	**1,040,100**	1,060,181	1,052,037
Current tax liabilities		**898,811**	872,964	778,869
Other liabilities	17	**8,121,146**	6,407,271	5,081,995
Total liabilities		**380,351,119**	308,467,855	276,489,666
Shareholder's equity				
Stated capital		**6,879,602**	6,879,602	6,879,602
Retained earnings		**33,588,912**	28,596,833	26,041,651
Other components of equity		**7,451,079**	8,507,512	6,903,346
Total equity		**47,919,593**	43,983,947	39,824,599
Total equity and liabilities		**428,270,712**	352,451,802	316,314,265
CONTINGENT LIABILITIES				
Guarantees, letters of credit, and other obligations on account of customers		**66,527,909**	57,851,972	41,128,382
Commitments		**5,140,426**	6,077,554	6,714,334
Tax assessments		**89,715**	537,147	992,632
Other		**1,659,453**	1,396,653	1,353,991
	20	**73,417,503**	65,863,326	50,189,339

These financial statements were approved for issue by the Board of Directors on the 26 September 2019.

Alain LAW MIN
Director
Chief Executive

Jean-Francois DESVAUX DE MARIGNY
Director
Chairperson

Uday GUJADHUR
Director
Chairperson Audit Committee

The notes on pages 179 to 277 form part of these financial statements.
Auditor's report on pages 162 to 167.

Statement of profit or loss
for the year ended 30 June 2019

	Notes	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000 (Restated)	Year ended 30 June 2017 RS'000 (Restated)
Interest income	21	**17,449,219**	13,903,688	12,749,424
Interest expense	22	**(5,196,422)**	(3,794,901)	(3,870,375)
Net interest income		**12,252,797**	10,108,787	8,879,049
Fee and commission income	23	**4,087,395**	3,644,356	3,294,749
Fee and commission expense	24	**(1,069,983)**	(867,748)	(687,673)
Net fee and commission income		**3,017,412**	2,776,608	2,607,076
Other income				
Profit arising from dealing in foreign currencies		**1,564,950**	2,152,398	1,620,380
Net gain/(loss) from financial instruments carried at fair value	25	**650,811**	(381,569)	100,208
		2,215,761	1,770,829	1,720,588
Dividend income	26	**58,504**	63,118	108,289
Net gain on sale of financial instruments		**7,505**	17,999	6,056
Other operating income		**30,897**	18,704	32,529
		2,312,667	1,870,650	1,867,462
Operating income		**17,582,876**	14,756,045	13,353,587
Non-interest expense				
Salaries and human resource costs	27(a)	**(3,527,225)**	(3,129,179)	(2,955,584)
Depreciation of property, plant and equipment		**(436,510)**	(391,651)	(367,856)
Amortisation of intangible assets		**(173,476)**	(201,416)	(188,486)
Other	27(b)	**(1,788,406)**	(1,733,068)	(1,509,897)
		(5,925,617)	(5,455,314)	(5,021,823)
Operating profit before impairment		**11,657,259**	9,300,731	8,331,764
Net impairment of financial assets	28	**(1,455,649)**	(1,228,932)	(950,504)
Operating profit		**10,201,610**	8,071,799	7,381,260
Share of profit of associates		**241,860**	341,468	266,891
Profit before tax		**10,443,470**	8,413,267	7,648,151
Income tax expense	29	**(1,629,862)**	(1,627,703)	(1,403,051)
Profit for the year		**8,813,608**	6,785,564	6,245,100
Earnings per share (Rs)	31	**12.81**	9.86	9.08

The notes on pages 179 to 277 form part of these financial statements.
Auditor's report on pages 162 to 167.

Statement of comprehensive income

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000 (Restated)	Year ended 30 June 2017 RS'000 (Restated)
Profit for the year		**8,813,608**	6,785,564	6,245,100
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss:				
Net fair value loss on equity instruments		**(68,733)**	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	29(b)	**(404,477)**	(235,146)	287,079
Share of other comprehensive expense of associates		**-**	-	(113,599)
		(473,210)	(235,146)	173,480
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		**22,839**	89,526	(21,204)
Reclassification adjustments on disposal of investments at fair value through other comprehensive income		**(25,320)**	-	-
Reclassification adjustments on disposal of available-for-sale investments		**-**	(227,304)	24,257
Net fair value gain on debt instruments		**81,731**	-	-
Net fair value gain on available-for-sale investments		**-**	471,373	355,079
		79,250	333,595	358,132
Other comprehensive (expense)/income for the year		**(393,960)**	98,449	531,612
Total comprehensive income for the year		**8,419,648**	6,884,013	6,776,712

The notes on pages 179 to 277 form part of these financial statements.
Auditor's report on pages 162 to 167.

Statement of changes in equity

for the year ended 30 June 2019

	Note	Stated Capital RS'000	Retained Earnings RS'000	Capital Reserve RS'000	Translation Reserve RS'000	Statutory Reserve RS'000	General Banking Reserve RS'000	Total Equity RS'000
At 1 July 2016		6,879,602	20,435,491	775,383	-	3,974,602	890,345	32,955,423
Prior year restatement - Equity Accounting of associates		-	2,684,885	-	(2,429)	-	24,257	2,706,713
As restated		6,879,602	23,120,376	775,383	(2,429)	3,974,602	914,602	35,662,136
Profit for the year		-	6,245,100	-	-	-	-	6,245,100
Other comprehensive income/(expense) for the year		-	173,480	379,336	(21,204)	-	-	531,612
Total comprehensive income for the year		-	6,418,580	379,336	(21,204)	-	-	6,776,712
Dividends	30	-	(2,614,249)	-	-	-	-	(2,614,249)
Transactions with owner in his capacity as owner		-	(2,614,249)	-	-	-	-	(2,614,249)
Transfer to statutory reserve		-	(936,000)	-	-	936,000	-	-
Transfer from general banking reserve		-	52,944	-	-	-	(52,944)	-
At 30 June 2017		6,879,602	26,041,651	1,154,719	(23,633)	4,910,602	861,658	39,824,599
Profit for the year		-	6,785,564	-	-	-	-	6,785,564
Other comprehensive(expense)/income for the year		-	(235,146)	244,069	89,526	-	-	98,449
Total comprehensive income for the year		-	6,550,418	244,069	89,526	-	-	6,884,013
Dividends	30	-	(2,751,841)	-	-	-	-	(2,751,841)
Unclaimed dividends pertaining to previous years		-	27,176	-	-	-	-	27,176
Transactions with owner in his capacity as owner		-	(2,724,665)	-	-	-	-	(2,724,665)
Transfer to statutory reserve		-	(1,015,000)	-	-	1,015,000	-	-
Transfer to general banking reserve		-	(255,571)	-	-	-	255,571	-
At 30 June 2018		**6,879,602**	**28,596,833**	**1,398,788**	**65,893**	**5,925,602**	**1,117,229**	**43,983,947**
Impact of adopting IFRS 9:								
Impairment on financial assets:								
Reversal of portfolio provision		**-**	**1,359,589**	**-**	**-**	**-**	**-**	**1,359,589**
Reversal of general banking reserve		**-**	**1,092,972**	**-**	**-**	**-**	**(1,092,972)**	**-**
Expected credit losses		**-**	**(2,746,190)**	**-**	**-**	**-**	**-**	**(2,746,190)**
Expected credit losses on debt instruments at fair value through other comprehensive income		**-**	**(17,089)**	**17,089**	**-**	**-**	**-**	**-**
		-	**(310,718)**	**17,089**	**-**	**-**	**(1,092,972)**	**(1,386,601)**
Share of impact on associates		**-**	**(134,583)**	**-**	**-**	**-**	**(24,257)**	**(158,840)**
		-	**(445,301)**	**17,089**	**-**	**-**	**(1,117,229)**	**(1,545,441)**
Classification and measurement of financial assets:								
Fair value of financial assets		**-**	**19,669**	**-**	**-**	**-**	**-**	**19,669**
Reclassification of equity instruments		**-**	**1,170,007**	**(1,170,007)**	**-**	**-**	**-**	**-**
		-	**1,189,676**	**(1,170,007)**	**-**	**-**	**-**	**19,669**
Impact of adopting IFRS 9		**-**	**744,375**	**(1,152,918)**	**-**	**-**	**(1,117,229)**	**(1,525,772)**
As restated		**6,879,602**	**29,341,208**	**245,870**	**65,893**	**5,925,602**	**-**	**42,458,175**
Profit for the year		**-**	**8,813,608**	**-**	**-**	**-**	**-**	**8,813,608**
Other comprehensive (expense)/income for the year		**-**	**(404,477)**	**(12,322)**	**22,839**	**-**	**-**	**(393,960)**
Total comprehensive income/(expense) for the year		**-**	**8,409,131**	**(12,322)**	**22,839**	**-**	**-**	**8,419,648**
Dividends	30	**-**	**(2,958,230)**	**-**	**-**	**-**	**-**	**(2,958,230)**
Transactions with owner in his capacity as owner		**-**	**(2,958,230)**	**-**	**-**	**-**	**-**	**(2,958,230)**
Transfer to statutory reserve		**-**	**(954,000)**	**-**	**-**	**954,000**	**-**	**-**
Transfer to general banking reserve		**-**	**(249,197)**	**-**	**-**	**-**	**249,197**	**-**
At 30 June 2019		**6,879,602**	**33,588,912**	**233,548**	**88,732**	**6,879,602**	**249,197**	**47,919,593**

The notes on pages 179 to 277 form part of these financial statements.
Auditor's report on pages 162 to 167.

Statement of cash flows

for the year ended 30 June 2019

	Notes	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000 (Restated)	Year ended 30 June 2017 RS'000 (Restated)
Operating activities				
Net cash flows from trading activities	34	**16,380,613**	(4,333,427)	(487,735)
Net cash flows from other operating activities	35	**(11,724,945)**	7,202,416	6,374,147
Dividends received from associates		**173,499**	302,503	246,305
Dividends paid		**(2,751,841)**	(2,751,841)	(2,304,667)
Income tax paid		**(1,517,304)**	(1,430,223)	(1,190,595)
Net cash flows from operating activities		**560,022**	(1,010,572)	2,637,455
Investing activities				
Investment in associate		**(98,452)**	(190,960)	-
Investment in subsidiary		**-**	(53,248)	-
Purchase of property, plant and equipment		**(422,435)**	(334,070)	(347,321)
Purchase of intangible assets		**(353,901)**	(166,449)	(295,359)
Proceeds from sale of property, plant and equipment		**5,434**	12,942	33,271
Net cash flows from investing activities		**(869,354)**	(731,785)	(609,409)
Net cash flows before financing activities		**(309,332)**	(1,742,357)	2,028,046
Financing activities				
Net refund of subordinated loan		**(51,384)**	-	-
Net cash flows from financing activities		**(51,384)**	-	-
(Decrease)/Increase in cash and cash equivalents		**(360,716)**	(1,742,357)	2,028,046
Net cash and cash equivalents at 1 July		**32,254,950**	33,997,307	31,969,261
Net cash and cash equivalents at 30 June	4	**31,894,234**	32,254,950	33,997,307

The notes on pages 179 to 277 form part of these financial statements.
Auditor's report on pages 162 to 167.

General information

The Mauritius Commercial Bank Limited ("the Bank") is a public company incorporated by Royal Charter in 1838 and registered as limited liability company on 18 August 1955. Its registered office is situated at 9-15, Sir William Newton Street, Port Louis, Mauritius.

The main activities of the Bank consist of providing a whole range of banking and financial services. The Bank is wholly owned by MCB Investment Holding Limited.

The ultimate holding company is MCB Group Limited which is listed on The Stock Exchange of Mauritius Ltd.

Index to notes to the financial statements

Index to notes to the financial statements
(continued)

Index to notes to the financial statements
(continued)

Notes to the financial statements
for the year ended 30 June 2019

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the investments in associates, unless otherwise stated.

(a) Basis of preparation

The financial statements of The Mauritius Commercial Bank Limited (the "Bank"), have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements have been prepared under the historical cost convention except for investment securities at fair value through other comprehensive income, financial assets and liabilities held at fair value through profit or loss, derivative contracts and defined benefit plan which are stated at fair value.

New and amended standards adopted by the Bank

The Bank has adopted IFRS 9 issued by the IASB for financial year beginning on 01 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements under IAS 39.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Bank has also elected to continue applying the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Consequently, for notes disclosures, the consequential amendment to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Bank's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Further details of changes as a result of application of IFRS 9 have been set out in **Note 18** to the financial statements.

IFRS 15 Revenue from contracts with customers

The Bank has adopted IFRS 15 'Revenue from contracts with customers' for the financial year beginning on 01 July 2018 which has now replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Bank has assessed that the standard does not have a material impact on the financial statements.

New standards, amendments and interpretations issued but not effective for the financial year and not adopted early

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on 01 July 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following:

IFRS 16 Leases

IFRS 16, 'Leases' will result in all leases being recognised on the statement of financial position as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on 01 July 2019. At this stage, the Bank does not intend to adopt the standard before its effective date.

For the current reporting year, the Bank has assessed that the standard does not have a material impact on the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

1. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

Investment in subsidiary

A subsidiary is an entity which the Bank controls. The Bank controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank performs a reassessment of control whenever there is a change in the substance of the relationship between the Bank and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Investment in subsidiary is carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investment. The impairment loss is taken to profit or loss.

The financial statements contain information about The Mauritius Commercial Bank Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Bank has taken advantage of the exemption under IFRS 10 Paragraph 4 from the requirement to prepare consolidated financial statements as MCB Group Limited, the ultimate parent, prepares consolidated financial statements that complies with IFRS. A copy of the consolidated financial statements is available at the registered office of the MCB Group Limited at 9-15, Sir William Newton Street, Port Louis.

Investment in associates

An associate is an entity over which the Bank has significant influence but no control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Bank's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Bank's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment is included as income in the determination of the Bank's share of the associate's profit or loss.

When the Bank's share of losses exceeds its interest in an associate, the Bank discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Bank's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Bank. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

1. Significant accounting policies (Cont'd)

(b) Foreign currency translation

(i) Functional and presentation currency

These financial statements are prepared in Mauritian Rupees (Rs), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are remeasured.

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(c) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially at cost and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Where the derivatives are managed with debt securities issued by the Bank that are designated at fair value, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Interest income

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for:

(i) Purchased or originated credit-impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(f) Fees and commissions

Fees and commissions are generally recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with the related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

1. Significant accounting policies (Cont'd)

(g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the repos agreements using the effective interest method.

(h) Investments and other financial assets

Classification
From 1 July 2018, the Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

Debt instruments
The classification depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows, that is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

The reclassification takes place from the start of first reporting period following change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

1. Significant accounting policies (Cont'd)

(h) Investments and other financial assets (Cont'd)

Equity instruments (Cont'd)
The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other dividend income when the Bank's right to receive payments is established.

Gains or losses on equity investments at FVTPL are included in the 'Net trading income' line in the statement of profit or loss.

Modification of loans
The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different from the original terms. The Bank does this by considering, among others, the following factors:

(i) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
(ii) Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
(iii) Significant extension of the loan term when the borrower is not in financial difficulty.
(iv) Significant change in the interest rate.
(v) Change in the currency the loan is denominated in.
(vi) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss in net impairment of financial assets.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification
Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

I. Significant accounting policies (Cont'd)

(h) Investments and other financial assets (Cont'd)

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial instruments.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

1. Significant accounting policies (Cont'd)

(h) Investments and other financial assets (Cont'd)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank classifies its debt instruments.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in profit arising from dealing in foreign currencies in the statement of profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.
Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorized as loans by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the fair value are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in profit arising from dealing in foreign currencies in the statement of profit or loss and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net in profit arising from dealing in foreign currencies in the statement of profit or loss in the year in which it arises.

Accounting policies applied until 30 June 2018

Investment securities

The Bank classifies its investment securities as financial asset at fair value through profit or loss, held-to-maturity or available-for-sale assets. The directors determine the appropriate classification of the investments at the time of the purchase. Investment securities with fixed maturity where the directors have both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale, which may be sold.

Investment securities are initially recognised at fair value plus, in the case of those not at fair value through profit or loss, transaction costs. Available-for-sale financial assets are subsequently remeasured at fair value. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income and cumulated in a separate reserve, capital reserve.

1. Significant accounting policies (Cont'd)

(h) Investments and other financial assets (Cont'd)

Accounting policies applied until 30 June 2018 (Cont'd)

Investment securities (Cont'd)
Financial assets at fair value through profit or loss are financial assets held-for-trading.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment. If the Bank was to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in 'dividend income' in profit or loss when the entity's right to receive payment is established.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Bank commits to purchase or sell the assets.

Trading securities
Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value (which includes transaction costs) and measured at subsequent reporting dates at fair value. All related realised and unrealised gains and losses are recognised in profit or loss for the year.

Loans and advances
Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

(i) Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

1. Significant accounting policies (Cont'd)

(i) Impairment of financial assets (Cont'd)

Investment securities (Cont'd)

Accounting policies applied until 30 June 2018

(i) Assets carried at amortised cost

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.
Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking reserve as an appropriation of retained earnings.

(ii) Assets classified as available-for-sale

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets classified as available-for-sale is impaired.

For debt securities, if any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1. Significant accounting policies (Cont'd)

(j) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Depreciation is calculated to write down the cost of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and other equipment	5-10 years
Furniture, fittings and vehicles	5-15 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their disposal proceeds and their carrying amount and are recognised as income or expense in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(k) Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- The directors intend to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of eight years.

(l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise unrestricted cash and balances with Central Bank, treasury bills and amounts due to and from other banks which are short term, highly liquid with original maturities of 3 months or less. A further breakdown of cash and cash equivalents is given in note 4 to the financial statements.

1. Significant accounting policies (Cont'd)

(m) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(n) Deposits from banks and customers

Deposits from banks and customers are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

(o) Employee benefits

The Bank operates a number of defined benefit and defined contribution plans and provides for the requirements under the Employment Rights Act 2008. The defined benefit plan is fully funded. The assets of the funded plan are held independently and administered by The Mauritius Commerical Bank Limited Superannuation Fund.

(i) Defined contribution plans

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the notes.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

(ii) Defined benefit plans

Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Employment Rights Act 2008 (Amended) is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

1. Significant accounting policies (Cont'd)

(o) Employee benefits (Cont'd)

(ii) Defined benefit plans (Cont'd)

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The main assumptions made in the actuarial valuation of the pension fund are listed in note 16 to the financial statements.

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

As from 1 July 2015, the Bank has introduced a Defined Contribution Cash Balanced scheme (DCCB) for its employees.
With the introduction of DCCB, new employees automatically join the DCCB scheme, whilst existing employees had a one-time opportunity to choose from one of the options listed below:

Option A: To stay in the Defined Benefit (DB) scheme for all service.
Option B: To keep the accrued past pension benefits until 30 June 2015 in the DB scheme and join the DCCB scheme as from 1 July 2015.
Option C: To join the DCCB scheme as from 1 July 2015 and transfer the total accrued benefits as at 30 June 2015 from the DB scheme into the DCCB scheme

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period and includes the Corporate Social Responsibility charge and Bank levy.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

1. Significant accounting policies (Cont'd)

(q) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Dividend declared and unpaid

Dividend declared and unpaid to the Bank's shareholder at reporting date is recognised as a liability in the period in which dividend is declared.

(s) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(t) Stated capital

(i) Ordinary shares are classified as equity.

(ii) Share issue costs are incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are expensed.

(v) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(w) Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

2. Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the directors consider the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

Additional disclosures on pension benefits are shown in note 16.

(b) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Bank using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Bank would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

2. Critical accounting estimates and judgements (Cont'd)

(d) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in the risk report, which also sets out the key sensitivities of the ECL to changes in those elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward looking scenarios for each type of market and associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

Detailed information about the judgements and estimates made by the Bank in above areas is set out in the risk report.

(e) Provision for tax assessment

In assessing the provision for tax assessment, directors consider the likelihood of an outflow of resources based on discussions with the Mauritius Revenue Authority (MRA).

3. Financial risk management

(a) Strategy in using financial instruments

The use of financial instruments is a major feature of the Bank's operations. It has been the Bank's policy to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Bank's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

(b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfill their contractual obligations. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Business Unit (CRBU). The CRBU has the task of reviewing the Bank's credit policies and guidelines to ensure that best lending practices are upheld at all times. Risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions.

Credit related commitments

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.
The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Credit quality

The following tables set out the credit quality of exposures measured at amortised costs by different segments for the year ended 30 June 2019.

	Performing			Under Performing			Non Performing			
	Gross Exposure	Expected Credit Loss	Net Exposure	Gross Exposure	Expected Credit Loss	Net Exposure	Gross Exposure	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net Exposure
Portfolio	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**
Retail	50,430,834	106,209	50,324,625	439,911	17,101	422,810	1,835,587	482,950	293,093	1,352,637
Wholesale	363,778,167	1,710,158	362,068,009	16,336,369	625,315	15,711,054	7,507,939	2,012,789	1,666,691	5,495,150
Total	414,209,001	1,816,367	412,392,634	16,776,280	642,416	16,133,864	9,343,526	2,495,739	1,959,784	6,847,787
Retail										
Housing loans	29,175,975	19,544	29,156,431	180,516	4,598	175,918	759,008	182,861	93,227	576,147
SME	8,688,368	43,957	8,644,411	118,077	6,808	111,269	500,544	103,230	82,644	397,314
Unsecured and Revolving	7,223,450	34,649	7,188,801	78,745	3,729	75,016	290,216	129,238	46,549	160,978
Other Secured Loans	5,343,041	8,059	5,334,982	62,573	1,966	60,607	285,819	67,621	70,673	218,198
Total Retail	50,430,834	106,209	50,324,625	439,911	17,101	422,810	1,835,587	482,950	293,093	1,352,637

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

	Performing			Under Performing			Non Performing			
	Gross Exposure	Expected Credit Loss	Net Exposure	Gross Exposure	Expected Credit Loss	Net Exposure	Impaired Balance	Lifetime expected credit loss (credit impaired)	Interest in suspense	Net Exposure
Portfolio	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**	**RS '000**
Wholesale										
Sovereign	100,956,123	31,275	100,924,848	-	-	-	3	2	1	1
Financial Institutions	50,752,353	178,790	50,573,563	-	-	-	69,383	104	7,607	69,279
Project Finance	14,860,602	175,679	14,684,923	267,573	6,441	261,132	687,702	140,645	64,670	547,057
Energy & Commodities	70,759,787	114,929	70,644,858	3,287,569	91,281	3,196,288	1,575,211	464,382	40,836	1,110,829
Corporate	126,449,302	1,209,485	125,239,817	12,781,227	527,593	12,253,634	5,175,640	1,407,656	1,553,577	3,767,984
Total Wholesale	363,778,167	1,710,158	362,068,009	16,336,369	625,315	15,711,054	7,507,939	2,012,789	1,666,691	5,495,150

The bank allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement. For the wholesale portfolio, credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of the borrower. It involves assigning a rating to each counterparty according to an internal scale of 1 to 20 . The following table presents the Bank's internal rating scale and the corresponding scale of Moody's Investors Service.

Internal rating	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Moody's equivalent rating	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	D

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

An analysis of credit exposures using the Bank's grading system follows.

	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Total Wholesale									
3	958,251	-	-	84	-	-	958,167	-	-
4	445,793	-	-	70	-	-	445,723	-	-
5	5,640,632	-	-	1,024	-	-	5,639,608	-	-
6	105,778,285	-	-	8,363	-	-	105,769,922	-	-
7	3,798,049	-	-	901	-	-	3,797,148	-	-
8	4,616,249	-	-	988	-	-	4,615,261	-	-
9	5,025,229	-	-	2,078	-	-	5,023,151	-	-
10	8,268,495	-	-	4,008	-	-	8,264,487	-	-
11	21,483,718	640,177	-	39,790	3,160	-	21,443,928	637,017	-
12	61,969,676	313,621	-	130,676	606	-	61,839,000	313,015	-
13	39,993,980	110,361	-	110,657	1,344	-	39,883,323	109,017	-
14	44,544,352	384,172	-	372,069	4,830	-	44,172,283	379,342	-
15	38,603,819	5,140,255	-	464,015	211,535	-	38,139,804	4,928,720	-
16	14,275,072	4,965,344	-	317,703	143,162	-	13,957,369	4,822,182	-
17	3,644,844	890,923	-	87,381	64,576	-	3,557,463	826,347	-
18	1,424,035	1,201,935	-	37,003	92,528	-	1,387,032	1,109,407	-
19	3,307,688	2,689,581	-	133,348	103,574	-	3,174,340	2,586,007	-
20	-	-	7,507,939	-	-	2,012,789	-	-	5,495,150
Total	363,778,167	16,336,369	7,507,939	1,710,158	625,315	2,012,789	362,068,009	15,711,054	5,495,150
Sovereign									
5	849	-	-	-	-	-	849	-	-
6	99,809,918	-	-	7,080	-	-	99,802,838	-	-
13	220,031	-	-	231	-	-	219,800	-	-
14	611,394	-	-	2,233	-	-	609,161	-	-
18	313,931	-	-	21,731	-	-	292,200	-	-
20	-	-	3	-	-	2	-	-	1
Total	100,956,123	-	3	31,275	-	2	100,924,848	-	1

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

	Gross exposure			Expected credit loss			Net exposure		
Internal Rating	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Financial Institutions									
3	958,251	-	-	84	-	-	958,167	-	-
4	445,793	-	-	70	-	-	445,723	-	-
5	3,512,545	-	-	996	-	-	3,511,549	-	-
6	5,968,367	-	-	1,283	-	-	5,967,084	-	-
7	3,798,049	-	-	901	-	-	3,797,148	-	-
8	3,979,325	-	-	445	-	-	3,978,880	-	-
9	4,595,330	-	-	2,016	-	-	4,593,314	-	-
10	6,639,505	-	-	1,085	-	-	6,638,420	-	-
11	1,887,404	-	-	1,904	-	-	1,885,500	-	-
12	5,693,131	-	-	4,643	-	-	5,688,488	-	-
13	1,903,863	-	-	2,466	-	-	1,901,397	-	-
14	448,889	-	-	5,598	-	-	443,291	-	-
15	3,978,424	-	-	19,700	-	-	3,958,724	-	-
16	3,134,923	-	-	35,231	-	-	3,099,692	-	-
17	913,976	-	-	-	-	-	913,976	-	-
18	626,350	-	-	9,049	-	-	617,301	-	-
19	2,268,228	-	-	93,319	-	-	2,174,909	-	-
20	-	-	69,383	-	-	104	-	-	69,279
Total	**50,752,353**	**-**	**69,383**	**178,790**	**-**	**104**	**50,573,563**	**-**	**69,279**

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Internal Rating	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Project Finance									
13	4,563,139	-	-	17,115	-	-	4,546,024	-	-
14	3,878,338	-	-	40,100	-	-	3,838,238	-	-
15	4,718,134	31,377	-	88,622	1,221	-	4,629,512	30,156	-
16	1,700,991	-	-	29,817	-	-	1,671,174	-	-
18	-	236,196	-	1	5,220	-	(1)	230,976	-
19	-	-	-	24	-	-	(24)	-	-
20	-	-	687,702	-	-	140,645	-	-	547,057
Total	14,860,602	267,573	687,702	175,679	6,441	140,645	14,684,923	261,132	547,057

Internal Rating	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
Energy & Commodities									
5	2,127,238	-	-	28	-	-	2,127,210	-	-
8	636,924	-	-	543	-	-	636,381	-	-
11	648,962	515,918	-	182	1,997	-	648,780	513,921	-
12	22,666,122	-	-	5,454	-	-	22,660,668	-	-
13	11,450,743	-	-	3,198	-	-	11,447,545	-	-
14	13,955,833	-	-	11,622	-	-	13,944,211	-	-
15	15,910,891	1,829,970	-	75,781	3,311	-	15,835,110	1,826,659	-
16	1,900,558	-	-	18,059	-	-	1,882,499	-	-
17	1,452,786	-	-	-	-	-	1,452,786	-	-
18	-	941,681	-	-	85,973	-	-	855,708	-
19	9,730	-	-	62	-	-	9,668	-	-
20	-	-	1,575,211	-	-	464,382	-	-	1,110,829
Total	70,759,787	3,287,569	1,575,211	114,929	91,281	464,382	70,644,858	3,196,288	1,110,829

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Internal Rating	Gross exposure			Expected credit loss			Net exposure		
	12 months	Lifetime not credit impaired	Lifetime credit impaired	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)
	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Corporate									
9	429,899	-	-	62	-	-	429,837	-	-
10	1,628,990	-	-	2,923	-	-	1,626,067	-	-
11	18,947,352	124,259	-	37,704	1,163	-	18,909,648	123,096	-
12	33,610,423	313,621	-	120,579	606	-	33,489,844	313,015	-
13	21,856,204	110,361	-	87,647	1,344	-	21,768,557	109,017	-
14	25,649,898	384,172	-	312,516	4,830	-	25,337,382	379,342	-
15	13,996,370	3,278,908	-	279,912	207,003	-	13,716,458	3,071,905	-
16	7,538,600	4,965,344	-	234,596	143,162	-	7,304,004	4,822,182	-
17	1,278,082	890,923	-	87,381	64,576	-	1,190,701	826,347	-
18	483,754	24,058	-	6,222	1,335	-	477,532	22,723	-
19	1,029,730	2,689,581	-	39,943	103,574	-	989,787	2,586,007	-
20	-	-	5,175,640	-	-	1,407,656	-	-	3,767,984
Total	126,449,302	12,781,227	5,175,640	1,209,485	527,593	1,407,656	125,239,817	12,253,634	3,767,984

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Restructured financial assets

The Bank defines the "rescheduling" as any amendments to or restructuring or rescheduling of any exposure and includes concession, relaxation, forgiveness or postponement of any material term or condition of the original sanction. The underlying allowance for credit loss is realised wherever there is a material economic loss.

The following table provides information on financial assets which were restructured while they had a loss allowance measured at an amount to lifetime ECL.

	2019 RS '000
Amortised cost before restructure	3,844,045
Net modification gain or loss	38,164
Gross carrying amount at the end of the reporting year when the loss allowance was measured at an amount equal to lifetime ECL and for which the loss allowance has changed during the year to an amount of 12 months ECL	28,487

Assets obtained by taking possession of collateral

Details of financial obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at 30 June are shown below:

	RS '000
Property	60,633

Maximum exposure to credit risk - Financial instruments measured at fair value through profit or loss

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e fair value through profit or loss)

	2019 RS '000
Derivative financial instruments	269,295
Investment securities	16,591,848

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Collateral held and other credit enhancements

Our potential credit losses are mitigated through a range of instruments including collaterals and credit protection such as cash, real estate, marketable securities, inventories, standby letters of credit and other physical and/or financial collateral.

Credit risk policies are in place to determine the eligibility of collateral to mitigate the credit risk assumed and appropriate haircuts are applied to the market value of collateral, reflecting the underlying nature, quality and liquidity of the collateral.

In the event of default, the Bank has the ability to call on the different types of collaterals which in turn are driven by portfolio, product or counterparty type.

Fixed and floating charges on properties and other assets constitute the bulk of our collateral while cash and marketable securities are immaterial.

Long-term finance and lending to corporate entities are generally secured whilst revolving individual credit facilities are generally unsecured. When the borrower's credit worthiness is not sufficient to justify an extension of credit, corporate guarantees are required.

In extending credit facilities to small and medium sized enterprises, the Bank often takes continuing guarantees as a form of moral support from the principal directors. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities.

For derivatives, repurchase agreements with financial market counterparties, collateral arrangements are covered under market-standard documentation such as International Swaps and Derivatives Association Agreements (ISDA) and Master Repurchase Agreements.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Sensitivity Analysis

As part of IFRS 9, the Bank needs to convert the through the circle(TTC) PDs to point in time(PIT) PDs.
This conversion of TTC PDs to PIT PDs entailed the inclusion of forward-looking scenarios for both wholesale and retail portfolios.

Macroeconomic variables used for the Forward-Looking PDs (Probability of Default)

Wholesale Portfolio

The variables used for the inclusion of forward-looking aspects to our PDs i.e for the conversion of TTC PDs to PIT PDs are as follows:

- Credit index (-2)*
- Credit index (-1)*
- GDP growth
- ln (lending rate)

Retail Portfolio

The retail portfolio is broken into SME, housing, secured and unsecured.
The following macroeconomic variables have been used for the respective portfolio:

(a)	SME	Ln (GDP at basic prices) Average Lending rate
(b)	Housing	Ln (GDP at basic prices) Unemployment rate for the year
(c)	Secured	Ln (GDP at market prices) Average lending rate
(d)	Unsecured	Ln (GDP at basic prices) Average CPI Average lending rate

Comparative information under IAS 39

	2018 RS '000	2017 RS '000
Neither past due nor impaired	196,399,312	156,262,327
Past due but not impaired	2,003,711	1,626,920
Impaired	8,508,032	9,698,673
Gross	206,911,055	167,587,920
Less Allowances for credit impairment	(6,060,701)	(5,659,940)
Net	200,850,354	161,927,980
Fair Value of collaterals of past due but not impaired loans	3,034,280	1,916,486
Fair Value of collaterals of impaired loans	6,553,385	10,938,817

The Bank regards "Past due but not impaired" for amounts due for more than 60 days.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Comparative information under IAS 39 (Cont'd)

Credit quality of neither past due nor impaired

Large corporate clients are assigned a Borrower Risk Rating which is generated by the Moody's Financial Analyst software which evaluates the borrower's financial position and subjective factors such as management quality, company standing and industry risk. Those ratings are used to monitor the credit quality of the Corporate Banking Segment which consumes a sizeable portion of the Bank's capital resources. Internally built scoring models are used to rate individuals based on borrowers' repayment capacity, track record and personal attributes for specialised lending including the Structured Trade and Commodity Finance portfolio, the risk profile is assessed based on the specificities of the financing structures and the type of borrowers.

Credit risk

For debt securities and certain other financial instruments, external ratings have been aligned to the three quality classifications based upon the mapping of related Customer Risk Rating ("CRR") to external credit ratings. The mapping is reviewed on a regular basis.

Quality classification definitions

" Low risk" exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss. The credit rating as per Moody's would be generally in the range Aaa to A3.
"Medium" exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. The credit rating as per Moody's would be generally in the range Ba1 to Baa3.
"High" exposures require varying degrees of special attention and default risk is of greater concern. The credit rating as per Moody's would be generally in the range Caa1 to Caa3.

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Credit quality (Cont'd)

Comparative information under IAS 39 (Cont'd)

At 30 June 2018, for cash and cash equivalents and loans and placements with banks, the credit rating was as follows:

	Cash and cash equivalents 2018 RS '000	Cash and cash equivalents 2017 RS '000	Loans to and placements with banks 2018 RS '000	Loans to and placements with banks 2017 RS '000
Credit rating:				
Aaa to Aa3	2,258,416	11,802,356	-	1,308,917
A1 to A3	6,442,163	10,127,093	780,599	6,070,293
B1 to B3	-	-	1,667,481	689,820
Ba1 to Ba3	1,300,121	1,640,361	1,502,665	-
Baa1 to Baa3	20,225,769	6,874,469	14,562,293	17,040,116
Caa1 to Caa3	-	172,533	-	-
Unrated	3,861,475	3,417,148	887,574	809,690
Total gross amount	34,087,944	34,033,960	19,400,612	25,918,836
Allowance for impairment (individual and collective)	-	-	(135,025)	(6,377)
Net carrying amount	34,087,944	34,033,960	19,265,587	25,912,459

Age analysis of loans and advances that are past due but not impaired:

	2018 RS '000	2017 RS '000
Up to 3 months	1,938,251	1,472,371
Over 3 months and up to 6 months	41,792	92,684
Over 6 months and up to 1 year	990	37,460
Over 1 year	22,678	24,405
	2,003,711	1,626,920

Loans and advances restructured

	2018 RS '000	2017 RS '000
Loans and advances restructured	9,786,301	13,279,962
out of which impaired	*1,478,184*	*1,781,548*

3. Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

Comparative information under IAS 39 (Cont'd)

Maximum exposure to credit risk before collateral and other credit risk enhancements:

	2018 RS '000	2017 RS '000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and cash equivalents	31,721,573	31,493,754
Derivative financial instruments	95,817	226,731
Loans to and placements with banks	19,265,587	25,912,459
Loans and advances to customers	188,569,042	159,973,920
Investment securities	79,536,257	66,557,591
Other financial assets	17,948,311	16,695,782
Total	337,136,587	300,860,237
Credit risk exposures relating to off-balance sheet assets are as follows:		
Guarantees, letters of credit, endorsements and other obligations on account of customers	57,851,972	41,128,382
Commitments	6,077,554	6,714,334
Total	63,929,526	47,842,716

Collateral and other credit enhancements

Credit mitigation instruments are used to reduce the Bank's lending risk, resulting in security against the majority of exposures. In the event of default of counterparty, the Bank has the ability to call on different type of collaterals which in turn are driven by portfolio, product or counterparty type: fixed and floating charges on properties and other assets, pledge on deposits, lien on vehicles, pledge on securities/bonds, pledge on deposits held in other financial institutions, pledge on life insurance policies, bank guarantee/corporate guarantee/personal guarantee, 'nantissement de part sociales', government guarantee and lien/gage on equipment.

Credit risk on other assets

The treasury function, as part of the daily management of the Bank's liquidity, places funds with the Bank of Mauritius and other commercial banks and financial institutions. These transactions are mainly money market placements and government securities held-for-trading on the secondary market. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located in the UK, Europe, America and Australia.

3. Financial risk management (Cont'd)

(c) Market risk

Market risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as currency or interest rate risk. The market risk management policies at the Bank are set by the Board Risk Monitoring Committee and executive management of this class of risk is delegated to the Asset and Liability Committee (ALCO). The Market Risk Business Unit (MRBU) plays a central role in monitoring and controlling market risk activities. It is the aim of MRBU to ensure that market risk policies and guidelines are being effectively complied with and that limits are being observed.

(i) Price risk

The Bank is exposed to equity securities price risk because of investments held and classified at FVOCI financial assets (2018 and 2017 : available-for-sale financial assets). The table below summarises the impact of increases/decreases in fair value of the investments on the Bank's equity. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	2019 RS '000	2018 RS '000	2017 RS '000
Financial assets at fair value through other comprehensive income	**1,092,536**	-	-
Available-for-sale financial assets	**-**	220,918	225,879
	1,092,536	220,918	225,879

(ii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. Exposure resulting from trading activities is monitored through the use of targets and limits. Limits are given to the individual trader and monitored by the Head of Treasury. Such limits include daily, monthly, half-yearly and yearly stop losses. Exposure resulting from non-trading activities is managed through the Asset and Liability Management framework, with reference to guidelines and policies set and approved by ALCO and the Board Risk Monitoring Committee.

The Bank uses the value-at-risk (VaR) to measure its market price risk. VaR is the statistical representation of financial risk, expressed as a number, based on consistent modelling of past data and/or simulation of possible future movements, applied to a particular risk position, asset, or portfolio.

The VaR model used by the Bank is based upon a 99 percent one-tailed confidence level and assumes a ten-day holding period, with market data taken from the previous one year.

VaR Analysis - Foreign Exchange Risk

	As at 30 June	Average	Maximum	Minimum
2019 (RS '000)	**(18,026)**	**(25,036)**	**(42,478)**	**(11,370)**
2018 (RS '000)	(36,352)	(37,812)	(59,521)	(15,752)
2017 (RS '000)	(29,885)	(15,266)	(29,885)	(5,627)

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

At 30 June 2019	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Financial assets						
Cash and cash equivalents	10,179,162	17,988,846	3,590,108	10,970,994	2,686,874	45,415,984
Derivative financial instruments	187,079	-	13,285	68,931	-	269,295
Loans to and placements with banks	1,012,370	11,386,903	-	8,276,018	144,607	20,819,898
Loans and advances to customers	21,571,473	85,202,756	389,180	112,594,349	63,061	219,820,819
Investment securities	1,349,224	20,453,280	-	94,694,504	-	116,497,008
Other financial assets	797,040	2,367,379	388,133	16,878,179	70,412	20,501,143
	35,096,348	137,399,164	4,380,706	243,482,975	2,964,954	423,324,147
Less allowances for credit impairment						(6,605,842)
Total						416,718,305
Financial liabilities						
Deposits from banks	1,119,725	5,595,143	220,577	384,712	55,812	7,375,969
Deposits from customers	26,890,173	76,105,870	4,541,203	195,624,523	3,838,776	307,000,545
Derivative financial instruments	59,355	158,749	30,547	260,157	-	508,808
Other borrowed funds	5,205,508	50,194,261	-	2,262	3,709	55,405,740
Subordinated liability	-	1,040,100	-	-	-	1,040,100
Other financial liabilities	269,335	191,660	47,980	2,219,387	29,164	2,757,526
Total	33,544,096	133,285,783	4,840,307	198,491,041	3,927,461	374,088,688
Net on-balance sheet position	1,552,252	4,113,381	(459,601)	44,991,934	(962,507)	49,235,459
Less allowances for credit impairment						(6,605,842)
						42,629,617
Off balance sheet net notional position	7,867,403	17,339,699	2,993,280	-	771,889	28,972,271
Credit commitments	3,371,059	52,625,440	21,990	14,157,372	1,492,474	71,668,335

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

At 30 June 2018	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Financial assets						
Cash and cash equivalents	5,676,105	16,741,989	1,166,230	8,578,312	1,925,308	34,087,944
Derivative financial instruments	25,600	-	-	70,217	-	95,817
Loans to and placements with banks	863,186	5,367,438	-	12,027,372	1,142,616	19,400,612
Loans and advances to customers	22,251,978	64,186,332	893,665	107,006,393	106,438	194,444,806
Investment securities	1,455,976	1,585,355	155,389	78,641,671	95,868	81,934,259
Other financial assets	642,146	1,421,074	200,599	15,553,230	131,262	17,948,311
	30,914,991	89,302,188	2,415,883	221,877,195	3,401,492	347,911,749
Less allowances for credit impairment						(6,060,701)
Total						**341,851,048**
Financial liabilities						
Deposits from banks	1,551,676	4,295,375	418,730	243,715	79,190	6,588,686
Deposits from customers	26,674,310	60,250,870	5,283,647	182,937,026	3,797,333	278,943,186
Derivative financial instruments	1,639	18	-	405,367	-	407,024
Other borrowed funds	2,917,255	11,268,518	-	2,561	209	14,188,543
Subordinated liability	-	1,060,181	-	-	-	1,060,181
Other financial liabilities	169,179	196,346	37,096	1,379,905	21,265	1,803,791
Total	31,314,059	77,071,308	5,739,473	184,968,574	3,897,997	**302,991,411**
Net on-balance sheet position	(399,068)	12,230,880	(3,323,590)	36,908,621	(496,505)	44,920,338
Less allowances for credit impairment						(6,060,701)
						38,859,637
Off balance sheet net notional position	6,701,679	13,718,209	420,004	-	481,963	21,321,855
Credit commitments	3,179,035	44,215,443	45,469	15,742,046	747,533	63,929,526

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Concentration of assets, liabilities and off-balance sheet items

At 30 June 2017	EURO RS '000	USD RS '000	GBP RS '000	MUR RS '000	OTHER RS '000	TOTAL RS '000
Financial assets						
Cash and cash equivalents	5,263,990	18,351,597	3,741,059	5,628,458	1,048,856	34,033,960
Derivative financial instruments	28,023	-	7,163	191,545	-	226,731
Loans to and placements with banks	7,740,920	6,512,417	2,518,902	7,750,576	1,396,021	25,918,836
Loans and advances to customers	12,849,007	48,180,747	984,858	103,549,192	59,734	165,623,538
Investment securities	1,494,529	1,650,826	507,398	65,143,609	98,446	68,894,808
Other financial assets	762,832	965,732	455,501	14,397,142	114,575	16,695,782
	28,139,301	75,661,319	8,214,881	196,660,522	2,717,632	311,393,655
Less allowances for credit impairment						(5,659,940)
Total						**305,733,715**
Financial liabilities						
Deposits from banks	916,650	3,819,037	227,460	266,408	73,011	5,302,566
Deposits from customers	23,837,619	58,761,391	4,182,101	166,273,882	5,514,841	258,569,834
Derivative financial instruments	8,766	5,063	12,156	71,445	-	97,430
Other borrowed funds	3,131,238	2,470,954	-	4,743	-	5,606,935
Subordinated liability	-	1,052,037	-	-	-	1,052,037
Other financial liabilities	245,685	156,440	161,831	879,209	20,785	1,463,950
Total	28,139,958	66,264,922	4,583,548	167,495,687	5,608,637	**272,092,752**
Net on-balance sheet position	(657)	9,396,397	3,631,333	29,164,835	(2,891,005)	39,300,903
Less allowances for credit impairment						(5,659,940)
						33,640,963
Off balance sheet net notional position	7,976,596	14,504,387	5,197,688	-	958,009	28,636,680
Credit commitments	4,140,515	28,968,650	15,862	14,133,969	583,720	47,842,716

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending and deposit taking. Fixed interest rates are applied to deposits in foreign currencies; however maturities in this regard are only short-term.

Interest Rate Risk Earnings Impact Analysis

The Bank incurs interest rate risk (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown below to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as follows:

	2019 RS '000	2018 RS '000	2017 RS '000
Impact on Earnings	**384,722**	1,150,382	710,740

Interest sensitivity of assets and liabilities- repricing analysis

At 30 June 2019 Financial assets	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-interest bearing RS '000	Total RS '000
Cash and cash equivalents	16,162,939	2,715,751	-	-	-	-	26,537,294	45,415,984
Derivative financial instruments	-	-	-	-	-	10,050	259,245	269,295
Loans to and placements with banks	5,279,686	4,881,089	1,683,288	2,484,055	6,254,730	124,646	112,404	20,819,898
Loans and advances to customers	129,950,484	26,377,196	16,327,407	9,713,494	12,296,832	22,403,965	2,751,441	219,820,819
Investment securities	6,635,281	17,394,633	21,771,998	12,128,793	26,784,287	27,710,656	4,071,360	116,497,008
Other financial assets	-	-	-	-	-	-	20,501,143	20,501,143
	158,028,390	51,368,669	39,782,693	24,326,342	45,335,849	50,249,317	54,232,887	423,324,147
Less allowances for credit impairment								(6,605,842)
Total								416,718,305
Financial liabilities								
Deposits from banks	3,888,748	1,621,122	1,416,574	-	-	-	449,525	7,375,969
Deposits from customers	194,284,619	7,014,018	2,518,025	1,173,733	692,201	15,299,886	86,018,063	307,000,545
Derivative financial instruments	-	-	-	-	-	-	508,808	508,808
Other borrowed funds	5,520,957	14,043,880	32,922,201	1,786,688	-	709,842	422,172	55,405,740
Subordinated liability	-	1,014,979	-	-	-	-	25,121	1,040,100
Other financial liabilities	-	-	-	-	-	-	2,757,526	2,757,526
Total	203,694,324	23,693,999	36,856,800	2,960,421	692,201	16,009,728	90,181,215	374,088,688
On balance sheet interest sensitivity gap	(45,665,934)	27,674,670	2,925,893	21,365,921	44,643,648	34,239,589	(35,948,328)	49,235,459
Less allowances for credit impairment								(6,605,842)
								42,629,617

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities- repricing analysis

At 30 June 2018 Financial assets	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-interest bearing RS '000	Total RS '000
Cash and cash equivalents	2,260,851	-	-	-	-	-	31,827,093	34,087,944
Derivative financial instruments	-	-	-	-	-	16,872	78,945	95,817
Loans to and placements with banks	1,998,059	2,680,965	1,615,894	11,940,909	799,517	121,666	243,602	19,400,612
Loans and advances to customers	115,333,255	34,230,275	7,235,946	10,625,016	11,632,750	12,191,927	3,195,637	194,444,806
Investment securities	5,259,264	9,852,122	8,877,740	15,006,837	18,663,496	20,885,381	3,389,419	81,934,259
Other financial assets	-	-	-	-	3,523	-	17,944,788	17,948,311
	124,851,429	46,763,362	17,729,580	37,572,762	31,099,286	33,215,846	56,679,484	347,911,749
Less allowances for credit impairment								(6,060,701)
Total								**341,851,048**
Financial liabilities								
Deposits from banks	4,144,532	909,542	908,844	-	-	-	625,768	6,588,686
Deposits from customers	233,609,985	2,712,636	781,473	1,534,738	1,160,713	3,862,383	35,281,258	278,943,186
Derivative financial instruments	-	-	-	-	-	-	407,024	407,024
Other borrowed funds	3,648,176	8,863,955	722,226	2,538	10,690	855,798	85,160	14,188,543
Subordinated liability	-	1,042,848	-	-	-	-	17,333	1,060,181
Other financial liabilities	-	-	-	-	-	-	1,803,791	1,803,791
Total	241,402,693	13,528,981	2,412,543	1,537,276	1,171,403	4,718,181	38,220,334	**302,991,411**
On balance sheet interest sensitivity gap	(116,551,264)	33,234,381	15,317,037	36,035,486	29,927,883	28,497,665	18,459,150	44,920,338
Less allowances for credit impairment								(6,060,701)
								38,859,637

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities- repricing analysis

At 30 June 2017 Financial assets	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-interest bearing RS '000	Total RS '000
Cash and cash equivalents	18,584,377	-	-	-	-	-	15,449,583	34,033,960
Derivative financial instruments	-	-	-	-	-	12,068	214,663	226,731
Loans to and placements with banks	1,991,275	9,746,768	6,989,490	5,861,767	1,000,000	120,718	208,818	25,918,836
Loans and advances to customers	108,345,533	32,434,811	8,350,531	1,132,068	1,804,828	11,006,126	2,549,641	165,623,538
Investment securities	5,818,819	6,393,045	7,548,467	11,239,951	14,219,471	20,376,999	3,298,056	68,894,808
Other financial assets	-	-	-	-	150,620	256,148	16,289,014	16,695,782
	134,740,004	48,574,624	22,888,488	18,233,786	17,174,919	31,772,059	38,009,775	311,393,655
Less allowances for credit impairment								(5,659,940)
Total								**305,733,715**
Financial liabilities								
Deposits from banks	3,353,158	762,713	734,040	119,487	-	-	333,168	5,302,566
Deposits from customers	229,007,708	2,460,295	1,191,092	1,238,889	1,420,772	1,633,436	21,617,642	258,569,834
Derivative financial instruments	-	-	-	-	-	-	97,430	97,430
Other borrowed funds	3,592,491	-	983,635	4,699	17,007	972,450	36,653	5,606,935
Subordinated liability	1,034,724	-	-	-	-	-	17,313	1,052,037
Other financial liabilities	-	-	-	-	-	255,012	1,208,938	1,463,950
Total	236,988,081	3,223,008	2,908,767	1,363,075	1,437,779	2,860,898	23,311,144	**272,092,752**
On balance sheet interest sensitivity gap	(102,248,077)	45,351,616	19,979,721	16,870,711	15,737,140	28,911,161	14,698,631	39,300,903
Less allowances for credit impairment								(5,659,940)
								33,640,963

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk

Liquidity risk can be defined as the risk of a funding crisis, notably a lack of funds to meet immediate or short term obligations in a cost-effective way. There are two aspects of liquidity risk management:

(a) cash flow management to ensure a balanced inflow and outflow of funds on any one specific day.
(b) the maintenance of a stock of liquid assets to ensure that the Bank has a constantly available store of value, which can be utilised in the event of an unexpected outflow of funds.

The Bank has a documented liquidity policy compliant with the Bank of Mauritius Guideline on Liquidity. Treasury Strategic Business Unit manages liquidity in accordance with this policy, on a day-to-day basis.

The amounts disclosed in the following tables are undiscounted.

Maturities of assets and liabilities

At 30 June 2019 Financial assets	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-maturity items RS '000	Total RS '000
Cash and cash equivalents	30,102,695	2,728,607	-	-	-	-	12,627,791	45,459,093
Derivative financial instruments	-	-	-	-	-	-	243,859	243,859
Loans to and placements with banks	5,408,245	4,517,473	1,712,105	2,762,258	6,889,868	-	-	21,289,949
Loans and advances to customers	41,908,314	18,255,268	12,451,800	17,231,238	55,497,113	110,016,030	19,638,339	274,998,102
Investment securities	4,644,032	16,906,638	19,390,097	13,550,920	31,841,602	39,959,163	3,408,223	129,700,675
Other financial assets	-	-	-	-	-	-	20,501,143	20,501,143
	82,063,286	42,407,986	33,554,002	33,544,416	94,228,583	149,975,193	56,419,355	492,192,821
Less allowances for credit impairment								(6,605,842)
Total								485,586,979
Financial liabilities								
Deposits from banks	4,321,376	1,636,461	1,436,383	-	-	-	-	7,394,220
Deposits from customers	268,944,103	9,216,519	4,945,711	6,399,064	14,643,701	4,526,304	8,203	308,683,605
Derivative financial instruments	-	-	-	-	-	-	504,863	504,863
Other borrowed funds	4,354,625	9,207,135	1,235,068	12,529,377	25,695,412	4,920,519	-	57,942,136
Subordinated liability	-	143,088	-	140,464	511,475	354,750	-	1,149,777
Other financial liabilities	-	-	-	-	-	-	2,757,526	2,757,526
Total	277,620,104	20,203,203	7,617,162	19,068,905	40,850,588	9,801,573	3,270,592	378,432,127
Net liquidity gap	(195,556,818)	22,204,783	25,936,840	14,475,511	53,377,995	140,173,620	53,148,763	113,760,694
Less allowances for credit impairment								(6,605,842)
								107,154,852

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

At 30 June 2018 **Financial assets**	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-maturity items RS '000	Total RS '000
Cash and cash equivalents	14,483,301	-	-	-	-	-	19,183,698	33,666,999
Derivative financial instruments	-	-	-	-	-	-	73,754	73,754
Loans to and placements with banks	910,550	2,412,573	2,275,668	12,578,918	1,415,050	211,366	33,179	19,837,304
Loans and advances to customers	32,943,701	18,416,678	7,799,992	15,723,304	51,621,378	103,064,357	18,814,552	248,383,962
Investment securities	3,823,583	10,170,217	9,012,151	15,198,699	22,122,473	30,532,862	2,642,004	93,501,989
Other financial assets	-	-	-	-	-	-	17,948,311	17,948,311
	52,161,135	30,999,468	19,087,811	43,500,921	75,158,901	133,808,585	58,695,498	413,412,319
Less allowances for credit impairment								(6,060,701)
Total								**407,351,618**
Financial liabilities								
Deposits from banks	4,762,684	917,176	918,164	-	-	-	-	6,598,024
Deposits from customers	245,096,101	5,117,347	3,192,517	7,233,676	12,097,995	7,851,392	-	280,589,028
Derivative financial instruments	-	-	-	-	-	-	407,024	407,024
Other borrowed funds	2,325,725	6,728,355	305,450	999,696	2,550,926	1,174,037	-	14,084,189
Subordinated liability	-	21,055	-	134,949	512,224	569,322	-	1,237,550
Other financial liabilities	-	-	-	-	-	-	1,803,791	1,803,791
Total	252,184,510	12,783,933	4,416,131	8,368,321	15,161,145	9,594,751	2,210,815	**304,719,606**
Net liquidity gap	(200,023,375)	18,215,535	14,671,680	35,132,600	59,997,756	124,213,834	56,484,683	108,692,713
Less allowances for credit impairment								(6,060,701)
								102,632,012

3. Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(iv) Liquidity risk (Cont'd)

Maturities of assets and liabilities

At 30 June 2017 Financial assets	Up to 1 month RS '000	1-3 months RS '000	3-6 months RS '000	6-12 months RS '000	1-3 years RS '000	Over 3 years RS '000	Non-maturity items RS '000	Total RS '000
Cash and cash equivalents	31,095,535	88,293	66,755	110,392	111,000	-	2,958,373	34,430,348
Derivative financial instruments	67,330	43,070	76,559	4,119	-	12,068	18,622	221,768
Loans to and placements with banks	2,284,636	9,050,762	7,035,679	6,262,551	1,051,501	216,497	175,058	26,076,684
Loans and advances to customers	41,583,457	13,087,373	11,024,140	11,262,040	42,818,920	92,629,035	8,269,476	220,674,441
Investment securities	5,156,606	5,668,028	7,707,836	11,889,368	14,475,562	21,425,266	2,333,747	68,656,413
Other financial assets	-	-	-	-	150,620	256,148	16,289,014	16,695,782
	80,187,564	27,937,526	25,910,969	29,528,470	58,607,603	114,539,014	30,044,290	366,755,436
Less allowances for credit impairment								(5,659,940)
Total								**361,095,496**
Financial liabilities								
Deposits from banks	3,681,236	767,382	739,188	121,804	-	-	-	5,309,610
Deposits from customers	224,608,852	4,789,785	3,635,273	6,677,544	10,877,279	10,221,806	-	260,810,539
Derivative financial instruments	22,854	15,243	29,995	3,330	-	-	20,431	91,853
Other borrowed funds	-	450,378	205,666	711,882	2,551,091	1,917,107	-	5,836,124
Subordinated liability	-	20,891	-	24,792	403,561	802,018	-	1,251,262
Other financial liabilities	-	-	-	-	-	255,012	1,208,938	1,463,950
Total	228,312,942	6,043,679	4,610,122	7,539,352	13,831,931	13,195,943	1,229,369	**274,763,338**
Net liquidity gap	(148,125,378)	21,893,847	21,300,847	21,989,118	44,775,672	101,343,071	28,814,921	91,992,098
Less allowances for credit impairment								(5,659,940)
								86,332,158

3. Financial risk management (Cont'd)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through Profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

Specific techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

(e) Capital risk management

Disclosures relating to capital risk management are available in the Risk and Capital Management Report.

3. Financial risk management (Cont'd)

(f) Financial instruments by category

	Amortised cost	Fair value through profit or loss		Fair value through other comprehensive income		Total
At 30 June 2019		Designated	Mandatory	Debt instrument	Equity instrument	
Financial assets	RS '000	RS '000	RS '000	RS '000	RS '000	RS '000
Cash and cash equivalents	45,398,059	-	-	-	-	45,398,059
Derivative financial instruments	-	-	269,295	-	-	269,295
Loans to and placements with banks	20,754,084	-	-	-	-	20,754,084
Loans and advances to customers	213,398,224	-	-	-	-	213,398,224
Investment securities	76,288,905	18,257,877	-	20,746,253	1,104,465	116,397,500
Other financial assets	20,501,143	-	-	-	-	20,501,143
Total	376,340,415	18,257,877	269,295	20,746,253	1,104,465	416,718,305
Financial liabilities						
Deposits from banks	7,375,969	-	-	-	-	7,375,969
Deposits from customers	307,000,545	-	-	-	-	307,000,545
Derivative financial instruments	-	-	508,808	-	-	508,808
Other borrowed funds	55,405,740	-	-	-	-	55,405,740
Subordinated liability	1,040,100	-	-	-	-	1,040,100
Other financial liabilities	2,757,526	-	-	-	-	2,757,526
Total	373,579,880	-	508,808	-	-	374,088,688
Net on-balance sheet position	2,760,535	18,257,877	(239,513)	20,746,253	1,104,465	42,629,617

Notes to the financial statements
for the year ended 30 June 2019 (continued)

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd)

Comparative figures under IAS 39

At 30 June 2018 Financial assets	Held-to-maturity RS '000	Held-for-trading RS '000	Loans and receivables RS '000	Available-for-sale RS '000	Other financial liabilities at amortised cost RS '000	Total RS '000
Cash and cash equivalents	-	-	34,087,944	-	-	34,087,944
Derivative financial instruments	-	95,817	-	-	-	95,817
Loans to and placements with banks	-	-	19,265,587	-	-	19,265,587
Loans and advances to customers	-	-	188,569,042	-	-	188,569,042
Investment securities	53,233,603	24,232,384	-	4,418,360	-	81,884,347
Other financial assets	-	-	17,948,311	-	-	17,948,311
Total	53,233,603	24,328,201	259,870,884	4,418,360	-	341,851,048
Financial liabilities						
Deposits from banks	-	-	-	-	6,588,686	6,588,686
Deposits from customers	-	-	-	-	278,943,186	278,943,186
Derivative financial instruments	-	407,024	-	-	-	407,024
Other borrowed funds	-	-	-	-	14,188,543	14,188,543
Subordinated liability	-	-	-	-	1,060,181	1,060,181
Other financial liabilities	-	-	-	-	1,803,791	1,803,791
Total	-	407,024	-	-	302,584,387	302,991,411
Net on-balance sheet position	53,233,603	23,921,177	259,870,884	4,418,360	(302,584,387)	38,859,637

3. Financial risk management (Cont'd)

(f) Financial instruments by category (Cont'd)

Comparative figures under IAS 39 (Cont'd)

At 30 June 2017 Financial assets	Held-to-maturity RS '000	Held-for-trading RS '000	Loans and receivables RS '000	Available-for-sale RS '000	Other financial liabilities at amortised cost RS '000	Total RS '000
Cash and cash equivalents	-	-	34,033,960	-	-	34,033,960
Derivative financial instruments	-	226,731	-	-	-	226,731
Loans to and placements with banks	-	-	25,912,459	-	-	25,912,459
Loans and advances to customers	-	-	159,973,920	-	-	159,973,920
Investment securities	54,804,703	9,568,590	-	4,517,570	-	68,890,863
Other financial assets	-	-	16,695,782	-	-	16,695,782
Total	54,804,703	9,795,321	236,616,121	4,517,570	-	305,733,715
Financial liabilities						
Deposits from banks	-	-	-	-	5,302,566	5,302,566
Deposits from customers	-	-	-	-	258,569,834	258,569,834
Derivative financial instruments	-	97,430	-	-	-	97,430
Other borrowed funds	-	-	-	-	5,606,935	5,606,935
Subordinated liability	-	-	-	-	1,052,037	1,052,037
Other financial liabilities	-	-	-	-	1,463,950	1,463,950
Total	-	97,430	-	-	271,995,322	272,092,752
Net on-balance sheet position	54,804,703	9,697,891	236,616,121	4,517,570	(271,995,322)	33,640,963

4. Cash and cash equivalents

	2019 RS'000	2018 RS'000	2017 RS'000
Cash in hand	**2,802,229**	2,272,454	2,452,676
Foreign currency notes and coins	**109,268**	93,917	87,530
Unrestricted balances with Central Bank*	**12,136,381**	19,183,540	2,957,699
Balances due in clearing	**490,570**	425,401	466,989
Treasury bills held-for-trading	**-**	210,851	-
Treasury bills at fair value through profit or loss	**2,130,479**	-	-
Money market placements	**14,779,254**	-	18,413,033
Balances with banks abroad	**10,981,895**	9,851,543	9,483,500
Interbank loans**	**1,985,908**	2,050,238	172,533
	45,415,984	34,087,944	34,033,960
Allowances for credit impairment	**(17,925)**	-	-
	45,398,059	34,087,944	34,033,960

	12 months expected credit loss RS'000
At 1 July 2018, as remeasured under IFRS 9	**12,249**
Provision for credit impairment for the year	**10,519**
Provision released during the year	**(2,680)**
Financial assets that have been derecognised	**(2,163)**
At 30 June 2019	**17,925**

* Unrestricted balances with Central Bank represent amounts above the minimum cash reserve requirement.
** Interbank loans represent loans with banks having an original maturity of less than three months.

Cash and cash equivalents as shown in the statements of cash flows

	2019 RS'000	2018 RS'000	2017 RS'000
Cash and cash equivalents	**45,415,984**	34,087,944	34,033,960
Other borrowed funds (see note 14(a))	**(13,521,750)**	(1,832,994)	(36,653)
Net cash and cash equivalents	**31,894,234**	32,254,950	33,997,307
Change in year	**(360,716)**	(1,742,357)	2,028,046

5. Derivative financial instruments

The Bank utilises the following derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk:
Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.
Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, or interest rates, or a combination of all these.

Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments held are set out below:

	Contractual/ Nominal Amount RS'000	Fair value assets RS'000	Fair value liabilities RS'000
Derivative held-for-trading - Level 2			
At 30 June 2019			
Derivative Instruments			
Currency forwards	**8,472,111**	**61,341**	**34,801**
Interest rate swaps	**14,211,873**	**200,364**	**248,891**
Currency swaps	**11,715,448**	**6,047**	**224,162**
Others	**223,178**	**1,543**	**954**
	34,622,610	**269,295**	**508,808**
At 30 June 2018			
Derivative Instruments			
Currency forwards	9,160,009	65,067	75,215
Interest rate swaps	52,685	8,727	2,784
Currency swaps	11,731,597	20,896	329,025
Others	329,437	1,127	-
	21,273,728	95,817	407,024
At 30 June 2017			
Derivative Instruments			
Currency forwards	5,167,027	71,665	51,677
Interest rate swaps	3,656,970	23,118	26,008
Currency swaps	20,199,124	131,481	19,745
Others	137,709	467	-
	29,160,830	226,731	97,430

6. Loans

(a) Loans to and placements with banks

	2019 RS'000	2018 RS'000	2017 RS'000
(i) Loans to and placements with banks			
in Mauritius	**10,260,987**	14,077,611	7,923,109
outside Mauritius	**38,305,968**	17,224,782	46,064,793
	48,566,955	31,302,393	53,987,902
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(27,747,057)**	(11,901,781)	(28,069,066)
	20,819,898	19,400,612	25,918,836
Less:			
Allowances for credit impairment	**(65,814)**	(135,025)	(6,377)
	20,754,084	19,265,587	25,912,459
(ii) Remaining term to maturity			
Up to 3 months	**9,206,621**	3,297,287	10,310,019
Over 3 months and up to 6 months	**2,037,361**	2,226,314	8,204,519
Over 6 months and up to 1 year	**3,089,785**	12,095,668	6,239,050
Over 1 year and up to 5 years	**6,218,813**	1,519,065	1,042,981
Over 5 years	**267,318**	262,278	122,267
	20,819,898	19,400,612	25,918,836

(iii) Allowances for credit impairment

	2019		
	12 months expected credit loss RS'000	Lifetime expected credit loss (credit impaired) RS'000	Total RS'000
At 1 July 2018, as remeasured under IFRS 9	**100,536**	**31,285**	**131,821**
Exchange adjustment	**-**	**1,228**	**1,228**
Provision for credit impairment for the year	**46,221**	**-**	**46,221**
Provision released during the year	**(56,521)**	**(23,699)**	**(80,220)**
Financial assets that have been derecognised	**(31,913)**	**(8,814)**	**(40,727)**
Provision at 30 June 2019	**58,323**	**-**	**58,323**
Interest in suspense	**-**	**7,491**	**7,491**
Provision and interest in suspense at 30 June 2019	**58,323**	**7,491**	**65,814**

Non performing loans under loans to and placements with banks amounted to Rs 69.2M in 2019 (2018: Rs 117.6M, 2017: Rs 172.5M).

Comparative information under IAS 39	Specific RS'000	Portfolio RS'000	Total RS'000
At 1 July 2016	-	17,945	17,945
Provision released during the year	-	(11,568)	(11,568)
At 30 June 2017	-	6,377	6,377
Provision for credit impairment for the year	205,093	32,218	237,311
Amounts written off	(173,808)	-	(173,808)
At 30 June 2018	31,285	38,595	69,880
Interest in suspense	65,145	-	65,145
Provision and interest in suspense at 30 June 2018	96,430	38,595	135,025

6. Loans (Cont'd)

(b) Loans and advances to customers

	2019 RS'000	2018 RS'000	2017 RS'000
(i) Loans and advances to customers			
Retail customers:			
Credit cards	**1,185,588**	1,003,083	659,962
Mortgages	**29,676,004**	26,896,479	24,817,404
Other retail loans	**12,484,980**	12,957,067	12,238,768
Corporate customers	**104,295,356**	102,586,065	93,704,822
Governments	**611,394**	1,323,731	523,147
Entities outside Mauritius	**71,567,497**	49,678,381	33,679,435
	219,820,819	194,444,806	165,623,538
Less:			
Allowances for credit impairment	**(6,422,595)**	(5,875,764)	(5,649,618)
	213,398,224	188,569,042	159,973,920
(ii) Remaining term to maturity			
Up to 3 months	**63,381,280**	50,691,516	43,764,107
Over 3 months and up to 6 months	**6,279,594**	6,734,022	4,402,213
Over 6 months and up to 1 year	**5,982,588**	1,970,122	3,140,205
Over 1 year and up to 5 years	**60,324,768**	57,866,312	39,158,470
Over 5 years	**83,852,589**	77,182,834	75,158,543
	219,820,819	194,444,806	165,623,538

(iii) Allowances for credit impairment

	2019			
	12 months expected credit loss RS'000	Lifetime expected credit loss (not credit impaired) RS'000	Lifetime expected credit loss (credit impaired) RS'000	Total RS'000
At 1 July 2018, as remeasured under IFRS 9	**1,533,074**	**784,239**	**2,346,269**	**4,663,582**
Exchange adjustment	**-**	**-**	**28,928**	**28,928**
Transfer to 12 month ECL	**170,838**	**(76,509)**	**(94,329)**	**-**
Transfer to lifetime ECL not credit impaired	**(54,905)**	**74,608**	**(19,703)**	**-**
Transfer to lifetime ECL credit impaired	**(12,438)**	**(261,939)**	**274,377**	**-**
Provision for credit impairment for the year	**990,867**	**464,320**	**2,110,161**	**3,565,348**
Provision released during the year	**(861,522)**	**(187,434)**	**(195,406)**	**(1,244,362)**
Financial assets that have been derecognised	**(197,586)**	**(35,921)**	**(245,888)**	**(479,395)**
Write offs	**-**	**-**	**(1,708,670)**	**(1,708,670)**
Changes in models /risk parameters	**(236,181)**	**(118,948)**	**-**	**(355,129)**
Provision at 30 June 2019	**1,332,147**	**642,416**	**2,495,739**	**4,470,302**
Interest in suspense	**-**	**-**	**1,952,293**	**1,952,293**
Provision and interest in suspense at 30 June 2019	**1,332,147**	**642,416**	**4,448,032**	**6,422,595**

Comparative information under IAS 39	Specific RS'000	Portfolio RS'000	Total RS'000
At 1 July 2017	2,003,238	1,151,343	3,154,581
Exchange adjustment	21,008	-	21,008
Provision for credit impairment for the year	786,417	119,739	906,156
Provision released during the year	(11,110)	-	(11,110)
Amounts written off	(453,284)	-	(453,284)
At 30 June 2018	2,346,269	1,271,082	3,617,351
Interest in suspense	2,258,413	-	2,258,413
Provision and interest in suspense at 30 June 2018	4,604,682	1,271,082	5,875,764

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iii) Allowances for credit impairment (Cont'd)

	Specific RS'000	Portfolio RS'000	Total RS'000
At 1 July 2016	2,690,731	1,103,007	3,793,738
Exchange adjustment	(12,712)	-	(12,712)
Provision for credit impairment for the year	1,134,680	48,336	1,183,016
Provision released during the year	(188,539)	-	(188,539)
Amounts written off	(1,620,922)	-	(1,620,922)
At 30 June 2017	2,003,238	1,151,343	3,154,581
Interest in suspense	2,495,037	-	2,495,037
Provision and interest in suspense at 30 June 2017	4,498,275	1,151,343	5,649,618

(iv) Allowances for credit impairment by industry sectors

	2019					
	Gross amount of loans RS'000	Non performing loans RS'000	12 months expected credit loss RS'000	Lifetime expected credit loss (not credit impaired) RS'000	Lifetime expected credit loss (credit impaired)* RS'000	Total provision RS'000
Agriculture and fishing	8,561,482	1,056,728	10,967	93,155	449,302	553,424
Manufacturing	9,835,027	586,633	78,964	78,676	184,196	341,836
of which EPZ	*2,963,989*	*510,402*	*3,148*	*12,748*	*148,745*	*164,641*
Tourism	21,438,450	152,310	319,523	16,339	163,028	498,890
Transport	7,597,281	1,050,004	29,715	192	1,011,034	1,040,941
Construction	16,022,283	1,922,333	166,221	4,256	856,889	1,027,366
Financial and business services	41,754,979	1,107,932	247,486	10,236	428,399	686,121
Traders	40,618,586	1,633,259	192,870	109,249	344,327	646,446
Personal	41,240,069	1,293,363	50,754	10,292	550,932	611,978
of which credit cards	*1,178,172*	*27,938*	*3,859*	*241*	*22,057*	*26,157*
of which housing	*29,676,004*	*755,298*	*19,323*	*4,598*	*272,749*	*296,670*
Professional	1,048,400	207,351	2,851	558	122,251	125,660
Foreign governments	611,394	-	-	-	-	-
Global Business Licence holders	17,858,114	167,909	152,965	294,701	311,407	759,073
Others	13,234,754	96,549	79,831	24,762	26,267	130,860
	219,820,819	9,274,371	1,332,147	642,416	4,448,032	6,422,595

* Lifetime expected credit loss (credit impaired) includes interest in suspense

6. Loans (Cont'd)

(b) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors (Cont'd)

	2018					2017
	Gross amount of loans	Non performing loans	Specific provision and interest in suspense	Portfolio provision	Total provision	Total provision
Comparative information under IAS 39	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Agriculture and fishing	8,006,741	616,458	292,863	51,865	344,728	276,949
Manufacturing	9,364,011	383,199	123,509	152,658	276,167	265,662
of which EPZ	*3,153,492*	*56,667*	*21,193*	*34,791*	*55,984*	*39,075*
Tourism	25,191,420	572,686	442,184	72,194	514,378	570,919
Transport	5,121,880	1,318,379	846,302	47,060	893,362	605,588
Construction	15,482,908	1,407,640	892,081	173,143	1,065,224	1,045,143
Financial and business services	31,012,976	115,845	77,889	90,736	168,625	153,784
Traders	37,305,196	1,569,371	431,242	224,041	655,283	634,927
Personal	38,910,813	1,446,923	733,053	233,376	966,429	1,225,835
of which credit cards	*995,138*	*22,486*	*19,946*	*21,409*	*41,355*	*39,417*
of which housing	*26,896,479*	*773,727*	*311,784*	*123,009*	*434,793*	*524,232*
Professional	1,037,496	296,683	181,519	17,463	198,982	68,193
Foreign governments	1,323,731	-	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761	496,474
Others	5,759,450	234,803	123,909	39,916	163,825	306,144
	194,444,806	8,390,462	4,604,682	1,271,082	5,875,764	5,649,618

(v) Credit concentration of risk by industry sectors

Corporate notes and credit facilities extended by the Bank to any closely-related customers for amounts aggregating more than 10% of its Tier 1 capital (2018: 10%, 2017: 15% of its capital base), classified by industry sectors.

	2019	2018	2017
	RS'000	RS'000	RS'000
Agriculture and fishing	**7,862,630**	7,864,814	2,004,071
Manufacturing	**7,912,073**	2,926,040	294,716
of which EPZ	***1,214,719***	*1,298,250*	*66,337*
Tourism	**17,304,683**	17,100,616	5,934,586
Transport	**7,466,523**	66,430	52,399
Construction	**11,299,344**	10,420,322	4,253,594
Financial and business services	**31,744,933**	22,642,587	4,185,209
Traders	**57,087,951**	28,178,790	18,949,275
Global Business Licence holders	**10,584,343**	17,668,144	20,171,903
Others	**6,674,444**	3,553,575	45,647
	157,936,924	110,421,318	55,891,400

7. Investment securities

(a) Investment securities

	2019 RS'000
Amortised cost	76,388,413
Fair value through other comprehensive income	21,850,718
Fair value through profit or loss*	18,257,877
	116,497,008
Less allowance for credit impairment on investment securities	(99,508)
	116,397,500

*At fair value through profit or loss consist of financial instruments which includes investments in unquoted overseas collective investment scheme.

(b) (i) Amortised cost

	2019 RS'000
Government of Mauritius and Bank of Mauritius bonds	49,894,841
Treasury bills	8,498,081
Foreign bonds	338,212
Notes	17,347,916
Indexed linked note	309,363
	76,388,413

(ii) Remaining term to maturity

	2019					
	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
Government of Mauritius and Bank of Mauritius bonds	1,217,895	2,823,413	3,575,370	32,653,553	9,624,610	49,894,841
Treasury bills	3,336,946	2,624,938	2,536,197	-	-	8,498,081
Foreign bonds	-	-	-	214,748	123,464	338,212
Notes	976,220	-	-	8,010,533	8,361,163	17,347,916
Indexed linked note	-	-	-	-	309,363	309,363
	5,531,061	5,448,351	6,111,567	40,878,834	18,418,600	76,388,413

(iii) Allowances for credit impairment on investment securities

	2019 12 months expected credit loss RS'000
At 1 July 2018, as remeasured under IFRS 9	40,444
Provision for credit impairment for the year	78,266
Financial assets that have been derecognised	(40,444)
Changes in models /risk parameters	21,242
At 30 June 2019	99,508

7. Investment securities (Cont'd)

(c) (i) Fair value through other comprehensive income by levels

	2019 RS'000
Quoted - Level 1	
Official list : shares	859,904
Bonds	20,200,962
	21,060,866
Unquoted - Level 2	
Investment fund	545,291
Unquoted - Level 3	
Shares	244,561
	21,850,718

(ii) Reconciliation of level 3 fair value measurements

	RS'000
At 1 July 2018	229,276
Fair value	15,285
At 30 June 2019	244,561

(d) Fair value through profit or loss by levels

	2019 RS'000
Quoted - Level 1	
Foreign bonds	732,482
Foreign shares	1,666,029
	2,398,511
Unquoted - Level 2	
Government of Mauritius & Bank of Mauritius bonds	864,352
Treasury bills	14,995,014
	15,859,366
	18,257,877

7. Investment securities (Cont'd)

Comparative information under IAS 39

(e) (i) Investment securities

	2018 RS'000	2017 RS'000
Held-to-maturity	53,283,515	54,808,648
Held-for-trading	24,232,384	9,568,590
Available-for-sale	4,418,360	4,517,570
	81,934,259	68,894,808
Less:		
Allowance for credit impairment on investment securities	(49,912)	(3,945)
	81,884,347	68,890,863

(ii) Held-to-maturity

	2018 RS'000	2017 RS'000
Government of Mauritius & Bank of Mauritius bonds	42,824,594	41,906,114
Treasury bills	2,000,461	10,680,154
Foreign bonds	1,409,392	1,567,616
Notes	7,049,068	654,764
	53,283,515	54,808,648

(iii) Remaining term to maturity

2018	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
Government of Mauritius & Bank of Mauritius bonds	773,366	1,812,848	6,259,839	24,147,183	9,831,358	42,824,594
Treasury bills	209,387	817,724	973,350	-	-	2,000,461
Foreign bonds	174,970	406,199	157,767	670,456	-	1,409,392
Notes	-	-	-	2,956,257	4,092,811	7,049,068
	1,157,723	3,036,771	7,390,956	27,773,896	13,924,169	53,283,515

2017	Up to 3 months RS'000	3 - 6 months RS'000	6 - 12 months RS'000	1 - 5 years RS'000	Over 5 years RS'000	Total RS'000
Government of Mauritius & Bank of Mauritius bonds	3,380,265	2,865,462	5,216,563	21,027,859	9,415,965	41,906,114
Treasury bills	5,844,659	2,199,712	2,635,783	-	-	10,680,154
Foreign bonds	-	68,982	118,978	1,379,656	-	1,567,616
Notes	-	-	-	252,291	402,473	654,764
	9,224,924	5,134,156	7,971,324	22,659,806	9,818,438	54,808,648

(f) (i) Held-for-trading

	2018 RS'000	2017 RS'000
Treasury bills:		
Up to 3 months	11,633,644	2,107,988
Over 3 months and up to 6 months	5,110,295	1,949,766
Over 6 months and up to 12 months	6,429,650	3,312,559
Government of Mauritius & Bank of Mauritius bonds	1,058,795	1,689,065
Foreign bonds	-	509,212
	24,232,384	9,568,590

7. Investment securities (Cont'd)

(f) (ii) Held-for-trading by levels

	2018 RS'000	2017 RS'000
Quoted - Level 1	-	509,212
Foreign bonds		
Unquoted - Level 2		
Government of Mauritius & Bank of Mauritius bonds	1,058,795	1,689,065
Treasury bills	23,173,589	7,370,313
	24,232,384	9,059,378
	24,232,384	9,568,590

(g) (i) Available-for-sale by levels

	2018 RS'000	2017 RS'000
Quoted - Level 1		
Official list : shares	885,660	1,263,593
Bonds	1,354,821	1,480,819
Foreign shares	1,233,154	840,403
	3,473,635	3,584,815
Unquoted - Level 2		
Inflation - indexed Government of Mauritius bonds	205,709	-
Investment fund	509,740	494,618
	715,449	494,618
Unquoted - Level 3		
Equity shares	229,276	229,276
Inflation - indexed Government of Mauritius bonds	-	208,861
	229,276	438,137
	4,418,360	4,517,570

(ii) Reconciliation of Level 3 fair value measurements

	RS'000
At 1 July 2016	654,064
Fair value	(4,466)
Transfer to Level 2	(205,448)
Exchange adjustments	(6,013)
At 30 June 2017	438,137
Fair value	(3,152)
Transfer to Level 2	(205,709)
At 30 June 2018	229,276

8. Investments in subsidiary and associates

(a) Investment in Subsidiary

(i) The Bank's interest in its subsidiary is as follows:

	Country of incorporation	Nature of Business	Assets RS'000	Liabilities RS'000	Holding %	Cost RS'000
Year ended 30 June 2019						
MCB Madagascar SA	**Madagascar**	**Banking & Financial Services**	**5,646,188**	**5,086,752**	**80.00**	**117,570**
Year ended 30 June 2018	Madagascar	Banking & Financial Services	4,252,903	3,625,635	80.00	117,570
Year ended 30 June 2017	Madagascar	Banking & Financial Services	3,523,754	2,963,273	80.00	64,322

(ii) Movement in investment in subsidiary is as follows:

	2019 RS'000	2018 RS'000	2017 RS'000
At 1 July	**117,570**	64,322	-
Increase in shareholding during the year	**-**	53,248	-
Transferred from other assets	**-**	-	64,322
At 30 June	**117,570**	117,570	64,322

(b) Investments in associates

(i) The Bank's interest in its associates are as follows:

	Country of incorporation	Nature of Business	Assets RS'000	Liabilities RS'000	Revenues RS'000	Profit/(loss) RS'000	Holding %
At 30 June 2019							
Banque Française Commerciale Océan Indien	**France**	**Banking & Financial Services**	**76,005,699**	**69,550,552**	**4,136,101**	**482,434**	**49.99**
Société Générale Moçambique	**Mozambique**	**Banking & Financial Services**	**3,957,291**	**3,115,572**	**525,787**	**1,936**	**35.00**
At 30 June 2018							
Banque Française Commerciale Océan Indien	France	Banking & Financial Services	73,977,358	67,366,892	4,130,602	854,440	49.99
Société Générale Moçambique	Mozambique	Banking & Financial Services	3,371,670	2,744,458	429,013	(244,831)	35.00
At 30 June 2017							
Banque Française Commerciale Océan Indien	France	Banking & Financial Services	70,552,404	64,336,491	4,099,849	706,130	49.99
Société Générale Moçambique	Mozambique	Banking & Financial Services	2,327,929	2,004,454	303,435	(246,064)	35.00

The above associates are accounted for using the equity method.

Banque Française Commerciale Océan Indien (BFCOI) and Société Générale (SG) Moçambique are unquoted.

8. Investments in subsidiary and associates (Cont'd)

(b) Investments in associates

(ii) Movements in investments in associates

	BFCOI RS'000	SG Moçambique RS'000	Subordinated loan to BFCOI RS'000	Total RS'000
At 1 July 2016	3,209,893	254,934	402,949	3,867,776
Share of profit of associates	353,014	(86,123)	-	266,891
Share of other movements in associates	(129,998)	(4,805)	-	(134,803)
Dividend received from associates	(246,305)	-	-	(246,305)
Adjustments	(12,948)	-	(1,813)	(14,761)
At 30 June 2017	3,173,656	164,006	401,136	3,738,798
Share of profit of associates	427,159	(85,691)	-	341,468
Share of other movements in associates	88,487	1,039	-	89,526
Dividend received from associates	(302,503)	-	-	(302,503)
Increase in shareholding	-	190,960	-	190,960
Adjustments	(15,895)	-	12,017	(3,878)
At 30 June 2018	**3,370,904**	**270,314**	**413,153**	**4,054,371**
Share of impact on associates	**(138,156)**	**(20,684)**	**-**	**(158,840)**
As restated	**3,232,748**	**249,630**	**413,153**	**3,895,531**
Share of profit of associates	**241,182**	**678**	**-**	**241,860**
Share of other movements in associates	**1,952**	**20,887**	**-**	**22,839**
Dividend received from associates	**(173,499)**	**-**	**-**	**(173,499)**
Increase in shareholding	**-**	**98,452**	**-**	**98,452**
Adjustments	**(9,127)**	**-**	**2,486**	**(6,641)**
At 30 June 2019	**3,293,256**	**369,647**	**415,639**	**4,078,542**

(iii) Summarised financial information in respect of material entities:

Banque Française Commerciale Océan Indien

	2019 RS'000	2018 RS'000	2017 RS'000
Summarised statement of financial position:			
Current assets	**9,742,622**	9,749,454	9,634,818
Non current assets	**66,263,077**	64,227,904	60,917,586
Current liabilities	**21,558,836**	18,920,818	19,625,857
Non current liabilities	**47,991,716**	48,446,074	44,710,634
Summarised statement of profit or loss and other comprehensive income:			
Revenue	**4,136,101**	4,130,602	4,099,849
Dividend received	**173,499**	302,503	246,305
Profit	**482,434**	854,440	706,130
Other comprehensive expense	**-**	-	(227,231)
Total comprehensive income	**482,434**	854,440	478,898

9. Intangible assets

	Computer software RS'000	Work in progress RS'000	Total RS'000
Cost			
At 1 July 2016	2,337,148	194,617	2,531,765
Additions	58,471	236,888	295,359
Scrap/Impairment	(602)	-	(602)
Transfer	322,094	(322,094)	-
At 30 June 2017	2,717,111	109,411	2,826,522
Additions	14,148	152,301	166,449
Transfer	103,154	(103,154)	-
At 30 June 2018	**2,834,413**	**158,558**	**2,992,971**
Additions	**78,152**	**275,749**	**353,901**
Scrap/Impairment	**(1,810,079)**	**-**	**(1,810,079)**
Transfer	**351,343**	**(351,343)**	**-**
At 30 June 2019	**1,453,829**	**82,964**	**1,536,793**
Accumulated amortisation			
At 1 July 2016	2,058,603	-	2,058,603
Scrap/Impairment	(136)	-	(136)
Charge for the year	188,486	-	188,486
At 30 June 2017	2,246,953	-	2,246,953
Charge for the year	201,416	-	201,416
At 30 June 2018	**2,448,369**	**-**	**2,448,369**
Scrap/Impairment	**(1,810,079)**	**-**	**(1,810,079)**
Amortisation adjustment	**(80,467)**	**-**	**(80,467)**
Charge for the year	**173,476**	**-**	**173,476**
At 30 June 2019	**731,299**	**-**	**731,299**
Net book values			
At 30 June 2019	**722,530**	**82,964**	**805,494**
At 30 June 2018	386,044	158,558	544,602
At 30 June 2017	470,158	109,411	579,569

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 1 year.

For the current year, the Bank has reviewed the useful lives of fully depreciated assets and has made a reinstatement of the useful lives.

10. Property, plant and equipment

	Land and buildings RS'000	Computer and other equipment RS'000	Furniture, fittings and vehicles RS'000	Work in progress RS'000	Total RS'000
Cost					
At 1 July 2016	4,448,191	2,880,913	759,155	134,820	8,223,079
Additions	14,777	98,270	26,597	207,677	347,321
Scrap/Disposals	(23,715)	(42,018)	(7,544)	-	(73,277)
Transfer	82,735	159,660	41,583	(283,978)	-
At 30 June 2017	4,521,988	3,096,825	819,791	58,519	8,497,123
Additions	30,441	176,734	20,180	106,715	334,070
Scrap/Disposals	-	(75,975)	(44,059)	-	(120,034)
Transfer	-	116,693	34,650	(151,343)	-
At 30 June 2018	**4,552,429**	**3,314,277**	**830,562**	**13,891**	**8,711,159**
Additions	**4,034**	**269,716**	**11,967**	**136,718**	**422,435**
Scrap/Disposals	**(2,976)**	**(707,937)**	**(11,198)**	**-**	**(722,111)**
Transfer	**-**	**50,337**	**26,667**	**(77,004)**	**-**
At 30 June 2019	**4,553,487**	**2,926,393**	**857,998**	**73,605**	**8,411,483**
Accumulated depreciation					
At 1 July 2016	716,984	2,143,272	410,220	-	3,270,476
Charge for the year	73,703	241,837	52,316	-	367,856
Scrap/Disposal adjustment	(5,431)	(40,829)	(6,031)	-	(52,291)
At 30 June 2017	785,256	2,344,280	456,505	-	3,586,041
Charge for the year	73,700	263,260	54,691	-	391,651
Scrap/Disposal adjustment	-	(73,810)	(34,520)	-	(108,330)
At 30 June 2018	**858,956**	**2,533,730**	**476,676**	**-**	**3,869,362**
Charge for the year	**73,736**	**309,063**	**53,711**	**-**	**436,510**
Depreciation adjustment	**-**	**(126,487)**	**(12,746)**	**-**	**(139,233)**
Scrap/Disposal adjustment	**(662)**	**(707,764)**	**(11,191)**	**-**	**(719,617)**
At 30 June 2019	**932,030**	**2,008,542**	**506,450**	**-**	**3,447,022**
Net book values					
At 30 June 2019	**3,621,457**	**917,851**	**351,548**	**73,605**	**4,964,461**
At 30 June 2018	3,693,473	780,547	353,886	13,891	4,841,797
At 30 June 2017	3,736,732	752,545	363,286	58,519	4,911,082

For the current year, the Bank has reviewed the useful lives of fully depreciated assets and has made a reinstatement of the useful lives.

Notes to the financial statements
for the year ended 30 June 2019 (continued)

11. Deferred tax assets

	Balance as at 1 July RS'000	Exchange adjustments RS'000	Recognised in Statement of profit or loss RS'000	Recognised in Statement of comprehensive income RS'000	Balance as at 30 June RS'000
2019					
Provisions and post retirement benefits	**245,830**	**-**	**(24,648)**	**82,845**	**304,027**
Provisions for credit impairment	**105,122**	**433**	**(17,148)**	**-**	**88,407**
Accelerated tax depreciation	**(246,587)**	**-**	**(35,783)**	**-**	**(282,370)**
At 30 June 2019	**104,365**	**433**	**(77,579)**	**82,845**	**110,064**
2018					
Provisions and post retirement benefits	186,526	-	11,142	48,162	245,830
Provisions for credit impairment	152,578	-	(47,456)	-	105,122
Accelerated tax depreciation	(195,437)	-	(51,150)	-	(246,587)
At 30 June 2018	143,667	-	(87,464)	48,162	104,365
2017					
Provisions and post retirement benefits	253,905	-	(16,718)	(50,661)	186,526
Provisions for credit impairment	115,753	(12)	36,837	-	152,578
Accelerated tax depreciation	(175,698)	-	(19,739)	-	(195,437)
At 30 June 2017	193,960	(12)	380	(50,661)	143,667

12. Other assets

	2019 RS'000	2018 RS'000	2017 RS'000
Mandatory balances with Central Bank	**18,608,534**	17,196,714	15,432,134
Prepayments & other receivables	**611,793**	469,478	699,238
Credit card clearing	**98,676**	89,854	68,525
Non-banking assets acquired in satisfaction of debts*	**60,633**	48,699	51,802
Impersonal & other accounts	**2,597,783**	1,081,615	1,487,708
Post employee benefit asset (see note 16)	**-**	-	99,487
	21,977,419	18,886,360	17,838,894

* The Bank's policy is to dispose of such assets as soon as the market permits.

13. Deposits

	2019 RS'000	2018 RS'000	2017 RS'000
(a) Deposits from banks			
Demand deposits	**3,430,238**	3,815,235	2,743,209
Money market deposits with remaining term to maturity:			
Up to 3 months	**2,529,158**	1,861,440	1,703,673
Over 3 months and up to 6 months	**1,416,573**	912,011	670,395
Over 6 months and up to 1 year	**-**	-	185,289
	3,945,731	2,773,451	2,559,357
	7,375,969	6,588,686	5,302,566

	2019 RS'000	2018 RS'000	2017 RS'000
(b) Deposits from customers			
(i) Retail customers			
Demand deposits	**29,349,691**	27,312,248	25,318,439
Savings deposits	**132,279,994**	121,345,043	109,296,825
Time deposits with remaining term to maturity:			
Up to 3 months	**4,945,819**	3,862,278	2,807,938
Over 3 months and up to 6 months	**2,242,854**	1,858,647	1,954,290
Over 6 months and up to 1 year	**4,437,470**	4,478,033	4,201,169
Over 1 year and up to 5 years	**11,812,984**	12,405,134	12,645,559
Over 5 years	**45,005**	4,105	12,586
	23,484,132	22,608,197	21,621,542
	185,113,817	171,265,488	156,236,806
(ii) Corporate customers			
Demand deposits	**96,492,924**	86,750,375	80,958,642
Savings deposits	**5,444,583**	4,964,468	5,906,210
Time deposits with remaining term to maturity:			
Up to 3 months	**9,786,076**	5,711,297	4,799,755
Over 3 months and up to 6 months	**2,402,963**	1,274,641	1,520,490
Over 6 months and up to 1 year	**1,603,162**	2,528,487	2,260,756
Over 1 year and up to 5 years	**5,936,188**	6,312,278	6,810,544
Over 5 years	**31,395**	100	62
	19,759,784	15,826,803	15,391,607
	121,697,291	107,541,646	102,256,459
(iii) Government			
Demand deposits	**36,515**	25,328	15,353
Savings deposits	**152,922**	110,724	61,216
	189,437	136,052	76,569
	307,000,545	278,943,186	258,569,834

The carrying amounts of deposits are not materially different from their fair values.

14. Other borrowed funds

(a) Other borrowed funds comprise the following:

	2019 RS'000	2018 RS'000	2017 RS'000
Borrowings from banks:			
in Mauritius	**12,067,601**	4,386,247	4,743
abroad	**43,338,139**	9,802,296	5,602,192
	55,405,740	14,188,543	5,606,935
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 4	**13,521,750**	1,832,994	36,653

The carrying amounts of other borrowed funds are not materially different from their fair values.

(b) Remaining term to maturity:

	2019 RS'000	2018 RS'000	2017 RS'000
On demand or within a period not exceeding 1 year	**24,134,671**	8,363,531	41,352
Within a period of more than 1 year but not exceeding 3 years	**23,929,224**	3,517,597	-
Within a period of more than 3 years	**7,341,845**	2,307,415	5,565,583
	55,405,740	14,188,543	5,606,935

15. Subordinated liability

Subordinated liability comprise of the following:

	2019 RS'000	2018 RS'000	2017 RS'000
USD 30M subordinated debt maturing in August 2023 at an average interest rate of 5.8% (2018: 4.8% and 2017: 4.3%) (Level 3)	**1,067,968**	1,052,057	1,081,674
Repayment of USD 1.5M during the year	**(51,384)**	-	-
Exchange adjustment	**23,516**	8,124	(29,637)
	1,040,100	1,060,181	1,052,037

The carrying amount of the subordinated liability is not materially different from its fair value.

The Bank obtained a USD 30M 10-year subordinated debt from the African Development Bank and a repayment of USD 1.5M has been done during the year. This facility forms part of a wider package of USD 150M granted by the latter to allow the Bank to increase its foreign currency lending to clients operating in the region and in mainland Africa.

16. Post employee benefit liability/(asset)

(a) Staff superannuation fund (defined benefit section)

	2019 RS'000	2018 RS'000	2017 RS'000
Reconciliation of net defined benefit liability/(asset)			
Opening balance	**152,035**	(99,487)	249,707
Amount recognised in statement of profit or loss	**211,183**	197,012	214,143
Amount recognised in statement of comprehensive income	**486,650**	283,308	(337,740)
Less capital injection	**(317,000)**	-	-
Less employer contributions	**(232,183)**	(228,798)	(225,597)
Liability/(asset) as shown in note 17 and 12	**300,685**	152,035	(99,487)
Reconciliation of fair value of plan assets			
Opening balance	**7,193,278**	6,796,365	6,202,697
Interest income	**461,089**	440,005	402,455
Capital injection	**317,000**	-	-
Employer contributions	**232,183**	228,798	225,597
Benefits paid	**(294,086)**	(283,792)	(242,419)
Return on plan assets (below)/above interest income	**(221,522)**	11,902	208,035
Closing balance	**7,687,942**	7,193,278	6,796,365
Reconciliation of present value of defined benefit obligation			
Opening balance	**7,345,313**	6,696,878	6,452,404
Current service cost	**218,640**	210,798	205,129
Interest expense	**453,632**	426,219	411,469
Other benefits paid	**(294,086)**	(283,792)	(242,419)
Liability experience loss	**-**	369,496	-
Liability gain due to change in demographic assumptions	**-**	(223,193)	-
Liability loss/(gain) due to change in financial assumptions	**265,128**	148,907	(129,705)
Closing balance	**7,988,627**	7,345,313	6,696,878
Components of amount recognised in statement of profit or loss			
Current service cost	**218,640**	210,798	205,129
Net interest on net defined benefit liability/(asset)	**(7,457)**	(13,786)	9,014
Total	**211,183**	197,012	214,143
Analysed as follows:			
The Mauritius Commercial Bank Limited (see note 27(a))	**184,284**	172,431	197,708
Other members of The MCB Group Limited	**26,899**	24,581	16,435
	211,183	197,012	214,143
Components of amount recognised in other statement of comprehensive income			
Return on plan assets below/(above) interest income	**221,522**	(11,902)	(208,035)
Liability experience loss	**-**	369,496	-
Liability gain due to change in demographic assumptions	**-**	(223,193)	-
Liability loss/(gain) due to change in financial assumptions	**265,128**	148,907	(129,705)
Total	**486,650**	283,308	(337,740)

16. Post employee benefit liability/(asset) (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

	2019	2018	2017
Allocation of plan assets at end of year	%	%	%
Equity - Local quoted	**34**	31	28
Equity - Local unquoted	**1**	1	1
Debt - Overseas quoted	**2**	3	6
Debt - Local quoted	**8**	12	8
Debt - Local unquoted	**11**	5	4
Property - Local	**4**	3	3
Investment funds	**34**	32	32
Cash and other	**6**	13	18
Total	**100**	100	100
Allocation of plan assets at end of year	%	%	%
Reporting entity's own transferable financial instruments	**9**	9	7
Property occupied by reporting entity	**3**	2	1
Other assets used by reporting entity	**2**	5	13
Principal assumptions used at end of year			
Discount rate	**6.0%**	6.3%	6.5%
Rate of salary increases	**3.5%**	3.8%	4.5%
Rate of pension increases	**3.3%**	3.3%	3.5%
Average retirement age (ARA)	**63**	63	62
Average life expectancy for:			
Male at ARA	**17.3 years**	17.3 years	18.0 years
Female at ARA	**21.7 years**	21.7 years	22.5 years

	2019 RS'000	2018 RS'000	2017 RS'000
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**1,486,604**	1,311,293	1,192,044
Decrease due to 1% increase in discount rate	**1,168,656**	1,027,086	944,260

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the year after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

It has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year.

16. Post employee benefit liability/(asset) (Cont'd)

(a) Staff superannuation fund (defined benefit section) (Cont'd)

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing that sensitivity analysis from prior years.

The Bank sponsors a defined benefit pension plan for its staff which is self-administered and funded separately from the Bank. The Bank has recognised a total net defined benefit liability of Rs 301M as at 30 June 2019 for the plan (net defined benefit liability - 2018 : Rs 152M and net defined benefit asset 2017: Rs 99M).

The Bank operates a final salary defined benefit pension or retirement plan for its employees.

The plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Bank has residual obligation imposed by Employment Rights Act 2008 on top of its Defined Contribution (DC) plan. It is therefore particularly exposed to investment under-performance of the DC plan.

There has been no plan amendment, curtailment or settlement during the year.

Future cash flows
The funding policy is to pay contributions to an external legal entity at the rate recommended by the Bank's actuaries:

Expected employer contribution for the next year (Rs'000)	**255,445**
Weighted average duration of the defined benefit obligation	**17 years**

Defined Contribution Scheme

As from 1 July 2015, the Bank has introduced a Defined Contribution Cash Balanced Scheme "DCCB" for its employees.

Consequently, all employees joining the Bank as from that date are automatically enrolled in the new scheme. Existing employees had the choice of either remaining in the Defined Benefit Scheme or to join the new scheme.

Note: Employee benefits obligations have been provided for based on the report from Aon Hewitt Ltd., Actuaries and Consultants.

16. Post employee benefit liability/(asset) (Cont'd)

(b) Residual retirement gratuities

Amounts recognised in the financial statements at end of year

	2019 RS'000	2018 RS'000
Reconciliation of net defined benefit liability		
Opening balance	**51,033**	-
Amount recognised in statement of profit or loss	**7,709**	51,033
Amount recognised in statement of comprehensive income	**672**	-
Liability as shown in note 17	**59,414**	51,033
Reconciliation of present value of defined benefit obligation		
Opening balance	**51,033**	-
Current service cost	**4,677**	48,306
Interest expense	**3,032**	2,727
Liability loss due to change in financial assumptions	**672**	-
Closing balance	**59,414**	51,033
Components of amount recognised in statement of profit or loss		
Current service cost	**4,677**	48,306
Net interest on net defined benefit liability	**3,032**	2,727
Total (see note 27(a))	**7,709**	51,033
Components of amount recognised in other statement of comprehensive income		
Liability loss due to change in financial assumptions	**672**	-
Total	**672**	-
Principal assumptions used at end of year		
Discount rate	**6.0%**	6.3%
Rate of salary increases	**3.5%**	3.8%
Rate of pension increases	**3.3%**	3.3%
Average retirement age (ARA)	**63**	63

	2019 Rs'000	2018 Rs'000
Sensitivity analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	**27,004**	21,745
Decrease due to 1% increase in discount rate	**19,191**	16,062

The Bank has recognised a net defined liability of Rs 59M as at 30 June 2019 (2018: Rs 51M) for all employees whose pension benefits are not expected to fully offset the company's retirement gratuity obligations under the Employment Rights Act 2008 and who are therefore entitled to residual retirement gratuities under the Employment Rights Act 2008.

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of year after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cash flows
The funding policy is to pay benefits out of the reporting entity's cashflow as and when due:

Expected employer contribution for the next year (Rs'000)	**Nil**
Weighted average duration of the defined benefit obligation	**22 years**

17. Other liabilities

	2019 RS'000	2018 RS'000	2017 RS'000
Post employee benefit liability			
(a) Staff Superannuation Fund (Defined Benefit Section - see note 16 (a))	**300,685**	152,035	-
(b) Residual Retirement Gratuities (see note 16 (b))	**59,414**	51,033	-
Proposed dividend (see note 30)	**1,547,911**	1,341,522	1,341,522
Deferred income	**219,700**	-	-
Allowances for credit impairment on off balance sheet exposures	**308,464**	-	-
Impersonal & other accounts	**5,684,972**	4,862,681	3,740,473
	8,121,146	6,407,271	5,081,995

Allowances for credit impairment on off balance sheet exposures

	2019			
	12 months expected credit loss RS'000	Lifetime expected credit loss (not credit impaired) RS'000	Lifetime expected credit loss (credit impaired) RS'000	Total RS'000
At 1 July 2018, as remeasured under IFRS 9	**275,648**	**-**	**-**	**275,648**
Transfer to lifetime ECL credit impaired	**(3)**	**-**	**3**	**-**
Provision for credit impairment for the year	**315,845**	**2,028**	**32,749**	**350,622**
Provision released during the year	**(253,567)**	**(2,028)**	**(32,752)**	**(288,347)**
Changes in models /risk parameters	**(29,459)**	**-**	**-**	**(29,459)**
At 30 June 2019	**308,464**	**-**	**-**	**308,464**

18. Transitional disclosures

(i) New measurement category of the Bank's financial assets and financial liabilities under IFRS 9

The following table shows the original categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and liabilities as at date of transition, 1 July 2018.

1 July 2018	Original measurement under IAS 39	New measurement under IFRS 9	Original carrying amount under IAS 39 RS'000	New carrying amount under IFRS 9 RS'000
Financial assets				
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	34,087,944	34,075,695
Derivative financial instruments	FVPL (held-for-trading)	Fair value through profit or loss	95,817	95,817
Loans to and placements with banks	Amortised cost (Loans and receivables)	Amortised cost	19,265,587	19,203,646
Loans and advances to customers	Amortised cost (Loans and receivables)	Amortised cost	188,569,042	187,522,811
Investment securities	FVPL (held-for-trading)	Fair value through profit or loss	24,232,384	24,232,384
Investment securities	Amortised Cost (held-to-maturity)	Amortised cost	52,178,400	52,187,884
Investment securities	Amortised Cost (held-to-maturity)	Fair value through profit or loss	1,055,203	1,074,872
Investment securities	Available-for-sale	Amortised cost	205,709	205,693
Investment securities	Available-for-sale	Fair value through other comprehensive income	2,979,497	2,979,497
Investment securities	Available-for-sale	Fair value through profit or loss	1,233,154	1,233,154
Other assets	Loans and receivables	Amortised cost	17,948,311	17,948,311
			341,851,048	340,759,764
Financial liabilities				
Deposits from banks	Amortised cost	Amortised cost	6,588,686	6,588,686
Deposits from customers	Amortised cost	Amortised cost	278,943,186	278,943,186
Derivative financial instruments	FVPL (held-for-trading)	Fair value through profit & loss	407,024	407,024
Other borrowed funds	Amortised cost	Amortised cost	14,188,543	14,188,543
Subordinated liability	Amortised cost	Amortised cost	1,060,181	1,060,181
Other financial liabilities	Amortised cost	Amortised cost	1,803,791	2,079,439
			302,991,411	303,267,059

18. Transitional disclosures (Cont'd)

(ii) Reconciliation of the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 at 1 July 2018

	IAS 39 carrying amount RS'000	Re-classification RS'000	Re-measurement RS'000	IFRS 9 carrying amount RS'000
Financial Assets				
Amortised Cost				
Cash and cash equivalents	34,087,944	-	(12,249)	34,075,695
Loan to and placements with banks				
Opening balance	19,265,587	-	(61,941)	19,203,646
Loan and advances to customers	188,569,042	-	(1,046,231)	187,522,811
Investment securities				
Opening balance	53,233,603	-	-	-
To fair value through profit or loss(1)	-	(1,055,203)	-	-
From available-for-sale(2)	-	205,709	-	-
Remeasurement	-	-	9,468	-
Closing Balance	-	-	-	52,393,577
Other Assets	17,948,311	-	-	17,948,311
Total amortised cost	313,104,487	(849,494)	(1,110,953)	311,144,040
Investment securities: available-for-sale				
Opening balance	4,418,360	-	-	-
To fair value through other comprehensive income - Debt	-	(2,070,270)	-	-
To fair value through other comprehensive income - Equity	-	(909,227)	-	-
To fair value through profit or loss(1)	-	(1,233,154)	-	-
To amortised cost	-	(205,709)	-	-
Closing balance	4,418,360	(4,418,360)	-	-
Fair value through other comprehensive income				
Fair value through other comprehensive income - Debt				
Opening balance	-	-	-	-
From available-for-sale(4)	-	2,070,270	-	-
Closing balance	-	-	-	2,070,270
Fair value through other comprehensive income - Equity	-	-	-	-
Opening balance	-	-	-	-
From available-for-sale(3)	-	909,227	-	-
Closing balance	-	-	-	909,227
Total fair value through other comprehensive income	-	2,979,497	-	2,979,497

18. Transitional disclosures (Cont'd)

(ii) Reconciliation of the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 at 1 July 2018 (Cont'd)

	IAS 39 carrying amount RS'000	Re-classification RS'000	Re-measurement RS'000	IFRS 9 carrying amount RS'000
Financial assets				
Fair value through profit or loss				
Derivative financial assets	95,817	-	-	95,817
Investment securities:				
Opening balance	24,232,384	-	-	-
From amortised cost	-	1,055,203	19,669	-
From available for sale	-	1,233,154	-	-
Closing balance	-	-	-	26,540,410
Total fair value through profit or loss	24,328,201	2,288,357	19,669	26,636,227
Financial liabilities				
Amortised cost				
Deposits from banks	6,588,686	-	-	6,588,686
Deposits from customers	278,943,186	-	-	278,943,186
Other borrowed funds	14,188,543	-	-	14,188,543
Subordinated liability	1,060,181	-	-	1,060,181
Other financial liabilities	1,803,791	-	275,648	2,079,439
Total amortised cost	302,584,387	-	275,648	302,860,035
Fair value through profit or loss				
Derivative financial liabilities	407,024	-	-	407,024
Total fair value through profit or loss	407,024	-	-	407,024

The following table reconciles the prior year's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected loss model at 1 July 2018

	Loan loss allowance under IAS 39 / Provision under IAS 37 RS'000	Re-measurement RS'000	Loan loss allowance under IFRS9 RS'000
Loans and receivable (IAS 39)/ Financial Assets at Amortised cost (IFRS9)			
Cash and cash equivalents	-	12,249	12,249
Loans to and placements with banks	69,880	61,941	131,821
Loans and advances to customers	3,617,351	1,046,231	4,663,582
Held-to-maturity (IAS 39)/ Financial Assets at Amortised cost (IFRS9)			
Investment securities	49,912	(9,468)	40,444
Off Balance sheet exposures	-	275,648	275,648
	3,737,143	1,386,601	5,123,744
Investment in associates			
Investment in associates	-	158,840	158,840
	3,737,143	1,545,441	5,282,584

18. Transitional disclosures (Cont'd)

1. Debt instruments previously at amortised cost but which failed the Solely Payments of Principal and Interest (SPPI) test

The Bank holds a portfolio of debts instruments that failed the SPPI requirement for amortised cost classification under IFRS 9.This portfolio is bundled with a credit derivative that is linked to the credit risk of a third party.This reference to credit risk of a third party introduces terms that can change the timing or amount of cash flows that is inconsistent with the SPPI requirements. As a result these instruments which amounted to Rs1.2 bn were reclassified to fair value through profit and loss at date of initial application.

2. Securities within the liquidity portfolio

After assessing its business model for securities within the Bank's liquidity portfolio, which were mostly to collect the contractual cash flows and sell, the Bank identified certain securities which are managed separately and for which the past practice has been to hold to collect cash flows. Consequently, the Bank assessed the appropriate business for this group of securities as held to collect . These securities which amounted to MUR 206M, and which were previously classified as available-for-sale were classified as amortised cost from date of initial application of IFRS 9.The remainder of the Bank's liquidity portfolio is held to collect contractual cash flows and sell.

3. Designation of equity instruments at fair value through other comprehensive income (FVOCI)

The Bank has elected to irrevocably designate strategic investments at FVOCI as permitted under IFRS 9. These securities were previously classified as available-for-sale. The changes in the fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

4. Reclassification from retired categories with no change in measurement

In addition to the above, the debts instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were retired with no changes to their measurement basis:

(i) Those previously classified as available-for-sale are now classified as FVOCI.
(ii) Those previously classified as held-to-maturity are now classified at amortised cost.

19. Stated capital and reserves

(a) Stated capital

	Number of shares
	Share capital
At 30 June 2017, 30 June 2018 and 30 June 2019	**687,960,247**

Fully paid ordinary shares carry one vote per share and the right to dividend.

(b) Reserves

(i) Capital reserve

The capital reserve represents the cumulative net change in the fair value of financial assets FVOCI/available-for-sale investment securities until the securities are derecognised or impaired.

(ii) Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

(iii) General banking reserve

The Bank makes an appropriation to a general banking reserve for unforeseen risks and future losses.

(iv) Translation Reserve

The translation reserve represent all foreign currency differences arising from the translation of the results and financial position of investments in associates.

20. Contingent liabilities

		2019 RS'000	2018 RS'000	2017 RS'000
(a)	**Instruments**			
	Guarantees on account of customers	**20,376,617**	22,168,213	19,186,056
	Letters of credit and other obligations on account of customers	**44,400,531**	32,684,338	20,444,660
	Other contingent items	**1,750,761**	2,999,421	1,497,666
		66,527,909	57,851,972	41,128,382
(b)	**Commitments**			
	Loans and other facilities, including undrawn credit facilities	**5,140,426**	6,077,554	6,714,334
(c)	**Tax assessments***	**89,715**	537,147	992,632
(d)	**Other**			
	Inward bills held for collection	**493,477**	404,983	350,954
	Outward bills sent for collection	**1,165,976**	991,670	1,003,037
		1,659,453	1,396,653	1,353,991
		73,417,503	65,863,326	50,189,339

* The Mauritius Commercial Bank Limited received income tax assessments relating to financial years ended 30 June 2007 to 30 June 2015 against which the Bank has objected.

The basis of the assessment raised by the Mauritius Revenue Authority ("MRA") were around a number of areas and during the year, an agreement was reached between the two parties for the income tax assessments relating to financial years ended 30 June 2007 to 30 June 2014.

In addition, the Bank received several assessments under the Value Added Tax Act for the periods beginning April 2006 to December 2015 against which the Bank also objected.

On the basis of the agreement reached on income tax assessments and ongoing discussions held with the MRA, a provision has been made as an estimate of the likely charge for the remaining periods.

The Bank is of the opinion that the likelihood of incurring additional payment to the MRA beyond the amount provided is not probable for those assessments still in front of the Assessment Review Committee. As a result, the maximum liability that could arise from these assessments that have not been provided for amounted to Rs 89.7 million.

21. Interest income

	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000 (Restated)	Year ended 30 June 2017 RS'000 (Restated)
Loans to and placements with banks	**1,088,763**	668,016	577,309
Loans and advances to customers	**12,786,678**	10,454,505	9,914,265
Investments at amortised cost	**2,514,452**	-	-
Investments at fair value through other comprehensive income	**270,568**	-	-
Investments at fair value through profit or loss	**773,775**	-	-
Held-to-maturity investments	**-**	2,122,591	2,129,450
Available-for-sale investments	**-**	114,816	60,596
Held-for-trading investments	**-**	511,164	54,031
Other	**14,983**	32,596	13,773
	17,449,219	13,903,688	12,749,424

22. Interest expense

	2019	2018	2017
Deposits from banks	**101,275**	48,168	22,038
Deposits from customers	**3,768,132**	3,474,471	3,668,925
Subordinated liability	**59,192**	46,507	44,522
Other borrowed funds	**1,267,823**	225,755	134,890
	5,196,422	3,794,901	3,870,375

23. Fee and commission income

	2019	2018	2017
Retail and private banking fees	**630,520**	748,684	754,754
Corporate banking fees	**583,952**	522,642	420,208
Guarantee fees	**263,218**	235,715	221,386
Interbank transaction fees	**63,029**	63,216	57,237
Cards and other related fees	**1,792,170**	1,577,784	1,458,173
Trade finance fees	**630,031**	376,296	296,915
Others	**124,475**	120,019	86,076
	4,087,395	3,644,356	3,294,749

24. Fee and commission expense

	2019	2018	2017
Interbank transaction fees	**16,393**	17,624	13,206
Cards and other related fees	**839,780**	722,430	653,578
Corporate banking and trade finance fees	**174,037**	113,338	-
Others	**39,773**	14,356	20,889
	1,069,983	867,748	687,673

25. Net gain/(loss) from financial instruments carried at fair value

	2019	2018	2017
Net gain/(loss) from derivative financial instruments	**87,342**	(420,408)	88,017
Investment securities	**563,469**	38,839	12,191
	650,811	(381,569)	100,208

26. Dividend income

	2019	2018	2017
Income from subsidiary	**15,477**	26,937	63,506
Income from quoted investments	**30,677**	26,762	38,805
Income from unquoted investments	**12,350**	9,419	5,978
	58,504	63,118	108,289

27. Non-interest expense

(a) Salaries and human resource costs

	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000
Wages and salaries	**2,464,591**	2,123,234	2,039,545
Defined benefit plan	**184,284**	172,431	197,708
Defined contribution plan	**106,305**	84,740	66,041
Residual Retirement Gratuities	**7,709**	51,033	-
Compulsory social security obligations	**69,993**	65,073	61,166
Equity settled share-based payments	**4,108**	10,915	3,024
Other personnel expenses	**690,235**	621,753	588,100
	3,527,225	3,129,179	2,955,584
Number of employees at the end of the year	**2,836**	2,696	2,682

(b) Other non-interest expense

	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000
Legal & professional fees	**320,627**	406,192	258,475
Rent, repairs, maintenance and security costs	**321,320**	293,353	301,758
Software licensing and other information technology costs	**312,073**	255,029	242,892
Electricity, water and telephone charges	**231,014**	219,416	213,745
Advertising, marketing costs and sponsoring	**249,035**	156,276	150,610
Postage, courier and stationery costs	**145,877**	135,301	140,088
Insurance costs	**97,199**	95,090	102,660
Others	**111,261**	172,411	99,669
	1,788,406	1,733,068	1,509,897

28. Net impairment of financial assets

(a) Net Allowance for credit impairment

	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000	Year ended 30 June 2017 RS'000
Cash and cash equivalents	**5,676**	-	-
Loans and advances			
Loans to and placements with banks	**(74,726)**	237,311	(11,568)
Loans and advances to customers	**1,486,462**	895,046	994,477
Investment securities			
Amortised cost	**59,064**	-	-
Fair value through other comprehensive income	**(6,397)**	-	-
Held-to-maturity	**-**	45,967	3,945
Off balance sheet exposures	**32,816**	-	-
	1,502,895	1,178,324	986,854
Bad debts written off for which no provisions were made	**522**	100,117	13,173
Recoveries of advances written off	**(47,768)**	(49,509)	(49,523)
	1,455,649	1,228,932	950,504

29. Income tax expense

(a) The tax charge related to statement of profit or loss is as follows:

	Year ended 30 June 2019 RS'000	Year ended 30 June 2018 RS'000 (Restated)	Year ended 30 June 2017 RS'000 (Restated)
Income tax based on the adjusted profit	**768,100**	776,517	820,739
Deferred tax	**77,579**	87,464	(380)
Special levy on banks	**510,460**	493,820	511,704
Corporate Social Responsibility contribution	**86,442**	92,170	96,955
Under/(Over) provision in previous years	**24,226**	(80,540)	(25,967)
Provision for tax assessment	**163,055**	258,272	-
Charge for the year	**1,629,862**	1,627,703	1,403,051
The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:			
Profit before tax	**10,443,470**	8,413,267	7,648,151
Less share of profit of associates	**(241,860)**	(341,468)	(266,891)
	10,201,610	8,071,799	7,381,260
Tax calculated at a rate of 15%	**1,530,242**	1,210,770	1,107,189
Impact of:			
Income not subject to tax	**(110,007)**	(81,491)	(23,188)
Expenses not deductible for tax purposes	**175,736**	222,341	98,547
Tax credits	**(750,292)**	(487,639)	(362,189)
Special levy on banks	**510,460**	493,820	511,704
Corporate Social Responsibility contribution	**86,442**	92,170	96,955
Under/(Over) provision in previous years	**24,226**	(80,540)	(25,967)
Provision for tax assessment	**163,055**	258,272	-
Tax charge	**1,629,862**	1,627,703	1,403,051

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009.The Bank is entitled to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National Social Inclusion Foundation (formerly known as National CSR Foundation) and the remaining to the Mauritius Revenue Authority.

Bank Levy

The Bank is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for 30 June 2018 and 30 June 2017).

(b) The tax (credit)/charge related to statement of comprehensive income is as follows:

	2019	2018	2017
Remeasurement of defined benefit pension plan	**487,322**	283,308	(337,740)
Deferred tax (credit)/charge	**(82,845)**	(48,162)	50,661
Remeasurement of defined benefit pension plan, net of deferred tax	**404,477**	235,146	(287,079)

30. Dividends

Dividends in cash

	2019	2018	2017
Paid on 11 December 2018 at Rs 2.05 per share (F/Y 2018: Rs 2.05; F/Y 2017: Rs 1.85)	**1,410,319**	1,410,319	1,272,727
Paid on 26 July 2019 at Rs 2.25 per share (F/Y 2018: Rs 1.95; F/Y 2017: Rs 1.95)	**1,547,911**	1,341,522	1,341,522
	2,958,230	2,751,841	2,614,249

31. Earnings per share

Earnings per share is calculated by dividing the profit attributable to the ordinary equity holder of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2019 RS'000	2018 RS'000 (Restated)	2017 RS'000 (Restated)
Profit for the year	**8,813,608**	6,785,564	6,245,100
Weighted average number of ordinary shares (thousands)	**687,960**	687,960	687,960
Earnings per share (Rs)	**12.81**	9.86	9.08

32. Prior year restatement - Equity accounting of associates

The Directors have decided to change its accounting policy to account for its investments in associates from cost to equity method as permitted under IAS 27 'Separate financial statements' and IAS 28 'Investments in associates and joint ventures' in order to reflect a more appropriate valuation of this category of investment.

The impact of this voluntary change in accounting policy is as follows:

	As previously reported RS'000	Adjustments RS'000	Restated RS'000
(i) Statement of financial position			
At 30 June 2017			
Investments in associates	**1,159,250**	2,579,548	3,738,798
Retained earnings	**23,462,727**	2,578,924	26,041,651
Translation reserve	**-**	(23,633)	(23,633)
General banking reserve	**837,401**	24,257	861,658
At 30 June 2018			
Investments in associates	**1,362,227**	2,692,144	4,054,371
Retained earnings	**25,994,839**	2,601,994	28,596,833
Translation reserve	**-**	65,893	65,893
General banking reserve	**1,092,972**	24,257	1,117,229
(ii) Statement of profit or loss			
Year ended 30 June 2017			
Share of profit of associates	**-**	266,891	266,891
Dividend Income	**354,594**	(246,305)	108,289
Year ended 30 June 2018			
Share of profit of associates	**-**	341,468	341,468
Dividend Income	**365,621**	(302,503)	63,118
(iii) Statement of comprehensive income			
Year ended 30 June 2017			
Exchange difference on translating foreign operations	**-**	(21,204)	(21,204)
Year ended 30 June 2018			
Exchange difference on translating foreign operations	**-**	89,526	89,526
(iv) Statement of cash flows			
Year ended 30 June 2017			
Dividends received from associates	**-**	246,305	246,305
Year ended 30 June 2018			
Dividends received from associates	**-**	302,503	302,503

33. Commitments

(a) Capital commitments

	2019 RS'000	2018 RS'000	2017 RS'000
Expenditure contracted for but not incurred	**137,028**	95,075	119,233
Expenditure approved by the Board but not contracted for	**143,303**	232,282	211,719

(b) Securities pledged

The Bank has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius and for repurchase agreement with other financial institutions.

	2019 RS'000	2018 RS'000	2017 RS'000
Government of Mauritius bonds with Bank of Mauritius	**5,014,100**	4,528,877	3,828,888
Government of Mauritius bonds with other financial institutions	**1,800,000**	1,800,000	-
	6,814,100	6,328,877	3,828,888

34. Net cash flows from trading activities

	2019 RS'000	2018 RS'000 (Restated)	2017 RS'000 (Restated)
Continuing operations			
Operating profit	**10,201,610**	8,071,799	7,381,260
Increase in other assets	**(3,093,606)**	(1,045,943)	(1,570,673)
Increase in other liabilities	**822,291**	1,049,897	1,137,322
Net (increase)/decrease in derivative financial instruments	**(71,694)**	440,508	(75,883)
Net increase in investment securities held-for-trading	**-**	(14,663,794)	(8,845,801)
Net decrease in investment securities at fair value through profit or loss	**7,207,661**	-	-
Capital injection in Superannuation Fund	**(317,000)**	-	-
Release of provision for employee benefits	**(21,000)**	(31,786)	(11,454)
Additional Provision for residual retirement gratuities	**7,709**	51,033	-
Charge/(release) for credit impairment:			
Loans and advances	**1,411,736**	1,132,357	982,909
Investment securities	**59,064**	45,967	3,945
Cash and cash equivalents	**5,676**	-	-
Off balance sheet	**32,816**	-	-
Investment fair valued through other comprehensive income	**(6,397)**	-	-
Exchange (profit)/loss	**(457,794)**	42,705	(27,827)
Depreciation of property, plant and equipment	**436,510**	391,651	367,856
Amortisation of intangible assets	**173,476**	201,416	188,486
Profit on disposal of property, plant and equipment	**(2,940)**	(1,238)	(12,285)
Loss on disposal of intangible assets	**-**	-	466
Profit on disposal of investment securities	**(7,505)**	-	-
Profit on disposal of available-for-sale investments	**-**	(17,999)	(6,056)
	16,380,613	(4,333,427)	(487,735)

Notes to the financial statements
for the year ended 30 June 2019 (continued)

35. Net cash flows from other operating activities

	2019 RS'000	2018 RS'000	2017 RS'000
Net increase in deposits	**28,844,642**	21,659,472	20,848,304
Net increase in loans and advances	**(28,843,263)**	(23,301,635)	(11,760,105)
Purchase of available-for-sale investments	**-**	(11,413,222)	(872,146)
Purchase of investment at fair value through other comprehensive income	**(39,503,153)**	-	-
Proceeds from sale of available-for-sale investments	**-**	11,947,380	768,911
Proceeds from sale of investment at fair value through other comprehensive income	**21,139,773**	-	-
Decrease/(Increase) in held-to-maturity investment securities	**-**	1,525,133	(3,321,026)
Net increase in investment securities at amortised cost	**(22,899,173)**	-	-
Net increase in other borrowed funds	**29,536,229**	6,785,288	710,209
	(11,724,945)	7,202,416	6,374,147

36. Related party transactions

	Ultimate Holding Company* RS'000	Holding Company* RS'000	Entities under common control (including defined benefit plan) RS'000	Entities in which the Bank holds more than a 10% interest RS'000	Directors and Key Management Personnel (including parent) RS'000	Enterprises in which Directors and Key Management Personnel have significant interest (including parent) RS'000
Cash equivalents, Loans and Advances						
Balances at 1 July 2016	330	-	1,957,909	2,767,929	178,924	643,973
Net movements during the year	242,492	297	224,550	(911,095)	542	156,591
Balances at 30 June 2017	242,822	297	2,182,459	1,856,834	179,466	800,564
Net movements during the year	(241,714)	66	1,818,960	(463,006)	70,474	(146,315)
Balances at 30 June 2018	1,108	363	4,001,419	1,393,828	249,940	654,249
Net movements during the year	(593)	(264)	(72,287)	781,695	41,173	(282,089)
Balances at 30 June 2019	**515**	**99**	**3,929,132**	**2,175,523**	**291,113**	**372,160**
Leases receivable (included above as from 1st July 2017)						
Balance at year end:						
30 June 2017	-	-	-	-	-	5,176
Deposits						
Balance at year end:						
30 June 2017	-	32,221	5,276,410	504,391	312,033	94,361
30 June 2018	522,807	76,863	5,710,560	163,046	243,523	100,193
30 June 2019	**58,230**	**98,608**	**5,245,477**	**137,747**	**235,299**	**277,856**
Amounts due from/(to)						
Balance at year end:						
30 June 2017 (Restated)	2,060	(1,341,522)	323,370	52,409	-	-
30 June 2018 (Restated)	1,544	(1,341,522)	121,983	2,026	-	-
30 June 2019	**1,654**	**(1,547,856)**	**107,026**	**1,979**	**-**	**-**
Off Balance sheet items						
Balance at year end:						
30 June 2017	-	-	856,872	1,587	-	4,088
30 June 2018	-	-	949,193	-	-	2,715
30 June 2019	**-**	**-**	**1,727,200**	**629,271**	**-**	**2,757**

36. Related party transactions (Cont'd)

	Ultimate Holding Company*	Holding Company*	Entities under common control (including defined benefit plan)	Entities in which the Bank holds more than a 10% interest	Directors and Key Management Personnel (including parent)	Enterprises in which Directors and Key Management Personnel have significant interest (including parent)
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
Interest income						
For the year ended:						
30 June 2017	4,472	-	110,851	15,084	4,217	38,429
30 June 2018	15,760	-	135,985	15,564	5,171	32,400
30 June 2019	**-**	**-**	**163,867**	**16,971**	**6,716**	**20,282**
Interest expense						
For the year ended:						
30 June 2017	-	-	64,271	8,863	5,727	383
30 June 2018	-	-	53,741	5,051	5,792	87
30 June 2019	**-**	**-**	**59,238**	**3,622**	**6,763**	**34**
Other income						
For the year ended:						
30 June 2017	1,359	1	165,716	248,780	951	3,849
30 June 2018	1,268	1	163,598	300,399	2,865	2,976
30 June 2019	**1,234**	**29**	**175,385**	**184,643**	**3,288**	**2,243**
Non-interest expense						
For the year ended:						
30 June 2017	-	-	71,734	-	-	-
30 June 2018	-	-	107,436	-	-	-
30 June 2019	**-**	**-**	**105,351**	**-**	**-**	**-**

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefited from preferential rates as applicable to staff.

Credit facilities granted to related parties are secured except for credit cards, money market lines and facilities provided to related financial institution counterparties in accordance with our policy and are settled from the underlying obligor's operating cash flows.

*The directors regard MCB Investment Holding Limited as its holding company and MCB Group Limited as its ultimate holding company. The figures for 'Amounts due from/(to)' include the Interim Dividend payable to MCB Investment Holding Limited of Rs 1,547.9M for 2018/2019, Rs 1,341.5M for 2017/2018 and Rs 1,341.5M for 2016/2017.

36. Related party transactions (Cont'd)

The figures for "Fees and Commissions and Other income" from Ultimate Holding Company/Holding Company and Entities under common control, include dividend income and reimbursable expenses charged to these entities in respect of notional rental of office space and provision of technical, administrative and other assistance. The figure for "Entities in which the bank holds more than a 10% interest" also includes dividend income, an annual amount in respect of management fees charged to Banque Francaise Commerciale Océan Indien ('BFCOI') and fees charged to SG Moçambique in respect of cards services support.

Additionally, the Bank has entered into management contracts with its foreign banking related entities and charges management fees based on operating income. These fees also included in "Fees and Commissions and other income" represent the re-invoicing of expatriate salaries and benefits, where applicable, as well as management, administrative and technical support provided by the Bank. Gross amounts claimed, net of withholding tax in the local jurisdiction, were as follows :

		2019	2018	2017
MCB Seychelles	5 % of Gross operating income	**Rs 53.3M**	Rs 46.8M	Rs 46.2M
MCB Madagascar	5 % of Operating income	**Rs 11.6M**	Rs 10.8M	Rs 8.4M
MCB Maldives	5 % of Operating income	**Rs 18.7M**	Rs 13.5M	Rs 20.2M

During the year, 74,120 share options were exercised under the Group Employee Share Option scheme by Key Management Personnel, including Executive Directors amounting to Rs 19.9M (FY 2017/2018: 42,657 share options for Rs 9.4M;FY 2016/2017: 96,880 share options for Rs 20.4M).

Key Management Personnel compensation

	2019 RS'000	**2018 RS'000**	**2017 RS'000**
Remuneration and other benefits relating to Key Management Personnel, including Directors, were as follows:			
Salaries and short term employee benefits	**107,881**	104,103	133,737
Post employment benefits	**7,184**	7,186	8,253
	115,065	111,289	141,990

37. Additional disclosures as required by the Bank of Mauritius

Under the Guideline on Segmental Reporting under a Single Banking Licence Regime, the Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure into two segments; Segment A and Segment B.

Segment B activity is essentially directed to the provision of international financial services that gives rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associates and overseas correspondents, GBL holders and other non-residents.

However, the liabilities employed to support such assets may come from deposits, borrowings and funds deposited by non-residents, GBL holders and residents.

Segment A activity relates to all banking business other than Segment B activity.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of financial position as at 30 June 2019

	Note	2019			2018 (Restated)			2017 (Restated)		
		TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
ASSETS										
Cash and cash equivalents		**45,398,059**	**19,650,617**	**25,747,442**	34,087,944	24,236,401	9,851,543	34,033,960	6,137,427	27,896,533
Derivative financial instruments	37(a)	**269,295**	**42,104**	**227,191**	95,817	8,290	87,527	226,731	94,309	132,422
Loans to and placements with banks	37(b)	**20,754,084**	**8,274,449**	**12,479,635**	19,265,587	12,027,373	7,238,214	25,912,459	7,750,576	18,161,883
Loans and advances to customers	37(c)	**213,398,224**	**127,227,254**	**86,170,970**	188,569,042	123,525,034	65,044,008	159,973,920	114,756,516	45,217,404
Investment securities	37(d)	**116,397,500**	**93,527,372**	**22,870,128**	81,884,347	77,957,492	3,926,855	68,890,863	64,485,319	4,405,544
Investment in subsidiary	37(e)	**117,570**	**-**	**117,570**	117,570	-	117,570	64,322	-	64,322
Investments in associates	37(e)	**4,078,542**	**-**	**4,078,542**	4,054,371	-	4,054,371	3,738,798	-	3,738,798
Intangible assets	37(f)	**805,494**	**805,494**	**-**	544,602	544,602	-	579,569	579,569	-
Property, plant and equipment	37(g)	**4,964,461**	**4,964,461**	**-**	4,841,797	4,841,797	-	4,911,082	4,911,082	-
Deferred tax assets		**110,064**	**117,178**	**(7,114)**	104,365	97,789	6,576	143,667	127,335	16,332
Other assets	37(h)	**21,977,419**	**21,536,799**	**440,620**	18,886,360	18,772,720	113,640	17,838,894	17,412,632	426,262
Total assets		**428,270,712**	**276,145,728**	**152,124,984**	352,451,802	262,011,498	90,440,304	316,314,265	216,254,765	100,059,500
LIABILITIES AND SHAREHOLDER'S EQUITY										
Deposits from banks	37(i)	**7,375,969**	**143,943**	**7,232,026**	6,588,686	86,016	6,502,670	5,302,566	222,663	5,079,903
Deposits from customers	37(j)	**307,000,545**	**222,209,644**	**84,790,901**	278,943,186	203,769,469	75,173,717	258,569,834	184,060,612	74,509,222
Derivative financial instruments	37(a)	**508,808**	**57,005**	**451,803**	407,024	57,179	349,845	97,430	22,445	74,985
Other borrowed funds	37(k)	**55,405,740**	**12,067,601**	**43,338,139**	14,188,543	4,386,247	9,802,296	5,606,935	4,743	5,602,192
Subordinated liability	37(l)	**1,040,100**	**-**	**1,040,100**	1,060,181	-	1,060,181	1,052,037	-	1,052,037
Current tax liabilities		**898,811**	**695,798**	**203,013**	872,964	824,280	48,684	778,869	670,881	107,988
Other liabilities	37(m)	**8,121,146**	**7,960,475**	**160,671**	6,407,271	6,104,342	302,929	5,081,995	5,045,630	36,365
Total liabilities		**380,351,119**	**243,134,466**	**137,216,653**	308,467,855	215,227,533	93,240,322	276,489,666	190,026,974	86,462,692
Shareholder's equity										
Stated capital		**6,879,602**	**6,879,602**	**-**	6,879,602	6,879,602	-	6,879,602	6,879,602	-
Retained earnings		**33,588,912**	**33,588,912**	**-**	28,596,833	28,596,833	-	26,041,651	26,041,651	-
Other components of equity		**7,451,079**	**7,356,746**	**94,333**	8,507,512	8,081,419	426,093	6,903,346	6,659,672	243,674
Total equity		**47,919,593**	**47,825,260**	**94,333**	43,983,947	43,557,854	426,093	39,824,599	39,580,925	243,674
Total equity and liabilities		**428,270,712**	**290,959,726**	**137,310,986**	352,451,802	258,785,387	93,666,415	316,314,265	229,607,899	86,706,366
CONTINGENT LIABILITIES										
Guarantees, letters of credit, and other obligations on account of customers		**66,527,909**	**16,005,438**	**50,522,471**	57,851,972	16,873,754	40,978,218	41,128,382	15,891,901	25,236,481
Commitments		**5,140,426**	**3,921,344**	**1,219,082**	6,077,554	4,719,360	1,358,194	6,714,334	3,316,186	3,398,148
Tax assessments		**89,715**	**89,715**	**-**	537,147	537,147	-	992,632	992,632	-
Other		**1,659,453**	**617,220**	**1,042,233**	1,396,653	551,689	844,964	1,353,991	508,450	845,541
	37(n)	**73,417,503**	**20,633,717**	**52,783,786**	65,863,326	22,681,950	43,181,376	50,189,339	20,709,169	29,480,170

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of profit or loss for the year ended 30 June 2019

		2019			2018 (Restated)			2017 (Restated)		
		TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
	Note									
Interest income	37(o)	**17,449,219**	**11,098,318**	**6,350,901**	13,903,688	10,227,030	3,676,658	12,749,424	9,907,583	2,841,841
Interest expense	37(p)	**(5,196,422)**	**(3,650,436)**	**(1,545,986)**	(3,794,901)	(2,991,944)	(802,957)	(3,870,375)	(3,225,767)	(644,608)
Net interest income		**12,252,797**	**7,447,882**	**4,804,915**	10,108,787	7,235,086	2,873,701	8,879,049	6,681,816	2,197,233
Fee and commission income	37(q)	**4,087,395**	**2,470,607**	**1,616,788**	3,644,356	2,143,068	1,501,288	3,294,749	1,972,477	1,322,272
Fee and commission expense	37(r)	**(1,069,983)**	**(708,226)**	**(361,757)**	(867,748)	(603,085)	(264,663)	(687,673)	(572,993)	(114,680)
Net fee and commission income		**3,017,412**	**1,762,381**	**1,255,031**	2,776,608	1,539,983	1,236,625	2,607,076	1,399,484	1,207,592
Other income										
Profit arising from dealing in foreign currencies		**1,564,950**	**1,052,633**	**512,317**	2,152,398	1,679,486	472,912	1,620,380	1,265,348	355,032
Net gain/(loss) from financial instruments carried at fair value	37(s)	**650,811**	**312,420**	**338,391**	(381,569)	(416,341)	34,772	100,208	65,906	34,302
		2,215,761	**1,365,053**	**850,708**	1,770,829	1,263,145	507,684	1,720,588	1,331,254	389,334
Dividend income	37(t)	**58,504**	**35,076**	**23,428**	63,118	31,256	31,862	108,289	39,469	68,820
Net gain/(loss) on sale of financial instruments		**7,505**	**-**	**7,505**	17,999	13,254	4,745	6,056	7,096	(1,040)
Other operating income		**30,897**	**24,932**	**5,965**	18,704	15,239	3,465	32,529	35,991	(3,462)
		2,312,667	**1,425,061**	**887,606**	1,870,650	1,322,894	547,756	1,867,462	1,413,810	453,652
Operating income		**17,582,876**	**10,635,324**	**6,947,552**	14,756,045	10,097,963	4,658,082	13,353,587	9,495,110	3,858,477
Non-interest expense										
Salaries and human resource costs	37(u)	**(3,527,225)**	**(3,011,333)**	**(515,892)**	(3,129,179)	(2,671,411)	(457,768)	(2,955,584)	(2,550,333)	(405,251)
Depreciation of property, plant and equipment		**(436,510)**	**(415,231)**	**(21,279)**	(391,651)	(373,204)	(18,447)	(367,856)	(354,146)	(13,710)
Amortisation of intangible assets		**(173,476)**	**(157,222)**	**(16,254)**	(201,416)	(187,808)	(13,608)	(188,486)	(178,886)	(9,600)
Other	37(v)	**(1,788,406)**	**(1,581,007)**	**(207,399)**	(1,733,068)	(1,554,413)	(178,655)	(1,509,897)	(1,365,618)	(144,279)
		(5,925,617)	**(5,164,793)**	**(760,824)**	(5,455,314)	(4,786,836)	(668,478)	(5,021,823)	(4,448,983)	(572,840)
Operating profit before impairment		**11,657,259**	**5,470,531**	**6,186,728**	9,300,731	5,311,127	3,989,604	8,331,764	5,046,127	3,285,637
Net impairment of financial assets	37(w)	**(1,455,649)**	**(821,260)**	**(634,389)**	(1,228,932)	(326,567)	(902,365)	(950,504)	(184,671)	(765,833)
Operating profit		**10,201,610**	**4,649,271**	**5,552,339**	8,071,799	4,984,560	3,087,239	7,381,260	4,861,456	2,519,804
Share of profit of associates		**241,860**	**-**	**241,860**	341,468	-	341,468	266,891	-	266,891
Profit before tax		**10,443,470**	**4,649,271**	**5,794,199**	8,413,267	4,984,560	3,428,707	7,648,151	4,861,456	2,786,695
Income tax expense	37(x)	**(1,629,862)**	**(1,426,849)**	**(203,013)**	(1,627,703)	(1,563,098)	(64,605)	(1,403,051)	(1,282,100)	(120,951)
Profit for the year		**8,813,608**	**3,222,422**	**5,591,186**	6,785,564	3,421,462	3,364,102	6,245,100	3,579,356	2,665,744

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

Statement of comprehensive income for the year ended 30 June 2019

	2019			2018 (Restated)			2017 (Restated)		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Profit for the year	**8,813,608**	**3,222,422**	**5,591,186**	6,785,564	3,421,462	3,364,102	6,245,100	3,579,356	2,665,744
Other comprehensive (expense)/income:									
Items that will not be reclassified to profit or loss:									
Net fair value loss on equity instruments	**(68,733)**	**(68,733)**	**-**	-	-	-	-	-	-
Remeasurement of defined benefit pension plan, net of deferred tax	**(404,477)**	**(404,477)**	**-**	(235,146)	(235,146)	-	287,079	287,079	-
Share of other comprehensive expense of associates	**-**	**-**	**-**	-	-	-	(113,599)	-	(113,599)
	(473,210)	**(473,210)**	**-**	(235,146)	(235,146)	-	173,480	287,079	(113,599)
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations	**22,839**	**-**	**22,839**	89,526	-	89,526	(21,204)	-	(21,204)
Reclassification adjustments on disposal of investments at fair value through other comprehensive income	**(25,320)**	**(25,320)**	**-**	-	-	-	-	-	-
Reclassification adjustments on disposal of available-for sale investments	**-**	**-**	**-**	(227,304)	(227,304)	-	24,257	24,257	-
Net fair value gain/(loss) on debt instruments	**81,731**	**(6,976)**	**88,707**	-	-	-	-	-	-
Net fair value gain on available-for-sale investments	**-**	**-**	**-**	471,373	135,430	335,943	355,079	112,029	243,050
	79,250	**(32,296)**	**111,546**	333,595	(91,874)	425,469	358,132	136,286	221,846
Other comprehensive (expense)/income for the year	**(393,960)**	**(505,506)**	**111,546**	98,449	(327,020)	425,469	531,612	423,365	108,247
Total comprehensive income for the year	**8,419,648**	**2,716,916**	**5,702,732**	6,884,013	3,094,442	3,789,571	6,776,712	4,002,721	2,773,991

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(a) Derivative financial instruments

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
(i) Fair value assets									
Currency forwards	**61,341**	**34,735**	**26,606**	65,067	5,495	59,572	71,665	48,500	23,165
Interest rate swaps	**200,364**	**3,874**	**196,490**	8,727	-	8,727	23,118	4,514	18,604
Currency swaps	**6,047**	**3,460**	**2,587**	20,896	2,795	18,101	131,481	41,295	90,186
Others	**1,543**	**35**	**1,508**	1,127	-	1,127	467	-	467
	269,295	**42,104**	**227,191**	95,817	8,290	87,527	226,731	94,309	132,422
(ii) Fair value liabilities									
Currency forwards	**34,801**	**8,215**	**26,586**	75,215	42,756	32,459	51,677	5,692	45,985
Interest rate swaps	**248,891**	**-**	**248,891**	2,784	-	2,784	26,008	-	26,008
Currency swaps	**224,162**	**48,790**	**175,372**	329,025	14,423	314,602	19,745	16,753	2,992
Others	**954**	**-**	**954**	-	-	-	-	-	-
	508,808	**57,005**	**451,803**	407,024	57,179	349,845	97,430	22,445	74,985

(b) Loans to and placements with banks

(i) Loans to and placements with banks

in Mauritius	**10,260,987**	**10,260,987**	**-**	14,077,611	14,077,611	-	7,923,109	7,923,109	-
outside Mauritius	**38,305,968**	**-**	**38,305,968**	17,224,782	-	17,224,782	46,064,793	-	46,064,793
	48,566,955	**10,260,987**	**38,305,968**	31,302,393	14,077,611	17,224,782	53,987,902	7,923,109	46,064,793
Less:									
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(27,747,057)**	**(1,985,908)**	**(25,761,149)**	(11,901,781)	(2,050,238)	(9,851,543)	(28,069,066)	(172,533)	(27,896,533)
	20,819,898	**8,275,079**	**12,544,819**	19,400,612	12,027,373	7,373,239	25,918,836	7,750,576	18,168,260
Less allowances for credit impairment	**(65,814)**	**(630)**	**(65,184)**	(135,025)	-	(135,025)	(6,377)	-	(6,377)
	20,754,084	**8,274,449**	**12,479,635**	19,265,587	12,027,373	7,238,214	25,912,459	7,750,576	18,161,883

(ii) Remaining term to maturity

Up to 3 months	**9,206,621**	**49,021**	**9,157,600**	3,297,287	1,522,100	1,775,187	10,310,019	1,446,416	8,863,603
Over 3 months and up to 6 months	**2,037,361**	**306,160**	**1,731,201**	2,226,314	699,844	1,526,470	8,204,519	917,913	7,286,606
Over 6 months and up to 1 year	**3,089,785**	**2,270,679**	**819,106**	12,095,668	9,805,429	2,290,239	6,239,050	4,343,266	1,895,784
Over 1 year and up to 5 years	**6,218,813**	**5,649,000**	**569,813**	1,519,065	-	1,519,065	1,042,981	1,042,981	-
Over 5 years	**267,318**	**219**	**267,099**	262,278	-	262,278	122,267	-	122,267
	20,819,898	**8,275,079**	**12,544,819**	19,400,612	12,027,373	7,373,239	25,918,836	7,750,576	18,168,260

(iii) Allowances for credit impairment

	TOTAL	Segment A		Segment B		
	Total	Total Segment A	12 months expected credit loss	Total Segment B	12 months expected credit loss	Lifetime expected credit loss (credit impaired)
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
At 1 July 2018, as remeasured under IFRS 9	**131,821**	**-**	**-**	**131,821**	**100,536**	**31,285**
Exchange adjustment	**1,228**	**-**	**-**	**1,228**	**-**	**1,228**
Provision for credit impairment for the year	**46,221**	**630**	**630**	**45,591**	**45,591**	**-**
Provision released during the year	**(80,220)**	**-**	**-**	**(80,220)**	**(56,521)**	**(23,699)**
Financial assets that have been derecognised	**(40,727)**	**-**	**-**	**(40,727)**	**(31,913)**	**(8,814)**
Provision at 30 June 2019	**58,323**	**630**	**630**	**57,693**	**57,693**	**-**
Interest in suspense	**7,491**	**-**	**-**	**7,491**	**-**	**7,491**
Provision and interest in suspense at 30 June 2019	**65,814**	**630**	**630**	**65,184**	**57,693**	**7,491**

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(b) Loans to and placements with banks (Cont'd)

(iii) Allowances for credit impairment (Cont'd)

	Segment B		
Comparative information under IAS 39	**TOTAL RS'000**	**Specific RS'000**	**Portfolio RS'000**
At 1 July 2016	17,945	-	17,945
Provision released during the year	(11,568)	-	(11,568)
At 30 June 2017	6,377	-	6,377
Provision for credit impairment for the year	237,311	205,093	32,218
Amounts written off	(173,808)	(173,808)	-
At 30 June 2018	**69,880**	**31,285**	**38,595**
Interest in suspense	**65,145**	**65,145**	**-**
Provision and interest in suspense at 30 June 2018	**135,025**	**96,430**	**38,595**

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Retail customers:									
Credit cards	**1,185,588**	**1,151,376**	**34,212**	1,003,083	979,147	23,936	659,962	649,264	10,698
Mortgages	**29,676,004**	**28,491,864**	**1,184,140**	26,896,479	25,713,443	1,183,036	24,817,404	23,594,364	1,223,040
Other retail loans	**12,484,980**	**12,061,766**	**423,214**	12,957,067	11,846,900	1,110,167	12,238,768	11,994,464	244,304
Corporate customers	**104,295,356**	**88,810,870**	**15,484,486**	102,586,065	88,518,515	14,067,550	93,704,822	82,480,925	11,223,897
Governments	**611,394**	**-**	**611,394**	1,323,731	-	1,323,731	523,147	-	523,147
Entities outside Mauritius	**71,567,497**	**-**	**71,567,497**	49,678,381	-	49,678,381	33,679,435	-	33,679,435
	219,820,819	**130,515,876**	**89,304,943**	194,444,806	127,058,005	67,386,801	165,623,538	118,719,017	46,904,521
Less:									
Allowances for credit impairment	**(6,422,595)**	**(3,288,622)**	**(3,133,973)**	(5,875,764)	(3,532,971)	(2,342,793)	(5,649,618)	(3,962,501)	(1,687,117)
	213,398,224	**127,227,254**	**86,170,970**	188,569,042	123,525,034	65,044,008	159,973,920	114,756,516	45,217,404

(i) Remaining term to maturity

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Up to 3 months	**63,381,280**	**33,857,301**	**29,523,979**	50,691,516	32,535,408	18,156,108	43,764,107	31,887,704	11,876,403
Over 3 months and up to 6 months	**6,279,594**	**2,123,517**	**4,156,077**	6,734,022	3,150,561	3,583,461	4,402,213	2,127,850	2,274,363
Over 6 months and up to 1 year	**5,982,588**	**2,361,263**	**3,621,325**	1,970,122	1,239,665	730,457	3,140,205	2,039,228	1,100,977
Over 1 year and up to 5 years	**60,324,768**	**24,559,916**	**35,764,852**	57,866,312	26,592,921	31,273,391	39,158,470	20,427,820	18,730,650
Over 5 years	**83,852,589**	**67,613,879**	**16,238,710**	77,182,834	63,539,450	13,643,384	75,158,543	62,236,415	12,922,128
	219,820,819	**130,515,876**	**89,304,943**	194,444,806	127,058,005	67,386,801	165,623,538	118,719,017	46,904,521

(ii) Credit concentration of risk by industry sectors

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Agriculture and fishing	**7,862,630**	**7,862,630**	**-**	7,864,814	7,367,397	497,417	2,004,071	2,004,071	-
Manufacturing	**7,912,073**	**2,569,997**	**5,342,076**	2,926,040	2,925,991	49	294,716	294,716	-
of which EPZ	***1,214,719***	***1,214,719***	**-**	*1,298,250*	*1,298,250*	-	*66,337*	*66,337*	-
Tourism	**17,304,683**	**14,221,202**	**3,083,481**	17,100,616	13,819,715	3,280,901	5,934,586	5,838,189	96,397
Transport	**7,466,523**	**77,805**	**7,388,718**	66,430	66,430	-	52,399	52,399	-
Construction	**11,299,344**	**11,299,344**	**-**	10,420,322	10,420,322	-	4,253,594	4,253,594	-
Financial and business services	**31,744,933**	**9,672,589**	**22,072,344**	22,642,587	10,492,425	12,150,162	4,185,209	4,161,770	23,439
Traders	**57,087,951**	**3,730,731**	**53,357,220**	28,178,790	3,131,638	25,047,152	18,949,275	1,881,672	17,067,603
Global Business Licence holders	**10,584,343**	**-**	**10,584,343**	17,668,144	-	17,668,144	20,171,903	-	20,171,903
Others	**6,674,444**	**747,975**	**5,926,469**	3,553,575	3,553,575	-	45,647	45,647	-
	157,936,924	**50,182,273**	**107,754,651**	110,421,318	51,777,493	58,643,825	55,891,400	18,532,058	37,359,342

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iii) Allowances for credit impairment

	TOTAL	SEGMENT A				SEGMENT B			
	Total	Total Segment A	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total Segment B	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
At 1 July 2018, as remeasured under IFRS 9	**4,663,582**	**2,234,485**	**902,289**	**313,675**	**1,018,521**	**2,429,097**	**630,785**	**470,564**	**1,327,748**
Exchange adjustment	28,928	-	-	-	-	28,928	-	-	28,928
Transfer to 12 month ECL	-	263	166,045	(73,182)	(92,600)	(263)	4,793	(3,327)	(1,729)
Transfer to lifetime ECL not credit impaired	-	1	(53,034)	72,561	(19,526)	(1)	(1,871)	2,047	(177)
Transfer to lifetime ECL credit impaired	-	(876)	(11,900)	(158,371)	169,395	876	(538)	(103,568)	104,982
Provision for credit impairment for the year	3,565,348	1,914,635	532,616	235,158	1,146,861	1,650,713	458,251	229,162	963,300
Provision released during the year	(1,244,362)	(774,569)	(550,123)	(78,889)	(145,557)	(469,793)	(311,399)	(108,545)	(49,849)
Financial assets that have been derecognised	(479,395)	(162,527)	(83,761)	(26,805)	(51,961)	(316,868)	(113,825)	(9,116)	(193,927)
Write offs	(1,708,670)	(1,113,797)	-	-	(1,113,797)	(594,873)	-	-	(594,873)
Changes in models /risk parameters	(355,129)	(193,933)	(126,654)	(67,279)	-	(161,196)	(109,527)	(51,669)	-
Provision at 30 June 2019	**4,470,302**	**1,903,682**	**775,478**	**216,868**	**911,336**	**2,566,620**	**556,669**	**425,548**	**1,584,403**
Interest in suspense	1,952,293	1,384,940	-	-	1,384,940	567,353	-	-	567,353
Provision and interest in suspense at 30 June 2019	**6,422,595**	**3,288,622**	**775,478**	**216,868**	**2,296,276**	**3,133,973**	**556,669**	**425,548**	**2,151,756**

	TOTAL			SEGMENT A			SEGMENT B		
	Specific	Portfolio	Total	Specific	Portfolio	Total	Specific	Portfolio	Total
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
At 1 July 2017	2,003,238	1,151,343	3,154,581	1,205,496	768,119	1,973,615	797,742	383,224	1,180,966
Exchange adjustment	21,008	-	21,008	-	-	-	21,008	-	21,008
Provision for credit impairment for the year	786,417	119,739	906,156	254,945	81,123	336,068	531,472	38,616	570,088
Provision released during the year	(11,110)	-	(11,110)	(9,237)	-	(9,237)	(1,873)	-	(1,873)
Amounts written off	(453,284)	-	(453,284)	(432,683)	-	(432,683)	(20,601)	-	(20,601)
At 30 June 2018	2,346,269	1,271,082	3,617,351	1,018,521	849,242	1,867,763	1,327,748	421,840	1,749,588
Interest in suspense	2,258,413	-	2,258,413	1,665,208	-	1,665,208	593,205	-	593,205
Provision and interest in suspense at 30 June 2018	4,604,682	1,271,082	5,875,764	2,683,729	849,242	3,532,971	1,920,953	421,840	2,342,793
At 1 July 2016	2,690,731	1,103,007	3,793,738	1,849,673	779,104	2,628,777	841,058	323,903	1,164,961
Exchange adjustment	(12,712)	-	(12,712)	-	-	-	(12,712)	-	(12,712)
Provision for credit impairment for the year	1,134,680	48,336	1,183,016	377,814	(10,985)	366,829	756,866	59,321	816,187
Provision released during the year	(188,539)	-	(188,539)	(156,839)	-	(156,839)	(31,700)	-	(31,700)
Amounts written off	(1,620,922)	-	(1,620,922)	(865,152)	-	(865,152)	(755,770)	-	(755,770)
At 30 June 2017	2,003,238	1,151,343	3,154,581	1,205,496	768,119	1,973,615	797,742	383,224	1,180,966
Interest in suspense	2,495,037	-	2,495,037	1,988,886	-	1,988,886	506,151	-	506,151
Provision and interest in suspense at 30 June 2017	4,498,275	1,151,343	5,649,618	3,194,382	768,119	3,962,501	1,303,893	383,224	1,687,117

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors

	2019					
	Gross amount of loans	Non performing loans	12 months expected credit loss	Lifetime expected credit loss (not credit impaired)	Lifetime expected credit loss (credit impaired)*	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
TOTAL						
Agriculture and fishing	8,561,482	1,056,728	10,967	93,155	449,302	553,424
Manufacturing	9,835,027	586,633	78,964	78,676	184,196	341,836
of which EPZ	*2,963,989*	*510,402*	*3,148*	*12,748*	*148,745*	*164,641*
Tourism	21,438,450	152,310	319,523	16,339	163,028	498,890
Transport	7,597,281	1,050,004	29,715	192	1,011,034	1,040,941
Construction	16,022,283	1,922,333	166,221	4,256	856,889	1,027,366
Financial and business services	41,754,979	1,107,932	247,486	10,236	428,399	686,121
Traders	40,618,586	1,633,259	192,870	109,249	344,327	646,446
Personal	41,240,069	1,293,363	50,754	10,292	550,932	611,978
of which credit cards	*1,178,172*	*27,938*	*3,859*	*241*	*22,057*	*26,157*
of which housing	*29,676,004*	*755,298*	*19,323*	*4,598*	*272,749*	*296,670*
Professional	1,048,400	207,351	2,851	558	122,251	125,660
Foreign governments	611,394	-	-	-	-	-
Global Business Licence holders	17,858,114	167,909	152,965	294,701	311,407	759,073
Others	13,234,754	96,549	79,831	24,762	26,267	130,860
	219,820,819	9,274,371	1,332,147	642,416	4,448,032	6,422,595
SEGMENT A						
Agriculture and fishing	7,968,664	573,106	9,565	93,155	327,718	430,438
Manufacturing	9,833,849	586,071	78,937	78,676	183,653	341,266
of which EPZ	*2,963,989*	*510,402*	*3,148*	*12,748*	*148,745*	*164,641*
Tourism	15,217,465	17,676	206,410	605	7,158	214,173
Transport	1,460,234	164,767	4,607	192	84,489	89,288
Construction	15,520,751	1,922,312	154,494	4,256	856,868	1,015,618
Financial and business services	20,644,614	153,122	93,566	6,921	80,714	181,201
Traders	14,097,390	373,954	138,385	21,279	166,596	326,260
Personal	39,602,705	1,177,962	49,152	9,411	496,630	555,193
of which credit cards	*1,144,063*	*27,389*	*3,768*	*239*	*21,576*	*25,583*
of which housing	*28,491,864*	*688,806*	*18,564*	*4,241*	*257,679*	*280,484*
Professional	884,039	111,882	2,692	558	66,846	70,096
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-
Others	5,286,165	95,856	37,670	1,815	25,604	65,089
	130,515,876	5,176,708	775,478	216,868	2,296,276	3,288,622
SEGMENT B						
Agriculture and fishing	592,818	483,622	1,402	-	121,584	122,986
Manufacturing	1,178	562	27	-	543	570
of which EPZ	-	-	-	-	-	-
Tourism	6,220,985	134,634	113,113	15,734	155,870	284,717
Transport	6,137,047	885,237	25,108	-	926,545	951,653
Construction	501,532	21	11,727	-	21	11,748
Financial and business services	21,110,365	954,810	153,920	3,315	347,685	504,920
Traders	26,521,196	1,259,305	54,485	87,970	177,731	320,186
Personal	1,637,364	115,401	1,602	881	54,302	56,785
of which credit cards	*34,109*	*549*	*91*	*2*	*481*	*574*
of which housing	*1,184,140*	*66,492*	*759*	*357*	*15,070*	*16,186*
Professional	164,361	95,469	159	-	55,405	55,564
Foreign governments	611,394	-	-	-	-	-
Global Business Licence holders	17,858,114	167,909	152,965	294,701	311,407	759,073
Others	7,948,589	693	42,161	22,947	663	65,771
	89,304,943	4,097,663	556,669	425,548	2,151,756	3,133,973

* Lifetime expected credit loss (credit impaired) includes interest in suspense

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(c) Loans and advances to customers (Cont'd)

(iv) Allowances for credit impairment by industry sectors

Comparative information under IAS 39	2018					2017
	Gross amount of loans	Non performing loans	Specific provision and interest in suspense	Portfolio provision	Total provision	Total provision
	RS'000	RS'000	RS'000	RS'000	RS'000	RS'000
TOTAL						
Agriculture and fishing	8,006,741	616,458	292,863	51,865	344,728	276,949
Manufacturing	9,364,011	383,199	123,509	152,658	276,167	265,662
of which EPZ	*3,153,492*	*56,667*	*21,193*	*34,791*	*55,984*	*39,075*
Tourism	25,191,420	572,686	442,184	72,194	514,378	570,919
Transport	5,121,880	1,318,379	846,302	47,060	893,362	605,588
Construction	15,482,908	1,407,640	892,081	173,143	1,065,224	1,045,143
Financial and business services	31,012,976	115,845	77,889	90,736	168,625	153,784
Traders	37,305,196	1,569,371	431,242	224,041	655,283	634,927
Personal	38,910,813	1,446,923	733,053	233,376	966,429	1,225,835
of which credit cards	*972,383*	*21,327*	*19,166*	*20,933*	*40,099*	*38,944*
of which housing	*25,713,443*	*690,930*	*285,253*	*118,416*	*403,669*	*492,610*
Professional	1,037,496	296,683	181,519	17,463	198,982	68,193
Foreign governments	1,323,731	-	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761	496,474
Others	5,759,450	234,803	123,909	39,916	163,825	306,144
	194,444,806	8,390,462	4,604,682	1,271,082	5,875,764	5,649,618
SEGMENT A						
Agriculture and fishing	7,963,205	616,390	292,795	51,559	344,354	276,796
Manufacturing	9,362,309	382,840	123,158	152,635	275,793	265,232
of which EPZ	*3,153,492*	*56,667*	*21,193*	*34,791*	*55,984*	*39,075*
Tourism	16,912,053	42,743	38,159	49,451	87,610	179,661
Transport	1,487,014	176,654	25,159	15,935	41,094	46,229
Construction	15,413,607	1,407,627	892,068	172,286	1,064,354	1,044,041
Financial and business services	20,312,802	111,006	73,391	59,854	133,245	126,390
Traders	13,264,850	595,614	293,627	78,555	372,182	523,918
Personal	36,601,018	1,324,778	688,548	219,543	908,091	1,180,631
of which credit cards	*972,383*	*21,327*	*19,166*	*20,933*	*40,099*	*38,944*
of which housing	*25,713,443*	*690,930*	*285,253*	*118,416*	*403,669*	*492,610*
Professional	894,613	204,300	133,453	16,177	149,630	60,856
Foreign governments	-	-	-	-	-	-
Global Business Licence holders	-	-	-	-	-	-
Others	4,846,534	234,253	123,371	33,247	156,618	258,747
	127,058,005	5,096,205	2,683,729	849,242	3,532,971	3,962,501
SEGMENT B						
Agriculture and fishing	43,536	68	68	306	374	153
Manufacturing	1,702	359	351	23	374	430
of which EPZ	-	-	-	-	-	-
Tourism	8,279,367	529,943	404,025	22,743	426,768	391,258
Transport	3,634,866	1,141,725	821,143	31,125	852,268	559,359
Construction	69,301	13	13	857	870	1,102
Financial and business services	10,700,174	4,839	4,498	30,882	35,380	27,394
Traders	24,040,346	973,757	137,615	145,486	283,101	111,009
Personal	2,309,795	122,145	44,505	13,833	58,338	45,204
of which credit cards	-	-	-	-	-	-
of which housing	-	-	-	-	-	-
Professional	142,883	92,383	48,066	1,286	49,352	7,337
Foreign governments	1,323,731	-	-	-	-	-
Global Business Licence holders	15,928,184	428,475	460,131	168,630	628,761	496,474
Others	912,916	550	538	6,669	7,207	47,397
	67,386,801	3,294,257	1,920,953	421,840	2,342,793	1,687,117

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Amortised cost	**76,388,413**	**76,050,201**	**338,212**	-	-	-	-	-	-
Fair value through other comprehensive income	**21,850,718**	**1,717,263**	**20,133,455**	-	-	-	-	-	-
Fair value through profit or loss*	**18,257,877**	**15,859,366**	**2,398,511**	-	-	-	-	-	-
Held-to-maturity	**-**	**-**	**-**	53,283,515	51,874,123	1,409,392	54,808,648	53,241,032	1,567,616
Held-for-trading	**-**	**-**	**-**	24,232,384	24,232,384	-	9,568,590	9,059,378	509,212
Available-for-sale	**-**	**-**	**-**	4,418,360	1,900,897	2,517,463	4,517,570	2,188,854	2,328,716
	116,497,008	**93,626,830**	**22,870,178**	81,934,259	78,007,404	3,926,855	68,894,808	64,489,264	4,405,544
Less:									
Allowances for credit impairment on investment securities	**(99,508)**	**(99,458)**	**(50)**	(49,912)	(49,912)	-	(3,945)	(3,945)	-
	116,397,500	**93,527,372**	**22,870,128**	81,884,347	77,957,492	3,926,855	68,890,863	64,485,319	4,405,544

*At fair value through profit or loss consist of financial instruments which includes investments in unquoted overseas collective investment scheme.

	2019		
	TOTAL	Segment A	Segment B
(i) Amortised cost	RS'000	RS'000	RS'000
Government of Mauritius & Bank of Mauritius bonds	**49,894,841**	**49,894,841**	**-**
Treasury bills	**8,498,081**	**8,498,081**	**-**
Foreign Bonds	**338,212**	**-**	**338,212**
Notes	**17,347,916**	**17,347,916**	**-**
Indexed linked note	**309,363**	**309,363**	**-**
	76,388,413	**76,050,201**	**338,212**

Allowances for credit impairment	2019		
	TOTAL 12 months expected credit loss RS'000	Segment A 12 months expected credit loss RS'000	Segment B 12 months expected credit loss RS'000
At 1 July 2018, as remeasured under IFRS 9	**40,444**	**39,627**	**817**
Provision for credit impairment for the year	**78,266**	**77,413**	**853**
Financial assets that have been derecognised	**(40,444)**	**(39,627)**	**(817)**
Changes in models / risk parameters	**21,242**	**22,045**	**(803)**
At 30 June 2019	**99,508**	**99,458**	**50**

Comparative information under IAS 39
Held-to-maturity

	2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Government of Mauritius & Bank of Mauritius bonds	42,824,594	42,824,594	-	41,906,114	41,906,114	-
Treasury bills	2,000,461	2,000,461	-	10,680,154	10,680,154	-
Foreign Bonds	1,409,392	-	1,409,392	1,567,616	-	1,567,616
Notes	7,049,068	7,049,068	-	654,764	654,764	-
	53,283,515	51,874,123	1,409,392	54,808,648	53,241,032	1,567,616

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(ii) Fair value through other comprehensive income by levels

	2019		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Quoted - Level 1			
Official list: shares	859,904	859,904	-
Bonds	20,200,962	624,847	19,576,115
	21,060,866	1,484,751	19,576,115
Unquoted - Level 2			
Investment fund	545,291	-	545,291
	545,291	-	545,291
Unquoted - Level 3			
Shares	244,561	232,512	12,049
	21,850,718	1,717,263	20,133,455

Comparative information under IAS 39

Available-for-sale by levels

	2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Quoted - Level 1						
Official list: shares	885,660	885,660	-	1,263,593	1,263,593	-
Bonds	1,354,821	592,301	762,520	1,480,819	499,173	981,646
Foreign shares	1,233,154	-	1,233,154	840,403	-	840,403
	3,473,635	1,477,961	1,995,674	3,584,815	1,762,766	1,822,049
Unquoted - Level 2						
Inflation - indexed Government of Mauritius bonds	205,709	205,709	-	-	-	-
Investment fund	509,740	-	509,740	494,618	-	494,618
	715,449	205,709	509,740	494,618	-	494,618
Unquoted - Level 3						
Equity shares	229,276	217,227	12,049	229,276	217,227	12,049
Inflation - indexed Government of Mauritius bonds	-	-	-	208,861	208,861	-
	229,276	217,227	12,049	438,137	426,088	12,049
	4,418,360	1,900,897	2,517,463	4,517,570	2,188,854	2,328,716

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(d) Investment securities (Cont'd)

(iii) Fair value through profit or loss by levels

	2019		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Quoted - Level 1			
Foreign bonds	732,482	-	732,482
Foreign shares	1,666,029	-	1,666,029
	2,398,511	-	2,398,511
Unquoted - Level 2			
Government of Mauritius & Bank of Mauritius bonds	864,352	864,352	-
Treasury bills	14,995,014	14,995,014	-
	15,859,366	15,859,366	-
	18,257,877	15,859,366	2,398,511

Comparative information under IAS 39

Held-for-trading by levels

	2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Quoted - Level 1						
Foreign bonds	-	-	-	509,212	-	509,212
Unquoted - Level 2						
Government of Mauritius & Bank of Mauritius bonds	1,058,795	1,058,795	-	1,689,065	1,689,065	-
Treasury bills	23,173,589	23,173,589	-	7,370,313	7,370,313	-
	24,232,384	24,232,384	-	9,059,378	9,059,378	-
	24,232,384	24,232,384	-	9,568,590	9,059,378	509,212

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(e) Investments in subsidiary and associates

(i) Investment in subsidiary

The Bank's interest in its subsidiary is as follows:

	Country of incorporation	Holding %	2019 TOTAL RS'000	2019 Segment A RS'000	2019 Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000	2017 TOTAL RS'000	2017 Segment A RS'000	2017 Segment B RS'000
MCB Madagascar SA	**Madagascar**	**80.00**	**117,570**	**-**	**117,570**	117,570	-	117,570	64,322	-	64,322

Movement in investment in subsidiary is as follows:

	2019 TOTAL RS'000	2019 Segment A RS'000	2019 Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000	2017 TOTAL RS'000	2017 Segment A RS'000	2017 Segment B RS'000
At 1 July	**117,570**	**-**	**117,570**	64,322	-	64,322	-	-	-
Increase in shareholding during the year	**-**	**-**	**-**	53,248	-	53,248	-	-	-
Transferred from other assets	**-**	**-**	**-**	-	-	-	64,322	-	64,322
At 30 June	**117,570**	**-**	**117,570**	117,570	-	117,570	64,322	-	64,322

(ii) Investments in associates

The Bank's interest in its associates is as follows:

	Country of incorporation	Holding %
Banque Française Commerciale Océan Indien	**France**	**49.99**
Société Générale Moçambique	**Moçambique**	**35.00**

Movements in investments in associates

	SEGMENT B BFCOI RS'000	SG Moçambique RS'000	Subordinated loan to BFCOI RS'000	TOTAL RS'000
At 1 July 2016	3,209,893	254,934	402,949	3,867,776
Share of profit of associates	353,014	(86,123)	-	266,891
Share of other movements in associates	(129,998)	(4,805)	-	(134,803)
Dividend received from associates	(246,305)	-	-	(246,305)
Adjustments	(12,948)	-	(1,813)	(14,761)
At 30 June 2017	3,173,656	164,006	401,136	3,738,798
Share of profit of associates	427,159	(85,691)	-	341,468
Share of other movements in associates	88,487	1,039	-	89,526
Dividend received from associates	(302,503)	-	-	(302,503)
Increase in shareholding	-	190,960	-	190,960
Adjustments	(15,895)	-	12,017	(3,878)
At 30 June 2018	**3,370,904**	**270,314**	**413,153**	**4,054,371**
Share of impact on associates	**(138,156)**	**(20,684)**	**-**	**(158,840)**
As restated	**3,232,748**	**249,630**	**413,153**	**3,895,531**
Share of profit of associates	**241,182**	**678**	**-**	**241,860**
Share of other movements in associates	**1,952**	**20,887**	**-**	**22,839**
Dividend received from associates	**(173,499)**	**-**	**-**	**(173,499)**
Increase in shareholding	**-**	**98,452**	**-**	**98,452**
Adjustments	**(9,127)**	**-**	**2,486**	**(6,641)**
At 30 June 2019	**3,293,256**	**369,647**	**415,639**	**4,078,542**

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(f) Intangible assets

	Computer Software RS'000	Work in progress RS'000	Total RS'000
Cost			
At 1 July 2016	2,337,148	194,617	2,531,765
Additions	58,471	236,888	295,359
Scrap/Impairment	(602)	-	(602)
Transfer	322,094	(322,094)	-
At 30 June 2017	2,717,111	109,411	2,826,522
Additions	14,148	152,301	166,449
Transfer	103,154	(103,154)	-
At 30 June 2018	**2,834,413**	**158,558**	**2,992,971**
Additions	**78,152**	**275,749**	**353,901**
Scrap/Impairment	**(1,810,079)**	**-**	**(1,810,079)**
Transfer	**351,343**	**(351,343)**	**-**
At 30 June 2019	**1,453,829**	**82,964**	**1,536,793**
Accumulated Amortisation			
At 1 July 2016	2,058,603	-	2,058,603
Scrap/Impairment	(136)	-	(136)
Charge for the year	188,486	-	188,486
At 30 June 2017	2,246,953	-	2,246,953
Charge for the year	201,416	-	201,416
At 30 June 2018	**2,448,369**	**-**	**2,448,369**
Scrap/Impairment	**(1,810,079)**	**-**	**(1,810,079)**
Amortisation adjustment	**(80,467)**	**-**	**(80,467)**
Charge for the year	**173,476**	**-**	**173,476**
At 30 June 2019	**731,299**	**-**	**731,299**
Net book values - Segment A			
At 30 June 2019	**722,530**	**82,964**	**805,494**
At 30 June 2018	386,044	158,558	544,602
At 30 June 2017	470,158	109,411	579,569

The Core Banking System T24 is the only material intangible asset. The remaining useful life of this intangible asset is 1 year.

For the current year, the Bank has reviewed the useful lives of fully depreciated assets and has made a reinstatement of the useful lives.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(g) Property, plant and equipment

	Land and buildings RS'000	Computer and other equipment RS'000	Furniture, fittings and vehicles RS'000	Work in progress RS'000	Total RS'000
Cost					
At 1 July 2016	4,448,191	2,880,913	759,155	134,820	8,223,079
Additions	14,777	98,270	26,597	207,677	347,321
Scrap/Disposals	(23,715)	(42,018)	(7,544)	-	(73,277)
Transfer	82,735	159,660	41,583	(283,978)	-
At 30 June 2017	4,521,988	3,096,825	819,791	58,519	8,497,123
Additions	30,441	176,734	20,180	106,715	334,070
Scrap/Disposals	-	(75,975)	(44,059)	-	(120,034)
Transfer	-	116,693	34,650	(151,343)	-
At 30 June 2018	**4,552,429**	**3,314,277**	**830,562**	**13,891**	**8,711,159**
Additions	**4,034**	**269,716**	**11,967**	**136,718**	**422,435**
Scrap/Disposals	**(2,976)**	**(707,937)**	**(11,198)**	**-**	**(722,111)**
Transfer	**-**	**50,337**	**26,667**	**(77,004)**	**-**
At 30 June 2019	**4,553,487**	**2,926,393**	**857,998**	**73,605**	**8,411,483**
Accumulated depreciation					
At 1 July 2016	716,984	2,143,272	410,220	-	3,270,476
Charge for the year	73,703	241,837	52,316	-	367,856
Scrap/Disposal adjustment	(5,431)	(40,829)	(6,031)	-	(52,291)
At 30 June 2017	785,256	2,344,280	456,505	-	3,586,041
Charge for the year	73,700	263,260	54,691	-	391,651
Scrap/Disposal adjustment	-	(73,810)	(34,520)	-	(108,330)
At 30 June 2018	**858,956**	**2,533,730**	**476,676**	**-**	**3,869,362**
Charge for the year	**73,736**	**309,063**	**53,711**	**-**	**436,510**
Depreciation adjustment	**-**	**(126,487)**	**(12,746)**	**-**	**(139,233)**
Scrap/Disposal adjustment	**(662)**	**(707,764)**	**(11,191)**	**-**	**(719,617)**
At 30 June 2019	**932,030**	**2,008,542**	**506,450**	**-**	**3,447,022**
Net book values - Segment A					
At 30 June 2019	**3,621,457**	**917,851**	**351,548**	**73,605**	**4,964,461**
At 30 June 2018	3,693,473	780,547	353,886	13,891	4,841,797
At 30 June 2017	3,736,732	752,545	363,286	58,519	4,911,082

For the current year, the Bank has reviewed the useful lives of fully depreciated assets and has made a reinstatement of the useful lives.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(h) Other assets

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Mandatory balances with Central Bank	**18,608,534**	**18,608,534**	**-**	17,196,714	17,196,714	-	15,432,134	15,432,134	-
Prepayments and other receivables	**611,793**	**472,090**	**139,703**	469,478	355,838	113,640	699,238	528,861	170,377
Credit Card Clearing	**98,676**	**98,676**	**-**	89,854	89,854	-	68,525	68,525	-
Non-banking assets acquired in satisfaction of debts*	**60,633**	**60,633**	**-**	48,699	48,699	-	51,802	51,802	-
Impersonal & other accounts	**2,597,783**	**2,296,866**	**300,917**	1,081,615	1,081,615	-	1,487,708	1,231,823	255,885
Post employee benefits asset	**-**	**-**	**-**	-	-	-	99,487	99,487	-
	21,977,419	**21,536,799**	**440,620**	18,886,360	18,772,720	113,640	17,838,894	17,412,632	426,262

*The Bank's policy is to dispose of such assets as soon as the market permits.

(i) Deposits from banks

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Demand deposits	**3,430,238**	**143,943**	**3,286,295**	3,815,235	86,016	3,729,219	2,743,209	222,663	2,520,546
Money market deposits with remaining term to maturity:									
Up to 3 months	**2,529,158**	**-**	**2,529,158**	1,861,440	-	1,861,440	1,703,673	-	1,703,673
Over 3 months and up to 6 months	**1,416,573**	**-**	**1,416,573**	912,011	-	912,011	670,395	-	670,395
Over 6 months and up to 1 year	**-**	**-**	**-**	-	-	-	185,289	-	185,289
	3,945,731	**-**	**3,945,731**	2,773,451	-	2,773,451	2,559,357	-	2,559,357
	7,375,969	**143,943**	**7,232,026**	6,588,686	86,016	6,502,670	5,302,566	222,663	5,079,903

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(j) Deposits from customers

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
(i) Retail customers									
Demand deposits	**29,349,691**	**18,393,557**	**10,956,134**	27,312,248	17,442,949	9,869,299	25,318,439	15,771,178	9,547,261
Savings deposits	**132,279,994**	**124,523,397**	**7,756,597**	121,345,043	113,889,747	7,455,296	109,296,825	102,336,118	6,960,707
Time deposits with remaining term to maturity:									
Up to 3 months	**4,945,819**	**3,869,575**	**1,076,244**	3,862,278	3,152,113	710,165	2,807,938	2,135,636	672,302
Over 3 months and up to 6 months	**2,242,854**	**1,748,604**	**494,250**	1,858,647	1,481,802	376,845	1,954,290	1,658,863	295,427
Over 6 months and up to 1 year	**4,437,470**	**3,877,776**	**559,694**	4,478,033	3,653,383	824,650	4,201,169	3,459,730	741,439
Over 1 year and up to 5 years	**11,812,984**	**10,353,996**	**1,458,988**	12,405,134	11,107,591	1,297,543	12,645,559	11,244,637	1,400,922
Over 5 years	**45,005**	**35,304**	**9,701**	4,105	3,805	300	12,586	11,313	1,273
	23,484,132	**19,885,255**	**3,598,877**	22,608,197	19,398,694	3,209,503	21,621,542	18,510,179	3,111,363
	185,113,817	**162,802,209**	**22,311,608**	171,265,488	150,731,390	20,534,098	156,236,806	136,617,475	19,619,331
(ii) Corporate customers									
Demand deposits	**96,492,924**	**46,297,493**	**50,195,431**	86,750,375	41,342,463	45,407,912	80,958,642	34,884,801	46,073,841
Savings deposits	**5,444,583**	**5,438,255**	**6,328**	4,964,468	4,961,626	2,842	5,906,210	5,902,307	3,903
Time deposits with remaining term to maturity:									
Up to 3 months	**9,786,076**	**2,134,907**	**7,651,169**	5,711,297	1,306,090	4,405,207	4,799,755	662,853	4,136,902
Over 3 months and up to 6 months	**2,402,963**	**1,446,144**	**956,819**	1,274,641	752,977	521,664	1,520,490	1,057,779	462,711
Over 6 months and up to 1 year	**1,603,162**	**943,348**	**659,814**	2,528,487	1,148,377	1,380,110	2,260,756	897,906	1,362,850
Over 1 year and up to 5 years	**5,936,188**	**2,926,456**	**3,009,732**	6,312,278	3,390,394	2,921,884	6,810,544	3,960,860	2,849,684
Over 5 years	**31,395**	**31,395**	**-**	100	100	-	62	62	-
	19,759,784	**7,482,250**	**12,277,534**	15,826,803	6,597,938	9,228,865	15,391,607	6,579,460	8,812,147
	121,697,291	**59,217,998**	**62,479,293**	107,541,646	52,902,027	54,639,619	102,256,459	47,366,568	54,889,891
(iii) Government									
Demand deposits	**36,515**	**36,515**	**-**	25,328	25,328	-	15,353	15,353	-
Savings deposits	**152,922**	**152,922**	**-**	110,724	110,724	-	61,216	61,216	-
	189,437	**189,437**	**-**	136,052	136,052	-	76,569	76,569	-
	307,000,545	**222,209,644**	**84,790,901**	278,943,186	203,769,469	75,173,717	258,569,834	184,060,612	74,509,222

The carrying amounts of deposits are not materially different from their fair values.

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(k) Other borrowed funds

(i) Other borrowed funds comprise the following:

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Borrowings from banks:									
in Mauritius	**12,067,601**	**12,067,601**	**-**	4,386,247	4,386,247	-	4,743	4,743	-
abroad	**43,338,139**	**-**	**43,338,139**	9,802,296	-	9,802,296	5,602,192	-	5,602,192
	55,405,740	**12,067,601**	**43,338,139**	14,188,543	4,386,247	9,802,296	5,606,935	4,743	5,602,192

The carrying amounts of other borrowed funds are not materially different from their fair values

(ii) Remaining term to maturity:

	2019 TOTAL RS'000	2019 Segment A RS'000	2019 Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000	2017 TOTAL RS'000	2017 Segment A RS'000	2017 Segment B RS'000
On demand or within a period not exceeding 1 year	**24,134,671**	**10,284,989**	**13,849,682**	8,363,531	4,386,247	3,977,284	41,352	4,743	36,609
Within a period of more than 1 year but not exceeding 3 years	**23,929,224**	**1,782,612**	**22,146,612**	3,517,597	-	3,517,597	-	-	-
Within a period of more than 3 years	**7,341,845**	**-**	**7,341,845**	2,307,415	-	2,307,415	5,565,583	-	5,565,583
	55,405,740	**12,067,601**	**43,338,139**	14,188,543	4,386,247	9,802,296	5,606,935	4,743	5,602,192

(l) Subordinated liability

	2019 TOTAL RS'000	2019 Segment A RS'000	2019 Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000	2017 TOTAL RS'000	2017 Segment A RS'000	2017 Segment B RS'000
USD30M subordinated debt maturing in August 2023 at an average interest rate of 5.8% (2018: 4.8% and 2017: 4.3%) (Level 3)	**1,067,968**	**-**	**1,067,968**	1,052,057	-	1,052,057	1,081,674	-	1,081,674
Repayment of USD 1.5M during the year	**(51,384)**	**-**	**(51,384)**	-	-	-	-	-	-
Exchange adjustment	**23,516**	**-**	**23,516**	8,124	-	8,124	(29,637)	-	(29,637)
	1,040,100	**-**	**1,040,100**	1,060,181	-	1,060,181	1,052,037	-	1,052,037

(m) Other liabilities

	2019 TOTAL RS'000	2019 Segment A RS'000	2019 Segment B RS'000	2018 TOTAL RS'000	2018 Segment A RS'000	2018 Segment B RS'000	2017 TOTAL RS'000	2017 Segment A RS'000	2017 Segment B RS'000
Post employee benefit liability:									
Staff Superannuation Fund	**300,685**	**300,685**	**-**	152,035	152,035	-	-	-	-
Residual retirement gratuities	**59,414**	**59,414**	**-**	51,033	51,033	-	-	-	-
Proposed dividend	**1,547,911**	**1,547,911**	**-**	1,341,522	1,341,522	-	1,341,522	1,341,522	-
Deferred income	**219,700**	**219,700**	**-**	-	-	-	-	-	-
Expected credit losses on off balance sheet exposure	**308,464**	**157,806**	**150,658**	-	-	-	-	-	-
Impersonal & other accounts	**5,684,972**	**5,674,959**	**10,013**	4,862,681	4,559,752	302,929	3,740,473	3,704,108	36,365
	8,121,146	**7,960,475**	**160,671**	6,407,271	6,104,342	302,929	5,081,995	5,045,630	36,365

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(n) Contingent liabilities

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
(i) Instruments									
Guarantees on account of customers	**20,376,617**	**12,781,143**	**7,595,474**	22,168,213	13,291,328	8,876,885	19,186,056	12,944,650	6,241,406
Letters of credit and other obligations on account of customers	**44,400,531**	**3,224,295**	**41,176,236**	32,684,338	3,582,426	29,101,912	20,444,660	2,947,251	17,497,409
Other contingent items	**1,750,761**	**-**	**1,750,761**	2,999,421	-	2,999,421	1,497,666	-	1,497,666
	66,527,909	**16,005,438**	**50,522,471**	57,851,972	16,873,754	40,978,218	41,128,382	15,891,901	25,236,481
(ii) Commitments									
Loans and other facilities, including undrawn credit facilities	**5,140,426**	**3,921,344**	**1,219,082**	6,077,554	4,719,360	1,358,194	6,714,334	3,316,186	3,398,148
(iii) Tax assessments	**89,715**	**89,715**	**-**	537,147	537,147	-	992,632	992,632	-
(iv) Other									
Inward bills held for collection	**493,477**	**351,603**	**141,874**	404,983	298,092	106,891	350,954	280,744	70,210
Outward bills sent for collection	**1,165,976**	**265,617**	**900,359**	991,670	253,597	738,073	1,003,037	227,706	775,331
	1,659,453	**617,220**	**1,042,233**	1,396,653	551,689	844,964	1,353,991	508,450	845,541
	73,417,503	**20,633,717**	**52,783,786**	65,863,326	22,681,950	43,181,376	50,189,339	20,709,169	29,480,170

(o) Interest income

	2019			2018 (Restated)			2017 (Restated)		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Loans to and placements with banks	**1,088,763**	**422,368**	**666,395**	668,016	266,148	401,868	577,309	192,559	384,750
Loans and advances to customers	**12,786,678**	**7,380,156**	**5,406,522**	10,454,505	7,330,178	3,124,327	9,914,265	7,544,560	2,369,705
Investments at amortised cost	**2,514,452**	**2,502,335**	**12,117**	-	-	-	-	-	-
Investments at fair value through other comprehensive income	**270,568**	**29,834**	**240,734**	-	-	-	-	-	-
Investments at fair value through profit or loss	**773,775**	**752,407**	**21,368**	-	-	-	-	-	-
Held-to-maturity investments	**-**	**-**	**-**	2,122,591	2,096,876	25,715	2,129,450	2,101,426	28,024
Available-for-sale investments	**-**	**-**	**-**	114,816	29,188	85,628	60,596	16,675	43,921
Held-for-trading investments	**-**	**-**	**-**	511,164	502,618	8,546	54,031	46,898	7,133
Other	**14,983**	**11,218**	**3,765**	32,596	2,022	30,574	13,773	5,465	8,308
	17,449,219	**11,098,318**	**6,350,901**	13,903,688	10,227,030	3,676,658	12,749,424	9,907,583	2,841,841

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(p) Interest expense

	2019			2018 (Restated)			2017 (Restated)		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Deposits from banks	101,275	32	101,243	48,168	-	48,168	22,038	-	22,038
Deposits from customers	3,768,132	3,125,932	642,200	3,474,471	2,960,888	513,583	3,668,925	3,223,618	445,307
Subordinated liability	59,192	-	59,192	46,507	-	46,507	44,522	-	44,522
Other borrowed funds	1,267,823	524,472	743,351	225,755	31,056	194,699	134,890	2,149	132,741
	5,196,422	3,650,436	1,545,986	3,794,901	2,991,944	802,957	3,870,375	3,225,767	644,608

(q) Fee and commission income

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Retail and private banking fees	630,520	400,855	229,665	748,684	360,088	388,596	754,754	333,320	421,434
Corporate banking fees	583,952	359,673	224,279	522,642	234,015	288,627	420,208	241,684	178,524
Guarantee fees	263,218	165,550	97,668	235,715	150,204	85,511	221,386	144,358	77,028
Interbank transaction fees	63,029	-	63,029	63,216	-	63,216	57,237	-	57,237
Cards and other related fees	1,792,170	1,408,557	383,613	1,577,784	1,268,461	309,323	1,458,173	1,131,655	326,518
Trade finance fees	630,031	105,521	524,510	376,296	95,391	280,905	296,915	103,339	193,576
Others	124,475	30,451	94,024	120,019	34,909	85,110	86,076	18,121	67,955
	4,087,395	2,470,607	1,616,788	3,644,356	2,143,068	1,501,288	3,294,749	1,972,477	1,322,272

(r) Fee and commission expense

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Interbank transaction fees	16,393	-	16,393	17,624	-	17,624	13,206	-	13,206
Cards and other related fees	839,780	708,226	131,554	722,430	603,085	119,345	653,578	572,993	80,585
Corporate banking and trade finance fees	174,037	-	174,037	113,338	-	113,338	-	-	-
Others	39,773	-	39,773	14,356	-	14,356	20,889	-	20,889
	1,069,983	708,226	361,757	867,748	603,085	264,663	687,673	572,993	114,680

(s) Net gain/(loss) from financial instruments carried at fair value

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Net gain/(loss) from derivative financial instruments	87,342	165,446	(78,104)	(420,408)	(456,860)	36,452	88,017	45,082	42,935
Investment securities	563,469	146,974	416,495	38,839	40,519	(1,680)	12,191	20,824	(8,633)
	650,811	312,420	338,391	(381,569)	(416,341)	34,772	100,208	65,906	34,302

(t) Dividend income

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Income from subsidiary	15,477	-	15,477	26,937	-	26,937	63,506	-	63,506
Income from quoted investments	30,677	24,701	5,976	26,762	22,098	4,664	38,805	34,743	4,062
Income from unquoted investments	12,350	10,375	1,975	9,419	9,158	261	5,978	4,726	1,252
	58,504	35,076	23,428	63,118	31,256	31,862	108,289	39,469	68,820

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(u) Salaries and human resource costs

	2019			2018			2017		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Wages and salaries	**2,464,591**	**2,084,718**	**379,873**	2,123,234	1,800,078	323,156	2,039,545	1,737,941	301,604
Defined benefit plan	**184,284**	**150,170**	**34,114**	172,431	136,830	35,601	197,708	169,503	28,205
Defined contribution plan	**106,305**	**99,011**	**7,294**	84,740	77,861	6,879	66,041	62,200	3,841
Residual retiring gratuities	**7,709**	**7,478**	**231**	51,033	49,502	1,531	-	-	-
Compulsory social security obligations	**69,993**	**62,342**	**7,651**	65,073	56,778	8,295	61,166	55,041	6,125
Equity settled share-based payments	**4,108**	**3,988**	**120**	10,915	10,588	327	3,024	2,933	91
Other personnel expenses	**690,235**	**603,626**	**86,609**	621,753	539,774	81,979	588,100	522,715	65,385
	3,527,225	**3,011,333**	**515,892**	3,129,179	2,671,411	457,768	2,955,584	2,550,333	405,251

(v) Other non-interest expense

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Legal & professional fees	**320,627**	**212,770**	**107,857**	406,192	312,115	94,077	258,475	194,516	63,959
Rent,repairs,maintenance and security costs	**321,320**	**307,000**	**14,320**	293,353	280,768	12,585	301,758	289,066	12,692
Software licensing and other information technology costs	**312,073**	**292,687**	**19,386**	255,029	240,150	14,879	242,892	230,150	12,742
Electricity,water and telephone charges	**231,014**	**220,502**	**10,512**	219,416	209,739	9,677	213,745	208,381	5,364
Advertising, marketing costs and sponsoring	**249,035**	**204,897**	**44,138**	156,276	136,599	19,677	150,610	129,755	20,855
Postage,courier & stationery costs	**145,877**	**133,425**	**12,452**	135,301	125,841	9,460	140,088	130,595	9,493
Insurance costs	**97,199**	**87,275**	**9,924**	95,090	81,533	13,557	102,660	80,707	21,953
Others	**111,261**	**122,451**	**(11,190)**	172,411	167,668	4,743	99,669	102,448	(2,779)
	1,788,406	**1,581,007**	**207,399**	1,733,068	1,554,413	178,655	1,509,897	1,365,618	144,279

(w) Net impairment of financial assets

The impairment charge related to the Statement of Profit or Loss:

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Allowance for credit impairment:									
Cash and cash equivalent	**5,676**	**22**	**5,654**	-	-	-	-	-	-
Loans and advances	**1,364,490**	**727,725**	**636,765**	1,182,965	280,600	902,365	946,559	180,726	765,833
Investment securities:									
Amortised cost	**59,064**	**59,831**	**(767)**	-	-	-	-	-	-
Fair value through other comprehensive income	**(6,397)**	**(3,447)**	**(2,950)**	-	-	-	-	-	-
Held-to-maturity	**-**	**-**	**-**	45,967	45,967	-	3,945	3,945	-
Off balance sheet exposures	**32,816**	**37,129**	**(4,313)**	-	-	-	-	-	-
	1,455,649	**821,260**	**634,389**	1,228,932	326,567	902,365	950,504	184,671	765,833

37. Additional disclosures as required by the Bank of Mauritius (Cont'd)

(x) Income tax expense

	2019			2018 (Restated)			2017 (Restated)		
	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000	TOTAL RS'000	Segment A RS'000	Segment B RS'000
Current tax expense									
Current year	**1,365,002**	**1,183,681**	**181,321**	1,362,507	1,244,291	118,216	1,429,398	1,308,895	120,503
Under/(Over) provision in previous years	**24,226**	**(15,449)**	**39,675**	(80,540)	(80,387)	(153)	(25,967)	(21,595)	(4,372)
Provision for tax assessment	**163,055**	**167,348**	**(4,293)**	258,272	301,974	(43,702)	-	-	-
	1,552,283	**1,335,580**	**216,703**	1,540,239	1,465,878	74,361	1,403,431	1,287,300	116,131
Deferred tax	**77,579**	**91,269**	**(13,690)**	87,464	97,220	(9,756)	(380)	(5,200)	4,820
Charge for the year	**1,629,862**	**1,426,849**	**203,013**	1,627,703	1,563,098	64,605	1,403,051	1,282,100	120,951

The tax on the profits differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Profit before tax:	**10,443,470**	**4,649,271**	**5,794,199**	8,413,267	4,984,560	3,428,707	7,648,151	4,861,456	2,786,695
Less share of profit of associates	**(241,860)**	**-**	**(241,860)**	(341,468)	-	(341,468)	(266,891)	-	(266,891)
	10,201,610	**4,649,271**	**5,552,339**	8,071,799	4,984,560	3,087,239	7,381,260	4,861,456	2,519,804
Tax calculated at a rate of 15%	**1,530,242**	**697,391**	**832,851**	1,210,770	747,684	463,086	1,107,190	729,219	377,971
Impact of:									
Income not subject to tax	**(110,007)**	**(73,530)**	**(36,477)**	(81,491)	(100,016)	18,525	(23,189)	(74,486)	51,297
Expenses not deductible for tax purposes	**175,736**	**115,722**	**60,014**	222,341	140,824	81,517	98,547	67,231	31,316
Tax credits	**(750,292)**	**(61,535)**	**(688,757)**	(487,639)	-	(487,639)	(362,189)	-	(362,189)
Special levy on banks	**510,460**	**510,460**	**-**	493,820	460,849	32,971	511,704	484,776	26,928
Corporate Social Responsibility Contribution	**86,442**	**86,442**	**-**	92,170	92,170	-	96,955	96,955	-
Under/(Over) provision in previous years	**24,226**	**(15,449)**	**39,675**	(80,540)	(80,387)	(153)	(25,967)	(21,595)	(4,372)
Provision for tax assessment	**163,055**	**167,348**	**(4,293)**	258,272	301,974	(43,702)	-	-	-
Tax charge	**1,629,862**	**1,426,849**	**203,013**	1,627,703	1,563,098	64,605	1,403,051	1,282,100	120,951

The tax (credit)/charge related to statement of profit or loss and other comprehensive income is as follows:

	2019 TOTAL	2019 Segment A	2019 Segment B	2018 TOTAL	2018 Segment A	2018 Segment B	2017 TOTAL	2017 Segment A	2017 Segment B
Remeasurement of defined benefit pension plan	**487,322**	**487,322**	**-**	283,308	283,308	-	(337,740)	(337,740)	-
Deferred tax (credit)/charge	**(82,845)**	**(82,845)**	**-**	(48,162)	(48,162)	-	50,661	50,661	-
Remeasurement of defined benefit pension plan, net of deferred tax	**404,477**	**404,477**	**-**	235,146	235,146	-	(287,079)	(287,079)	-

Administrative Information

Administrative information

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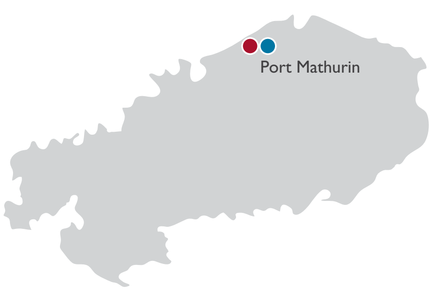

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